Thailand to Offer to Buy Thaicom From Temasek, Gaining Satellite Control

By Daniel Ten Kate - Jun 14, 2010

Thaicom Pcl shares jumped the most in 12 years after Thailand’s government announced plans to buy Temasek Holdings Pte’s stake in the satellite monopoly for national security reasons following anti-government protests.

“It’s our policy to buy back the satellite unit from Thaicom,” Sirichoke Sopha, a lawmaker in Prime Minister Abhisit Vejjajiva’s Democrat party, said today by phone. “There is no formal offer yet. It’s just really a starting of negotiations.”

The purchase would end a dispute over the satellite’s ownership that began when Singapore’s state-owned investment company bought Shin Corp. from the family of former...
Prime Minister Thaksin Shinawatra in 2006. The sale triggered protests that led to Thaksin’s overthrow in a coup later that year.

Thaicom stock rose by its daily 30 percent limit in Bangkok trading, recouping most of its decline so far this year. Shin, which owns 41 percent of Thaicom, gained 8.9 percent. The benchmark SET Index increased 1.5 percent.

“Thaicom is a listed company in its own right, which is 41 percent owned by Shin Corp.,” Temasek said in an e-mailed statement. “Any sale of Thaicom is a matter for the boards of Thaicom and Shin Corp. to consider and decide.”

In 2007, Thailand’s military-appointed government started informal talks with Temasek to buy the satellite company. The army chief who led the coup warned at the time that Singapore may be using Shin’s assets to spy on military leaders, a charge the companies denied.

“To the extent that they are getting a fair price for the satellite company, I don’t see why Temasek would not want to sell it,” said Melvyn Teo, a director at the BNP Paribas Hedge Fund Centre at Singapore Management University. “By not doing so, they might face repercussions from the Thai government.”

‘Good Reason to Sell’

The government’s move to purchase Thaicom came as it battled anti-government protesters who used the company to transmit the signal of their satellite television station. Gunfire exchanges between troops and supporters of ex-leader Thaksin left 89 people dead over two months.

Temasek has “good reason to sell” because its ownership has “proved an irritant to bilateral relations,” Prasit Sujiravorakul, an analyst at Bualuang Securities Pcl, wrote in a report today. It may take some time to price any deal because Thaicom’s book value is about 14 baht a share, double the current market price, he wrote. The proposal to buy Thaicom is “really about national security and nothing else,” said Sirichoke, an aide to Abhisit. “It’s not about taking out the opposition, because they could use another satellite which has a footprint in Thailand.”
Talks With Temasek

Sirichoke visited Singapore in April with Finance Minister Korn Chatikavanij to meet with Temasek, which is “willing to think about the deal,” he said. The timing and price of the deal will depend on the finance ministry, Abhisit said today.

Korn, in an interview today with the state-owned NBT television network, said negotiations were at an early stage and warned investors to be cautious.

“I met with Temasek to convey our concern about the role of its Thai unit, Shin Satellite, during the political rally,” he told NBT. “There was no discussion about the purchase of the Shin Satellite stake. Still, the government always has an interest in returning the satellite business to Thai hands because it involves national security. But there are a lot of factors involved. We have to carefully consider whether it’s worth taxpayers’ money, and whether Temasek is willing to sell. So I urge investors to be careful.”

Public Investment Fund

The government may make the purchase either through government-owned MCOT Pcl or one of two state enterprises controlled by the Ministry of Information and Communications Technology, Sirichoke said. Authorities may also establish an investment fund to raise money from the general public to purchase the shares, he said.

Thaicom’s concession expires in 2021, according to its website. The company founded by Thaksin in 1991 has reported a net loss in three of the past four years and hasn’t paid a dividend since 2004, according to data compiled by Bloomberg. The government’s proposal was previously reported by theBangkok Post.

Temasek directly owns 41.7 percent of Shin Corp., while a group of investors, including a Temasek unit, holds 54.6 percent, according to Thai stock exchange data. Two weeks before the anti-government protests, Thailand’s Supreme Court seized 46.4 billion baht ($1.43 billion), or about 60 percent of the amount Thaksin’s family gained from its 2006 sale of Shin to Temasek. Thaksin lives overseas after fleeing a 2008 jail sentence for abuse of power.
Breach of Concession

The Supreme Court ruled on Feb. 26 that Thaksin favored Thaicom by allowing it to launch its Ipstar satellite in breach of its concession to operate the country’s first communications satellite. Ipstar provides broadband satellite services in 12 countries, from China to Australia.

Thaicom is “having a problem about keeping the concession due to a breach of contract because of the Ipstar,” Sirichoke said. “The future is not so bright from the satellite side.”

The company, which wasn’t a defendant in the lawsuit, said in a March 2 filing that it fully complied with the concession terms and would clarify any previous actions. The following month, Thaicom rebuffed accusations that it hindered government attempts to block the signal of the anti-government satellite television station.

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