



Media Release

RAM Ratings affirms Telekosang Hydro One's Senior Sukuk at A₁ and Junior Bonds at BBB₁

RAM Ratings has affirmed the A₁ rating of Telekosang Hydro One Sdn Bhd's (TH1 or the Issuer) RM470 mil ASEAN Green SRI Sukuk (2019/2037) (Senior Sukuk) and the BBB₁ rating of its RM120 mil ASEAN Green Junior Bonds (2019/2039). Both ratings have a stable outlook.

Combined cashflow generation from the small hydro power plants of TH1 (Plant 1 – 24 MW) and its sister company Telekosang Hydro Two Sdn Bhd (TH2) (Plant 2 – 16 MW) (collectively, the Plants) supports the repayment of the Senior Sukuk and Junior Bonds.

The rating affirmations are premised on our expectation that the Issuer's debt coverage profile will remain adequate throughout the Senior Sukuk's tenure. Since the Plants recovery from a major machinery breakdown last year, both have performed well, achieving respective average plant factors of 89% and 78% in 1Q 2025. We expect the Plants to maintain their healthy operating levels, barring further unexpected operational setbacks. The Issuer's projected minimum annual finance service coverage ratio (FSCR) of 1.50 times over the Senior Sukuk's tenure, excluding a one-time dip to 1.47 times in August 2028, is commensurate with the current ratings.

Our sensitised cash flow scenario suggests that unless there is a near-term improvement in its cashflow position, TH1 may face a potential FSRA breach on the Senior Sukuk's repayment date in February 2026, though the sukukholders may grant indulgence as they have before.

RAM's sensitised analysis assumes a lower energy output and a lump-sum RM7.4 mil penalty payment to the offtaker, Sabah Electricity (SE) – due to Plant 2's failure to deliver 70% of the declared annual availability under TH2's renewable energy power purchase agreement (REPPA). TH2 is still in negotiation with SE to settle the penalty through a five-year instalment plan. Given the uncertainty in the timing and quantum of proceeds from (1) insurance claims for the Plants' outages in 2024 and (2) recovery of performance bonds under the engineering, procurement, construction and commissioning contracts – which are still pending the resolution of a court ruling – our assessment excludes these items.

Small hydro plants may be less complex to operate than thermal facilities, but the sustainability of their power generation is vulnerable to hydrological shifts caused by climate change, pollution and deforestation. All in all, the transaction continues to be anchored by the Plant's favourable REPPA terms that ensure energy take-up at a fixed tariff.

The rating of the Junior Bonds is notched down from that of the Senior Sukuk to reflect the former's strong equity-like features and deep subordination to the latter in terms of cashflow priority. The Junior Bonds have been structured as zero-coupon bonds, with repayments starting only after the Senior Sukuk is fully redeemed, i.e., in August 2038 and August 2039.

Analytical contacts

Chong Van Nee, CFA
(603) 2708 8210
vannee@ram.com.my

L Nurisya Abdullah
(603) 2708 8238
nurisya@ram.com.my

Media contact

Sakinah Arifin
(603) 3385 2500
sakinah@ram.com.my

Date of release: 20 June 2025

The credit rating is not a recommendation to purchase, sell or hold a security, inasmuch as it does not comment on the security's market price or its suitability for a particular investor, nor does it involve any audit by RAM Ratings. The credit rating also does not reflect the legality and enforceability of financial obligations.

RAM Ratings receives compensation for its rating services, normally paid by the issuers of such securities or the rated entity, and sometimes third parties participating in marketing the securities, insurers, guarantors, other obligors, underwriters, etc. The receipt of this compensation has no influence on RAM Ratings' credit opinions or other analytical processes. In all instances, RAM Ratings is committed to preserving the objectivity, integrity and independence of its ratings. Rating fees are communicated to clients prior to the issuance of rating opinions. While RAM Ratings reserves the right to disseminate the ratings, it receives no payment for doing so, except for subscriptions to its publications.



Media Release

Similarly, the disclaimers above also apply to RAM Ratings' credit-related analyses and commentaries, where relevant.

Published by RAM Rating Services Berhad
© Copyright 2025 by RAM Rating Services Berhad