

Headline	UiTM Solar Power sukuk holds on to good credit rating		
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UiTM Solar Power sukuk holds on to good credit rating

THE green sustainable and responsible investment (SRI) sukuk for a solar power project undertaken by Universiti Teknologi Mara (UiTM) continues to hold a good credit rating.

Malaysian Rating Corp Bhd (MARC) has affirmed its AA-IS rating on UiTM Solar Power Sdn Bhd's green SRI sukuk of up to RM240 million, with a 'Stable' outlook.

The affirmed rating was based on MARC's expectation that the project will be completed well before the walkaway event at end-April, the statement said.

UiTM Solar Power is the project owner of a greenfield solar power plant with a capacity of 50MWac in Gambang, Pahang.

MARC noted that the project was 94% completed as of Nov 7, 2018, according to the independent consul-

ting engineer and is expected to achieve its commercial operation date (COD) by end-February 2019 following a four-month delay from the initial scheduled COD.

The Gambang project is one of two large-scale solar (LSS) photovoltaic power purchase agreements (PPAs), which Tenaga Nasional Bhd (TNB) inked in March 2017. It came on the heels of the world's first green SRI sukuk by Tadau Energy Sdn Bhd in July 2017.

UiTM Solar Power and TNB Sepang Solar Sdn Bhd, a subsidiary of TNB, emerged as winners of the Energy Commission's competitive bidding exercise to develop transmission connected LSS projects.

The green sukuk is the result of collaboration between the Securities Commission Malaysia, Bank Negara Malaysia and the World Bank Group.

The underlying aim is to develop an ecosystem to facilitate the growth of green sukuk and introduce innovative financial instruments to accommodate global infrastructure needs and green financing.

In a statement, MARC said the rating incorporated UiTM Solar Power's "healthy project fundamentals" on the back of its 21-year solar PPA with TNB to meet its financial obligations during the operational phase.

The rating was moderated by the variability of solar resource which determined the amount of electricity generated.

"The construction delay is mainly due to a seven-month deferment of the financial close to March 30, 2018, and the longer than expected completion works on the interconnection facilities at the plant. Capital expenditure during

construction, however, has remained within budget with increases in development expenses at the plant met by funds from the contingency buffer.

"There were also additional savings from foreign-exchange hedging, gained from the US dollar portion of the engineering, procurement and construction (EPC) contract and zeroisation of the Goods and Services Tax effective June 1, 2018," it added.

While UiTM Solar Power could be liable to pay liquidated damages (LD) to TNB given the failure to meet the scheduled COD, MARC said the LD payment of RM50,000 for each day of delay was expected to be recovered from EPC contractor, ET Energy (M) Sdn Bhd (ETEM).

Any further cost overruns were mitigated by a bank guarantee of up to RM7 million from UiTM Holdings Sdn Bhd,

expiring on May 1, 2019, it noted.

MARC noted that UiTM Solar Power has applied international benchmarks in its cashflow forecast which are consistent with solar farms in an equatorial environment. The operations and maintenance (O&M) work will be undertaken by ETEM under a five-plus-two-plus-two-year contract.

"The O&M job scope of a solar power plant is relatively less complicated compared to a conventional power plant, which mitigates operational risks. UiTM Solar Power is covered by equipment warranties which are in line with industry standards.

"On top of that, a maintenance reserve account will be built up over five years from COD to cover contingencies for major maintenance works, inverters and consumable replacements," it said. — TMR