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KUALA LUMPUR: MIDF Amanah Investment Bank Bhd has retained "Buy" call and target price (TP) of RM11.80 on Tenaga Nasional Bhd (TNB) following the government decision to maintain the imbalance cost pass-through (ICPT) rebate at two sen per kilowatt hour (kWh) to all customers for the second half of 2021 (2H21).

In a research note yesterday, the investment bank said the rebate position was a result of a reduction in actual generation cost for the 1H21 period as the ICPT is determined on a six-month retrospective basis.

"Although average coal price for the period rose to US\$70.06/tonne, which is 3.9 per cent higher than the second regulatory period (RP2)-extension benchmark coal price of US\$67.45/tonne, reference market price for gas of RM17.16/mmbtu (metric million British thermal unit) is 36.9 per cent lower than RP2-extension's benchmark gas price of RM27.20/mmbtu.

"The rebate is essentially funded by the net fuel cost savings, which are funneled via the Kumpulan Wang Industri



The electricity discount announced under Pemulih could potentially reduce collection risk for TNB as the government essentially taking over as paymasters from financially constrained consumers, albeit limited to the discounted bill portion. — Bernama photo

Elektrik (KWIE) fund and is earnings neutral to TNB," it said.

Meanwhile, the investment bank said the electricity discount announced under the National People's Well-Being and Economic Recovery Package (Pemulih) could potentially reduce collection risk for TNB as the government essentially taking over as paymasters

from financially constrained consumers, albeit limited to the discounted bill portion.

Under the Pemulih stimulus package announced by the Prime Minister Tan Sri Muhyiddin Yassin yesterday, domestic consumers will also enjoy between five per cent to 40 per cent discount on July-September electricity bills. — Bernama