



# RAM Ratings

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## RAM Ratings reaffirms AAA rating of Prasarana's bonds

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RAM Ratings has reaffirmed the AAA/Stable rating of Prasarana Malaysia Berhad's (formerly known as Syarikat Prasarana Negara Berhad) (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 the owner and operator of key public-transport infrastructure (rail and bus) in Klang Valley. Prasarana is a wholly-owned subsidiary of the Government of Malaysia (GoM). As the owner and operator of the country's key public transport infrastructure, we are of the view that the Group is an entity that is ultimately backed by the GoM. Prasarana qualifies as a dependent entity under our rating criteria for Government-Linked Entities; the credit risk of the Group mirrors that of the GoM. The GoM's support is further underlined by its guarantee in respect of all of Prasarana's debt, including the rated bond.

Prasarana remained in the red for FY Dec 2014. The Group has been recording operating losses due to low fares, huge operating costs and unprofitable routes, given its social obligation to provide public transport services. Nevertheless, the Group's operating loss before depreciation, interest and tax narrowed in FY Dec 2014 following topline growth as ridership rose. Prasarana's pre-tax losses, however, deteriorated 28.3% y-o-y to RM860.39 million, weighed down by heavy finance costs on the back of an additional RM2 billion sukuk issuance. "Moving forward, we expect Prasarana's losses to widen, further attributed to higher finance costs. All said, we note that the GoM continues to provide financial support to cover the Group's funding requirements," said Kevin Lim, RAM's Head of Consumer and Industrial Ratings.

Prasarana's debt load had expanded to RM13.91 billion as at end-December 2014 (end-December 2013: RM11.91 billion), following the issuance of RM2 billion of sukuk in 2014 to fund capex and working capital requirements. The heavier debt burden translated into a higher gearing ratio of 7.33 times (end-December 2013: 4.32 times). "Prasarana's debt level is expected to further increase to around RM16 billion with the potential issuance of another RM2 billion of sukuk to fund the extension of the Kelana Jaya and Ampang LRT lines and existing infrastructure development projects, resulting in its gearing ratio to increase to about 8 times," adds Lim.

Media contact  
Sahil R Kamani  
(603) 7628 1084  
[sahil@ram.com.my](mailto:sahil@ram.com.my)

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[YTD sukuk issuance already surpassed RAM Ratings' projection for 2016](#)
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