TNB’s financial results in line with expectations — Moody’s

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

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

“TNB’s estimated financial leverage, as measured by funds from operations/debt and retained cash flow to debt (RCF/debt) was around 29 per cent and 24 per cent respectively.

“The parameters are within rating expectation but do not factor in Moody’s standard adjustments,” it said.

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

However, its FY17’s overall revenue increased by 6.5 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 yoy 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 6.5 per cent decline mainly due to increased finance cost and tax, it said.

“Over the next 12-18 months, we expect TNB’s cash interest coverage to be in the range of 6x-8x and its RCF/debt to be in the range of 17-25 per cent.

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

-Bernama