

# UTILITIES

**Maintain NEUTRAL**

## No Surprise in ICPT Revision

### KEY INVESTMENT HIGHLIGHTS

- **Rebates and surcharge for domestic consumers remain unchanged for 2HCY24**
- **1 sen surcharge decline for non-domestic consumers and for street lightings under supervision of local authorities**
- **Slight relief for businesses, reduction of -2.3% and -1.8% in effective tariff for businesses using low and high voltage respectively**
- **Maintain NEUTRAL on Power Utilities due to stretched valuations but still prefer RE EPCC subsector being the key-immediate term beneficiaries of RE initiatives**

**What's new?** The latest 2HCY24 Imbalance Cost Pass-Through (ICPT) remains in line with the Government's targeted subsidy approach with no changes in rebates and surcharges for domestic consumers. Meanwhile, non-domestic consumers will see a reduction of -1sen/kwh in their surcharges during the six months period ending Dec-24. Street lighting under the supervision of local authorities will also see a reduction of -1sen/kwh. All in, the Government will bear a subsidy of RM2.19b, about +15.3% higher than the estimated RM1.90b for 1HCY24. Prime Minister YAB Datuk Seri Anwar Ibrahim was reported as saying that the reduction in ICPT for commercial and industrial users to assist in efforts for reduction in prices of goods.

Summary of the latest ICPT decision:

- (1) Domestic consumers with <600kwh/month consumption will continue to enjoy the current -2sen/kwh rebate, while the 10sen/kwh surcharge for consumers with >1,500kwh/month consumption remains. It is status quo for domestic consumers with usages between 601kwh – 1,500kwh with no surcharge.
- (2) **ICPT surcharge for medium and high voltage non-domestic consumers is reduced to 16sen/kwh** from 17sen/kwh, resulting in a 1.8% reduction in effective tariffs. Meanwhile low voltage non-domestic consumers (<11kv connection) as well as those in the agriculture sector; and water and sewerage operators will also see a **1sen reduction in their surcharge to 2.7sen/kwh**.
- (3) **Street lightings under the supervisions of local authorities will also receive a 1 sen reduction to 9sen/kwh**

**Slight relief for businesses.** Businesses that use low voltage connections (<11kv) will see a reduction of -2.3% in effective tariffs to 42.65sen/kwh (inclusive of 39.95sen/kwh base tariff) while those that use medium to high voltage (>11kv) will see a reduction in effective tariffs by -1.8% to 55.95sen/kwh.

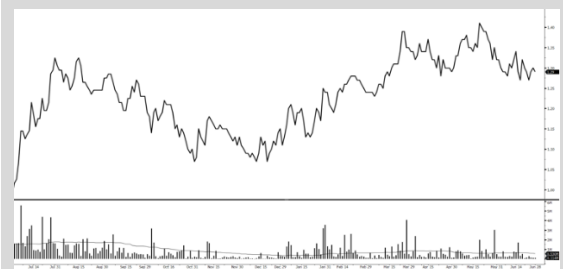
### COMPANY IN FOCUS

#### Samaiden Group Berhad

Maintain **BUY** | Unchanged Target price: RM1.57  
Price @ 28<sup>th</sup> June 2024: RM1.29

- One of key beneficiaries of a step-up in RE EPCC demand from strong RE pipeline
- Solid orderbook at RM354m
- Upcoming CGPP EPCC award a potential immediate-term catalyst

#### Share price chart

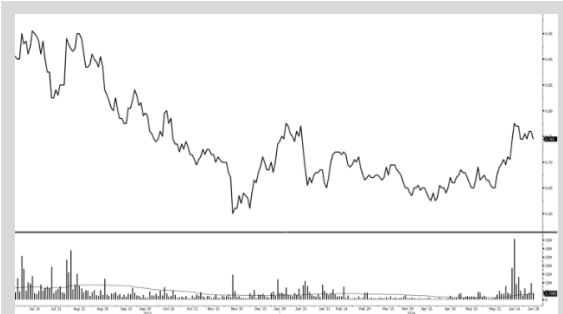


#### Sunview Group Berhad

Maintain **BUY** | Unchanged Target price: RM0.88  
Price @ 28<sup>th</sup> June 2024: RM0.745

- Strong outstanding orderbook of RM262.8m
- Secured first CGPP EPCC project worth RM51.9m, expecting about RM150m more
- Secured large projects overseas, namely Uzbekistan and Bulgaria

#### Share price chart



**Analyst**

Royce Tan Seng Hooi

[royce.tan@midf.com.my](mailto:royce.tan@midf.com.my)

03 -2173 8461

**Table 1: Summary of 2H24 ICPT Review**


	2H24 ICPT Review (sen/kwh)					
	Domestic			Non-domestic		
(sen)	Up to 600KWh/mth consumption	601 - 1,500KWh/mth consumption	>1500KWh/mth consumption	<11kv connection	>11kv connection	Streetlight (under local authorities)
<b>Base tariff</b>	39.95	39.95	39.95	39.95	39.95	39.95
<b>ICPT surcharge/(rebate)</b>	-2.00	0.00	10.00	2.70	16.00	9.00
<b>Effective tariff</b>	<b>37.95</b>	<b>39.95</b>	<b>49.95</b>	<b>42.65</b>	<b>55.95</b>	<b>48.95</b>
<i>Change from 1H24</i>	<i>0.00%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>-2.29%</i>	<i>-1.76%</i>	<i>-2.00%</i>

