

TNB to go for local funding

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Amount raised will depend on demand for electricity

KUALA LUMPUR: National utility, Tenaga Nasional Bhd (TNB) is exploring increasing domestic funding for its capital expenditure (capex) in the coming year because of the ample liquidity in the local market.

"We'd like to give priority to the domestic market," chairman Jamaludin Jarjis told reporters at the company's AGM over the weekend.

"So for all our capex ... or whenever we require funds, we'll go to the domestic market. Some of the instruments we're looking at are Islamic instruments," he said.

He said the amount of funds to be raised will depend on the demand for electricity. "We will be able to tell you how much we need by the first quarter of the year," he added.

It is understood that the national utility will need to spend up to RM12 billion over the next three years in terms of capex.

TNB had earlier announced a RM2 billion 20-year fixed-rate Islamic bond to refinance debt and fund capital expenditure.

The Islamic bond issue is expected to enable the utility to tap the Islamic capital market and raise long-term funds at a favourable effective rate compared to other offshore modes or instruments.

According to its latest annual report, a 0.61% a year reduction on current borrowings of RM28.3 billion had seen savings of about RM172.6 million for TNB during the financial year.

TNB's cost of funding had been reduced since 1997 from 7.0% to the present level of 5.29%. Foreign currency borrowings were further reduced to 54% from 62% of total borrowings as at Aug 31 2001, brought about by raising new funds from the local financial institutions and capital markets with the exception of external borrowings on very favourable terms.

The debt maturity profile had also been reshaped to match

the cashflows in line with the long-term nature of the projects undertaken by TNB.

Jamaludin also said a 2,100 MW coal-fired plant that was to be built in the northern state of Kedah will be relocated to southern Johor.

He added that there was already a coal-fired plant operating in the north but there was none in the south. "We need to balance the energy resources."

On TNB's part, it was moving a 230MW gas turbine plant planned for Johor to Kedah, he said.

TNB, which has a monopoly over power transmission, also expects to sign a power purchasing agreement with SKS Ventures, the operator of the proposed Johor coal-fired plant, and Jimah Power, another independent power producer, by February, Jamaludin said.

He also said TNB has been ranked the best in the country and 16th among Asia's best top value creators in the CFO Asia Performance 100 Awards 2001 which recognises the company's creative value for its shareholders.

The CFO Asia Performance 100 Awards is compiled by Stern

Stewart & Co, the global consulting firm that developed the proprietary EVA (Economic Value Added) framework and organised by CFO Asia.

"We are obviously delighted at being recognised as the best company in Malaysia and 16th in Asia," Jamaludin said.

"Thanks to the efforts of TNB's management and employees who have been focused in their mission," he added.

Tenaga chalked up a 57.9% jump in net profit to RM2.1 billion on the back of a revenue of RM14.4 billion as at Aug 31, 2001.

Jamaludin said three major contributing factors for the success are higher sales volume as a result of a healthy growth in power consumption, foreign exchange translation gains, and operational and financial efficiency improvements.

Jamaludin said value creation is high on the agenda at TNB as it pursued a debt liability management programme, a reduction in foreign currency borrowings and a debt maturity profile programme.

He added that through the debt liability management programme, TNB's average cost of funding had been brought down.