

Bondholders not accepting haircut

They expect full payments if Govt buys back water bonds

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PETALING JAYA: Water bondholders are not accepting any haircut in the potential government buyback of the financially-troubled bonds, according to sources.

Against the point that bondholders had, in the first place, undertaken a risky investment that had not performed, the counter argument is that bondholders had played their part in the privatisation and socio-economic development of the country.

Hence, the subtle message might be that they expected the Federal Government to honour the payments in full, especially if they were to continue to support further privatisation projects, analysts said.

If Pengurusan Aset Air Bhd (PAAB), the Government's water asset management company with large coffers, stepped in to buy over the bonds, there might not be a need for a haircut, they added.

A haircut occurs if the face value of the bonds decreases.

So far, the outstanding water bonds that are rated, excluding the ones issued by PAAB, amount to RM6.7bil out of the total issued of RM9.02bil.

The issue of bond valuation by the Federal Government could be a thorny one, said analysts.

Yields have gone down over the years; therefore, the value of the bonds should increase.

Following the recent downgrade, the market value of seven sets of bonds that are rated by Malaysian

Status of Selangor water bonds

Bonds	Issued	Outstanding
1. Syarikat Bekalan Air Selangor Sdn Bhd (SYABAS)	· RM3bil BBA CP/MTN	· RM2.13bil
2. Puncak Niaga (M) Sdn Bhd	· RM1.02bil BalDS · RM546.88mil A Notes · RM435mil RUB	· RM1.02bil · RM328.1mil · RM435mil
3. Puncak Niaga Holdings Bhd	· RM546.88mil RUN with warrants	· RM328.1mil
4. RUN Holding SPV Bhd	· RM200mil CP/MTN	· RM120mil
5. Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (SPLASH)	· RM385mil Murabahah MTN · RM50mil Murabahah CP	· RM300mil · RM50mil
6. Viable Chip (M) Sdn Bhd	· RM50mil BG BalDS · RM150mil BalDS	· RM50mil · RM150mil
7. Titis Modal (M) Sdn Bhd	· RM738mil FR5B	· RM738mil
8. Berjaya Infrastructure Sdn Bhd	· RM400mil MTN	· RM55mil
9. SPLASH	· RM1.407bil BalDs	· RM992mil

Note:

BBA - Bai Bithaman Ajil, CP - Commercial Paper, MTN - Medium Term Note, BalDS - Bai Bithaman Ajil Islamic Debt Securities, A Notes - Junior Notes A, RUB - Redeemable Unsecured Bonds, RUN - Redeemable Unconvertible Junior Notes, BG - Bank Guaranteed, FR5B - Fixed Rate Serial Bonds

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Rating Corp (MARC) tumbled by about RM1bil overnight.

According to the prices set out by the Bond Pricing Agency (BPA), the drop is quite severe in some cases.

"The mood among the bondhold-

ers is mixed," said an analyst. "They are relieved that the Federal Government is stepping in but they are also worried how the pricing will turn out."

Will the Government use the

benchmarks as set out by the BPA for its valuation of the water bonds?

Analysts pointed out that some of these bonds were not traded every day and BPA prices were based on certain statistics.

"The situation is likely to get more complicated if the Government incorporates part of this pricing from BPA into its valuation," an analyst opined.

Some of the bonds are running into an event of default.

The Federal Government is believed to be planning a special-purpose vehicle or getting PAAB to buy over the bonds.

Puncak Niaga Holdings Bhd is calling for a bondholders' meeting "to seek for certain waivers" following the recent downgrades by MARC which had resulted in the rating of some of Puncak's debt to fall below the minimum required under their respective trust deeds.

Puncak, like the other water treatment operators, is suffering from a cashflow problem on a persistent mismatch between payment upstream, based on pre-agreed rates, and revenue, based on existing capped rates.

Continuing disagreements over control in distribution and sale of water as well as the fragmented shareholding structure between State and Federal Governments are not helping the situation either.

Out of the total outstanding, banks are estimated to hold about RM1bil worth of water bonds; insurance companies and pension funds may be holding about RM2bil each and the balance is with fund managers.