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RATINGS

Media Release

RAM Ratings upgrades Edra Power's ratings to AAA/Stable/P1

RAM Ratings has upgraded Edra Power Holdings Sdn Bhd's (Edra Power or the Group) corporate credit ratings to AAA/Stable/P1 from AA_1/Stable/P1.

The upgrade is prompted by the reassessment of support from its ultimate parent, China General Nuclear Power Corporation (CGNPC) under RAM's master criteria for Group Support Rating Links, published in October 2024. CGNPC owns 63% in Edra Power, with the remaining 37% held by China Southern Power Grid Co., Ltd (CSG). Both CGNPC and CSG share a common shareholder, State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China.

The involvement and influence of the Group's parents, particularly CGNPC, have increased distinctly in recent years. Major decisions and strategies of the Group are viewed to be closely aligned with that of CGNPC. Edra Power's Board and senior management have over time, evolved to currently comprise only foreign appointees from its parents. Being among the largest foreign subsidiaries that accounts for up to 40% of CGNPC's overseas capacity, Edra Power's strategic priorities are in line with its key parent's objective. As guided by CGNPC, Edra Power is also undertaking a corporate restructuring initiative to flatten its organizational structure and enhance operational synergies. These changes lead us to believe that Edra Power will likely enjoy a "high" likelihood of extraordinary support, as a highly strategic subsidiary of CGNPC.

On a stand-alone basis, Edra Power's company-level performance continues to be anchored by dividends from its Malaysian entities, given these are ring-fenced concessions with no recourse to the holding company. Looking ahead up to fiscal 2028, our cashflow analysis assumes about RM960 mil of borrowings to support its expansion while providing RM25 mil financial support to Edra Energy Sdn Bhd (only under RAM's stressed case projection with subdued plant availability and elevated expenditure) and heftier dividend payments of RM3.73 bil. Overall, we still anticipate company-level gearing and operating cashflow net debt coverage over the next five years to stay solid, registering their weakest at a respective 0.13 times and 0.70 times.

Edra Power's business profile remains constrained by its shrinking portfolio of eight generation assets with equity capacity of 5.04GW. This is expected to impact future earnings growth and geographic diversity. Following the expiry of all its three power

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purchase agreements in Egypt in fiscal 2023 and dearth of new overseas projects, Group earnings will continue to be heavily dependent on the Malaysian operations. The protracted collection issues arising from economic strife and socio-political issues faced in Bangladesh and Egypt, countries where the Group has had a long track record in, has altered management's risk appetite of further expansion in these countries, at least for the medium-term. Without new pipeline, Edra Power's portfolio could reduce to just four projects with 3.38GW by end-2028, compared to 13 projects with 5.53GW capacity in 2018.

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