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MARC affirms Kimanis Power`s AAIS rating

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KUCHING: MARC Ratings has affirmed its AAIS rating on Kimanis Power Sdn Bhd's (KPSB) outstanding RM400 million sukuk programme with a stable outlook. KPSB owns a 285MW combined-cycle gas-fired power plant in Kimanis Bay, Sabah.

The rating continues to be underpinned by KPSB's 21-year power purchase agreement (PPA) with Sabah Electricity Sdn Bhd (SESB), which effectively mitigates demand risk and provides good revenue and cash flow visibility.

SESB is 80 per cent-owned by Tenaga Nasional Bhd, which carries a AAA/Stable rating from MARC Ratings.

The rating also considers the credit strength of KPSB's major shareholder, Petronas Gas Bhd.

Moderating the rating is the inherent risk associated with plant performance.

In January 2023, the plant experienced 55 days of unplanned outages due to damage to its steam turbine blades requiring repairs.

This resulted in the unplanned outage rate (UOR) rising to 7.47 per cent in March 2023, above the PPA limit of four per cent.

This, in turn, affected its capacity payments although the amount received of RM198.2 million was only slightly below target by 2.5 per cent.

Nonetheless, upon completion of the repairs, operations were re-established and have been running normally since, as evidenced by the UOR improving to 2.30 per cent by end-February 2024. The plant continued to operate at a more efficient heat rate than the PPA requirement, which allowed KPSB to fully pass through its fuel costs to offtaker SESB.

Cheaper fuel prices in 2023, nevertheless, translated into lower energy payments of RM146.2 million for KPSB in the year compared to RM150.3 million in 2022.

Cash flow from operations (CFO) remained healthy at RM191.4 million, supporting a strong interest coverage ratio of 7.5 times at year end.

KPSB's liquidity position is also strong relative to its short-term debt maturities; it had around RM191.2 million in cash as at end-2023 and generates strong CFO of around RM180 million a year on average, which is more than sufficient to cover its upcoming profit payment of RM21.3 million and principal repayment of RM70 million due on August 8, 2024.

KPSB's base case projects financial service coverage ratio to average 4.47 times with a minimum of 2.43 times in 2024.

Under MARC's sensitised case, KPSB would be able to withstand a two per cent heat rate degradation, 10 per cent higher operating costs and a six per cent reduction in plant availability.