

30 Sept 2004 – The Edge

MARC upgrades WCT's corporate debt rating

MARC statement on Sept 30

MARC has upgraded the rating of WCT Engineering Berhad's (WCT) RM120 million 5% Redeemable Unsecured Bonds with detachable warrants (2000/2005) from A(s) to A+(s).

The rating upgrade is supported by the high cash coverage afforded to the outstanding bonds brought about by the accumulation of funds in the sinking fund account.

The rating also reflects WCT's strengthening financial profile and strong performances from its property development and civil engineering/construction divisions.

The rating continues to be supported by a RM15 million irrevocable banking facility secured from Maybank for the purpose of meeting any temporary shortfall of payment into the sinking fund.

Under the issue structure, a sinking fund account was established for the redemption of the bonds and assigned to the trustee for the benefit of the bondholders.

During the five-year tenure, WCT is expected to make four scheduled payments into the sinking fund with the last payment due in July 2005, three months prior to the full redemption of the bonds.

As at May 2004, the balance in the sinking fund account was RM64.5 million and by this October, WCT is required to have RM75 million in the account.

The available cash in the sinking fund account would result in a cash coverage of almost 63% of the outstanding bonds. And if the RM15 million unutilised banking facility were to be included, the cash coverage will increase to 75% three quarters of the outstanding bonds.

During the period under review, revenue continued on an upward trend reaching RM911.3 million as at end-2003 from RM704.4 million in the previous year.

WCT's strong revenue growth was supported by the contribution from its civil engineering and construction division namely contribution from its government office building project in Putrajaya and the Guthrie Corridor Expressway.

Also in 2003, WCT secured another building project, "The Curve" at Mutiara Damansara, for a contract sum of RM194 million. Meanwhile up to June 2004, WCT managed to secure four projects worth almost RM450 million.

The largest was in respect of sub-contract works for the Kajang-Seremban Highway totalling RM370 million. WCT's overseas venture also grew with the addition of the Durat highway project in Bahrain.

As at end-June 2004, WCT's order book stood at RM3.1 billion, of which RM1.3 billion is still outstanding, and in our opinion is sufficient to sustain its construction activities over the next one and a half to two years.

Property sales under the group's Bandar Bukit Tinggi 2 boosted the growth in the group's earnings, accounting for 55.11% of pre-tax profit.

As at end-April 2004, WCT managed to record sales in excess of RM1.5 billion. Going forward, contribution from this division is expected to be driven by its Bandar Bukit Tinggi 2 township as opposed to Bandar Bukit Tinggi 1, which was the group's maiden property venture.