



MARC RATINGS BERHAD

P R E S S A N N O U N C E M E N T

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MARC RATINGS AFFIRMS AA+_{IS} RATING ON KAPAR ENERGY VENTURES' SUKUK

MARC Ratings has affirmed its **AA+_{IS}** rating on Kapar Energy Ventures Sdn Bhd's (KEV) outstanding RM320.0 million Sukuk Ijarah with a **stable** outlook. The affirmed rating benefits from a two-notch uplift from KEV's standalone rating due to expected support from Tenaga Nasional Berhad (AAA/Stable), which has 60.0% ownership of KEV through its wholly-owned subsidiary TNB Power Generation Sdn Bhd.

KEV owns and operates the Kapar Power Station, comprising three generating facilities (GF) with a combined nominal capacity of 2,200MW. Operating performance for 1Q2024 fell below expectations with KEV experiencing several minor technical issues with its circuit breaker, draught system and condenser at GF3 in January 2024. The technical issues had affected availability; as a result, capacity payments (CP) recognised in 1Q2024 of RM96.0 million was 10% below budget. By March 2024, the company had reported a reduction in its unplanned outage rate (UOR) to 7.74% (January 2024: 9.64%) following resolution of the issues and no major outage events after that.

CP in 2023 also came under budget, by 7%, due to forced outages at GF3, mainly caused by a boiler tube leak, as well as water pump and condenser-related issues that were rectified during a major maintenance overhaul conducted between July 2023 and February 2024. The UORs at GF1 and GF2 remained within the limit of 6.00% as stipulated in the power purchase agreement.

For fiscal 2023, KEV experienced a RM324.9 million negative variance between energy payment (EP) receipts and coal costs owing to falling coal prices during the year. This led to pre-tax loss of RM392.7 million in 2023, compared to profit of RM390.2 million in 2022. As coal prices have stabilised in 1H2024, a narrower negative variance is expected for the full year.

Liquidity has remained steady despite the negative impact of coal prices on profitability in 2023. As of July 6, 2024, cash balances stood at RM269.5 million; this was after KEV made its scheduled profit payment and principal repayment amounting to RM161.4 million. The base case financial service coverage ratios (FSCR) for 2024 and 2025 are projected at 1.74x and 1.61x. The FSCR can withstand moderate stress scenarios, including varying degrees in CP and EP reductions, and higher opex and capex by 10% and 15%.

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