



09 JUL, 2024

'STABLE' OUTLOOK FOR MPOWER PROGRAMME

New Straits Times, Malaysia



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Ratings backed by sufficient, predictable cash flows to service firm's obligations

ASILA JALIL
KUALA LUMPUR
bt@nst.com.my

MARC Ratings Bhd has assigned final ratings of "MARC-1 IS/AA-IS" to Malakoff Power Bhd's (MPower) RM1.2 billion Islamic commercial papers and Islamic medium-term notes (ICP/IMTN) programme.

The ratings are underpinned by sufficient and predictable cash flows from parent Malakoff Corp Bhd's independent power producers (IPPs) and waste management subsidiary Alam Flora Sdn Bhd to service MPower's obligations.

The rating agency said the rat-

ing outlook was "stable", on expectations that Malakoff's key subsidiaries would continue delivering satisfactory operational performance and upstream dividends as projected to MPower.

MARC said it reviewed the final documentation for the programmes and was satisfied that the terms and conditions had not changed in any material way from the draft documentation on which the preliminary ratings were based.

MPower is the operator of IPPs held through companies that are majority-owned by Malakoff.

"Given the operational linkages between Malakoff and MPower as well as their reliance on residual cash flows from the IPPs, the rat-

ing approach is premised on their consolidated credit profile.

"The kafalah guarantee provided by Malakoff on the existing sukuk murabahah programme in favour of MPower's sukuk holders underscores the rating approach; a similar guarantee will be extended to the ICP/IMTN programme as well," it said.

The IPPs have long-term power purchase agreements with Tenaga Nasional Bhd while Alam Flora has a long-term concession agreement with the government.

"The ratings also consider the group's current expansion into renewable energy projects that will partly mitigate the expiring PPAs of existing power plants."

The proceeds from the proposed first issuance of RM493 million under the ICP/MTN programme will be mainly used to finance two new renewable energy projects.



The Tanjung Bin power plant in Johor is operated by Malakoff Power Bhd. FILE PIC