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TENAGA-PROFIT

TNB TO MAINTAIN NET PROFIT ABOVE RM1 BLN IN FY 2003

By: Mohd Arshi Daud

KUALA LUMPUR, Jan 7 (Bernama) -- Tenaga Nasional Bhd (TNB) is confident of maintaining a net profit of above RM1 billion in the current financial year ending Aug 31, 2003, says its newly-appointed chairman, Datuk Dr Awang Adek Hussin.

"I don't see why we shouldn't be able to maintain a profit of RM1 billion to RM1.5 billion," he told Bernama in an interview recently.

For the last FY ended Aug 31, 2002, TNB posted RM1.4 billion in after tax profit and a revenue of RM15.4 billion against RM2.1 billion in after tax profit and RM14.4 billion in revenue previously.

Dr Awang Adek's optimism was based on the conviction that no major problems would emerge in the short term horizon.

He said as long as the Malaysian economy grew at its projected rate of about 5.0 percent, TNB would be able to reap benefits from a projected six percent growth in electricity demand.

Prime Minister Datuk Seri Dr Mahathir Mohamad recently made a conservative projection of 4.0-5.0 percent for the country's gross domestic product in 2003 as against up to six percent made by some financial authorities previously.

"Of course, the world economy can get very bad, we may not be spared but under the normal scheme of things, we should be able to maintain a profit of RM1 billion to RM1.5 billion" said Dr Awang Adek, who was appointed on Dec 1, 2002, replacing Datuk Dr Jamaludin Mohd Jarjis, who was appointed Second Finance Minister on Nov 21, 2002.

On another note, Dr Awang Adek said the huge capital expenditure (capex) that TNB had to incur annually (historically on the average of RM4 billion to RM5 billion) would not continue forever.

"At some stage, when we have put everything in place, with our generation capacity well in place, our transmission line modernised and (becoming) more efficient, then perhaps some of this heavy capital expenditure will taper off."

Over the long term, he said it would lead TNB to be in a much better financial standing to handle its debt position.

He said TNB's debts, now standing at over RM29 billion, was well within the norms of the power industry, a company of its size and not something that should spook investors, said Dr Awang Adek.

"Our gearing level at 1.6 (times) as of last year was down from 1.7 a year before. It may appear that the amount is big but actually it is under control for a company of our size."

He also dispelled the notion that TNB's debt would balloon as the company would have to borrow to part-finance its capex.

"I don't think you should consider that this RM29 billion (worth of debts) is going to go up and up because there will be repayments (and) because of our capacity to service and our (strong) revenue base and our (large) shareholders' fund."

TNB, he said, would continue with efforts to reduce its gearing through raising more capital rather than borrowing, hiving of non-core assets like disposing of stakes in some independent power producers, converting foreign borrowings with domestic borrowings and converting fixed rates loans with floating rates to take advantage of the current lower interest rates.

"We are trying to have structured financing to better manage our loan requirements and at the same time ensuring a minimal impact in our gearing

ratio," he said.

Dr Awang Adek said this year, TNB had budgetted RM4.4 billion as capex to maintain its existing projects, of which around RM1.5 billion to RM1.8 billion was for distribution.

The capex for this year would enable TNB to meet the six percent "or even somewhat higher" electricity demand forecast for 2003, he said.

Forty-three percent of this year's capex would be internally funded and the rest by external sources.

"I dont think there is any plan in 2003 to raise money. (But) only later on for bonds," he said.

On top of the RM4.4 billion capex for this year, TNB would set aside another RM1.8 billion "to take care of new projects, some of which will be carried forward in order to address issues like generation and transmission," said Dr Awang Adek. -- BERNAMA

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