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Foreign fund managers give debt revamp thumbs-up

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MALAYSIA'S approach to corporate debts restructuring has received positive response from the foreign fund managers, according to local market players.

The local fund managers and analysts said the Government has shown that it is serious in pushing for the restructuring of corporate debts.

"Finally, we are seeing some concrete measures taken by the Government in the last 12 months in corporate debts restructuring.

"From the meeting we had with foreign fund managers, the report on Malaysia is encouraging from the aspect of the restructuring exercise," research head of a local securities firm said.

Analysts said Malaysia stands tall among the countries in the region when it comes to the approach and speeding of restructuring exercises.

With a new man at the helm of the Corporate Debt Restructuring Committee (CDRC), Datuk Azman Yahya, analysts believe greater impetus and priority will be focussed on existing corporate debts.

Since assuming the post in late July this year, Azman has given a three-month deadline to complete debt reorganisation on outstanding corporate debts in CDRC's stable involving some RM33 billion.

Under a new set of rules, companies are given three months to come up with a debt workout, discuss it with the regulators and obtain approval from creditors who owed at least 75 per cent of the total debt.

The bulk of the outstanding debts is believed to have come from corporate giants.

They include Renong Bhd, Lion Group, unlisted light rail company STAR and Johor Corp.

Even the national asset management company, Pengurusan Danaharta Nasional Bhd has managed to sort out some RM39.12 billion non-performing loans of the total RM48.03 billion as at end June this year.

"Currently, foreign fund managers are selling Malaysian corporate restructuring story rather than the country's economic outlook.

"This is a good signal for investors as they can look forward to more transparent and robust Malaysian corporate sector," an analyst said.

Analysts see Prime Minister Datuk Seri Dr Mahathir Mohamad who is Finance Minister as someone who is committed to clean up the corporate sector debts.

The successful takeover of United Engineers (Malaysia) Bhd which controls Renong Bhd by Syarikat Danasaham Sdn Bhd and the decision by the Government to the takeover of Kuala Lumpur's Star and Putra light rail transit (LRT) systems are just two cases of the Government's seriousness in this matter.

Others include the purchase of Naluri Bhd's controlling stake in the national carrier, MAS and also measures taken to restructure the media group Malaysian Resources Corp Bhd's RM1.3 billion estimated debts.

Even the banking sector merger got a further boost when AMMB Holdings Bhd's purchase of MBf Finance Bhd from Danamodal Nasional Bhd for RM925 million is on its way to completion.

According to analysts, foreign fund managers are keeping a close watch on the progress of the corporate debt restructure exercise to capitalise on investment opportunities.

"The restructure exercise provides a window of opportunity for investors. This will unlock values in restructured companies and would

attract interest from investors," analysts added.

Even in the uncertainties surrounding the global economy vis-a-vis the current economic situation in the US, analysts are confident that it will not hamper the Government's effort to clean up the corporate sector of bad debts.

"It is important to show to the world that despite the economic downturn the restructuring exercise is not derailed. This will augur well for the country in the long term as investors' confidence is coming back," an economist said.

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