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## Tenaga Nasional Bhd Buy. Target price: RM16.70



The Sun, Malaysia

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Source: RHB Research, Bloomberg

**LAST** week, TNB hosted a technical visit to its Chenderoh hydropower plant in Perak. TNB Genco has a total contracted capacity of 13.8GW, of which, 11.2GW is thermal capacity, followed by 2.5GW of hydropower. These hydropower plants are split into three hydro schemes, which are Cameron Highlands (634MW), Kenyir (665MW) and Sungai Perak (1.3GW). The Sungai Perak hydropower stations have a total of seven plants, while the Chenderoh hydropower plant is the second smallest plant with a capacity of 40.5MW. The plant has been running at full load capacity as it serves as a baseload supply to the grid.

The 2.5GW HHFS flagship project under the NETR will be constructed in phases between 2026 and 2040 with a potential to create emission avoidance of 3.1m tCo2e per year, which is equivalent to 8% of total TNB's Scope 1 and 2 emissions in FY23. The Chenderoh hydropower station, selected as Phase 1 of the HHFS project, has a potential to generate up to 70MW of floating AC solar power. The project is already at the advanced development stage pending several relevant regulatory approvals and finalisation of the business model. Construction is estimated to start in Q1'25 for 15-20 months. TNB is aiming to close the project with an IRR of a high single digit.

Approved in 2022, the HLEP involves the refurbishment of six hydropower plants in Sungai Perak with cumulated capacity of 649MW. TNB previously guided for total cost of investment at an estimated RM5.8 billion with an expected RM200 million annual EBIT returns.

BUY with RM16.70 TP. – **RHB Research, Oct 22**