

Apr 18, 2016 | Written by Sangeetha Amarthalingam | 0



KUALA LUMPUR (April 18): RAM Rating Services Bhd has given a final rating of AAA(fg)/Stable to the RM635 million five-year tranche of Perdana Petroleum Bhd's RM650 million sukuk murabahah programme (2016/2028).

RAM said the rating is based on an irrevocable and unconditional financial guarantee extended by Danajamin Nasional Bhd (rated AAA/Stable/P1), which enhances the credit profile of the five-year tranche beyond the group's stand-alone credit strength.

In a statement, the credit rating agency said subsequent issuances under the 12-year sukuk programme are conditional upon guarantees provided by guarantors, and so the latter may vary for different tranches of the debt facility throughout its tenure.

It added that it would only assign ratings to the sukuk based on the official appointment of a guarantor or guarantors for a particular issuance under the debt facility, and that it would apply the weakest-link approach to assigned rating if bank guarantee was from a consortium of financial institutions.

However, aside of such guarantee, RAM said Perdana Petroleum's stand-alone credit strength reflected its synergies with its parent, Dayang Enterprise Holdings Bhd, coupled with time-charter contracts providing steady contributions.

"Dayang's acquisition of the group is a strategic long-term move for the former in view of its intention to own a larger fleet to execute various hook-up and commissioning (HUC) and maintenance jobs, given its order book of RM3.98 billion running up to mid-2018," said RAM consumer and industrial ratings head Kevin Lim.

Dayang, a leader in HUC and maintenance, became the group's largest shareholder, with a 98% stake, after triggering a mandatory general offer in May 2015.

Perdana Petroleum's other strengths include its large presence in the domestic accommodation work barges (AWB) segment and the 10,000 brake horsepower sub-segment of the anchor handling tug supply (AHTS) market.

"Additionally, domestic providers of marine support services, such as the group, are protected from foreign competition by Malaysia's cabotage law.

"That said, given the current lacklustre environment of the oil and gas sector amid Petronas Nasional Bhd's initiative to review its business model and cut costs, we do not discount possible delays in the implementation of awarded contracts.

"Furthermore, a continued slowdown in work orders, which will potentially negatively affect the awarding of new contracts, is also expected," Ram said.

RAM pointed out that Perdana Petroleum's strengths are moderated by its geared balance sheet and modest cashflow protection metrics.

"Historically, the Group's adjusted gearing ratio has hovered about 1.1-1.4 times. Over the next three years, Perdana Petroleum's funds from operations debt cover is expected to trend around 0.1 time," Lim said.

Other moderating factors include pressured rates due to an oversupply of offshore support vessels, exposure of earnings to volatile daily charter rates, and operational integration risk.

RAM said Perdana Petroleum could also face some integration risk as with any merger or acquisition.

Trading of Perdana Petroleum securities has been suspended pending full compliance with its public shareholding spread requirements under Bursa Malaysia Securities Bhd.

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