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PETALING JAYA: Tenaga Nasional Bhd (TNB) is assuring Malaysians that its focus remains on its core mission and long-term priorities, with prudent financial management and consistent cash flow underpinning its operations.

The national utility titan has been in the limelight this month, especially after the Federal Court ruling on July 2, in favour of the Inland Revenue Board (IRB) in TNB's 2018 tax dispute.

The court decided that TNB should have applied for an investment allowance under Schedule 7B of the of the Income Tax Act 1967 rather than the reinvestment allowance under Schedule 7A.

The technicality has significant implications for TNB's outstanding tax cases for other years, with total outstanding tax disputes being estimated at RM5.05bil, which represents about 6% of the group's market capitalisation.

The High Court has granted leave to TNB, through its subsidiary TNB Western Energy Bhd, to commence a judicial review against the Inland Revenue Board (IRB) in relation to a tax assessment totalling RM291.6mil for 2018.

In a filing to Bursa Malaysia on July 22, TNB said it was also granted an interim stay of all further proceedings, including the enforcement of the assessment notice.

The High Court has scheduled case management on Aug 5.

In light of the saga, TNB emphasised its robust financial strength and operational stability, underpinned by a strong regulated business framework, consistent cash flows, and prudent financial management.

"We remain steadfast in delivering reliable electricity supply to the nation while navigating evolving operational and financial landscapes.

"Guided by prudent management and a clear strategic direction, TNB continues to strengthen its fundamentals to weather challenges and drive Malaysia's energy transition agenda forward," it says.

In addition, it reveals it is continuing its pursuit of legitimate tax claims, which interestingly still includes the Investment allowance under Schedule 7B of the Income Tax Act 1967, as part of its strategy to manage the RM5.05bil tax bill.

Acknowledging the effect of the hefty tax bill, the group is still in the midst of assessing the full financial implications of the Federal Court's ruling.

This is all the more relevant, given TNB's profitable performance, which has ranged from RM600mil to RM1.2bil in the last five years, with the group recognising that the decision of the Federal Court could have a potential negative impact on its earnings and net assets for this year (FY25).

Most importantly for the Malaysian public though, TNB stresses there is no reason for the ruling to affect the group's operational performance.

"We remain focused on delivering reliable electricity supply, advancing our long-term strategic priorities, including supporting Malaysia's energy transition, and managing our financial position responsibly.

"TNB continues to invest in Malaysia's energy future, with major projects under the National Energy Transition Roadmap (NETR) to deliver over 3,000MW of renewable energy capacity by 2040."

Furthermore, it said the tax bill is manageable relative to its cash reserves, minimising the risk to dividend payouts.

Already shifting its focus to brighter scenes, the group said that it plays a pivotal role in enabling Malaysia's energy transition and supporting the goals outlined in the NETR.

Its focus from this year to 2027 is on strengthening and modernising the National Grid, which TNB views as a critical enabler of the energy transition, particularly in supporting the higher renewable energy (RE) penetration targeted under the NETR.

"We are increasing our capital expenditure, with RM42.8bil approved to ensure our grid is reliable, resilient, and flexible enough to accommodate higher RE penetration and evolving energy demands, because we believe there is no transition without transmission."

Crucially, TNB has largely remained in the good books of analysts, with a handful of research houses keeping it among their "buy" recommendations, including CIMB Research, Kenanga Research and Maybank Investment Bank Research.

Nevertheless, CIMB Research, in its latest report on the utility company this month, conceded that more clarification from TNB regarding the potential financial impact from the IRB ruling, which some investors believe will only be clarified when the company releases its financial results for December.

Specifically, the research house said it would find out how much of the IRB's cumulative notices of additional assessment may be offset by claiming for investment allowance under Schedule 7B, although it observed that TNB is currently still trading at a reasonable forecast enterprise value over earnings before interest, taxes, depreciation and amortisation of 7.6 times and offers decent FY25 to FY27 dividend yields of 3.1% to 3.8%.