

Headline	TNB serves winding-up petitions on Perwaja Steel unit for amount		
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▶ TENAGA NASIONAL BHD				
FYE AUG	FY14	FY15	FY16F	FY71F
REV ENUE (RM mil)	42,792.4	43,286.8	45,826.9	47,891.8
COR E NET PROFIT (RM mil)	4,682.5	5,978.9	7,022.5	7,152.5
FD EPS (sen)	83.0	105.9	124.4	126.7
PER (x)	17.4	13.6	11.6	11.4

## TNB serves winding-up petitions on Perwaja Steel unit for amount due

### ► Recommendation:

#### Buy

TARGET Price: RM16.80  
by MIDF Research (Sept 21)

### Highlights

- TNB serving winding-up petitions on Perwaja Steel.
- Amount outstanding of RM131m accounts for 2% of FY16F earnings and is 0.1% of our TP.
- Re-affirm 'Buy' at unchanged DCF-derived TP of RM16.80/share.

**Serves winding-up petitions against Perwaja Holdings Ltd.** Tenaga Nasional Bhd (TNB) has served three winding-up petitions on Perwaja Steel Sdn Bhd's unit for outstanding amounts owing to the former.

Back in August, TNB was demanding a total payment of RM131m from Perwaja, and the latter has given 21 days to set-

tle the amount, failing which, winding-up proceedings would be instituted.

It is reported that Perwaja had in February 2014 signed a settlement agreement with TNB to settle a sum of RM164m in monthly instalments. However, Perwaja failed to meet its obligations given that it has ceased operations. This resulted in TNB terminating the settlement agreement and demanding all remaining outstanding amounts from Perwaja. Perwaja is now contesting TNB's petition since it is in the middle of finalising a proposed regularisation plan.

**A provision wouldn't change our view much.** The RM131m amount claimed from Perwaja accounts for 1.8% of our FY16F net profit, which is the impact it would have if TNB were to provide for the amount.

The RM131m also translates

to around two sen/share which is about 0.1% of our TP of RM16.80/share.

**Our conviction is premised on balance sheet value unlocking.** Key catalysts: 1) Strong earnings visibility post-imbalance cost pass-through implementation; 2) dividend catalyst on the back of free cashflow yield of ~7% over FY16F/17F, a relatively under-gearred balance sheet at 0.35x and the upcoming capital optimisation exercise; 3) overseas expansion provides scope for stronger growth in the mid-term; and 4) the heat-wave in 1HCY16 provided a temporary boost to demand in an otherwise, weak economic growth environment.

Capital management and the resolution of its RM2b tax issue with the Inland Revenue Board are key catalysts over the next 12 months. Plus, 4% dividend yield looks attractive.