TNB’s Jimah Power begins 3rd-biggest Malaysia’s sukuk sale

ELECTRICITY company Jimah Power East Sdn Bhd is selling RM8.98 billion of Islamic bonds in Malaysia’s third-biggest sukuk sale, helping beef up issuance amid the slowest year since 2011. The unit of Tenaga Nasional Bhd (TNB), the country’s largest power producer, plans to sell RM5.25 billion of Shariah-compliant notes last Monday via private placement and RM3.73 billion through an auction, according to people familiar with the matter. The first portion is for maturities of 16 to 23 years at coupon rates of 6.2% to 6.76%, and the second will be due in five to 15 years and offered at 5% to 5.97%, they said. Islamic bond sales in the world’s biggest sukuk market slumped 27% this year to RM39.6 billion, crimping the US$2 trillion (RM8.6 trillion) industry that Standard & Poor’s sees growing in the single digits in 2016 from between 10% to 15% over the past decade. Jimah Power is selling debt before a likely US interest-rate increase next month, a move that may push up global borrowing costs. The government’s 10-year Shariah-compliant securities used as a corporate benchmark, yield 4.45%, the highest since September. “The yields offered by Jimah Power are pretty decent,” said Syhiful Zamri Abdul Azid, CIO at Maybank Islamic Asset Management Sdn Bhd, who helps oversees RM17 billion in Kuala Lumpur. “I prefer the slightly longer-dated paper for better yield pick-up.” Jimah Power’s sale is part of a RM10 billion sukuk programme rated AA- by Malaysian Rating Corp Bhd, the fourth-highest investment grade, and this will be the first offering. TNB bought a 70% stake in the company in July from state-owned investment firm 1Malaysia Development Bhd. Japan’s Mitsui & Co owns the rest. — Bloomberg