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## Tadmax shares, volume up on Pulau Indah power project

by MARK RAO

TADMAX Resources Bhd boasted its highest trading volume over two years after the government approved the RM3.5 billion gas-fired power plant in Pulau Indah, Selangor. The company's shares rose 3.23%.

A total of 32.75 million Tadmax shares exchanged hands yesterday, the highest for the company in a single trading day since March 20, 2017, and saw the counter close one sen higher at 32 sen yesterday.

Tadmax is now trading at a new high since early 2018 and could be due for further gains after the Malaysian government green-lighted the development of the 1,000 megawatt (MW) to 1,200MW combined cycle gas and turbine power plant in Pulau Indah.

In an exchange filing on Wednesday, Tadmax said it received a letter from the Energy Commission (EC) notifying the company that the government

agreed to proceed with the project on Aug 29.

The news took many by surprise after news reports said the direct negotiated project awards by the previous ruling government were likely to be terminated.

In an exchange filing, Tadmax noted it was unaware of this alleged development and did not receive any termination notification, adding that it had complied with all the requirements of all the relevant government agencies.

Tadmax was to undertake the project via its wholly owned unit, Tadmax Indah Power Sdn Bhd and would be the largest shareholder in the venture with a 40% stake.

Selangor state-linked company, Worldwide Holdings Bhd, holds a 35% interest followed by Korea Electric Power Corp (KEPCO) with a 25% stake.

Association of Water and Energy Research Malaysia president S Piarakaran said the government could have

cancelled the project as Tadmax was only given an offer letter and not a direct award, while citing concerns the project could increase power tariff rates.

"This project was only given an offer letter and not an award. The government can cancel it," he told *The Malaysian Reserve* (TMR).

"Perhaps, (the approval) has got to do with Tadmax partnering a state government-linked company," he said.

He said there is no need for the project to be rushed while its location, occupying 60 acres (24.28ha) of land in Pulau Indah, Klang, is unsuitable. He believes direct awards will also result in higher tariffs.

In its website, Tadmax said the proposed power plant will provide adequate and reliable power supply to the surrounding industrial areas as well as the Klang Valley where availability of power supply is crucial.

Tadmax first secured the RM3.5 billion project back in August 2016, but the

award came under scrutiny due to the company's cited lack of experience in the power generation industry.

Its core business is in property development which contributed 97% of its revenue in 2018, while the energy business is not revenue-generating as the company awaited the outcome of its final technical and commercial proposal submitted to the EC on July 31 last year.

Tadmax had initially invited Tenaga Nasional Bhd (TNB) to participate in the Pulau Indah power plant but the latter declined the offer in May 2017.

The company then brought in South Korea's state-owned KEPCO as its technical partner as well as Worldwide Holdings.

Commercial operations were initially slated for Jan 1, 2023, with the power generated from the plant to be sold to TNB through a power purchase agreement (PPA).

With a 1,000MW to 1,200MW capacity, the Pulau Indah plant could prove

an earnings driver for Tadmax but this is contingent on the terms of the PPA itself and the financing to be secured.

An industry analyst with a local research firm said engaging with financial institutions and securing the necessary funding is the second step after receiving approval for any power project.

"Financing works have a large impact and can potentially distort the earnings derived from a project depending on the nature of the financing and the rates secured," the analyst told TMR.

"We also do not know if Tadmax intends to raise cash to fund the project and how their gearing will be impacted."

The other factor to be aware of is the technical support required in building and operating the power plant itself, the analyst added.

"These are all uncertainties at the moment until details of the PPA and financing are made available."