A balance in social and business obligations crucial for PLUS

Top stories

Najib was a director of Yayasan Rakyat 1Malaysia, High court told

by BERNAMA / pic by MUHD AMIN NAHARUL
The High Court here was today ...more

The tiny deals lacing Mukesh Ambani's bid to take on Amazon

Asia's richest man plans to leverage telecom network for e-commerce ...more

The move to buy over PLUS is one of the key elements in Pakatan Harapan's manifesto during the run-up to GE14 last year

By MARK RAO / Pic By ISMAIL CHE RUS

The government's decision to buy over PLUS Malaysia Bhd might benefit highway users, but the move could jeopardise the company's ability to meet its debt obligations and the capacity to maintain a healthy cashflow.

Sources said the takeover of the highway asset needs to be balanced with PLUS' obligations to meet repayments for its RM30.6 billion sukuk, apart from taking care of the interests of shareholders Khazanah Nasional Bhd and the Employees Provident Fund (EPF).

An industry analyst said it will come down to finding a workable solution between the federal government and the two shareholders.

The source, who declined to be named, added that the EPF is not a government-linked company and is managing the people's money.

"The government has to tread carefully as this involves the public's money. It is a double-edged sword.

"On one hand, revenue collection from tolls will be good for the EPF. At the same time, abolishing tolls would be good for highway users (in terms of the immediate cost benefits)," the source told *The Malaysian Reserve (TMR)*.

The move to buy over PLUS is one of the key elements in Pakatan Harapan's manifesto during the run-up to the 14th General Elections (GE14) last year.

After coming into power in May, the coalition identified the abolishment of tolls is necessary to make good on its campaign pledge.

Among the targets is PLUS Malaysia — who is the holding company of Projek Lebuhraya Usahasama Bhd (PLUS) — the operator of over 800km of highways in Peninsular Malaysia.

SMTrack to venture into airline biz

By BERNAMA / Graphic By TMR
SMTrack Bhd, which provides radio frequency ...more

Samurai bond attracts bids from 46 Japanese investors

By ALIFAH ZAINUDDIN / Pic By MUHD AMIN NAHARUL
THE ¥200 billion (RM7.34 ...more

The source said politics will likely come into play as the current administration makes good on its campaign pledge.

"The government is expected to move towards abolishing tolls and this would translate into challenging cashflow for PLUS Malaysia. On the surface, it looks tough for the highway operator," the source said.

TMR reported last week that any proposal to abolish tolls, including those owned by PLUS Malaysia, will have to take into account various considerations, including PLUS' RM30.6 billion sukuk issuance.

In the article, Deputy Works Minister Mohd Anuar Mohd Tahir *(picture)* told *TMR* that the federal government can provide the capital to redeem the sukuk in order to abolish toll collections.

PLUS issued the fixed-rated Islamic debt paper on Jan 12, 2012, as part of its privatisation exercise completed the year before.

While still profitable, PLUS Malaysia's last reported after-tax profit of RM288.2 million in 2016 was significantly lower than the RM1.31 billion achieved in 2010 — a year before it was de-listed.

Abolishing the tolls would derail the company's ability to meet its sizeable debt commitments, indicating that there will likely be a government intervention if a buyout occurs.

According to information procured from Bond Pricing Agency Malaysia Sdn Bhd, PLUS redeemed RM700 million of the total RM30.6 billion sukuk issuance as of April 9 this year, leaving a remainder of RM29.9 billion to be repaid.

The first repayment of RM500 million is due on Jan 10, 2020, followed by another RM500 million on Jan 12 the following year at coupon rates of 4.22% and 4.31% respectively.

This will progressively increase up to the final maturity date of Dec 31, 2038, where RM5.5 billion is due at a 5% coupon rate. The rates range between 4.22% and 5.75%.

Malaysian Rating Corp Bhd maintained its AAAIS rating and 'Stable' outlook for PLUS' standalone facility, namely the RM23.35 billion Sukuk Musharakah programme, on March 25 this year.

PLUS holds a total of five highway concessions — namely Projek Lebuhraya Utara-Selatan Bhd, Expressway Lingkaran Tengah Sdn Bhd, Linkedua (M) Bhd, Konsortium Lebuhraya Butterworth-Kulim Sdn Bhd and Penang Bridge Sdn Bhd.

All concessions end in December 2038. The EPF holds a 49% stake in the parent company, PLUS Malaysia, while Khazanah holds the remainder of 51%.

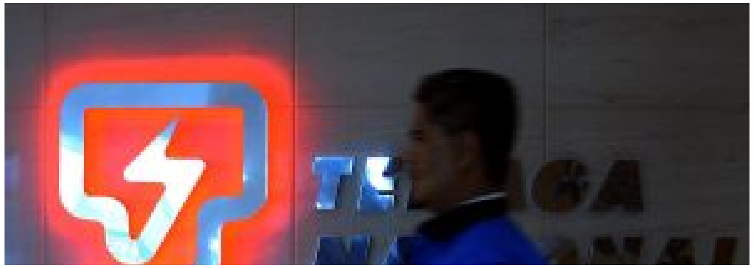
Write a comment

Add Vuukle Privacy

Vuukle

Share this

Related News



TNB falls on Khazanah's share sale

By FARA AISYAH / Pic By MUHD AMIN NAHARUL
Shares of Tenaga Nasional Bhd (TNB) fell to the lowest since September 2015 following ...more

Principles for Responsible Investment ...more

Asset disposal only when investment target achieved

Khazanah will only consider disposing of assets that have met financial and strategic targets
by ALIFAH ZAINUDDIN / graphic by TMR ...more

MAB attracts foreign, local suitors, says Dr Mahathir

MAB is financially weak with many underutilised aircraft
Pic By MUHD AMIN NAHARUL The government has received ...more