

Headline	'Edra Energy' s Melaka power plant delay not an immediate credit concern'		
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'Edra Energy's Melaka power plant delay not an immediate credit concern'

KUALA LUMPUR: RAM Rating Services Bhd (RAM Ratings) is of the view that the delays in Edra Energy Sdn Bhd's 2,242 megawatts (MW) combined-cycle, gas turbine power plant in Alor Gajah, Melaka completion will not pose a credit concern in the immediate term.

In a statement yesterday, the rating firm said the project's pre-funded contingency sum and construction cost savings to-date provided sufficient liquidity to enable Edra Energy meet their financing obligations due in January 2022 under its RM5.085 billion Sukuk Wakalah, which has a maturity date on 2038 and rated AA3/Stable.

It said as of June 27, 2021, the engineering, procurement, construction and commissioning (EPCC) consortium for the plant reported overall project completion of 99.83 per cent or 0.17 per cent behind the planned 100 per cent.

"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 (GB) of the plant have been extended further to mid-September 2021, end-October 2021 and mid-December 2021," it said.

RAM Ratings said it 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.

"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 based on EPH's strong liquidity and financial position," it said.

It said, as at end-May 2021, EPH had RM1.08 billion in unencumbered cash and an unutilised RM95 million revolving credit (RC) facility at the corporate level, with a further RM200 million RC facility to be finalised by the end of this year.

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

Edra Energy is 63 per cent-owned by China General Nuclear Power Corporation Ltd and 37 per cent- China Southern Power Grid Company Ltd.

The EPCC consortium for the project comprises Hyundai Engineering Co Ltd, Hyundai Engineering and Construction Co Ltd and Hyundai Engineering Malaysia Sdn Bhd. — Bernama



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