Source: PETRA, MIDFR

	1H24 ICPT Review (sen/kwh)				
	Domestic			Non-domestic	
(sen)	Up to 600KWh/mth consumption	601 - 1,500KWh/mth consumption	>1500KWh/mth consumption	<11kv connection	>11kv connection
<b>Base tariff</b>	39.95	39.95	39.95	39.95	39.95
<b>ICPT surcharge/(rebate)</b>	-2.00	0.00	10.00	3.70	17.00
<b>Effective tariff</b>	<b>37.95</b>	<b>39.95</b>	<b>49.95</b>	<b>43.65</b>	<b>56.95</b>

Source: PETRA, MIDFR

**Catalyst for RE sector.** The Government is relaxing conditions for the Net Energy Metering (NEM) and self-consumption (SELCO) for solar PV programs (effective 15<sup>th</sup> July) by: (1) Increasing allowable capacity to 85% of consumption from 75% previously for both NEM and SELCO, (2) Allowing participation of high voltage consumers in the SELCO program. We believe these will encourage further solar PV adoption by both domestic and non-domestic consumers, while the latter should complement the existing NEM program without impacting the grid's solar penetration limit (SELCO programs are non-grid connected, unlike NEM). Additionally, we believe the increase in effective tariffs for high-consumption domestic consumers will encourage adoption of rooftop solar to reduce electricity cost.

**Recommendation.** The latest half-yearly revision of the ICPT comes as no huge surprise, albeit a slight relief for commercial and industrial users. **Tenaga Nasional (NEUTRAL, TP: RM11.52)** is earnings neutral to the ICPT revision but the Government's commitment to the ICPT mechanism and the reduction in under-recovery from easing fuel and coal costs underpins improvements in its receivables position leading to improved cash flow prospects. Recall that Tenaga Nasional's ICPT under recovery position has reduced -35.2%yoy to RM2.35b in 1QFY24. While we remain **NEUTRAL** on the sector given the strong price performance and stretched valuations, we still like the RE EPCC sub-sector as key immediate-term beneficiaries of RE initiatives. Prior to commercial operation date (COD) of LSS5 plants in CY26, industry players will be kept busy by development of Corporate Green Power Program (CGPP) plants which are expected to come on-stream in CY25 based on COD deadline set by the Energy Commission. A total of 800MWac capacity was awarded under CGPP giving rise to potential RM2.4-3.2b worth of EPCC jobs this year. This is expected to be followed by LSS5 construction in CY25, which based on the 2GW capacity allocated, could give rise to a much larger RM6-8b prospective EPCC jobs. Key plays into the RE EPCC subsector are **Samaiden (BUY, TP: RM1.57)**, **Sunview (BUY, TP: RM0.88)**, **Pekat (BUY, TP: RM0.88 – under review)** and **Solarvest (Non-Rated)**. 

**Table 4: Sector Valuation Summary**

Companies	FYE	Rating	Shr Price	EPS (sen)		PE (x)		ROE	Div Yield	Market Cap	TP
			(RM)	FY24	FY25	FY24	FY25	(%)	(%)	(RM'm)	(RM)
Ranhill Utilities	Dec	SELL	1.41	4.2	4.2	31.5	32.2	6.9	4.2	1,827.3	1.07
Tenaga Nasional	Dec	NEUTRAL	13.78	75.3	82.7	17.3	15.8	6.8	75.3	80,100.1	11.52
YTL Power	Jun	BUY	4.82	38.3	38.4	12.8	12.8	16.5	38.3	39,504.1	6.35
Samaiden	Jun	BUY	1.29	5.9	7.0	22.4	18.9	19.5	5.9	539.9	1.57
Sunview	Mar	BUY	0.745	2.3	3.5	28.3	18.6	17.5	2.3	383.5	0.88
Pekat (U.R.)	Dec	BUY	0.94	2.7	3.5	29.6	22.9	9.5	2.7	606.3	0.88

Source: Companies, Bloomberg, MIDFR

U.R.: Under Review

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077(23878 – X)).  
(Bank Pelaburan)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

## DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878 – X)) for distribution to and use by its clients to the extent permitted by applicable law or regulation.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that MIDF Investment believes are reliable at the time of publication. All information, opinions and estimates contained in this report are subject to change at any time without notice. Any update to this report will be solely at the discretion of MIDF Investment.

MIDF Investment makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such. MIDF Investment and its affiliates and related companies and each of their respective directors, officers, employees, connected parties, associates and agents (collectively, "Representatives") shall not be liable for any direct, indirect or consequential loss, loss of profits and/or damages arising from the use or reliance by anyone upon this report and/or further communications given in relation to this report.

This report is not, and should not at any time be construed as, an offer, invitation or solicitation to buy or sell any securities, investments or financial instruments. The price or value of such securities, investments or financial instruments may rise or fall. Further, the analyses contained herein are based on numerous assumptions. This report does not take into account the specific investment objectives, the financial situation, risk profile and the particular needs of any person who may receive or read this report. You should therefore independently evaluate the information contained in this report and seek financial, legal and other advice regarding the appropriateness of any transaction in securities, investments or financial instruments mentioned or the strategies discussed or recommended in this report.

The Representatives may have an interest in any of the securities, investments or financial instruments and may provide services or products to any company and affiliates of such companies mentioned herein and may benefit from the information herein.

This document may not be reproduced, copied, distributed, or republished in whole or in part in any form or for any purpose without MIDF Investment's prior written consent. This report is not directed or intended for distribution to or use by any person or entity where such distribution or use would be contrary to any applicable law or regulation in any jurisdiction concerning the person or entity.

### MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

#### STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

#### SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology