



Media Release

RAM Ratings reaffirms AA₁(s)/Stable rating of Samalaju's sukuk

RAM Ratings has reaffirmed the AA₁(s)/Stable rating of Samalaju Industrial Port Sdn Bhd's (Samalaju or the Company) Sukuk Murabahah Programme of up to RM950 mil (2015/2036) (the Sukuk). The suffix (s) denotes credit enhancement afforded by an unconditional and irrevocable corporate guarantee from Bintulu Port Holdings Berhad (BPHB, rated AA₁/Stable/P1), Samalaju's parent company.

Samalaju Port (the Port) plays an important role as a dedicated port and logistical hub for tenants of Samalaju Industrial Park (the Park), which forms part of the Sarawak Corridor of Renewable Energy. Subsequent to Phase 1 of Samalaju Port becoming operational on 6 June 2017, the Port has witnessed promising growth in throughput volumes handled. In 2021, its cargo volume increased by a commendable 13.0% y-o-y to 5.33 mil tonnes (2020: 4.71 mil tonnes), largely owing to the commencement of operations at Press Metal Bintulu Sdn Bhd's (Press Metal) Phase 3 plant. Press Metal is Samalaju's largest customer, alongside another six industrial players at the Park.

Eliminating revenue from construction services, Samalaju's operating revenue surged 22.9% to RM137.3 mil in FY Dec 2021. The topline boost and a prudent cost structure improved the Company's operating profit before depreciation, interest and tax (OPBDIT) margin from 11% to 30%. Despite being weighed down by amortisation and finance costs, its pre-tax loss narrowed in fiscal 2021. The recognition of deferred tax assets allowed Samalaju to turn to the black, recording a net profit of RM236.9 mil.

The Company's weak profitability has translated into subdued leverage and cashflow debt coverage ratios. Over the next five years, we expect its adjusted funds from operations debt coverage to remain weak at an average 0.05 times while adjusted gearing will hover between 1.40 times and 1.48 times before easing to 1.24 times in 2026. With cash reserves of RM380.1 mil (including investments in unit trusts), Samalaju's liquidity position is healthy and amply able to cover short-term lease obligations and profit repayments of RM42.8 mil due in the next 12 months.

Samalaju faces customer concentration risk as its business hinges on the Park's seven tenants. Any severe deterioration in the business and/or financial profiles of these entities may affect the Company's performance. This risk is moderated by the significant investments of these players in establishing facilities at the Park.

The Sarawak state government plays a key role in determining Samalaju's strategic direction and is represented on the Company's board. In view of the diverse stakes in BPHB held by various government representatives, the incentive to provide the Company with financial assistance (if and when required) is strong. This will facilitate the success of the SCORE while ensuring Samalaju meets its financial and operational obligations.

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