

ROYAL RAILWAY PLC.

Credit Rating		Bond 1 Information		Bond 2 Information	
Issuer Credit Rating	khCCC	Bond Credit Rating	khAAA	Bond Credit Rating	khAAA
Outlook	Negative	Size	USD 12 million	Size	USD 12 million
Credit Rating History		Settlement	Interest: Semi-annual Principal: Amortizing from year 3 to year 5	Settlement	Interest: Semi-annual Principal: Amortizing from year 3 to year 10
		Maturity Date	23/12/2027	Maturity Date	23/12/2032
		Type	Unsecured, Guaranteed	Type	Unsecured, Guaranteed
		Coupon Rate	1-mth SOFR + 3.50%	Coupon Rate	Year 1-5: 1-mth SOFR + 3.50% Year 6-10: 1-mth SOFR + 3.75%
Issuing Date	July 01, 2024	Guarantor	GuarantCo	Guarantor	GuarantCo

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Key Rating Rationale

We maintain the Bond Credit Rating (BCR) of Royal Railway Plc. (henceforth “RR” or “the Company”) at “**khAAA**” (National Scale). The bond is covered 100% on the principal and interest amount by GuarantCo, an entity whose current credit rating is AA- by Fitch Ratings and A1 by Moody’s Investor Service.

We also maintain the Issuer Credit Rating (ICR) and Outlook of RR at “**khCCC**” (National Scale) and “**Negative**”, respectively. The latest financial results for FY25 demonstrated improving operational performance; however, elevated finance costs continued to constrain RR’s profitability. Rising diesel fuel prices in FY26 have further pressured earnings margin. These challenges resulted in breaches of the company’s financial covenants, prompting RR to request waivers from GuarantCo. As of the date of this monitoring report, the company received a waiver under the Recourse Deed as of 30th June FY25 and submitted another waiver in respect of the breached as of 31st December FY25.

Compared with the previous period, RR reported improvement in revenue, operating profit, and operating cash flow, although these figures are still in an unfavorable state. Net losses narrowed due to lower finance costs. Nevertheless, high interest expenses and diesel fuel cost remain as area of concern to the company’s financial performance over the remaining bond tenure.

We keep a constructive medium-term outlook as we believe the main headwinds affecting the Cambodian economy, namely high interest rates, high diesel fuel costs, and geopolitical uncertainties, to gradually abate in the near term. Nonetheless, we also remain cautious of a potential downturn that could trigger an immediate rating review, given RR’s significant exposure to global, regional, and local economic conditions.

Outlook

Revenue from Rail Freight and Train-related Value-added services, particularly from the Southern line, is expected to expand compared to the previous year. However, considering the ongoing border closure with Thailand, we maintain a cautious stance on the Northern line. Therefore, we anticipate RR to sustain its top-line operational performance over the next 12 months. It was underpinned by both the company’s Q1 FY26 performance and Cambodia’s projected economic expansion according to the Asian Development Bank (ADB).



Although number of passengers declined in FY25, the introduction of premium seating is expected to help offset the impact. We expect revenue growth to rely mainly on increased freight volume, which remains insufficient to generate positive operating profit. The company has obtained a waiver for covenant breaches in June FY25 and is currently seeking another waiver for December FY25. The existing financial covenants breaches, coupled with the risk of further breaches during the bond tenure and the ongoing macroeconomic uncertainty, support our continued conservative view on RR's prospects. Hence, we maintain the Outlook at "Negative".

Rating Sensitivity

On the upside, waiver letter from GuarantCo received, no additional covenant breach (during the bond period), increased operational activities, absence of macroeconomic shocks, and improved credit-risk profile would prompt us to reconsider the ICR and outlook.

On the downside, a drastic worsening of the company's financial risk profile could trigger a change in the ICR. As for the BCR, since it is pegged to GuarantCo's global rating (AA- by Fitch Ratings and A1 by Moody's Ratings), we may consider a downgrade if GuarantCo's global rating is downgraded.

Issues to Monitor

Going forward, the obtainment of the waiver letter from GuarantCo, the possibility of further financial covenants breaches, anticipated revenue growth from upgrading core services and other income services, effectiveness of the concessional agreement, macroeconomic conditions, the fluctuation of diesel fuel costs, and the financial profile of RR are all important subjects that need to be closely monitored.

Royal Railway Plc.'s Summary

Overview

Looking ahead, Cambodia's projected Gross Domestic Product (GDP) growth of 4.5% in FY26, forecasted by ADB, together with the ongoing government initiatives aimed at enhancing the country's rail transportation system, is expected to drive demand for RR's Rail Freight and Passenger services. In FY25, the revenue generated by Rail Freight has surged considerably despite imports from Thailand between June and November has plummeted by 34.5%. However, RR's bottom line worsened significantly due to high interest expenses and rising diesel fuel costs, which placed pressure on operating margins and overall earnings. As a result, we maintain the ICR at "khCCC".

