



## Media Release

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### **RAM Ratings reaffirms AA<sub>1</sub>(s)/Stable rating of Samalaju's sukuk**

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RAM Ratings has reaffirmed the AA<sub>1</sub>(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 support afforded by an unconditional and irrevocable corporate guarantee from Bintulu Port Holdings Berhad (BPHB, rated AA<sub>1</sub>/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 seen promising growth in throughput volumes handled over the years. In 2020, the Port's cargo volume declined 4.7% to come in at 4.71 mil tonnes (2019: 4.94 mil tonnes) due to diminished demand amid the COVID-19 outbreak.

In 1H 2021, cargo volume surged 18.8% y-o-y to 2.67 mil tonnes, lifted by the conversion of aluminum and manganese exports from container to bulk cargo and the commencement of operations at Press Metal Bintulu Sdn Bhd's Phase 3 plant. The full-year cargo volume handled is expected to reach 5.04 mil tonnes, backed by expansions undertaken by existing and new customers at the Park.

Stripping off revenue from construction services, Samalaju's top line slipped 2.6% y-o-y to RM111.71 mil in FY Dec 2020 (FY Dec 2019: RM114.72 mil), in line with lower cargo demand from customers during the pandemic. The Company continues to incur a pre-tax loss on account of elevated depreciation, amortisation and finance costs since the completion of the Port. 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 ratio to remain weak at an average 0.05 times while adjusted gearing will peak at 3.66 times. With cash reserves of RM 356.47 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 RM39.46 mil due in the next 12 months.

Samalaju is subject to customer concentration risk as its business hinges solely on the Park's tenants. Demand at Samalaju Port is currently spurred by six customers – Press Metal, OM Materials Sdn Bhd, Sakura Ferroalloys Sdn Bhd, Pertama Ferroalloys Sdn

Bhd, PMB Silicon Sdn Bhd, and Malaysian Phosphate Additives. Any severe deterioration in the business and/or financial profiles of these entities may affect the Company's performance. Barring extreme shifts in economic conditions, the risk associated with the potential departure of any of these customers is moderated by their significant investments 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. By extension, regulatory oversight of the Port rests with the Samalaju Port Authority, a state statutory body. In view of BPHB's diverse shareholding through the Sarawak state government, Petroliam Nasional Berhad, and government-related agencies, 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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