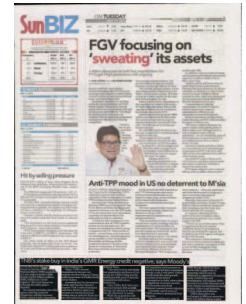


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TNB's stake buy in India's GMR Energy credit negative, says Moody's

PETALING JAYA: Moody's Investors Service views Tenaga Nasional Bhd's (TNB) acquisition of a 30% stake in India's GMR Energy Ltd for US\$300 million (RM1.2 billion) as "credit negative" due to its impact on reducing the utility giant's liquidity.

In a report yesterday, the rating agency said the proposed transaction will also increase TNB's adjusted debt, depending on the funding mix.

This is TNB's second acquisition in the past two months, the first being its US\$255 million purchase of GAMA Enerji AS in Turkey.

Assuming that the investment is fully debt-funded, Moody's expects TNB's ratio of retained cash flow (RCF) to debt to be

around 23% for the fiscal year ending Aug 31, 2016 pro forma for the two transactions, versus 25%

without them.

"This ratio level is still within our quantitative guidance of 17% to 25% for TNB's rating, but the additional debt used to fund the acquisitions will reduce headroom.

"Also, TNB's RCF/debt ratio does not include debt at GMR Energy, the amount of which TNB has not disclosed," it noted.

While the acquisition will introduce TNB to new operating

and regulatory environments in which it does not have experience, Moody's said, it will allow TNB to benefit from the solid growth potential of electricity

consumption in India, where there is significant economic growth, and diversify away from Malaysia's mature power industry.

Currently, nearly 100% of TNB's revenue is generated from Malaysia.

The acquisition of a stake in GMR Energy, which involves assets with 2.3 gigawatts of operating capacity and an additional 2.3 gigawatts of capacity under construction and development, will expand TNB's presence to include associate and joint-venture investments in Saudi Arabia, United Arab Emirates, Turkey, India and Pakistan.

TNB's share price was unchanged at RM14.00 yesterday, with 6.56 million shares traded.