



Media Release

RAM Ratings affirms rating of EKVESB's guaranteed sukuk

RAM Ratings has affirmed the AAA(bg)/Stable rating of EKVE Sdn Bhd's (EKVESB or the Company) Guaranteed Sukuk Murabahah Facility of up to RM1 bil in Nominal Value (the Sukuk). The rating reflects irrevocable and unconditional *kafalah* guarantees extended by Maybank Islamic Berhad and Bank Pembangunan Malaysia Berhad, (both rated AAA/Stable/P1) for Tranche 1 and 2 issued under the facility, respectively. The guarantees enhance the Sukuk's credit profile beyond its standalone position.

EKVESB holds a 50-year concession from the Government of Malaysia for the East Klang Valley Expressway (EKVE or the Expressway), a 36.16 km closed-toll system which starts from Sungai Long in Kajang and ends at Ukay Perdana in Ampang (the Project). The Expressway's construction progress remains delayed, standing at 88.23% as of 25 June 2024 (scheduled: 94.29%).

From the originally scheduled completion date of 9 September 2019, the project has faced prolonged and repeated delays. Initially set back due to land acquisition issues, the Project was then delayed by pandemic lockdowns with the current construction progress now stalled by the lack of funding. As of 25 June 2024, construction was 88.23% completed. Past extensions of time were granted, with the most recent extension formalised by a fifth Supplemental Concession Agreement, revising the completion date to 31 Dec 2025 – a further delay of another year.

The transaction's funding and liquidity positions are still critically tight, with the sukuk guarantees fees unpaid since July 2022 as the Company sought the guarantors' indulgence for delayed payments, which it obtained. Despite the liquidity constraints, there aren't any adverse developments or event of default under the guarantees or the Sukuk. That said, AZRB, the *kafalah* guarantors and the government remain committed to financially backing the Project, as evidenced by additional funding secured to see it through to completion. Factoring recently anticipated cost overruns and delays, the Expressway's remaining budgeted construction cost stood at around RM243 mil as of end-February 2024. AZRB's weakened financial profile may limit its capacity to extend support, including the required capital infusion.

Despite the setbacks, management expects Section 1 of the EKVE, running from the Sungai Long toll stop to the Ampang toll stop, to commence sectional tolling at the beginning of next year, estimating the rest of the Expressway to be fully completed by

December 2025.

The Expressway completes the Kuala Lumpur Outer Ring Road network, improving connectivity for north-south traffic flows in the eastern part of the Klang Valley. Its prospects are exposed to competition posed by alternatives and the possibility of further construction hold-ups. Cash flow mismatches from project completion delays suggest that refinancing and/or an additional financial injection will be pivotal to ensuring continued servicing of the Sukuk, particularly with principal repayment scheduled to start in 2026. The long-dated highway concession tenure affords room for refinancing though any refinancing prospects will hinge on traffic performance and toll collections upon the Expressway's opening. As with most concession-related projects, EKVE exposes the Company to regulatory and single-project risks.

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