

## **1MDB may tackle debt early, if cash comes in quickly**

**MalaysiaKini.com**

**Jan 15<sup>th</sup>, 2016**

**Praveen Menon & Saeed Azhar, Reuters**

Malaysian sovereign fund 1MDB may consider redeeming some of its outstanding debts ahead of time if cash payments from a land sale can come through quickly and if market conditions improve, its president Arul Kanda Kandasamy told Reuters.

1MDB is in the centre of graft allegations engulfing Malaysian Prime Minister Najib Abdul Razak that have sparked investigations from Switzerland to the United States.

The state fund is in the final stages of a radical land and power assets sale plan aimed at paring back US\$7.6 billion (RM33.28 billion) of long-term debt and putting a lid on 1MDB's problems.

Arul Kanda said retiring a costly US\$3 billion (RM13.14 billion) overseas issue arranged by Goldman Sachs would depend on the final terms of the sale of Kuala Lumpur's real estate development Bandar Malaysia to a China-led consortium.

1MDB wants to sell Bandar Malaysia for US\$1.7 billion, but the Chinese say the land is worth US\$1.2 billion. There is also yet no agreement on whether the payment would be done upfront or deferred.

"If we do receive (outright) cash for the sale of Bandar Malaysia, then it opens up the possibility of exploring that option," Arul Kanda (photo) said when asked about an early bond repayment.

But with the ringgit trading at 17-year lows against the US dollar, "it may not as much make sense to repurchase dollar-denominated bonds".

Najib, who chairs the advisory board of the scandal-hit fund and is also Malaysia's finance minister, has said 1MDB's restructuring program should be concluded at the earliest.

If 1MDB continues to exist, even in a skeletal form to continue servicing its debt, it would be a thorn in the side for Najib, who is under attack by political opponents because of it.

"If we repay the bonds, in theory we can close down the company. So long as the bonds remain, the company will remain," Arul Kanda said.

1MDB's 4.4 percent bond arranged by Goldman Sachs and due in 2023 was one of the worst performers among those listed on the JP Morgan Asia Credit Index (JACI) last year.

The bond lost a third of its price to 70 cents in September, but it since recovered to 88/89 cents as investors started to bet on a buyback.

"That's why we are seeing a lot of hedge funds and alternative fund managers who seek alpha, getting into this bond," said a bond holder.

### **Way to go**

Malaysia's political landscape has been in turmoil since July, when local investigators looking into 1MDB found nearly US\$700 million on Najib's personal accounts.

Najib has denied any wrongdoing and Malaysia's anti-graft agency said the funds were political donations from the Middle East and not connected to 1MDB.

1MDB needs to tackle RM5 billion (US\$1.14 billion) worth of sukuk, US\$3 billion of bonds sold through Goldman Sachs and US\$3.5 billion of bonds guaranteed by Abu Dhabi's sovereign investor International Petroleum Investment Co (IPIC).

Arul Kanda said half of that debt would be serviced by IPIC under a debt-to-asset swap arrangement to be partly financed via funds that 1MDB hopes to redeem from a BSI bank account in Singapore.

Yet, question marks remain over the exact amount of cash available on the BSI account, putting the plan, which Arul Kanda says will clarify by June, into question.

"The proposed debt-asset swap with IPIC hasn't been completed and there is no certainty that 1MDB would be able to cough out RM18 billion of assets to swap the equivalent amount of debt with IPIC by June 2016," said Tony Pua, the MP with the opposition DAP.

- Reuters