



## Media Release

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### **RAM Ratings affirms Cahya Mata Sarawak's AA<sub>3</sub>/P1 ratings, outlook stable**

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RAM Ratings has affirmed the AA<sub>3</sub>/Stable/P1 corporate credit ratings of Cahya Mata Sarawak Berhad (Cahya Mata or the Group) and the AA<sub>3</sub>/Stable rating of its RM2.0 bil Islamic Medium-Term Notes (IMTN) Programme (2017/2037). The affirmation reflects Cahya Mata's continued resilience, underpinned by a robust financial profile which will give it the financial headroom to pursue its growth plans, aligned with its expected positive business and earnings trajectory that is supported by ongoing and new major infrastructure projects in Sarawak. Its entrenched market position in Sarawak, while providing it with a key competitive advantage, is also a key moderating rating factor reflecting its high sensitivity to a single state. All said, the Group's dominant position, integrated cement operations, and strategic investments provide a strong foundation for long-term growth despite near-term challenges.

As the sole integrated clinker and cement manufacturer in Sarawak, Cahya Mata is a direct beneficiary of the State's expanding infrastructure development. Despite a slight drop in cement sales volume due to prolonged rainy season in the first half of the year, the Group sustained topline performance at RM1.2 bil. Pre-tax profit surged 48.2% y-o-y to RM190.1 mil, driven by stronger margins from road maintenance projects, improved property sales, and lower operating costs following the suspension of the phosphates division. These gains, together with lower working capital needs and taxes, turned operating cashflow positive for the year.

The legal suit and arbitration between its phosphates manufacturing business unit, Cahya Mata Phosphates Industries Sdn Bhd (Cahya Mata Phosphates), and Syarikat SESCO Berhad (SESCO) will continue to be a drag on its earnings unless resolved amicably. Following SESCO's termination of power supply in July 2023, operations remain suspended although Cahya Mata Phosphates has proactively begun preparatory work to commence commissioning by 4Q 2025. The business unit estimates operating losses (before depreciation, interest, and tax) of up to RM32 mil this year under its worst-case scenario, if the dispute remains unresolved. The Group is claiming over RM1.2 billion from SESCO for losses allegedly suffered as a result of the discontinuation of electricity supply, which includes loss of anticipated profits and other consequential damages. SESCO, in turn, is counterclaiming approximately RM342 mil. The arbitration outcome may result in one-off contingent liabilities for the

Group, the quantum of which remains uncertain at this stage. Nonetheless, Cahya Mata's strong liquidity and low gearing offer a healthy buffer.

To enhance cost efficiencies and to protect itself against new entrants, the Group plans to invest RM750 mil in a new clinker plant, targeted for completion by 2Q 2027. While total debt is expected to rise over the next three years to meet capex requirements, gearing and net gearing are expected to remain below 0.35 times and 0.25 times, respectively. Operating cashflow debt coverage (including dividends from joint ventures and associates) is projected to stay above 0.25 times.

Recent lawsuits filed by and against the Group's Deputy Chairman over alleged breaches of fiduciary duties and access to financial accounts, while currently mooted in the courts, raises governance concerns. Nevertheless, Cahya Mata continues to make improvements in corporate governance which we will be able to assess the effectiveness of these changes over time.

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