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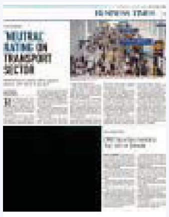

15 JAN, 2025

`Overweight' stance kept on utilities sector

New Straits Times, Malaysia

RHB RESEARCH ANALYSIS

'Overweight' stance kept on utilities sector

YTL Power International Bhd is among RHB Investment Bank Bhd's top picks for the utilities sector. PIC FROM YTL CORP BHD

KUALA LUMPUR: Key themes like the grid infrastructure upgrade cycle and ramp-up of domestic renewable energy (RE) capacity will remain significant in the utilities sector, said RHB Investment Bank Bhd (RHB Research).

The research firm said experienced independent power producers were expected to bridge the supply gap during the implementation of the National Energy Transition Roadmap.

"The RE subsector introduction offers investors clearer access to opportunities, while RE companies could benefit from increased visibility and funding potential for sustainable development."

RHB Research has kept its "overweight" call on the utilities sector, with its top picks being Tenaga Nasional Bhd, YTL Power International Bhd and Solarvest Holdings Bhd.

It believed the base tariff of 45.62 sen per kilowatt-hour, which will be implemented in the second half, would have factored in an average three-year demand growth of four to five per cent.

"The contingent capital expenditure (capex), in our view, will be entitled to the same regulatory return of 7.3 per cent and to be included in the regulated asset base.

"The three-year planned contingent capex is mainly to cater to potential additional demand (such as data centres) and energy transition-related projects.

"The list of projects under contingent capex has been pre-approved by the Energy Commission and will be implemented once the trigger occurs."