



## Media Release

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### **RAM Ratings affirms Agroto's AA<sub>1</sub>(bg) bank guaranteed sukuk**

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RAM Ratings has affirmed the AA<sub>1</sub>(bg)/Stable ratings of the RM200 mil five-year tranche and RM100 mil seven-year tranche (collectively, the Sukuk) under Agroto Business (M) Sdn Bhd's (Agroto or the Group) ASEAN Sustainability SRI Sukuk Programme of up to RM300 mil (2021/2036).

The issue ratings are supported by an irrevocable and unconditional guarantee from Sabah Development Bank Berhad (rated AA<sub>1</sub>/Stable/P1 by RAM) which enhances the credit standing of the Sukuk beyond Agroto's standalone credit strength. Agroto is a notable highland vegetable producer in Malaysia, with nearly 115 acres of planted area in Kinta Highlands, Perak. The Group's modern farming methods deliver superior yields and product quality, earning major certifications required by established retailers and restaurant chains, and providing access to export markets.

In FY Dec 2024, Agroto's revenue grew 9.6%, driven by higher selling prices (+10%), while operating profit was marginally positive. The upward revision of selling prices helped cushion the impact of higher costs from the increase in the minimum wage and input prices, resulting in a narrower pre-tax loss. This, however, underscores the Group's still-inadequate scale to fully cover operational and financial obligations. The Group's planned 100-acre farm expansion was further delayed to Q4 2025 as the planned subsequent issuance of RM100 mil sukuk did not materialise. We expect operating profitability to improve only upon completion of the planned expansion.

As at end-December 2024, Agroto's gearing eased to 0.67 times (end-December 2023: 1.03 times) after a capital restructuring exercise saw additional capital injections and converted shareholder advances to equity. We project gearing to rise to around 0.78 times in fiscal 2026 from further shareholder advances and broadening losses, compounded by cost pressure from expanded SST revision. In the immediate term, the RM200 mil sukuk maturing next year is expected to be refinanced via a new debt facility. We anticipate shareholder advances to be forthcoming to alleviate any cashflow shortfalls, as seen in the past.

On a stand-alone basis, the Group's credit profile is weak. Intense competition within the fragmented vegetable industry and Agroto's lack of scale, limited production capacity and high leverage have strained its operating and financial performance. High customer and product concentration risks also temper its credit profile, though successful capacity expansion can help moderate these risks.

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