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TNB maintained at 'buy' with higher fair value of RM19.20

PETALING JAYA: AmInvestment Research is maintaining its "buy" call on the national utility company Tenaga Nasional Bhd (TNB), with a higher fair value of RM19.20, from RM17.30 previously.

In a report last Friday, the research firm said it continues to like the stock as the group is a key beneficiary (stable earnings and cash flow) of the

reform measures implemented by the government in the power sector, as well as for the potential upside to dividend payouts going forward.

Last week, TNB confirmed that it has received a letter from the Energy Commission (ST) in

relation to its participation, via a consortium with Tadmax Resources Bhd, in the 1,000MW (megawatt) combined-cycle gas-turbine power plant in Pulau Indah, Selangor.

The power plant's scheduled commercial operations date is set at Jan 1, 2023.

However, AmInvestment said although the direct award of the project is less than ideal, the research house noted that the power

plant will only be operational in 2023 and therefore, would not add into unnecessary reserve margin in the medium term.

"Newspaper reports also highlighted other potential hurdles, including land issue, location of the plant and additional transmission cost if the plant is built at Pulau Indah," it added.

AmInvestment said it expects these issues may risk some delay to the project as what SIPP Energy Sdn Bhd is going through.

However, AmInvestment said if the deal materialises, the research firm would expect TNB to take the lead, given its deep pocket and ability to raise debt at a lower cost, as well as the technical know-how.