

Headline	MARC affirms TNB's credit, sukuk ratings		
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'STABLE' OUTLOOK

MARC affirms TNB's credit, sukuk ratings

KUALA LUMPUR: Malaysian Rating Corp Bhd (MARC) has affirmed its corporate credit rating on Tenaga Nasional Bhd (TNB) at "AAA" and rating on the utility group's RM2 billion Al-Bai' Bithaman Ajil sukuk at "AAAS" with a "stable" outlook.

It said TNB's ratings benefited from a two-notch uplift to reflect MARC's assessment of a high likelihood of government support premised on the group's standalone corporate credit rating of "AA/Stable".

The support assessment also considered the government's indirect majority ownership in TNB, which provided it with considerable leeway to influence the utility company's strategic direction, noted MARC.

In addition, TNB's credit

strength reflects its monopoly on electricity transmission and distribution in Peninsular Malaysia and Sabah, its significant electricity generation capacity and strong operational track record with a generation capacity to-

INFO BOX
RM3.7b

Tenaga Nasional's net profit last year

talling 13,158 megawatts — 54.1 per cent of total installed capacity in the peninsula last year.

TNB's opbitda margin declined to 28.7 per cent last year from 32.6 per cent in 2017, on the

back of higher fuel costs and operating expenses.

Against a backdrop of moderating revenue growth prospects and increasing operating expenses, MARC expects TNB to manage its operational costs more prudently going forward.

As more consumers manage their energy usage to incorporate

energy-efficiency targets, the rating agency believes electricity growth will remain tepid over the medium term.

The implementation of Malaysian Financial Reporting Standards 16 (MFRS 16) from January 1 may be impacting TNB's profitability margins.

MARC will continue to monitor the impact of MFRS 16 on TNB's finances.

"Despite posting a lower net profit of RM3.7 billion, the group's cash flow from operations (CFO) was higher at RM14.4 billion, while its CFO interest coverage and CFO debt coverage were lower at 7.21 and 0.22 times," it said.

Up to end-2018, TNB's total borrowings rose 13 per cent to RM52.4 billion on the back of the RM3 billion sukuk wakalah issuance in August last year and the US\$750 million (RM3.09 billion) multi-currency sukuk issuance in November the same year.