

1MDB SELLS LAND FOR \$53M, FIRST ASSET SALE TO CUT DEBT

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By Super Admin

(Reuters) – Malaysian state fund 1MDB has sold a plot of land to a government-backed fund for about \$53 million, its first asset sale aimed at paring down a huge debt burden that has cast shadows over the country’s sovereign credit rating.

1MDB has been dogged by years of controversy over its management of funds and the \$11.6 billion in borrowings it has amassed to finance the purchase of power assets – a burden that has also weighed on the ringgit.

To cut down on its debt, 1MDB is planning a \$3 billion IPO of its power assets, although it has been delayed several times. The fund, whose advisory board is chaired by Prime Minister Najib Razak, also announced in February that it would dispose of assets and sell developmental rights in its high-profile property projects.

The sale to pilgrimage fund Lembaga Tabung Haji was, however, smaller than some had expected. Sources told Reuters earlier in the day that Tabung Haji was in talks to buy two plots of land worth around \$200 million.

Tabung Haji, which plans to develop a residential tower, said the purchase price represents a discount to the current market value provided by an independent valuer.

The land is part of the Tun Razak Exchange, which is being developed as a 70-acre financial centre in the capital and is one of two high-profile projects in 1MDB’s property portfolio.

Analysts say 1MDB needs to be more transparent with its accounts in order for the market to value the “small steps” it is taking to reduce debt.

“For investors and the market, it’s a broader issue of transparency and whether they have the cash flow to meet the coupon payments on its US-dollar bond,” said Weiwen Ng, an economist with ANZ Research.

1MDB has a \$1.75 billion bond maturing in 2022 with a coupon rate of 5.99 percent. The next half-yearly payment of around \$52 million is due on May 11. It also has a \$3 billion bond maturing in 2023 with a coupon rate of 4.4 percent and the next payment is due in September.

Worries about 1MDB's debt woes have contributed to a negative outlook for Malaysia's sovereign rating from rating agency Fitch.

Malaysia's 5-year credit default swaps are also currently underperforming the Philippines and Thailand which have lower credit ratings. As recently as October, the cost of insuring against a Malaysian sovereign default had been lower than that of its regional peers.

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