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Edra: Huge interest points to successful IPO

BY JOSE BARROCK

Edra Global Energy Bhd president Datuk Mark William Ling says the strong interest shown by potential investors in the power generation outfit shows that an initial public offering a few years down the road would be a good way to unlock value in the company.

"There is overwhelming interest in Edra and if this is directed into a listing, it (the IPO) could be a very successful flotation exercise a year or two down the road, but it is for the shareholders to decide," he tells *The Edge* in an exclusive interview.

Edra is wholly owned by 1Malaysia Development Bhd (1MDB), the Minister of Finance Inc's beleaguered strategic investment arm that has racked up debts of RM49 billion in just five years of operation.

Management has not been sitting idle but looking at how to reduce the burden of its parent, says Ling. "We (Edra's management) have been looking to restructure, possibly refinance loans, to better match our business requirements, which will give us more headroom to gear up and fund growth projects."

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But 1MDB's woes — mounting debts, seeking extensions to file its financials, losses despite revaluation gains, its need for government intervention to service the debts, the proposed sale of 1.6 acres in the Tun Razak Exchange to pilgrim's fund Lembaga Tabung Haji for RM188.5 million or more than 40 times the government's selling price, change in auditor from EY to KPMG and, more recently, to Deloitte, all in just a few years — have overshadowed Edra's potential indeed.

Ling does not comment on any of these issues but says what is required now is stabilisation and realisation with the principal objective of doing the best for the company, which, in turn, will benefit the ultimate shareholder, the government. "We can't deny that there is a storm, so the decisions made now must be properly and carefully evaluated so as to get the best outcome for Edra," he says.

To put things in perspective, Edra has an asset portfolio of 13 power plants with a net generating capacity of 5,600MW across five countries, including Egypt and Bangladesh, which are potentially lucrative markets.

"With its asset portfolio and opportunities for further expansion, Edra has the right platform to move towards the growth phase of its business," Ling observes.

In fact, Edra's board of directors and management were brought in and mandated to maximise valuations for the company and its stakeholders in preparation for a successful flotation. But there have been issues with the exercise.

The initial plan was for an Edra IPO to raise funds and repay 1MDB's high borrowings. To recap, the latter incurred debt and forked out as much as RM12 billion — which

is considered by some as hugely overpriced — for its power assets now under Edra. Thus far, the cash flow from the power operations has been insufficient to sustain the huge debt level.

In its full year ended March 31, 2014, 1MDB suffered an after-tax loss of RM665.4 million on revenue of RM4.3 billion. The bleeding would have been more severe had it not been for a revaluation gain of RM896.8 million on its property assets.

Plans for an Edra IPO — aimed at

easing 1MDB's burden — were delayed as a result of some assets, such as Project 3B, a 2,000MW coal-fired power plant, being carved out of the flotation exercise. But this reduced future earnings and thus valuations.

Lately though, the inclination has been to hive off Edra.

While the company has been given an enterprise value of between RM16 billion and RM18 billion, news reports have it at around RM15 billion.

Several parties, including IJM Corp Bhd, state-controlled utility giant Tenaga Nasional Bhd, Singapore's Sembcorp Industries Ltd, Saudi company Acwa Power International, San Miguel Corp of the Philippines and, more recently, even Mudajaya Group Bhd, have expressed interest in Edra.

However, rumours have been rife that there are plans for 1MDB to hive off 49% of Edra and settle

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its pressing debts first, and then buy time until an IPO can be done.

Ling says the two separate routes — an outright sale of assets or the sale of a chunk followed by an IPO — is the prerogative of the shareholder 1MDB and, ultimately, the Minister of Finance Inc.

"The ultimate shareholder can decide whether to go the way of an IPO ... either enhance value via an IPO or any other method, it is the prerogative of the shareholder. In the role that I'm assigned to, my responsibility is to look for the best value for Edra.

"It is our (the boards of Edra and 1MDB) fiduciary duty to make sure that as we fix the immediate issues, the value of the company is intact for the ultimate shareholder. Because we have been entrusted by the shareholder, the board is responsible for our actions and we have to take the right action," he concludes. **E**

MOHD IZWAN MOHD NAZAM/THE EDGE



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