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MARC RATINGS

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KUALA LUMPUR: MARC Ratings has affirmed its “AAAIS” rating with a “stable” outlook on TNB Western Energy Bhd’s RM3.2 billion sukuk.

TNB Western serves as the funding vehicle for TNB Manjung Five Sdn Bhd, an indirect wholly owned subsidiary of Tenaga Nasional Bhd (TNB) that owns and operates the 1,000MW coal-fired power plant in Manjung, Perak.

The plant supplies electricity under a 25-year power purchase agreement (PPA) with TNB.

MARC Ratings said the sukuk rating remains aligned with TNB’s “AAA/stable” corporate credit rating, reflecting the utility company’s unconditional and irrevocable rolling guarantee to cover any finance service account shortfalls.

The rating is also supported by TNB’s undertaking to maintain full direct or indirect ownership of both TNB Manjung Five and TNB Western throughout the sukuk’s tenure.

The rating agency noted that the plant’s unplanned outage rate (UOR) rose to 13.7 per cent as at end-2025, exceeding PPA limits of six per cent and eight per cent.

“This is driven by multiple outages, including failures involving its boiler tube (16 days), generator (18 days) and turbine pipe (eight days),” it said.

Meanwhile, MARC Ratings said rectification works have been completed, with the UOR expected to normalise below PPA limits by mid-September.

It said the outages reduced capacity payments by RM50.6 million, with the payments declining 8.7 per cent year on year to RM522.2 million in 2025.

The rating agency noted that energy payments also fell 21.5 per cent to RM1.12 billion as lower plant availability led net electricity generation to decline 8.9 per cent to 6,692.6GWh.

“Fuel cost pass-through remained constrained by limited heat-rate headroom under the PPA and typical boiler fouling and slagging.”

Despite lower earnings, TNB Manjung Five continued to generate stable operating cash flows.

Revenue declined 21.5 per cent to RM1.4 billion in 2025, mainly due to lower energy payments, while cash flow from operations remained steady at RM316 million.

Up to March 6, the company held RM103.3 million in cash.

Together with an average monthly operating cash flow of RM31.9 million, the available liquidity is sufficient to meet the RM201.8 million sukuk profit and principal repayment due on July 30.

MARC Ratings projects the sukuk’s average finance service coverage ratio at 1.55 times, with a minimum of 1.36 times over the remaining tenure.

The agency added that the sukuk’s cash flow coverage remains resilient even under moderate downside scenarios, including a 10 per cent increase in variable operating expenses and a two to five per cent reduction in capacity payments.