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HLIB keeps 'buy' call on TNB

KUALA LUMPUR: Hong Leong Investment Bank (HLIB) is maintaining its "buy" call on Tenaga Nasional Bhd (TNB) shares with an unchanged target price of RM11.90.

In its research note yesterday, HLIB said the implementation of the automatic fuel cost pass-through is positive for the utility company as it eliminates uncertainties about future earnings.

It added that with the support of the government and the Energy

Commission, TNB is likely to push through an average 14.89 per cent hike in electricity tariff effective January 1.

This is despite the many requests to review the tariff hike by various affected parties, said HLIB.

The investment bank said the new tariff is to ensure TNB's earnings from transmission and distribution segments remain at a 7.5 per cent net margin, similar to its assumed weighted average cost of capital for

power transmission and distribution segments.

HLIB, however, added that if there is one setback to the utility company's outlook, it is the fact that its coal-fired power plants have reached their utilisation limit.

Another setback is that the decision on TNB's tariff revisions depends on the government.

On Bursa Malaysia yesterday, TNB shares increased by 18 sen, or 1.66 per cent, to close at RM11 apiece.