
'BUY' CALL MAINTAINED FOR VELESTO

15 OCT, 2025
`Overweight' call on utilities sector

New Straits Times, Malaysia

RESILIENT EARNINGS

'Overweight' call on utilities sector

Building on a robust first half, RHB Investment Bank Bhd expects Tenaga Nasional Bhd's power demand to grow by a healthy 2.8 to 3.8 per cent this year. NSTP FILE PIC

KUALA LUMPUR: RHB Investment Bank Bhd (RHB Research) remains optimistic about the growth trajectory of the utilities sector, supported by its resilient and defensive earnings profile.

The firm said with several key initiatives underway, the renewable energy (RE) segment continues to record strong growth.

"We expect these developments to enhance earnings visibility and support order book replenishment for solar contractors over the medium term," it said in a note.

RHB Research maintained its "overweight" call on the sector, with top picks including YTL Power International Bhd, Tenaga Nasional Bhd (TNB) and Solarvest Holdings Bhd.

The firm said electricity demand grew year-on-year in the first half of this year, driven by a 6.5 per cent increase in the commercial segment.

Building on a robust first half, the firm expects TNB's power demand to grow by a healthy 2.8 to 3.8 per cent this year, with a new peak of 21,049 megawatts (MW) recorded on May 28.

The introduction of a carbon tax remains on the cards and those with a significant footprint may face earnings pressure once the tax is implemented.

Within the utilities sector, it said TNB, Malakoff Corp Bhd and Petronas Gas Bhd are among the companies likely to be affected.

"Should the carbon tax be passed through to end-consumers, it would likely lead to higher electricity bills while accelerating the shift towards RE adoption, as corporations seek to mitigate rising power costs.

"Despite the impending rollout, we expect the carbon tax to take effect only by late 2026, as there are still no details on the charging mechanism and the scope of emissions at this stage.

"We do not foresee it being a heavy tax, as the government's intention should lean towards promoting sustainability rather than generating revenue," it said.

RHB Research also noted that the 2026 Budget confirmed the implementation of the Large-Scale Solar (LSS) 6 programme, with a total capacity of nearly two gigawatts (GW) and around RM6 billion in private investment.

Collectively, LSS 5, LSS 5+ and LSS 6 could bring more than six GW of solar capacity to the market, translating into approximately RM18 billion worth of engineering, procurement, construction and commissioning opportunities.

RHB Research said this is expected to provide a substantial pipeline for solar contractors and support earnings visibility through 2028.