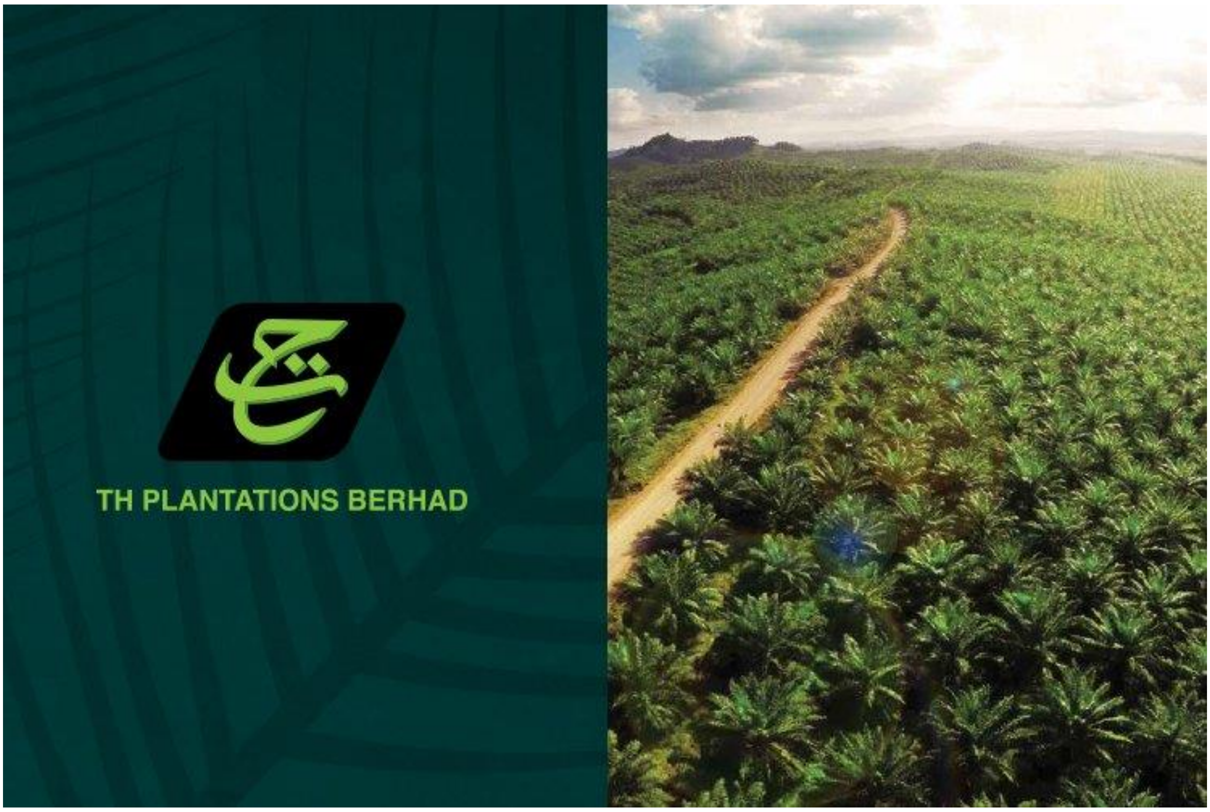
THE EDGE MARKETS™
MAKE BETTER DECISIONS

TH Plantations needs debt restructuring, not asset sale, says deputy minister



Adam Aziz | theedgemarkets.com
July 22, 2020 14:05 pm +08

KUALA LUMPUR (July 21): The debt burden currently faced by TH Plantations Bhd (THP) cannot be resolved via asset sale but rather a restructuring of its debt, said Deputy Minister in the Prime Minister's Department (Religious Affairs) Ahmad Marzuk Shaary.

Speaking in the Dewan Rakyat today, Ahmad Marzuk [PAS-Pengkalan Chepa] raised the suggestion on grounds that the bulk of THP's debt goes to parent Lembaga Tabung Haji, and that asset sale will negatively impact THP's cash flow rather than improve it.

"About 75% of the loans by THP came from Tabung Haji. Sale of assets will not resolve the debt burden issue… THP will require a restructuring of the loans," he said.

He was responding to questions by former minister in the Prime Minister's Department (Religious Affairs) Datuk Seri Mujahid Yusof Rawa on how THP can turn around without selling its assets considering the ballooning debt after the aggressive expansion of its landbank.

Earlier, Ahmad Marzuk said the government will review the sale of certain THP subsidiaries, citing the low transaction price as opposed to market valuation.

THP has grown its landbank from 15,740ha in its early years to 100,976 ha at end-2019, according to its annual report.

Much of the land bank remains unplanted, raising concern that the assets are bleeding the company instead of generating the needed cash flow.

The group has also taken on huge borrowings, with short- and long-term borrowings totalling RM1.243 billion as at end-March this year.

THP's high net gearing of over 2.1 times is attributed to the company's dismal performance, alongside rising costs, low productivity and low crude palm oil (CPO) prices.

The group's net finance costs have risen from RM60.66 million in the financial year ended Dec 31, 2017 (FY17) to RM66 million in FY18 and RM74 million in FY19.

THP has been in the red in FY18 and FY19 on impairments and as core operations remained loss-making. For the first quarter ended March 31, 2020 (1QFY20), its net loss widened to RM11.53 million from RM8.09 million a year ago, as revenue remained flat at RM115.55 million from RM115.28 million.