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## Kenanga maintains 'overweight' rating on utilities

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KUALA LUMPUR: Kenanga Investment Bank Bhd is maintaining its 'overweight' rating for the utilities sector, as Malaysia's power sector has entered a pivotal electrification era, driven by a structural shift from traditional industrial growth to a massive data centre resurgence.

In a research note, the investment bank said the data centre wave sparked a 6.2 per cent consumption spike in 2024, with 7,500 megawatt (MW) pipeline across 56 projects, although current utilisation is only about 850 MW.

It said Malaysia has become a global data hub, attracting over US\$16.5 billion in investments from hyperscale giants like AWS, Google, and Microsoft, with significant land acquisitions and construction

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activity in key industrial parks.

It also said build-out of data centres is creating a structural electrification, with heavy capital expenditure in non-residential construction, leading to a future major load cycle.

Meanwhile, with 6,400 MW of coal capacity being phased out by 2031, natural gas has become Malaysia's primary transition fuel, prompting the fast-tracking of two major Regasification Terminals (RGTs).

Petroleum Nasional Bhd (Petronas) is developing RGT3 in Lumut, while Gas Malaysia Bhd is progressing with an off-

shore RGT in Yan.

At the same time, Tenaga Nasional Bhd (Tenaga) entered a massive infrastructure super-cycle, with regulated capital expenditure (capex) jumping 108 per cent to RM42.82 billion for the current regulatory period.

Driven by the Green Lane Pathway for data centres, this front-loaded investment would structurally expand Tenaga's Regulated Asset Base (RAB), ensuring long-term earnings growth as the grid modernises to support 7,500 MW of new demand.

"Tenaga remains our top pick as the pri-

mary beneficiary of the Regulatory Period 4 (RP4: 2025-2027) capital expenditure (capex) super-cycle," it said while maintaining an 'outperform (OP)' call for Tenaga with a target price (TP) of RM7.00.

The investment bank noted that Malaysia would require about 12,000 MW of new capacity by 2031.

This urgency places the spotlight on the New Generation Capacity in year 2029-2031 (NewGen26) tender, where players like Malakoff Corporation Bhd (OP; TP: RM1.00) and YTL Power International Bhd (TP: RM4.30) hold a speed-to-market advantage through pre-emptively secured

turbines.

Bridging this gap would necessitate aggressive greenfield builds, strategic power purchase agreements (PPA) extensions, and the eventual transition toward nuclear baseload.

Parallel to these shifts, the regulatory landscape is tightening; the 2026 Climate Change Bill and the implementation of a National Carbon Tax would act as catalysts for independent power producers to accelerate decarbonisation and avoid margin erosion.

Besides Tenaga, Kenanga said YTL Power and Southern Cable Group Bhd remain prime proxies for the data centre surge and resulting grid reinforcement cycle. -Bernama