

Headline	TNBs Manjung 4 is nation's most efficient coal fired plant		
MediaTitle	The Edge Financial Daily		
Date	10 May 2016	Language	English
Circulation	15,000	Readership	50,000
Section	Home Business	Page No	11
ArticleSize	139 cm ²	Journalist	N/A
PR Value	RM 6,693		



TNB's Manjung 4 is nation's most efficient coal-fired plant

Tenaga Nasional Bhd (May 9, RM14.12) Maintain outperform with an unchanged target price (TP) of RM15.55: We visited Tenaga Nasional Bhd's (TNB) Janamanjung power plant (Sultan Azlan Shah power station), a coal-fired power plant in Manjung, Perak, to gain better insight into the group's operations. The latest addition of Manjung 4, which achieved its commercial operation date (COD) on April 14, 2015, with a 1,010mw output, makes Janamanjung the largest power plant in Malaysia, with a total capacity of 3,110mw.

Manjung 4 is the first power plant adopting the ultra-supercritical combustion technology in Malaysia, and the single largest unit in Southeast Asia.

We also took the opportunity to take a sneak peek into the progress of the Manjung 5 project, which is scheduled to achieve its COD on

Oct 1, 2017. The visit ended with a tour to Lekir Bulk Terminal (LBT), which is the receiving point for imported coal used by the Janamanjung power plant.

Manjung 4 is the first in Malaysia to utilise the ultra-supercritical combustion technology, which enables greater energy efficiency, compared to the existing three subcritical units in Janamanjung.

While the conventional subcritical unit operates at 34% to 37% thermal efficiency, Manjung 4 can achieve up to 42% efficiency, making it the most efficient coal-fired plant in Malaysia so far.

This means that Manjung 4 is able to produce more electricity with the same amount of coal, resulting in lower operating costs per unit of generation.

Construction of Manjung 5, also known as Track 3A, is currently 89% completed, with a targeted COD on Oct 1, 2017. Once completed, Man-

Tenaga Nasional Bhd

FYE AUG (RM MIL)	2014A	2015A	2016F	2017F	2018F	CAGR (%)
Revenue	42,792.4	43,286.8	46,016.9	47,027.7	48,065.0	2.9
Operating profit	7,181.0	8,627.6	8,641.7	8,858.4	8,917.6	5.6
Pre-tax profit	7,114.7	7,133.7	7,882.8	8,156.4	8,290.9	3.9
Net profit	6,467.0	6,118.4	6,990.6	7,213.1	7,326.3	3.2
EPS (sen)	114.6	108.4	123.9	127.8	129.8	3.2
PER (x)	12.3	13.0	11.4	11.1	10.9	-
DPS (sen)	29.0	29.0	31.2	32.6	34.3	-
Dividend yield (%)	2.1	2.1	2.2	2.3	2.4	-

*Forecast excludes forex gains/loss

Source: Company, PublicInvest Research estimates

jung 5 will add another 1,000mw to the existing capacity and will increase Janamanjung's total capacity to 4,110mw.

LBT is 80%-owned by TNB, and 20% by Malakoff Corp Bhd and a subsidiary of Integrax Bhd. Integrax was fully acquired by TNB on Feb 23, 2016.

The strategic decision to acquire

Integrax in 2015 was mainly for security and smooth operations of coal supply to the Janamanjung power plants to ensure reliable power generation as the plants supply about 25% of Peninsular Malaysia's total electricity requirement.

Integrax is currently exploring the potential to develop a vacant plot of land, adjacent to the Jana-

manjung complex, into a coal facilities complex with coal-blending facilities, storage silos, a new coal yard, new jetty and redistribution centre.

The new facilities would enable potential supply for other coal power plants in Malaysia, as well as being a distribution centre in the region. The expansion plan is currently in the preliminary stage and the company targets to operate the whole complex by 2019 to 2020.

We reiterate our "outperform" call on TNB, with an unchanged TP of RM15.55, based on discounted cash flow valuation, implying a financial year 2017 price-earnings ratio (PER) of 12.2 times.

Valuations are undemanding in our opinion, with the stock currently trading at a forward PER of only 11.1 times. We continue to like TNB for its defensive nature and resilient earnings. — *PublicInvest Research, May 9*