22 SEP, 2026

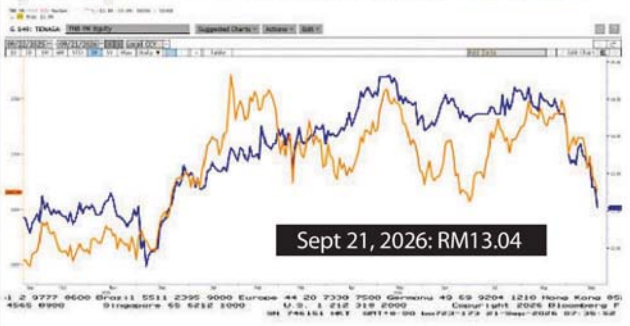
Tenaga Nasional Bhd

The Sun, Malaysia

Tenaga Nasional Bhd

Hold. Target price: RM13.80

(12-Mth) **Share Price** relative to the **FBMKLCI**



Source: Bloomberg, TA Research

BASED on a media briefing, Tenaga Nasional Bhd announced that it will bear an additional cost of RM120-150mn between September and December 2026 due to foregone automatic fuel adjustment (AFA) surcharges. The cost covers more than 8mn domestic users who consume between 600kWh and 800kWh of electricity monthly.

The announcement follows the recent government decision to increase the threshold for AFA surcharges, retail charge and service tax for domestic usage to 800kWh per month from 600kWh per month previously. According to TENAGA, the higher end of the estimated cost of RM150mn is based on a maximum coal price projection of USD130/MT, compared to ~USD120/MT currently. Should coal prices rise beyond USD130/MT, TENAGA remains committed to absorb any additional cost.

The latest development came as a negative surprise - unlike during the Ukraine War when the government stepped in with subsidies to shield domestic consumers from electricity cost volatility, it appears that TENAGA is shouldering the burden this time around.

We estimate a 2.0-2.5% impact to FY26F net profit based on the indicative RM120-150mn incremental cost. For now, TENAGA's commitment to bear the additional cost is only for the Sep-Dec 2026 period. There is no clarity yet if TENAGA will offer to absorb additional costs if fuel prices remain elevated into FY27F.

Importantly, while the decision is noble and would perhaps buy long-term goodwill from the government, we reckon investors would now price in higher regulatory risk for TENAGA given the deviation from one of the IBR's core principles of fuel cost volatility pass-through.

Downgrade to Hold from Buy. Our TP is cut to RM13.80 from RM18.00. – ***TA Research, Sept 21***