

# Daily Cover Story: Malaysian property developer to originate first real estate unbilled sales-backed Sukuk

MALAYSIA: A Malaysian property developer is expected to issue a real estate unbilled sales-backed [Sukuk](#) facility this Friday, believed to be the first [Shariah](#) compliant securitization of progress billings in the market, allowing the issuer to more efficiently manage project development cash flows.

IFN has learned that SkyWorld Capital, the SPV of SkyWorld Development, is preparing to float the first tranche of its RM600 million (US\$147.28 million) 12-year [Sukuk Musharakah](#) program on the 8th December which will monetize unbilled sales for executed property transactions.

The [Sukuk](#) structure is arranged, developed and advised by boutique firm NewParadigm Capital Markets who has been working on the novel Islamic structure for the last two years. The first offering by the first-time issuer will raise RM50 million (US\$12.27 million) and is secured against 1,260 sale and purchase agreements (SPAs) for a yet-to-be-completed mixed development project (SkyAwani), with an unbilled value of RM151 million (US\$37.07 million). Despite being a relatively young developer with a limited track record, SkyWorld's offering won an investment grade rating of 'AA3/Stable' from RAM Ratings.

"Under this program, SkyWorld Development or its subsidiaries will, from time to time, sell to SkyWorld Capital their beneficial interest under the respective SPAs signed with the buyers of specific property development projects," explained the rating agency. The future receipts under the SPAs will be used to fund the remaining construction costs related to the identified projects as well as to meet the issuer's fees, expenses and obligation under each facility.

The issuer will also undertake an unrated RM400 million (US\$98.19 million) Islamic commercial paper [Sukuk Murabahah](#) program – guaranteed by Danajamin Nasional – engineered as a contingent line for its respective projects. This includes contingencies arising from shortfalls in the profit payment and senior expenses in respect of the relevant tranche of the [Sukuk Musharakah](#), construction cost overruns and/or timing mismatches between the project's development costs and the expected progress payments.

While invoice securitization is common in the conventional bond space, receivables are an untapped asset class in the [Sukuk](#) universe, although this is slowly changing.

Apart from SkyWorld's program, Dubai-based Tawreeq Holdings is also exploring the use of payables and receivables to back [Sukuk](#): IFN broke the story in November that the firm is preparing to launch its [Wakalah](#)-structured notes in the first quarter of 2018 (See IFN Report Volume 14 Issue 45: 'Tawreeq to issue short-term multicurrency retail [Sukuk](#) backed by supply chain finance assets in 2018'). The paper would be one of the few short-term [Sukuk](#) in the market and handful of retail Islamic papers as well as the first to leverage on supply chain finance assets.

These offerings represent a diversification of [Sukuk](#) asset classes and SkyWorld's issuance in particular would also be among the first few in the Malaysian market to involve affordable housing. Government-backed Perbadanan Perumahan Rakyat 1Malaysia in October raised RM2.5 billion (US\$613.67 million) through [Sukuk](#) to fund its pipeline of affordable housing projects.