

## **Tropicana hasn't received Selangor's RM844 mil demand**

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**By Khairul Khalid**

Property developer Tropicana has yet to receive a formal request by the Selangor state government for its recent demand of RM844 million for a land purchase in Kuala Langat (previously known as Canal City), said an analyst report by UOB Kay Hian.

“We recently discussed this matter with Tropicana’s management. Since no announcement has been made, we believe the company has yet to receive an offer,” said UOBKH.

Last year, Tropicana (previously known as Dijaya) purchased 1,172 acres of land in Kuala Langat for RM1.3 billion to be paid in instalments over 20 years. This includes RM587 million for land purchase and the rest in interest cost, a share of gross development value (GDV) and the profit sharing from the development of the land.

The land is designated for the Tropicana Aman township development with an estimated GDV of RM9 billion over 15-20 years.

Recently, Tropicana disposed of 308 acres of the Kuala Langat land to another developer Eco World for RM470 million. This was almost immediately followed by a demand by the Selangor government for a lump sum payment of RM844 million instead of the deferred 20-year payment.

“The company will clarify the above matter with Permodalan Negeri Selangor Bhd (PNSB) and will subsequently announce any further developments in due course,” said Tropicana last month in a statement on Bursa Malaysia. PNSB is a wholly-owned subsidiary of the Selangor state.

According to UOBKH, disposing of landbank is part of Tropicana’s asset monetisation strategy to trim the company’s debt heavy balance sheet.

In 2013 and 2014, Tropicana has disposed of land at a combined total of RM339 million and RM638 million respectively.

“Part of Tropicana’s strategy is to monetise its smaller parcels of lands and focus on its major developments. In 2013, the company managed to dispose of seven parcels of lands within the Klang Valley and Iskandar Malaysia with gross proceeds of RM339 million. Whereas, in 2014, we expect three more parcels of lands to be completed which includes the recently announced sale of Canal City land to EcoWorld,” said UOBKH.

The analyst report also lists Tropicana’s prized assets such as the Tropicana City Mall and Plaza Dijaya that has a combined value of almost RM800 million.

“We also understand that the company is in discussions for an en-bloc sale of its W Hotel and Residences,” said UOBKH.

UOBKH has downgraded Tropicana’s stock to “Hold” after its recent stellar performance with an unchanged target price of RM1.74.

At mid-day today, Tropicana’s shares were trading at RM1.58, up 3 sen.

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