

List of Entities on Rating Watch for 4th Quarter 2021 (period covering 01.10.2021 – 31.12.2021)

No	Issuer / Entity	Issue size & Instrument	Last rating action	MARCWatch	Subsequent rating action	Chronology on MARCWatch
1	MEX II Sdn Bhd	i) RM1.3 billion Sukuk Murabahah ii) RM150.0 million Junior Bonds	A _{IS} BBB	Negative	<p>Placement on MARCWatch Negative was triggered by insufficient progress on the construction of the 16.8-km Lebuhraya Putrajaya-KLIA expressway (MEX Extension) to meet the project milestones since the ratings were downgraded in 2019.</p> <p>In June 2020, MEX II received the approval from Lembaga Lebuhraya Malaysia to complete MEX Extension by September 4, 2021. However, there was no further forward in project progress, with completion at end-July 2020 standing stagnant at 86%.</p> <p>MARC downgraded the Sukuk's rating to BBB_{IS} from A_{IS} and the Junior Bonds' to BB from BBB. The ratings remained on MARCWatch Negative.</p> <p>There were heightened concerns about MEX II's ability to meet its debt service in 2021 as the project remained stalled. MEX II required additional funding to complete the project and meet its near-term financial obligations, which MARC believes carries a significant execution</p>	<p>May 22, 2020 - placed on MARCWatch Negative</p> <p>August 21, 2020 – Extension of MARCWatch Negative</p> <p>November 18, 2020 –and its Ratings downgraded from A_{IS} to BBB_{IS} and from BBB to BB, and remained on MARCWatch Negative.</p> <p>February 9, 2021 –Ratings further downgraded from BBB_{IS} to BB_{IS} and from BB to B. Ratings remained</p>

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					<p>risk. MARC further downgraded the Sukuk's rating to BB_{IS} from BBB_{IS}. The rating on the Junior Bonds was also downgraded to B, from BB. The ratings remained on MARCWatch Negative.</p> <p>This rating action reflects the increasing likelihood that MEX II may not be able to put in place a liquidity facility that it had originally expected to procure by end-2020 to meet a principal and profit payment of RM68.7 million due in April 2021.</p> <p>Ratings on the Sukuk and Junior Bonds were further downgraded to C_{IS}/C, from BB_{IS} and B.</p> <p>The ratings actions were driven by the liquidity pressure MEX II was facing and the likelihood of missing an upcoming Sukuk repayment of RM68.7 million due on 29 April 2021; as it had only RM7.7 million in cash as at end-February 2021. Another RM38.2 million was also due in October 2021.</p> <p>According to MEX II, it was in discussions with financial institutions to obtain a bridge facility to meet repayment obligations, and with investors for a postponement of the April maturity to October 2021.</p>	<p>on MARCWatch Negative.</p> <p>March 26, 2021 – Ratings downgraded from BB_{IS} to C_{IS} and from B to C. Ratings remained on MARCWatch Negative.</p>

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					<p>Ratings will be downgraded to D if MEX II fails to meet the Sukuk's April 2021 maturity. In the event indulgence is granted by sukukholders to defer the sukuk repayment, the ratings will remain at C_{IS} / C.</p> <p>Ratings remained at C_{IS}/C after the last downgrade on March 26, 2021.</p> <p>Sukukholders had agreed to defer the RM68.7 million payment from April 2021 to August 2021, while another RM38.2 million is due in October 2021.</p> <p>According to MEX II, it continues in discussions with certain financial institutions to restructure the Sukuk that will include additional funding to complete the stalled highway project. Failure to meet the Sukuk obligations by the extended maturity date (August 27, 2021) will result in a rating downgrade to D.</p> <p>Ratings remained at C_{IS}/C. On August 24, 2021, sukukholders had agreed to the deferment of the payments that were due on August 27, 2021 and October 29, 2021 to December 31, 2021.</p> <p>MARC views the deferment as providing only a short-term relief to MEX II. There is still immense pressure to resolve fiscal stress on a more sustainable basis.</p>	<p>May 3, 2021 – ratings maintained at C_{IS}/C. MARCWatch Negative remains.</p> <p>August 26, 2021 - ratings maintained at C_{IS}/C. MARCWatch Negative.</p>