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Power sector remains 'Overweight'

by P PREM KUMAR

KENANGA Research has maintained its 'Overweight' call on the power and utility sector for its earnings resilient and defensive play.

The research firm said in the current uncertain economic scenario, power and utility is the right sector for investors who are looking for defensive play as resilient earnings are still the sector's selling point.

"With the 1Malaysia Development Bhd overhang already removed at the end of 2015, the sector is now on the right track and one should appreciate the stable earnings profile the industry players could offer," Kenanga said in a research note.

The firm named Tenaga Nasional Bhd (TNB) as its top pick for the sector for its earnings quality profile and its index-weighting status.

It said TNB's earnings were fairly defensive, given the imbalance cost pass-through framework which helped to eliminate its fuel cost risks, while the award of three power purchase agreements extension contracts early this year should help to extend earnings continuity up to 2018.

Kenanga has set the target prices for TNB and Pestech at RM17.50 and RM7.52 respectively.