

Headline	Power utilities sector remains overweight		
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Power utilities sector remains 'overweight'

KUALA LUMPUR: Kenanga Research has maintained its "overweight" call on the power utilities sector for its earnings resilient and defensive play.

In a research note yesterday, Kenanga said due to current economic uncertainties, power is the right sector for investors who are looking for defensive play as resilient earning is still the sector's selling point.

"With the Malaysia 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," it said.

Kenanga said Tenaga Nasional Bhd (TNB) remained its top picks 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.

"On the other hand, we continue to like small cap Pestech International Bhd as an alternative sector play for its explosive earnings growth story, with near-term strong contract flows expected," the research firm said. Kenanga has set target prices for TNB and Pestech at RM17.50 and RM7.52, respectively. - Bernama