Performance

Revenues have been on a growing trend over the last five years, recording a CAGR of 10.2% between FY21 and FY25. Despite modest revenue growth of only 1.2% YoY in FY23, the company experienced stronger YoY growth of 9.1% in FY24 and 22.4% in FY25. It is driven primarily by the large increase in Rail Freight revenue and a moderate rise in Train-related Value-added services on the Southern line. In FY25, the total freight volume experienced growth of 46.3% YoY while the number of passengers declined by 12.8%. Operating profit improved slightly by 2.8% from the previous year whereas the net loss narrowed as financial costs reduced by USD 1.1 mn.

The company's leverage profile weakened significantly, with the Debt-to-Capital ratio increasing to 171.1% in FY24 and 218.5% in FY25. As of FY25, RR's cash flow and interest coverage ratios, albeit still negative, improved markedly from previous years. This upward trajectory signals improving operational performance, though the company remains in a fragile recovery phase.



CONDENSED FINANCIAL STATEMENTS

	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25
	USD	USD	USD	USD	USD
Income Statement Information					
Revenue	9,372,639	10,229,707	10,348,051	11,286,614	13,814,708
Gross profit	431,130	(2,030,943)	(2,001,193)	(2,318,844)	(3,540,407)
Profit from operations	(590,605)	(3,747,943)	(1,664,113)	(3,820,210)	(3,711,654)
Profit before income tax	(748,978)	(4,118,571)	(5,392,678)	(8,156,271)	(6,906,105)
Net profit	(748,978)	(4,118,571)	(5,392,678)	(8,156,271)	(6,906,105)
Balance Sheet Information					
Assets					
Cash and bank equivalents	121,766	23,981,297	17,485,828	4,726,176	1,458,250
Inventories	129,576	214,835	154,602	94,926	139,101
Trade and other receivables	932,546	2,370,718	2,913,750	2,427,248	1,097,746
Total current assets	1,183,888	26,566,850	20,554,180	7,248,350	2,695,097
Property and equipment	6,245,004	7,007,931	8,872,818	17,234,796	19,429,249
Total non-current assets	6,521,022	11,041,239	13,118,542	24,017,055	26,128,701
Total Assets	7,704,910	37,608,089	33,672,722	31,265,405	28,823,798
Liabilities and Equity:					
Trade and other payables	4,538,854	3,741,073	2,702,507	3,447,482	4,659,089
Borrowings	835,114	1,782,400	3,432,784	6,800,576	13,983,392
Debt securities	-	233,763	24,094,813	24,987,523	21,333,701
Total current liabilities	5,464,884	5,909,634	30,334,026	35,400,404	40,180,272
Borrowings	329,362	855,227	1,087,317	858,218	607,454
Debt securities	-	33,051,243	9,809,327	9,809,327	9,809,327
Total non-current liabilities	391,163	33,968,163	11,001,082	11,683,658	11,368,288
Total Liabilities	5,856,047	39,877,797	41,335,108	47,084,062	51,548,560
Share capital	13,020,930	13,020,930	13,020,930	13,020,930	13,020,930
Accumulated losses	(11,172,067)	(15,290,638)	(20,683,316)	(28,839,587)	(35,745,692)
Total Equity	1,848,863	(2,269,708)	(7,662,386)	(15,818,657)	(22,724,762)
Total Liabilities and Equity	7,704,910	37,608,089	33,672,722	31,265,405	28,823,798

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CONDENSED FINANCIAL STATEMENTS (Cont.)

	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25
	USD	USD	USD	USD	USD
Cash Flow Information					
Net cash generated from operating activities	1,180,342	(5,800,284)	(5,541,323)	(5,269,928)	(1,049,468)
Net cash used in investing activities	(348,661)	(1,717,791)	(2,867,057)	(10,509,830)	(5,002,249)
Net cash used in financing activities	(825,375)	31,588,133	1,866,379	2,924,065	2,755,588
Net changes in cash and cash equivalent	6,306	24,070,058	(6,542,001)	(12,855,693)	(3,296,129)
Cash at the beginning of the year	115,460	121,766	24,191,824	17,649,823	4,794,130
Cash at the end of the year	121,766	24,191,824	17,649,823	4,794,130	1,498,001

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Rating Definition

Issuer Credit Rating – National Scale			
National Rating	Definition	Score	
khAAA	Extremely strong capacity to meet financial commitments	1	Very low risk
khAA	Very strong capacity to meet financial commitments	2	
khA	Strong capacity to meet financial commitments but somewhat susceptible to adverse changes in circumstances and economic environment	3	Low risk
khBBB	Adequate capacity to meet financial commitments but more susceptible to adverse changes in circumstances and economic environment	4	
khBB	Adequate capacity to meet financial commitment but more vulnerable to adverse changes in circumstances and economic environment	5	Moderate risk
khB	Adequate capacity to meet financial commitments but more likely to be affected by adverse changes in circumstances and economic environment	6	
khCCC	Capacity to meet financial commitments dependent on favorable business, financial and economic conditions	7	High risk
khCC	Weak capacity to meet financial commitments	8	
khC	Unlikely to be able to meet financial commitments	9	Very high risk
khD	In default partially or for all financial commitments	10	

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