



Media Release

RAM Ratings affirms Edra Solar's ASEAN Sustainability SRI Sukuk at AA₂/Stable

RAM Ratings has affirmed the AA₂/Stable rating of Edra Solar Sdn Bhd's (Edra Solar or the Company) RM245 mil ASEAN Sustainability SRI Sukuk (the Sukuk).

The rating is premised on the strong project economics of Edra Solar's 50 MWac solar photovoltaic plant (the Plant) in Kuala Ketil, Kedah, which is supported by the favourable terms of the Company's power purchase agreement (PPA) with Tenaga Nasional Berhad (TNB, senior debt securities rated AAA/Stable by RAM). This, coupled with the Plant's outstanding operational performance, underpins the Company's sturdy debt coverage.

The Plant generated a total net energy output (NEO) of 86,996 MWh in 2023, outperforming our sensitised projection and the declared annual quantity (DAQ) by 14.1% and 11.0%, respectively. In 6M 2024, NEO further surpassed its seasonally prorated 2024 DAQ by 16.1%. The Plant's NEO remains significantly above the PPA requirement of at least 70% of DAQ with its outperformance mainly attributable to optimal weather conditions and enhanced cleaning efficiency at the Plant.

In FY Dec 2023, the Company's revenue and operating profit before depreciation, interest and tax stayed broadly stable at a commendable at a respective RM34.4 mil and RM28.0 mil. Pre-financing cashflow remained robust at RM30.7 mil (fiscal 2022: RM27.7mil). As at the latest sukuk repayment date in April 2024, Edra Solar recorded a finance service coverage ratio (FSCR) (with cash balances) of 8.96 times, boosted by the absence of scheduled principal payments during the calculation period and higher than RAM's projection of 8.13 times.

Looking ahead, Edra Solar's debt servicing capacity is anticipated to remain strong over the Sukuk's remaining tenure, with minimum and average annual FSCRs (with cash balances) of 1.66 times and 8.25 times, respectively. These levels are commensurate with the AA₂ rating.

The Sukuk is backed by strict distribution covenants, requiring coverage to include both the next scheduled principal and aggregate profit payments for the calculation period, in view of its staggered and uneven repayment profile. That said, any excessive

distributions by Edra Solar, even if permitted, in the early years of the transaction could compromise debt servicing metrics in later years.

Notwithstanding the Plant's robust energy output and satisfactory plant maintenance since commercial operations began, Edra Solar continues to be exposed to the long-term variability of solar irradiance, plant performance risk and inherent regulatory risk. As a single-project company, Edra Solar is also susceptible to force majeure and event risks, which are somewhat moderated by insurance policies, the Plant's modular nature and vast site.

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