TNB’s ratings not affected by failed bid for Edra: S&P

PETALING JAYA: Standard & Poor’s Ratings Services (S&P) said that its “BBB+” long-term corporate credit rating and stable outlook on Tenaga Nasional Bhd (TNB) are not affected by the company’s failed bid to acquire the power assets of Edra Global Energy Bhd.

The international rating agency said the failed bid also did not affect its “aA+” long-term and “aA-1” short-term Asean regional scale ratings on the company, explaining that its base case expectations for TNB did not factor in the bid.

S&P credit analyst Abhishek Dangra said Edra’s assets would have strengthened TNB’s competitive position, particularly in Malaysia, but the bid valuation and the funding strategy for the acquisition might have led to a weaker capital structure for TNB.

“The details of Tenaga’s bid for Edra have not been disclosed. But the fact that Tenaga’s bid did not emerge as the winning bid suggests to us that the company seeks to balance its funding profile and leverage levels – and hence creditors’ interests – with its expansion plans.

“This underpins our view that satisfactory governance measures are in place within Tenaga,” it said, noting TNB’s dominant position as an integrated power provider in Malaysia underpins its business risk profile.

The rating agency expects TNB’s financial risk profile to be mostly unchanged despite an increase in capital expenditure, with the debt-to-ebitda (earnings before interest, tax, depreciation and amortisation) ratio staying below 4.0 times through 2016.

Dangra said S&P’s expectations also assume revisions in tariffs for any under or over recovery of fuel costs.

“We have determined, based solely on the developments described herein, that no rating actions are currently warranted.”

“Only a rating committee may determine a rating action and, as these developments were not viewed as material to the ratings, neither they nor this report were reviewed by a rating committee,” he added.

On Monday, 1Malaysia Development Bhd (1MDB) announced that it will dispose of its entire stake in all its energy assets held under Edra Global Energy to China General Nuclear Power Corp for RM9.83 billion cash, which put paid to TNB’s ambitions of securing the energy assets.