



## Media Release

---

### **RAM Ratings affirms AA<sub>3</sub> rating of Tanjung Bin Energy's RM4.5 bil sukuk**

---

RAM Ratings has affirmed the AA<sub>3</sub>/Stable rating of Tanjung Bin Energy Sdn Bhd's (TBE or the Company) RM4.5 bil Islamic MTN Programme (2021/2041) (the Sukuk).

TBE's finance servicing ability is expected to stay strong in view of the improved operating performance of its 1,000 MW ultra-supercritical coal-fired power plant in Tanjung Bin, Johor (the Plant). The sukuk rating is supported by standby letters of credit (SBLCs) procured by the Company's sole shareholder, Malakoff Corporation Berhad (Malakoff), to fulfil minimum required balances in the transaction Finance Service Reserve Account and Maintenance Reserve Account. TBE is an independent power producer (IPP) that owns and operates the Plant under a 25-year power purchase agreement (PPA) with Tenaga Nasional Berhad, which expires in March 2041.

In FY Dec 2023, the Plant operated below the PPA unscheduled outage limit thresholds of 6.0% and 8.0%, which led to significantly lower availability capacity payment (ACP) reductions of RM39.0 mil (5.3% of full annual ACPs) (FY Dec 2022: RM151.3 mil or 21.8%). The Plant's rolling unscheduled outage rate was 4.1% as at end-December 2023, easing further to 2.4% as at end-June 2024. This contrasts with its peak of 33.0% as at end-May 2022, now that the Plant's damaged turbine blades have been repaired.

These factors, along with a higher total electricity output of 6,462 GWh (fiscal 2022: 5,192 GWh), lifted TBE's revenue, partly moderating the impact of negative fuel margins and increased operating costs. Operating profit before depreciation, interest and tax (OPBDIT) rose 3.2% y-o-y to RM378.5 mil, with the OPBDIT margin coming in at 17.8% (FY Dec 2022: RM366.6 mil and 20.6%). The Company's pre-tax loss for FY Dec 2023 however widened to RM66.8 mil due to high finance costs and lower insurance claims compared to the year prior (FY Dec 2022: pre-tax loss of RM24.4 mil).

That said, TBE's finance service coverage ratio (FSCR) (with cash balances) of 2.35 times on the sukuk repayment date of 16 March 2024 was above our expectation at 2.23 times. Pre-financing cashflow was stronger, mainly owing to overall lower than anticipated ACP losses and operating expenditure. As at end-June 2024, cash and bank balances stood at RM376.1 mil (end-December 2022: RM400 mil). Even after incorporating sensitivities like ACP losses and availability target payments considering

its historically volatile operating track record, TBE's internal cash generation, brought forward cash balances and SBLCs procured will enable it to achieve minimum and average FSCRs (with cash balances) of 1.50 times and 1.86 times, respectively, throughout the remaining tenure of the Sukuk.

TBE is exposed to refinancing risk as the Sukuk has a RM650 mil balloon repayment scheduled for 2032. Like other IPPs, the Company contends with soaring insurance costs amid environmental and regulatory pressures. We are cognisant that access to funding for coal-fired plants may be increasingly challenging in view of climate-related concerns, although Malakoff's reputable presence and diversified power business provide some comfort. Listed on Bursa Malaysia in May 2015, Malakoff is a well-established player in the power sector, holding the biggest IPP portfolio in Peninsular Malaysia. Its profile will be a key consideration for financial institutions in the provision and renewal of SBLCs in the future. We also believe Malakoff is strongly committed to ensuring TBE meets its financing obligations, as is evident from equity injections in the past.

#### **Analytical contacts**

Liew Kar Ling  
(603) 3385 2586  
karling@ram.com.my

Chong Van Nee, CFA  
(603) 3385 2482  
vannee@ram.com.my

#### **Media contact**

Sakinah Arifin  
(603) 3385 2500  
sakinah@ram.com.my

#### **Date of release: 18 September 2024**

The credit rating is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or its suitability for a particular investor, nor does it involve any audit by RAM Ratings. The credit rating also does not reflect the legality and enforceability of financial obligations.

RAM Ratings receives compensation for its rating services, normally paid by the issuers of such securities or the rated entity, and sometimes third parties participating in marketing the securities, insurers, guarantors, other obligors, underwriters, etc. The receipt of this compensation has no influence on RAM Ratings' credit opinions or other analytical processes. In all instances, RAM Ratings is committed to preserving the objectivity, integrity and independence of its ratings. Rating fees are communicated to clients prior to the issuance of rating opinions. While RAM Ratings reserves the right to disseminate the ratings, it receives no payment for doing so, except for subscriptions to its publications.

**RAM Rating Services Berhad**  
(763588-T)

Level 8, Mercu 2  
KL Eco City  
No. 3, Jalan Bangsar  
59200 Kuala Lumpur  
Malaysia

T + 603 3385 2488  
F + 603 3385 2582  
E ramratings@ram.com.my  
**www.ram.com.my**



## Media Release

Similarly, the disclaimers above also apply to RAM Ratings' credit-related analyses and commentaries, where relevant.

Published by RAM Rating Services Berhad  
© Copyright 2024 by RAM Rating Services Berhad