

Headline	Tenaga Nasional Bhd		
MediaTitle	The Edge		
Date	17 Oct 2016	Language	English
Circulation	23,635	Readership	70,905
Section	Corporate	Page No	56
ArticleSize	122 cm ²	Journalist	N/A
PR Value	RM 4,305		



Tenaga Nasional Bhd

Target price: **RM16 BUY**



MAYBANK IB RESEARCH (OCT 10): Concerns over TNB's fuel cost pass-through mechanism have re-emerged, given rising coal prices. We estimate the company has accumulated sufficient savings for the regulator to avoid imposing a tariff surcharge on end-users for at least the next 12 months.

Coal prices have rebounded sharply in the past six months (currently at about US\$80 per tonne) and are now about 20% above TNB's tariff determination reference price in ringgit terms.

Coupled with the scheduled step-up in subsidised gas prices (RM1.50 per mMBTU semi-annual increase), we estimate TNB is under-recovering on generation costs despite a more favourable generation mix (higher proportion of coal generation with coal remaining the cheaper fuel).

TNB continues to be our top buy pick for the sector and the market, given its compelling valuation. Reiterate "buy" with an unchanged discounted cash flow-derived RM16 target price. Management still intends to announce the outcome of its dividend policy review by end-2016.