

MRCB to slash debts by RM1 bil
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After its RM750 million deal with Quill Capita Trust (QCT) Malaysian Resources Corporation Bhd (MRCB) is set to reduce its debts by RM1 billion soon, said AmResearch analysts.

“Together with the proposed sale of its 30% stake in Duke Highway for RM228 million, we believe that MRCB could be on track to pare down its net debt by RM1 billion in the coming months,” said AmResearch.

MRCB sold its Platinum Sentral located in KL Central to QCT for a total purchase consideration of RM750 million, which will be partly satisfied via RM486 million while the balance with the issuance of of RM206.25 million new QCT units at an issue price of RM1.28 per unit.

MRCB also signed share sale agreements with CapitaLand RECEM Pte Ltd (CRPL) and Coast Capital Sdn Bhd (CCSB) to acquire 40% and 1% of their respective interest in Quill Capital Management (QCM), the management company of QCT for RM6 million.

This would result in MRCB holding 41% equity interest in QCM, resulting in MRCB becoming one of the largest shareholders in and with representation on the board of directors of QCM.

AmResearch indicates that MRCB will utilise RM380million from the proceeds of RM486 million for the Platinum Sentral sale to pare down its debts.

“More importantly, the deals with QCT could herald the start of more injections of MRCB’s prime commercial assets in KL Sentral into QCT as part of its larger monetisation moves. This puts MRCB on a solid platform to transform into a property-centric group with a stronger balance sheet,” said AmResearch.

The Platinum Sentral sale will result in a divestment gain of approximately RM240 million for MRCB. QCT will also apply for a name change to MRCBQuill REIT and will see its asset base double to RM1.6billion.

The analysts report also notes that with a 31% stake in QCT after the asset injection, MRCB will receive an estimated RM14million in dividend income for the financial year 2015.

Platinum Sentral consists of five blocks (four-to-seven stories) of commercial buildings that includes office-cum retail space, a multi-purpose hall and two levels of car parks.

The building has approximately 450,000 net lettable area (NLA) of office space and the retail portion is about 77% occupied. It is located within MRCB's prime KL Sentral integrated development and is currently fully tenanted.

AmResearch maintains a "buy" recommendation on MRCB with an unchanged fair value of RM2.20 per share.

At mid-morning today, MRCB was trading at RM1.65, up 1 sen.

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