

| | | | |
|-------------|---|------------|---------|
| Headline | No credit concerns due to Edra Energy's plant delay | | |
| MediaTitle | The Star | | |
| Date | 27 Jul 2021 | Language | English |
| Circulation | 175,986 | Readership | 527,958 |
| Section | StarBiz | Page No | 2 |
| ArticleSize | 190 cm ² | Journalist | N/A |
| PR Value | RM 13,680 | | |
| | | | |



No credit concerns due to Edra Energy's plant delay

KUALA LUMPUR: The expected delay for Edra Energy Sdn Bhd to start its 2,242MW combined-cycle, gas turbine (CCGT) power plant in Alor Gajah, Melaka will not pose a credit concern in the immediate term, according to RAM Ratings.

In a statement, the rating agency said Edra Energy's management had secured standby letter of credit facilities in July 2021 to comply with the finance service reserve account requirement of the transaction.

"The project's pre-funded contingency sum and construction cost savings to date provide sufficient liquidity to enable the issuer to meet their financing obligations due in January 2022 under its RM5bil sukuk wakalah (2018/2038) (rated AA3/stable) under our revised completion assumptions," it said.

As of June this year, the engineering, procurement, construction and commissioning (EPCC) consortium for the plant reported overall project completion of 99.83% (0.17% behind the planned 100%).

Apart from pandemic-related challenges, the project is facing teething issues during the current commissioning and testing process contributing to the extended delay of the plant.

The expected commercial operation dates (CODs) for all three generating blocks (GBs) of the plant have been extended further to mid-September 2021, end-October 2021 and mid-December 2021, respectively (previously revised to June 2, Aug 22 and Oct 18).

"We expect liquidated damages payable to the sole offtaker – Tenaga Nasional Bhd (TNB) – under the power purchase agreement for delays in plant completion to be contractually borne by the EPCC consortium on a back-to-back basis.

"For now, we understand TNB has agreed to reassess Edra Energy's claim for the extension of the scheduled CODs, owing to a force majeure, when each GB achieves its COD and concludes upon the COD of the third GB," it said.

Edra Power Holdings Sdn Bhd (EPH, rated AA1/stable) has extended a letter of undertaking to irrevocably and unconditionally provide Edra Energy with requisite liquidity support to uphold the sukuk's AA3 rating.

RAM pointed out EPH's strong liquidity and financial position in support of Edra Energy should there be further delays.

As at end May this year, EPH had RM1.08bil in unencumbered cash and an unutilised RM95mil revolving credit (RC) facility at the corporate level, with a further RM200mil RC facility to be finalised by the end of this year.

Backed by favourable project fundamentals, Edra Energy is anticipated to generate strong cashflow after the completion of the plant.

"We will undertake our annual rating review of Edra Energy's Sukuk within the next three months. The rating outcome will be subject to the receipt of further updates on the project's progress and remaining work plan," RAM said.