



## Media Release

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### **RAM Ratings raises outlook on Solarvest's A<sub>1</sub> issue rating to positive**

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RAM Ratings has raised the outlook on the long-term A<sub>1</sub> rating of Solarvest Holdings Berhad's (Solarvest or the Group) RM1 bil Islamic Medium-Term Notes/Islamic Commercial Papers Programme to positive from stable. The short-term rating is P1.

The revision is based on expectations that Solarvest will register sustained improvements to its credit metrics, driven by stronger cashflow generation as the Group expands its order book and maintains its market leadership in Malaysia's solar engineering, procurement, construction and commissioning (EPCC) market amid bright industry prospects in the medium term. The positive outlook is further supported by projected growth in the Group's business scale, underpinned by healthy earnings accretion, reinvestment and development of owned solar assets.

Solarvest's positioning as a provider of solar EPCC and clean energy solutions aligns well with opportunities arising from the Malaysian government's commitment to attaining a 70% share of renewable energy (RE) installed capacity by 2050, as well as the broader expansion of RE markets across the Asia-Pacific region. The current solar energy growth potential overshadows the threat of new entrants and risks posed by the order book-driven nature of Solarvest's EPCC business – its primary income contributor. We also see notable progress in the diversification of the Group's income streams towards recurring income sources via its asset ownership segment and other RE solutions.

The Group's total assets and annual revenue are both expected to grow three-fold over the next four years. This exposes Solarvest to scaling risks including a potential overextension of management capabilities and increased financial leverage to fund new business lines and markets that may not perform as anticipated. Management has however displayed commendable execution capability in growing the business at an exponential pace in previous years, with no material issues in the form of project delays or cost overruns.

Solarvest achieved stronger than expected funds from operations debt coverage (FFODC) of 0.28 times in FY March 2024 as working capital-related debt drawdowns were lower than projected amid improvement in overall income generation. The release of the Group's corporate guarantees after the operating performances of its three owned Large-Scale Solar 4 plants reached satisfactory levels allowed the

adjusted FFODC to stand at a more significant 0.70 times. As the bulk of projected asset expansion is expected to be funded via non-recourse project financing arrangements without additional parental commitment, adjusted FFODC will remain robust, averaging 0.28 times over the next four years under our sensitised scenario. The potential rating upgrade hinges on Solarvest's ability to meet current projected credit metric levels while adhering to its growth and diversification targets.

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