

Puncak Niaga shares hit by WSIA news
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Investors show little confidence in Puncak Niaga Holdings Bhd, the largest of Selangor's four water concessionaires a day after Energy, Green Technology and Water (Kettha) minister Maximus Ongkili categorically agreed in a cabinet meeting to force buy Selangor water assets.

Yesterday, in another step towards ending a stalemate between private water concessionaires and the Selangor state government, Ongkili said the government would invoke WSIA (Water Services Industry Act) for a forced takeover of all four Selangor water concessionaires.

The federal government, via a Memorandum of Understanding (MoU) with the Selangor state government had previously agreed to consolidate the Selangor water industry under a governmental body.

At the close of trading on Bursa Malaysia today, Puncak Niaga was trading at RM2.88 down six sen or 2% from yesterday's close on volume of 1.25 million shares done.

In a report this morning, RHB Research Institute downgraded Puncak Niaga to 'neutral' on Ongkili's announcement.

"With this (WSIA) invocation, it looks increasingly unlikely for Puncak to monetise on its existing water treatment and distribution assets," analysts at the research house said.

Once the water industry is nationalised, the water players would be required to report to government-appointed administrators. This will shift Puncak Niaga's focus away from maximizing shareholder value towards fulfilling KPIs (key performance indicators) instead.

"Management will likely have to focus on improving its operations to achieve the KPIs in order to be rewarded accordingly," RHB Research surmised.

"Moreover, we believe the state's water saga could be further prolonged should the existing water concessionaires resort to legal recourse.

“Hence, we are now pegging a 40% discount to our sum-of-parts valuation,” concluded RHB Research pegging their target price at RM3.13.

Puncak Niaga is the easily biggest water treatment operator in Selangor through its fully-owned subsidiary Puncak Niaga (M) Sdn Bhd and a 70% interest in Syarikat Bekalan Air Selangor Sdn Bhd (Syabas).

Umno-linked Rozali Ismail holds 41.3% of Puncak Niaga shares.

KiniBiz examined the MoU between the federal and Selangor state governments in a three-part series in early March, ‘The murky Selangor water deal’.

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