KUALA LUMPUR: Tenaga Nasional Bhd’s (TNB) financial results for the fiscal year ended August 31, 2017 are in line with Moody’s Investors Service’s expectations and continue to support its ‘A3’ senior unsecured rating.

In a statement today, Moody’s said, the outlook on the rating for the national power supply company was stable.

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According to Moody’s, TNB’s total electricity sales of 116.6 terawatt hours for financial year 2017 (FY17) remained flat year-on-year (y-o-y).

However, its FY17’s overall revenues increased by 6.6 per cent yoy, after factoring in the adjustments for the imbalance cost pass-through (ICPT) mechanism, it said.

“The ICPT mechanism allows TNB to reflect changes in fuel and generation costs in consumer’s electricity tariff every six months, subject to the government’s approval,” it said.

Moody’s said TNB’s reported earnings before interest, tax, depreciation and amortisation increased by 4.6 per cent y-o-y to RM15.5 billion in FY2017 compared to the same period last year.

After adjusting for the foreign exchange translation loss and reinvestment allowance, TNB’s FY17 net profit reported a 8.5 per cent decline mainly due to increased finance cost and taxation, it said.

“Over the next 12-18 months, we expect TNB’s cash interest coverage to be in the range of six to eight folds and its RCF/debt to be in the range of 17 to 25 per cent.

“We expect the earnings growth for TNB over next two to three years to be driven by the commissioning of three gigawatt-coal generation capacity and a 50 megawatt hour-solar project,” it said.

Moody’s said TNB’s ‘A3’ rating reflected the application of its rating methodology for government-related issuers, which combined TNB’s standalone credit quality, or baseline credit assessment and a two-notch uplift based on Moody’s Joint Default Analysis approach.

— Bernama