

Umgeni to borrow from debt market

KAVITH HARRILALL

UMGENI Water yesterday announced a move to access the debt capital market to help fund its capital expenditure (capex) projects.

Umgeni's capex projects amount to R5 billion over the next five years.

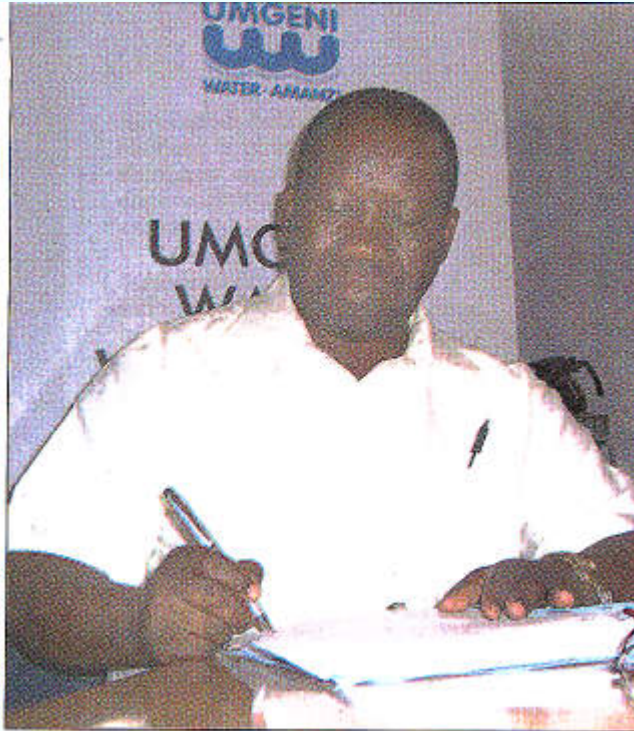
The move involves establishing a document known as a domestic medium-term note (DMTN), under which a corporate bond is issued to raise finance. Umgeni explained that this bond is listed on the JSE with all the other fixed income bonds and is readily traded in the secondary market.

Speaking to *The Witness* at an official signing ceremony in Pietermaritzburg yesterday, Umgeni Water's chief executive, Mzimkulu Msiwa, said that as a national government business enterprise, the organisation does not receive funding from the National Treasury.

"Everything that we do is either done through borrowing or through our bulk water tariffs from municipalities. There are two reasons for the bond. We can meet our long-term capex requirements and we have support for our short-term working capital requirements," said Msiwa.

The organisation has not been involved in borrowing through the market for more than a decade.

Msiwa said the bond will allow Umgeni to match its finance arrangement with its operating philosophy, using a borrowing mechanism that offers stable debt repayments.



Umgeni Water chief executive Mzimkulu Msiwa signing a key document in a move to access the debt capital market, at a ceremony in Pietermaritzburg yesterday.

PHOTO: KAVITH HARRILALL

Once the DMTN programme has been established, Umgeni Water can access the capital market in a short space of time. The investors who buy these bonds are the fund managers who manage the fixed-income and money market funds. The mandates that govern these investors require a highly rated, fixed-income instrument to be part of the portfolio. The bonds that are issued by Umgeni fit these criteria.

"Financing costs are certain and interest [coupon] rates are fixed," he added.

Msiwa said Umgeni will be involved in a number of major infrastructure projects, centred mainly on pipelines, dams, and water treatment works across KZN.

