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`Over weight' rating kept on TNB

New Straits Times, Malaysia

PUBLICINVEST ANALYSIS

'Overweight' rating kept on TNB

Public Investment Bank Bhd has selected Tenaga Nasional Bhd as its top pick with a target price of RM16. NSTP FILE PIC

KUALA LUMPUR: Tenaga Nasional Bhd's (TNB) earnings outlook remains favourable, as the regulatory rate of return remains unchanged at 7.3 per cent, said to Public Investment Bank Bhd (PublicInvest).

The research firm said the marginal reduction in base tariff was likely due to lower generation cost components, reflecting the decline in fuel prices observed in the first half.

"The introduction of the monthly automatic fuel adjustment mechanism is expected to enhance cost pass-through efficiency, easing TNB's working capital requirements amid ongoing fuel price volatility," it added.

The Energy Commission has introduced a revised electricity tariff structure for Peninsular Malaysia under Regulatory Period 4, effective from July 1, 2025, to Dec 31, 2027.

Implemented under the Incentive-Based Regulation framework, the reform features a lower base tariff of 45.4 sen per kilowatt-hour, representing a 13.6 per cent increase over RP3, compared to the 14.2 per cent hike announced in Dec 2024.

PublicInvest has kept its "overweight" rating on the power sector, naming TNB as its top pick with a target price of RM16.

It said the rating was driven by rising electricity demand, renewed investments in independent power producers and renewable energy, and TNB's planned RM42.9 billion in capital expenditure.