



## Media Release

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### **RAM Ratings affirms RP Hydro's AA<sub>3</sub>/Stable sukuk rating**

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RAM Ratings has affirmed the AA<sub>3</sub>/Stable rating of RP Hydro (Kelantan) Sdn Bhd's (RP Hydro) RM975 mil ASEAN Green SRI Sukuk (2023/2043) (Senior Sukuk).

The rating reflects the transaction's expected sturdy cashflow coverages reflecting strong project economics of RP Hydro's three small run-of-river hydropower plants (the Projects), underscored by the favourable terms of respective 21-year renewable energy power purchase agreements with Tenaga Nasional Berhad (TNB), the offtaker. The three plants in Kuala Geris (25 MW), Kemubu (29 MW) and Serasa (30 MW) sit along Sungai Galas in Kelantan.

As of 30 November 2024, the Projects were 16.39% complete. Though behind the scheduled 24.28% – due to setbacks in obtaining regulatory and detailed design approvals – physical construction remains largely on track, with only minor delays. We understand that this puts the overall progress approximately two to three months behind schedule compared to management's expectations.

To catch up to the 36-month completion target by August 2026 and maintain within the agreed RM915.0 mil fixed-price lump-sum turnkey EPCC contract, the engineering, procurement, construction and commissioning (EPCC) contractors are revising the construction schedule. Mitigation efforts include extended working hours and the appointment of a Kelantanese consultant to expedite local council approvals.

Despite current delays, the Projects are still within the sensitised scenario, with over two years remaining before the May 2027 completion date assumed by RAM (nine months later than base case). Other cash flow sensitivities include lower energy output and higher operating expenditure. Under these assumptions, the sukuk redemption profile supports annual finance service coverage ratios (FSCRs) (without cash balances) of largely above 1.0 time. Post-completion of the plants, RP Hydro is expected to generate strong cash flow, with a minimum FSCR (post-distribution) of 1.65 times, commensurate with an AA<sub>3</sub> rating.

RP Hydro is jointly owned by Rising Promenade Sdn Bhd and Malakoff Corporation Berhad through its subsidiary Tuah Utama Sdn Bhd. Malakoff's role as the main sponsor provides additional assurance. We expect Malakoff to remain committed to the Projects as part of its renewable energy expansion and to maintain standby letters

of credit for its equity contribution, the RM30.8 mil contingency sum, and the minimum required Finance Service Reserve Account balance. While small hydro plants are generally less complex to operate than thermal plants, long-term power generation could be affected by hydrological changes due to deforestation, climate change, pollution and potential upstream impacts from TNB's Nenggiri plant, currently slated for completion in 2Q 2027. The latter is however, not anticipated to adversely affect water flow to the Projects.

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**Date of release: 10 April 2025**

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