



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 JIMAH EAST POWER'S AA-*IS* RATING

MARC Ratings has affirmed its **AA-*IS*** rating on Jimah East Power Sdn Bhd's (JEP) outstanding RM8.24 billion Sukuk Murabahah with a **stable** outlook.

The affirmed rating is underpinned by JEP's predictable cash flow from its 2x1,000-MW ultra-supercritical coal plant under a 25-year power purchase agreement (PPA) with its indirect 70% shareholder, Tenaga Nasional Berhad (TNB). The rating also considers JEP's operational and financial linkages with TNB, and the credit strength of project sponsors, namely TNB, Mitsui & Co., Ltd (15.0%) and The Chugoku Electric Power Co., Inc (15.0%).

JEP received capacity payments (CP) that were 8.5% or RM90.1 million lower than budget in 2023. This was mainly due to a few unplanned outages at Unit 1. As a result, Unit 1's unplanned outage rate (UOR) exceeded the PPA's stipulated limits of 6% and 8% for most of the year. The rating agency understands that most of the issues have been fully resolved, with full replacement work for a heater tube (due to leakage in October 2023) expected to be carried out during the next major overhaul in April 2025. The company expects to claim rectification costs and business interruption losses from either its engineering, procurement and construction contractor or insurer, subject to the outcome of ongoing negotiations. For Unit 2, the UOR largely remained within the PPA limits during the year. Following a UOR reset at the start of 2024, the UOR of both units have remained within PPA limits with no major outage recorded.

JEP recorded an overall 2.4% y-o-y increase in revenue in 2023 to RM4.51 billion on the back of higher energy payments. However, the company ended FY2023 with pre-tax loss of RM141.3 million compared to profit of RM127.4 million in the previous financial year. Profitability was affected by CP reductions, heat rate underperformance, as well as negative fuel variance between the applicable coal price and actual coal costs following the fall in coal prices during the year. Earnings are likely to improve in 2024, as JEP's UOR parameters were reset to zero at the start of the year, lowering exposure to CP reductions, while coal prices have stabilised in 1Q2024.

Under the base case cash flow projections, minimum and average annual pre-distribution finance service coverage ratios (FSCR) with cash are projected at 1.25x and 1.84x. The rating agency's sensitivity analysis shows that the project FSCR would remain above 1.00x in the event of moderate underperformance.

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