



Media Release

RAM Ratings assigns AA₁ and P₁ ratings to Johor Plantations' inaugural sukuk programmes

RAM Ratings has assigned AA₁/Stable/P₁ corporate credit ratings to Johor Plantations Group Berhad (JPG, formerly known as Johor Plantations Berhad). The same ratings are also assigned to its proposed Islamic Medium-Term Notes (IMTN) and Islamic Commercial Papers (ICP) programmes with a combined limit of up to RM3.0 bil.

The ratings are supported by JPG's established position as a mid-sized planter with good productivity metrics, a young palm age profile and healthy financial position. JPG's ratings also benefit from its strong relationship with Johor Corporation (JCorp), its ultimate holding company and Johor's state development agency, with whom it shares a common strategic direction and close operational ties.

Following an internal reorganisation in December 2022, JCorp's agribusiness was consolidated under Kulim (Malaysia) Berhad, JPG's immediate holding company, with JPG spearheading the oil palm plantation, palm milling and other palm related businesses. JPG is a major earnings contributor to JCorp's agribusiness, making up an average of 33% of the latter's total earnings for the past four years. Predominantly an upstream oil palm plantation company, the Group owns five palm oil mills (POM) and operates 23 estates, with 22 in Johor. Despite its geographic concentration, JPG has exhibited operational efficiency given its POM being strategically located near its estates, which minimises transportation time and fresh fruit bunch (FFB) spoilage. Average FFB yields and crude palm oil (CPO) yields over the last three years compared favourably against larger regional peers'.

JPG made its debut on the Main Market of Bursa Malaysia on 9 July 2024, successfully raising approximately RM735 mil. The proceeds of the initial public offering will be used to repay bank borrowings, fund working capital and construct an integrated sustainable palm oil complex (ISPOC). The ISPOC, expected to be completed by Q3 2026, is part of JPG's strategy to venture into the plantation downstream value chain, along with strategic replanting activities for long-term sustainability.

In FY Dec 2023, y-o-y revenue declined 28% to RM1,253.4 mil due to notably lower volume and selling price of CPO and palm kernels. Weather-related changes affected FFB harvesting and logistics activities. This, coupled with high manuring costs carried over from 2022, pushed operating profit before depreciation, interest and tax

(OPBDIT) down 50% y-o-y. Consequently, JPG's OPBDIT margin narrowed to 29% from 42% in fiscal 2022. JPG has effectively boosted FFB production and operational efficiency in the first three months of FY Dec 2024, evidenced by a 17% y-o-y revenue growth and an increase in the OPBDIT margin to 31%.

A steady debt level, offset by the issuance of RM172.6 mil new ordinary shares, resulted in improved gearing of 0.77 times in FY Dec 2023 (FY Dec 2022: 0.90 times). Funds from operations debt coverage (FFODC) deteriorated to 0.17 times on account of the weaker operational performance (FY Dec 2022: 0.29 times). For 3M fiscal 2024, however, FFODC was a stronger 0.20 times in line with better profitability. Assuming the proposed ISPOC is funded by the IPO proceeds, additional debt and internally generated funds, our sensitised projections indicate that gearing and FFODC will average a respective 0.71 times and 0.24 times over the next two years, commensurate with JPG's current ratings.

Click [here](#) for the rating rationale.

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