

List of Entities on Rating Watch for 2nd Quarter 2013 (period covering 1.4.2013- 30.6.2013)

No	Issuer/Entity	Issue size & Instrument	Last Rating action	MARCWatch	Subsequent Rating Action	Chronology of MARCWatch
1.	Perwaja Steel Sdn. Bhd.	RM400.0 million Murabahah Commercial Papers / Medium Term Notes.	BBB- ID	NEG	The MARCWatch Negative reflects MARC's views that Perwaja's liquidity position would come under increasing pressure to meet its upcoming financial obligations arising from its weak financial risk profile. Perwaja is part of the Kinsteel Berhad (Kinsteel) group, where MARC is also undertaking Kinsteel's annual rating review. Perwaja's products are sold internally to Kinsteel for the latter's downstream manufacturing operations. The performance of both steel players in recent years has been plagued by weak demand and volatile raw material and finished goods prices. Notwithstanding some recent demand recovery evident in the domestic steel sector in 2012, MARC does not envisage any significant turnaround for Perwaja in the immediate term given the company's prevailing weak financial metrics. MARC will continue to monitor its developments. Should the company's liquidity position show further deterioration in the near term, the rating would likely be lowered.	17.4.2013 - placed on MARCWatch.

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2.	KNM Capital Sdn. Bhd.	RM300.0 million Murabahah Underwritten Notes Issuance Facility / Islamic Medium Term Notes	A+ID	NEG	KNM Capital Sdn Bhd (KNM Capital), a wholly-owned funding vehicle of KNM Group was placed on MARCWatch Negative to highlight MARC's event risk concerns arising from the winding up petition that was recently served on KNM Group's material subsidiary, KNM Process Systems Sdn Bhd (KNM Process). KNM Process is defined as a material subsidiary within the principal terms and conditions of the rated debt programmes. The winding up petition by Mission Biofuels Sdn Bhd was served over an alleged debt of RM12.2 for KNM Process' failure to achieve final acceptance of a biodiesel and glycerine plant, under engineering, procurement, construction and commissioning (EPCC) contract. MARC is concerned that the petition could trigger an event of default (EOD) under the rated programmes. The principal terms and conditions provide that an EOD will be declared if a petition is presented for the winding up of the issuer and/or KNM and/or any of the material subsidiaries and no action is taken to set aside such petition within 30 days from the petition's date of service. MARC will monitor the developments and as part of the review process, MARC will also examine the mitigating actions that KNM has taken since the last rating action in November 2012 to strengthen its overall financial profile, particularly its cash flow and liquidity position. An adverse development on the winding up petition could result in multiple-notch rating downgrades.	25.4.2013 – placed on MARCWatch.