

LRT firms' takeover plan revived

STAR

2001

THE government has revived a plan to take over two light rail companies and convert US\$1.4bil of their overdue loans into bonds in the nation's biggest corporate restructure, according to a document obtained by the Bloomberg News.

The government plans to acquire 80% of Kuala Lumpur's light rail systems - run by Sistem Transit Aliran Ringan Sdn Bhd, or STAR, and Projek Usahasama Transit Automatik Sdn Bhd, or Putra - leaving Renong Bhd, Taylor Woodrow Plc, the state-run pension funds and other shareholders with the rest.

The plan is outlined in a 14-page document prepared by the Corporate Debt Restructuring Committee (CDRC) and dated Aug 29.

The buyout will be cheaper for the government than initially planned because by guaranteeing the bonds it will pay creditors a lower coupon rate.

The CDRC presented the revised plan for the light rail companies on Wednesday to lenders, which included Bayerische Landesbank, RHB

Bank Bhd, Phileo Allied Bank Bhd and the Employees Provident Fund (EPF).

Azman Yahya, who was named chairman of the CDRC in July, was not available yesterday for comment. Other officials declined to comment.

According to the document, the Ministry of Finance Inc will own 80% of Syarikat Prasarana Negara Bhd, which will buy STAR and Putra.

"Syarikat Prasarana will then buy the loans from creditors by issuing bonds to them in four tranches, with a maturity of between 5 and 15 years, at coupon rates of between 4.00% and 5.40%," the document said.

The rates are lower than the previous 5.8% and 7.2% because the government will guarantee the bonds.

The creditors are expected to decide on the plan in the second week of this month. The bonds will be issued at the end of the year.

The document said creditors

would not be asked to take any losses on the principal amount, though they would be asked to waive any penalty interests.

Three months ago, Prime Minister Datuk Seri Dr Mahathir Mohamad deferred a RM5.5bil bond sale, first announced in December last year, to fund the complete takeover of the rail systems because it was too expensive.

Analysts said the takeover under the new plan would cut by about 10% the nation's RM60bil of bad loans, a legacy of the 1997 financial crisis in Asia, and help banks stem a decline in profit as the economy slowed again.

"It will help restore the stability of the banking system," said Sebastian Chang, research head of Vickers Ballas Research (M) Sdn. "With this kind of infrastructure it's difficult to make money. It should be in the hands of the government."

The rail plan is part of the government's effort to reduce debt at Renong Bhd, the country's biggest industrial group.

Last month, the government offered to buy Renong unit United Engineers Malaysia Bhd (UEM) to wrest control of the parent from its chairman Tan Sri Halim Saad, reschedule debts and hasten asset sales.

Renong is the country's most indebted group with more than RM20bil. The market value of the company has halved in the past 12 months.

On Wednesday, it reported a loss of RM331.9mil in the year to June 30, hurt by falling revenue, higher interest charges and development costs in its transport business. Renong shares fell 2.8% on Thursday. The share market was closed yesterday for the National Day holiday.

In 1999, Renong, which owns Putra, defaulted on interest payments of RM44.6mil on a RM2bil loan, after passenger traffic fell and revenue didn't cover expenses.

The other line, STAR, is owned by the EPF, Taylor Woodrow Plc and other state-run funds. - Bloomberg