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RAM Ratings reaffirms ratings of Al-'Aqar Capital's RM300 million sukuk

Business & Markets 2012
Written by theedgemaalaysia.com
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KUALA LUMPUR (April 30): RAM Ratings has reaffirmed the respective AAA, AA2, AAA(bg) and P1 ratings of Al-'Aqar Capital Sdn Bhd's (Al-'Aqar Capital) Class A Islamic Medium-Term Notes (IMTN), Class B IMTN, Class C IMTN and Islamic Commercial Papers (ICP) under its RM300 million Sukuk Ijarah Programme;

In a statement Monday, RAM Ratings said all the long-term ratings had a stable outlook.

Al-'Aqar Capital is a special-purpose vehicle incorporated solely for the acquisition of 11 hospitals (the Hospitals) leased to Al-'Aqar Healthcare Real Estate Investment Trust and operated by KPJ HEALTHCARE BHD [] (KPJ Group or the Group).

RASM Ratings said the reaffirmation of the respective AAA, AA2 and P1 ratings of the Class A IMTN, Class B IMTN and ICP was premised on the debt service coverage as well as loan-to-value ratios that commensurate with the respective ratings, the transaction's features and the sturdy cashflow generated by the hospital operators.

"Meanwhile, the reaffirmation of the Class C IMTN reflects the enhancement from a bank guarantee provided by Public Bank Berhad, whose AAA/stable/P1 financial institution ratings were reaffirmed by RAM Ratings on June 15, 2011," it said.

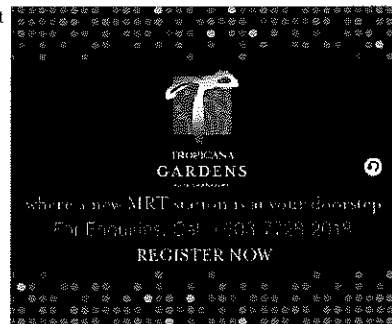
The rating agency said that rental income derived from the Hospitals increased 3.7% year-on-year (y-o-y) to RM48.8 million in FYE 31 December 2011 (FY Dec 2011), i.e. above its stressed lease levels for the respective ratings.

"We note that rental revision takes place every 3 years, and is a function of the yields of 10-year Malaysian government securities and the market values of the Hospitals.

"Nevertheless, we derive comfort from the minimum lease payments under the lease terms which, collectively, are sufficient to cover the semi-annual profit payments to the Sukuk holders," it said.

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