

The Malaysian Reserve, 24 June 2013

Govt's RM1.5b sukuk 'to be drawn down'

Monday, 24 June 2013 10:48 Ishun P Ahmad

The government is expected to draw down RM1.5 billion from its Islamic bond programme in July to pay construction claims for the mass rapid transit (MRT) project, said a source familiar with the bonds.

Industry observers said at current rates, the government cost for the bonds would be relatively low and favourable, as such the issuance in July is deemed timely.

Further, they said cost of funds could likely creep up towards the end of the year or early part of next year as the US could likely raise rates on interest as it scales down bond purchases in anticipation of stronger economic growth there.

This will pressure other countries to raise interest rates as well as in Malaysia and push up the cost of raising money through the bond market. The medium- to longer-term trend as such would be pointing to higher cost of borrowings.

The programme under DanaInfra Nasional Bhd's RM8 billion guaranteed Islamic commercial paper/ Islamic medium-term notes has to date drawn down RM3.9 billion. The tenure for the bonds ranges from seven to 20 years.

"Rates (cost of borrowing) for this bond is relatively low at the moment. The government has two choices to raise the funds either through tender exercise or book building, as for the earlier issue it choose book building," said Bond Pricing Agency Malaysia Sdn Bhd CEO Meor Amri Meor Ayob when asked about the cost of borrowing for the bonds.

RAM Holdings Bhd's chief economist Dr Yeah Kim Leng also concurred that borrowing cost for the bonds remains low and favourable. Some of the main contractors for the MRT project include Ahmad Zaki Resources Bhd and IJM Corp Bhd that secured the Sungai Buloh- Kajang MRT line works for RM1.74 billion in early of last year.

According to the official website of MRT Corp (the developer and asset owner of MRT), the first MRT line to be implemented is the 51km Sungai Buloh-Kajang line. Construction of the line was officially launched on July 8, 2011.

The MRT project was initially proposed to the government by a private- sector consortium in early 2010. The proposal was for the construction of three MRT lines.

The Klang Valley MRT project involves the construction of a railbased public transport network which, together with the existing light rail transit, monorail, KTM Komuter, KLIA Ekspres and KLIA Transit systems, form the backbone of the Greater Kuala Lumpur/Klang Valley region