

Headline  
Date  
MediaTitle  
Section  
Journalist  
Frequency  
Circ / Read

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01 Dec 2010  
The Edge Financial Daily  
Home Business  
N/A  
Daily  
25,000 / 40,000

Language  
Page No  
Article Size  
Color  
ADValue  
PRValue  
English  
1,4  
316 cm<sup>2</sup>  
Black/white  
2,431  
7,292



## MTD Cap stands to rake in RM150m from Philippine toll hike

**Yantoultra Ngui Yichen**

KUALA LUMPUR: MTD Capital Bhd, Malaysia's second largest highway operator and owner, could rake in at least some RM150 million in annual toll revenue from the South Luzon Expressway (SLEX) in the Philippines next year if higher toll rates there are implemented in January 2011.

The Philippines' business paper *BusinessWorld*, quoting Julius G Corpuz, an official with the Philippines Toll Regulatory Board (TRB), reported that the implementation of higher toll rates could happen in the first week of January next year.

"Our lawyers just have to review the copy of the decision, convene a meeting the middle of next week to discuss whether to maintain or increase the existing proposed rates based on the project cost, present and projected traffic volume and operations and maintenance cost," Corpuz was quoted as saying.

It was reported that the TRB would also review the proposed rates by tollway operator South Luzon Tollway Corp (SLTC) for the recently completed 7.5km link — known as Toll Road Project 3 (TR3) — between SLEX and the Southern Tagalog Arterial Road (STAR).

SLTC is a joint-venture firm between state-led Philippines National Construction Corp (PNC) and MTD Cap's subsidiary MTD Manila Expressways. With a 30-year concession to collect tolls, it is 80% owned by MTD Cap while the rest is held by PNC.

It is learnt that the new rate could be as high as 2.68 pesos (19 sen) per kilometre, which is a 252.63% increase

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## MTD Cap stands to gain 6m pesos a day under new rate

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from its old rate of 0.76 peso per kilometre.

Based on a filing with Bursa Malaysia, MTD Cap estimates SLTC faces a loss of six million pesos (approximately RM431,000) in toll revenue a day with the temporary

restraining order against the implementation of TRB's approved toll rate increase effective Aug 16.

The six million pesos is based on the old rate of 0.76 peso per km.

As such, MTD Cap would receive at least six million pesos a day if the new rate at 2.68 pesos per kilometre is implemented. This would translate into RM12.9 million in toll revenue a month or some RM150 million a year.

Since a number of expressway concessions in the Philippines have already been granted rate hikes, SLEX stands a good chance of getting the toll hike, especially with the TRB reviewing SLTC's proposed rates.

For TR3, SLTC had proposed a rate of 3.07 pesos per kilometre for class 1 vehicles (passenger cars), 6.14 pesos per kilometre for class 2 vehicles (buses) and 9.21 pesos per kilometre for class 3 vehicles (trucks). Should the proposed rate go through, MTD Cap could see an almost 15% surge in toll revenue on top of the RM150 million annual toll revenue estimated earlier.

MTD Cap won the RM775 million contract to upgrade the 35km SLEX highway in 2006. The highway, built in 1975, is Southeast Asia's first tolled highway.

The Supreme Court of Manila had on Oct 19, decided to uphold the legality of the contracts entered into between the Philippine government and private investors, including SLTC, on the construction, maintenance and operation of their highways. This was the result of petitions by locals against toll hikes on the SLEX.

The court's decision removed uncertainty over whether MTD Cap's unit SLTC had the right to control and operate the expressway concession, which means toll revenue will continue flowing in for the

next 30 years or so — a major boost to the company's future earnings. Nonetheless, the proposed toll hike on SLEX was put on hold by the TRB on Oct 27, despite court approval

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for the rate revision.

The expressway division accounted for 43%, or RM198.39 million, of MTD Cap's revenue for the six months ended Sept 30.

During the period, MTD Cap saw a 2.57% drop in revenue due to lower progress billings in its engineering and construction, and property development divisions. Nonetheless, its net profit surged 91.14% to RM74.73 million from RM39.1 million a year earlier, mainly due to the positive contribution from its expressway division and gains from disposal of two investment properties

On the local front, MTD Cap's

unit MTD Prime Sdn Bhd holds the concession for the Kuala Lumpur-Karak Highway and its extension, the East Coast Expressway Phase 1, for 28 years from 2005 to 2032. MTD Prime is a 100% subsidiary of MTD Infraperdana Bhd, which in turn is a unit of MTD Cap.

Metramac Corp Sdn Bhd, another subsidiary of the company, has two concession assets — the East-West Link Expressway and Sungei Besi Expressway — for a period of 23 years, expiring on May 31, 2018.

MTD Cap's major shareholders include Alloy Consolidated Sdn Bhd (27.29%), and Nikvest Sdn Bhd

(20.53%) — both vehicles of MTD Capital's group executive chairman Datuk Nik Hussain Abdul Rahman and his family. Its institutional shareholders include the Employees Provident Fund (8.38%) and Lembaga Tabung Haji (5.16%).

Shares of MTD Cap, trading at a forward price-to-earnings ratio of 18.33 times, closed 40 sen or 6.45% higher at RM6.60 yesterday with a total of 85,000 shares changing hands.

It hit a 52-week high of RM7.50 on Oct 27, while its year-low was RM2.74 on Dec 1, 2009. Year-to-date, the counter has gained 132.39%.