

# Govt's takeover of LRT firms is on

It will convert RM5.32b of their debts into bonds in biggest rescue

**KUALA LUMPUR:** The government has revived a plan to take over two rail companies and convert US\$1.4 billion (RM5.32 billion) of their overdue loans into bonds in the nation's biggest corporate rescue, according to a document obtained by Bloomberg News.

The government plans to acquire 80% of Kuala Lumpur's light rail system, leaving Renong Bhd, Taylor Woodrow Plc, state-run pension funds and other shareholders with the rest.

The plan is outlined in a 14-page document by the state-owned debt mediator and dated Aug 29. The bailout will be cheaper for the government than initially planned because by guaranteeing the bonds it will pay creditors a lower coupon rate.

The takeover would cut by about 10% the nation's RM60 billion of bad loans, a legacy of the 1997 financial crisis in Asia, and help banks stem a decline in profit as the economy slows again, analysts said.

"It will help restore the stability of the banking system," said

Sebastian Chang, research head of Vickers Ballas Research (M) Sdn Bhd.

"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 a Renong unit, United Engineers Malaysia Bhd, 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 RM20 billion of debt. The market value of the company has halved in the past 12 months.

On Wednesday, it reported a loss of RM331.9 million in the year to June 30, hurt by falling revenue, higher interest charges and development costs in its transport business.

The Corporate Debt Restructuring Committee, or CDRC, presented the revised

plan for the rail companies on Wednesday to lenders, including Bayerische Landesbank, RHB Bank Bhd, PhilcoAllied Bank Bhd and the Employees Provident Fund.

Datuk Azman Yahya, who was named chairman of the government's debt mediator in July, wasn't available for comment. Other officials declined to comment.

Three months ago, Prime Minister Datuk Seri Dr Mahathir Mohamad deferred a RM5.5 billion bond sale, first announced in December, to fund the complete takeover of the rail systems because it was too expensive. Some investors said the move favoured businessmen such as Halim.

In 1999, one of the two groups managing the longest driverless rapid transit rail in the world defaulted on a debt payment after passenger traffic fell.

Under the new plan, the government's Ministry of Finance Inc will own 80% of Syarikat Prasarana Negara Bhd, which will buy the rail companies, the

documents said.

Syarikat Prasarana will then buy the loans from creditors by issuing bonds to them in four tranches with a maturity of between five 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 and the bonds issued at year-end.

Creditors will not be asked to take any losses on the principal amount, though they will be asked to waive any penalty interests, the document said.

Renong, which owns Projek Usahasama Transit Automatik Sdn (Putra), defaulted in 1999 on interest payments of RM44.6 million on a RM2 billion loan, after revenue failed to cover expenses.

Another line, Sistem Transit Aliran Ringan Sdn Bhd (Star), is owned by the Employees Provident Fund, Taylor Woodrow Plc and other state-run funds. - Bloomberg