

Dana Infra lures insurers

Islamic debt for MRT project attractive due to government guarantee

KUALA LUMPUR: State-run Dana Infra Sdn, which finances the Klang Valley My Rapid Transit (MRT), will pay almost half a percentage point less than benchmark corporate rates on its *sukuk* because of a government guarantee and insurer demand, MCIS Zurich Insurance Bhd and RHB Investment Bank Bhd said.

The company, created to expand the nation's rail network as part of a US\$444bil development programme, may sell 10-year bonds to yield 3.89%, or 30 basis points more than similar-maturity sovereign non-Islamic notes, the Kuala Lumpur-based firms predict. Average yields on Malaysia's highest-rated corporate securities dropped to 4.36% on April 30, the lowest level since May 2007, according to a Bank Negara index.

Falling borrowing costs in Malaysia, the world's biggest Islamic debt market, have spurred a record RM13bil of debt sales this year.

"We will buy the Dana Infra *sukuk* because of the government guarantee and its strategic goal of railway development," Michael Chang, who oversees US\$1bil as head of fixed

We will buy the Dana Infra *sukuk* because of the government guarantee and its strategic goal of railway development.

— MICHAEL CHANG OF MCIS ZURICH

income at MCIS Zurich Insurance, said in an interview on Monday. "It's also expected to offer duration that most investors can participate in."

Dana Infra would sell RM2bil of *sukuk* as part of the RM38bil the company plans to raise from issuing Islamic bonds to extend the rail line in Kuala Lumpur, two people familiar with the matter said last Wednesday, declining to be named because the details are private. The Government would guarantee RM8bil, they said, with the first sales probably before month-end.

Average yields on global corporate *sukuk*, which pay returns on assets to comply with Islam's ban on interest, dropped 123 basis points, or

1.23 percentage points, in 2012 to 4.08% on Monday, the lowest level since at least 2004, according to an index compiled by HSBC Holdings Plc.

MCIS Zurich Insurance, RHB Investment Bank and Manulife Asset Management (Malaysia) Sdn are all interested in buying the *syariah*-compliant debt.

Dana Infra would probably offer *sukuk* with maturities of more than 10 years, which was appealing for insurers who had been calling for more longer-maturity notes, Elsie Tham, a Kuala Lumpur-based portfolio manager for fixed income at Manulife Asset Management, who helps oversee US\$1bil of assets, said in an interview on Monday. The Government has announced plans to sell 15-year Islamic bonds for the first time this year.

"We are keen to buy the Dana Infra *sukuk* because they are guaranteed by the Government," Suzaizi Mohd Morshid, head of treasury at Kuala Lumpur-based RHB Islamic Bank, a unit of RHB Capital Bhd, said in an interview last Friday. "The paper will also have good liquidity in

the secondary market."

Tanjung Bin Energy Sdn set a 4.45% coupon rate on 2017 Islamic notes that it issued on March 9 in the largest corporate offering in Malaysia this year.

The last time the Government raised funds to build railways was in 2011 through Syarikat Prasarana Negara Bhd. The state-owned public transport operator sold RM800mil of *syariah*-compliant debt maturing August 2021 and RM1.5bil of *sukuk* due August 2026.

Prasarana's 4.15% 2021 Islamic bonds last yielded 3.74% on March 7, while the yield on the 4.35% debt was 4.16% on April 17, according to Bursa Malaysia.

The Bloomberg-AIBIM-Bursa Malaysia Sovereign Shariah Index of the most-traded government securities was little changed at 107.498 on Monday and has gained 1.7% this year. Global Islamic bonds returned 3.7% in 2012, according to the HSBC/Nasdaq Dubai US Dollar Sukuk Index, while debt in developing markets climbed 7.3%, JPMorgan Chase & Co's EMBI Global Composite Index shows. — Bloomberg