



18 SEP, 2023

## 'OVER WEIGHT' CALL KEPT ON POWER SECTOR

New Straits Times, Malaysia



### HLIB RESEARCH ANALYSIS

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TNB, Solarvest  
and YTL Power  
are top picks

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**C**OAL-fired power producers may continue to see an impact on their bottom line from fuel margins in the coming quarters, albeit at a more moderate level.

Both Tenaga Nasional Bhd (TNB) and Malakoff Corp Bhd missed expectations, with unexpected losses from substantial negative fuel margins in the second quarter ended June 30, 2023,

brought about by volatility in applicable coal prices.

RHB Investment Bank Bhd (RHB Research) said in the recent reporting period that of the eight companies under its coverage that released their second-quarter results, four booked disappointing results: Malakoff, Taliworks Corp Bhd, Ranhill Utilities Bhd and TNB.

For Ranhill Utilities, the negative deviation was due to a weaker-than-expected water segment, while Taliworks disappointed on higher-than-expected costs and slow progress of its Sungai Rasau projects.

"Electricity demand is set to remain fairly resilient in the second half. With core prices expected to normalise in the upcoming quarters, the impact of fuel margins

may still affect coal-fired power plant players' bottomlines — albeit to a moderate extent," RHB Research said in its research note.

Electricity demand rose in tandem with gross domestic product growth in the second quarter (+3.3 per cent year-on-year), with new peak demand of 19,716MW in May.

During the quarter, there was a rise in the coal generation mix to 60.1 per cent (first quarter: 53.7 per cent) at the expense of the gas mix which, in turn, dropped to 34 per cent (first quarter : 39.5 per cent).

HLIB Research maintained its "overweight" call on the power sector, with its top picks being TNB, YTL Power Bhd and Solarvest Holdings Bhd.