



**MALAYSIAN RATING CORPORATION BERHAD**

( Company No. : 364803 V )

# P R E S S   A N N O U N C E M E N T

**FOR IMMEDIATE RELEASE**

**MARC AFFIRM ITS A RATING ON ALIRAN IHSAN RESOURCES BERHAD'S RM56.92 MILLION REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS (RCULS); REVISES OUTLOOK TO STABLE**

MARC has affirmed its **A** rating on Aliran Ihsan Resources Berhad's (AIRB) RM56.924 million Redeemable Convertible Unsecured Loan Stocks (RCULS). The rating outlook has been revised to **stable** from developing to reflect the satisfactory build up of its sinking fund account (SFA) ahead of the November 2011 redemption of the RCULS and improved clarity regarding the status of the bulk water concessions of AIRB's wholly-owned subsidiary Southern Water Corporation Bhd (SWC) and 49% associate company Equiventures Sdn Bhd (ESB). It now appears likely that both entities will be allowed to continue to operate under their respective concessions until the expiry of their concessions, SWC until June 2014 and ESB, until June 2012. Additionally, recovery of past due receivables which have been outstanding on or prior to December 31, 2008 from Syarikat Air Johor Sdn Bhd (SAJ) and the State Government of Johor (SGJ) has improved SWC and ESB's liquidity profiles.

The affirmed rating continues to reflect robust water demand in the state of Johor, predictable income stream of its water treatment concessionaire subsidiary SWC and associated water treatment concessionaire ESB as well as AIRB's historically low gearing level. Key risks to the rating emanate from delays in payments from offtakers, namely, state-owned entity SAJ and SGJ.

Apart from its 100% ownership interest in SWC, AIRB also holds significant interests in another Johor state water treatment concessionaire, ESB (49%) and water treatment plant operator Strategi Tegas (M) Sdn Bhd (STSB) (30%). AIRB's other wholly-owned subsidiary is Southern Water Engineering Sdn Bhd, a waterworks contractor. AIRB is 73.6% held by conglomerate, MMC Corporation Berhad as at December 24, 2009.

Under the Water Services Industry Act (WSIA), water concessionaires are allowed to continue their concessions subject to imposition of certain terms and conditions. MARC has been informed by AIRB that SWC and ESB have been authorised by Suruhanjaya Perkhidmatan Air Negara (SPAN) to operate under their respective concessions until the end of their concession periods.

Whilst delays in payment from SAJ and SGJ remain continuing credit concerns, a Supplemental Agreement (SA) executed between SAJ and SWC on August 21, 2009 and Deed of Settlement between SGJ and ESB on August 25, 2009 has allowed for the settlement of receivables which have been outstanding on or prior to December 31, 2008.

MARC has been informed by AIRB that discussions involving federal government representatives are in progress to resolve outstanding issues including the timely collection of receivables. MARC believes that the federal government is committed to finding a favourable resolution to the issue of timely payment of receivables at AIRB.

During the nine-month period ended September 30, 2009, revenue was reported at RM55.28 million, an increase of 13.7% on an annualised basis compared to the previous year mainly as a result of upward revisions of the bulk sales rate and fixed monthly payment rate. Pre-tax profit increased by 83.65% mainly following the write back of debts in contention amounting to RM32.66 million upon settlement of past due receivables. AIRB declared and paid two special dividends in July and November 2009 respectively, amounting to a total of RM53.44 million. Under the terms of the RCULS, prior to any dividend declaration during the financial year, AIRB is required to deposit an equivalent of RM14.56 million into the SFA. AIRB made the required deposit in June 2009. The balance of the trustee-controlled SFA, reported as RM31.08 million as at October 31, 2009, suggests a satisfactory build up of the SFA ahead of the November 2011 redemption. The SFA balance covers some 75% of the RM41.7 million outstanding RCULS as of December 3, 2009. AIRB's cash balance of RM137.90 million as at September 30, 2009, indicates that the company is in a position to ensure that the SFA is fully funded prior to the November 2011 redemption, which should mitigate in large part the risk of adverse regulatory developments.

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