

Headline	RAM: Further delays in Edra Energy plant completion not an immediate credit concern		
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RAM: Further delays in Edra Energy plant completion not an immediate credit concern

PETALING JAYA: The expected delay in the commencement of operations of Edra Energy Sdn Bhd's 2,242 MW combined-cycle, gas turbine (CCGT) power plant at Alor Gajah, Malacca will not pose a credit concern in the immediate term, opined RAM Ratings.

The management has secured a 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 Edra Energy to meet their financing obligations due in January 2022 under its RM5.085 billion sukuk wakalah under our revised completion assumptions," RAM Ratings said in a statement yesterday.

It added that as of June 27, the engineering, procurement, construction and commissioning (EPCC) consortium for the power 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.

It said the expected commercial operation dates (CODs) for all three generating blocks of the plant have been extended further to mid-September, end-October, and mid-December, respectively (previously revised to June 7, Aug 22, and Oct 18).

"We expect liquidated damages payable to the sole off-taker 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 generating block achieves its COD and concludes upon the COD of the third generating block," it said.

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

"We derive comfort from EPH's strong liquidity and financial position in support of Edra Energy should there be further delays. As at end May 2021, EPH had RM1.08 billion in unencumbered cash and an unutilised RM95 million revolving credit facility at the corporate level, with a further RM200 million revolving credit 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," it said.

RAM Ratings will undertake its 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.



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