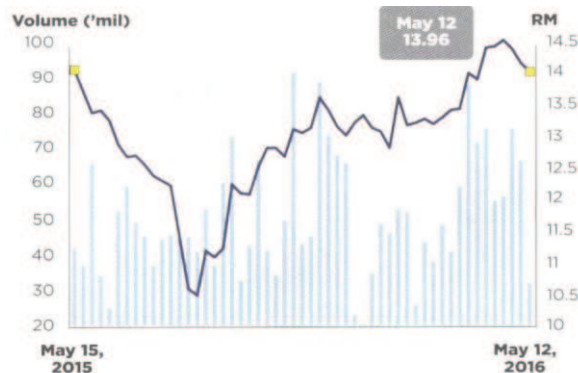


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Tenaga Nasional Bhd

Current Price: **RM13.96 (as of May 12)**

Target Price: **RM16.36 BUY**

TA Securities Research

WE had a conference call with Tenaga Nasional's management pertaining to its acquisition of a 30% stake in a select portfolio of power assets in India's GMR Energy Ltd (GEL) for US\$300 mil (RM1.22 bil). The purchase consideration will be used to pare down GEL's existing debt amounting to about US\$700 mil. Following this cash injection, GEL will undergo a debt-restructuring exercise to reduce interest costs. According to Tenaga, there is a supply shortfall of 5% versus current electricity demand in India. As economic growth and corresponding demand accelerates, Tenaga expects this shortage to widen to 10.9% by 2022 and believes this acquisition to be earnings per share (EPS) accretive by FY18.

Also, the management reiterated that their investment is limited to US\$300 mil as GEL's future capital expenditure outlays will be financed internally or via borrowings. Besides, there is potential for increased dividend payouts following earnings stability post-implementation of the incentive-based regulation. Robust balance sheet, stable earnings and rich share liquidity also enhances the stock's appeal. Maintain buy with unchanged target price of RM16.36.