RAM Ratings

RAM Ratings reaffirms AAA rating of Prasarana's bonds

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RAM Ratings has reaffirmed the AAA/Stable rating of Syarikat Prasarana Negara Berhad's (Prasarana or the Group) RM5.468 billion Nominal Value Redeemable Guaranteed Serial Fixed-Rate Bonds (2003/2016) (Guaranteed Bonds).

The rating reflects Prasarana's strategic importance as an owner and operator of key public-transport infrastructure. Prasarana is wholly-owned by the Government of Malaysia (GoM). Given its unique function, we do not expect the Group to be commercially driven and thus expect it to be ultimately backed by the GoM. As such, Prasarana is considered a dependent entity under our framework for Rating Government-Linked Entities; accordingly, the credit risk of the Group mirrors that of the GoM. The GoM's support is further underlined by its guarantee of all of Prasarana's borrowings as well as grants for the Group's operations and financing costs.

Prasarana remained loss-making in FY Dec 2013. Nonetheless, the Group's operating loss before depreciation, interest and tax continued to narrow to RM97.44 million in FY Dec 2013 (FY Dec 2012: RM128.11 million) following double-digit top line growth as ridership increased. The Group's pre-tax loss also narrowed to RM691.63 million (fiscal 2012: pre-tax loss of RM815.26 million), attributable to significantly reduced losses from the disposal of fixed assets during the year. Going forward, while we expect Prasarana's operations to remain loss-making, we envisage that the GoM will continue to provide financial support to cover the Group's operating and capex requirements.

As at end-December 2013, the Group shouldered a heftier debt load of RM11.91 billion (end-December 2012: RM10.41 billion) following the issuance of RM2 billion of sukuk in August 2013 to fund its capex and working capital requirements. Notwithstanding the increased borrowings, Prasarana's gearing almost halved to 4.43 times as at end-December 2013 from 8.73 times a year earlier, subsequent to a fresh capital injection of RM2.2 billion by the GoM in January 2013.

"Going forward, the Group's debt is expected to surge with the potential issuance of sukuk to fund the extension of the Kelana Jaya and Ampang Light Rail Transit lines and existing infrastructure development projects. Consequently, its gearing ratio is expected to increase," says Kevin Lim, RAM's Head of Consumer and Industrial Ratings. "Nevertheless, the GoM is expected to continue to provide support in respect of the Group's new sukuk, which is likely to carry a government guarantee, as do all of the Group's existing borrowings," he adds.

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