



## MARC RATINGS BERHAD

# P R E S S   A N N O U N C E M E N T

FOR IMMEDIATE RELEASE

### MARC RATINGS AFFIRMS AA-*IS* RATING ON ACSB'S RM535.0 MILLION SUKUK MURABAHAH PROGRAMME

MARC Ratings has affirmed its **AA-*IS*** rating on AZRB Capital Sdn Bhd's (ACSB) RM535.0 million Islamic Medium-Term Notes (Sukuk Murabahah) Programme with a **stable** outlook. The outstanding under the programme was RM435.0 million as at end-September 2024.

As a funding vehicle for Ahmad Zaki Resources Berhad (AZRB), ACSB facilitates the subscription of Redeemable Convertible Preference Shares (RCPS-i) of related company, Peninsular Medical Sdn Bhd (PMSB). ACSB receives monthly payments in the form of maintenance charges (MC) and availability payments (AP) from the government.

The rating affirmation considers the credit strength of the government as the sole paymaster of the concession agreement, and the Sukuk Murabahah funds flow structure that prioritises payments to ACSB'S designated accounts. The rating continues to be moderated by the weak credit profile of sponsor-cum-shareholder, AZRB, that has provided a guarantee on ACSB's financial obligations. ACSB's cash flow buffer for debt servicing remains susceptible to any unexpected increase in maintenance costs. The next repayment of RM85.0 million is due in December 2024, for which the finance service reserve account has been fully funded as of date.

ACSB built and is currently maintaining Sultan Ahmad Shah Medical Centre @IIUM, a 300-bed teaching hospital in Kuantan. The company receives combined monthly AP and MC receipts of about RM9.2 million in return for constructing and maintaining the hospital. The maintenance services for the hospital have been contracted to Advance Pact Sdn Bhd, a facilities management company that is also currently providing similar services to 13 other public hospitals in Johor under a long-term agreement with the government. So far, there has been no material breach in obligations under Advance Pact's maintenance contract with PMSB that has led to material deductions in MC receipts.

ACSB's parent, AZRB, is primarily involved in the engineering and construction sector. Its ongoing key project, the East Klang Valley Expressway (EKVE), is expected to be completed by December 2025. Borrowings undertaken for the construction of EKVE are expected to be refinanced upon completion. A recent contract award in July 2024 to design and build Port Dickson Specialist Hospital in Negeri Sembilan, worth RM152.0 million, saw AZRB maintaining its construction order book at RM1.2 billion as of date.

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