



## Media Release

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### **RAM Ratings affirms AAA(s) rating of Sarawak Petchem's Sukuk Wakalah**

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RAM Ratings has affirmed the AAA(s)/Stable rating of Sarawak Petchem Sdn Bhd's (Sarawak Petchem or the Company) RM6.0 bil Islamic Medium-Term Notes Programme (2022/2052) (Sukuk Wakalah).

The Company produces methanol via its newly completed 1.75 mil MT annual capacity plant (the Plant) in Tanjung Kidurong, Bintulu, Sarawak that commenced commercial production in Q4 2024.

The Sukuk Wakalah's enhanced rating reflects an irrevocable and unconditional joint and several guarantee from the Company's shareholders, Permodalan Satok Berhad and Sarawak Economic Development Corporation (SEDC). Given the latter's standing as the socio-economic development agency of Sarawak, the issue rating primarily reflects SEDC's credit profile, which mirrors Sarawak's AAA state implicit strength. With its critical mandate, we expect SEDC to continue benefiting from an 'almost certain' likelihood of extraordinary financial support from the state, if required. This support is highly likely to extend to Sarawak Petchem.

On a standalone basis, Sarawak Petchem's credit profile is backed by strong project fundamentals and favourable contractual arrangements. The Plant's main input – natural gas – is supplied by Petroliam Nasional Berhad (Petronas) and Petroleum Sarawak Berhad. Under the Gas Sales Agreements with these parties, the cost of natural gas is tied to methanol prices, net of freight charges. This offers the Company some natural hedge against the inherently volatile prices of methanol. Demand risk is moderated by Petronas acting as the main offtaker. Although the Plant's operating track record is still limited, technical assistance availability from Petronas provides comfort, supporting operational stability moving forward.

As is, the Plant is largely operational, allowing Sarawak Petchem to already be self-sustaining on operations, notwithstanding some residual commissioning works to be completed in 1Q 2026. Under our sensitivity assumptions, we project operating cashflow debt coverage to be in the teens for fiscal years FY Dec 2025 to FY Dec 2026 before improving to a healthier 0.20 times-0.25 times in the subsequent three-year

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period, in line with annual debt repayments. We also expect the Company to comfortably meet all financial covenants, though our analysis indicates potentially narrower finance service cover headroom in fiscal years 2028-2032 in the event of a prolonged period of lower than anticipated methanol prices.

As the Plant is a capital-intensive project, Sarawak Petchem's balance sheet is expectedly highly leveraged at the initial phase of its operations. Gearing, having risen to 3.98 times as at end-July 2025 (end-December 2023: 3.47 times), should steadily improve moving forward on the back of continued debt reduction. We expect the ratio to decline to below 3 times after fiscal 2026, before gradually easing to approximately 1.2 times by end-2030.

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