

# SPG to power up TNB's earnings in the long term

Utility firm expected to use internal funds to pay for acquisition

## UTILITY

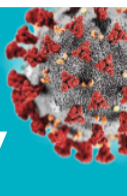
**PETALING JAYA:** The acquisition of an additional stake in Southern Power Generation Sdn Bhd (SPG) would be earnings accretive to Tenaga Nasional Bhd (TNB) in the long term.

Public Investment Bank said SPG is the special-purpose vehicle company for the development of a 1,440MW combined-cycle gas turbine power plant in Pasir Gudang, Johor.

The plant is under construction and expected to be commissioned by end-2020.

"We view this positively as the acquisition should be earnings accretive to TNB in the longer term, although we believe this will not have a significant impact on TNB's earnings in the near term," PublicInvest said in a report.

## Covid-19 Road to recovery



As such, the research house has maintained its forecast on TNB and remained "neutral" on the stock with a target price of RM12.42 per share.

Yesterday, shares in TNB closed two sen lower to RM10.60 in line with the overall weakness in the FBM KLCI.

On Monday, TNB announced that it has acquired an additional 19% equity interest in SPG and 13% Class B redeemable preference

shares from SIPP Energy Sdn Bhd for a total consideration of RM283mil.

Upon completion of the purchase, TNB will own 70% stake in SPG. TNB bought a 51% stake in SPG back in May 2017 for RM51mil, while the remaining 49% was owned by SIPP.

PublicInvest expected that TNB would use its internal funds to pay for the acquisition.

As at June 30, TNB's cash and cash equivalent stood at RM11.4bil.

Lately, TNB has been slowly beefing up its renewable energy segment. In mid-September, the utility giant raised its stake by 5% in the UK's largest solar platform, Vortex Solar Investment S.a.r.l, to 55%, granting TNB majority control.

The transaction was priced at £11mil (RM59mil). TNB first acquired a 50% equity stake in Vortex Solar in May 2017 for £470mil.

## SIA grounds 'flight to nowhere' plan

**SINGAPORE:** Singapore Airlines (SIA) will not pursue its "flight to nowhere" plan after considering several factors, including environmental implications and financial viability.

Instead, the flag carrier airline of Singapore has introduced three new initiatives – a dining experience onboard an A380 aircraft, tours of its training facilities and a home delivery service, featuring its first-class and business-class meals.

"The one-off short tour flight idea, or 'flight to nowhere', was initially considered but not pursued after a review.

"The three initiatives, dubbed 'Discover Your Singapore Airlines', were the result of a market study and comprehensive review which took into account factors such as the attractiveness of the initiatives to our customers and members of the public, environmental implications and our financial viability," the airline said in a statement.

SIA chief executive officer Goh Choon Phong said with the Covid-19 pandemic drastically reducing the number of flights operated by the SIA, the group has created unique activities that would allow engagement with fans and customers during this time. — Bernama

# MNCs FIND SYNERGIES IN PARTNERING WITH LOCAL SMEs

**PETALING JAYA:** With small and medium enterprises (SMEs) playing an integral role towards economic growth, it's not surprising for multinational companies (MNCs) to forge strong partnerships with them in an effort to grow their businesses exponentially.

InvestKL chief executive officer Muhammad Azmi Zulkifli said a conducive business ecosystem collaboration can benefit both MNCs and SMEs tremendously.

"With Malaysia being a business-friendly nation, both MNCs and SMEs can use this opportunity to leverage each other's strengths to reach new heights.

"As part of our motto to protect, retain and attract MNCs into Kuala Lumpur, we need to ensure that we can achieve the best outcomes possible for these businesses."

Two MNCs based in Greater KL, namely PPG Coatings (Malaysia) Sdn Bhd and Signify Malaysia Sdn Bhd can attest to the multiple benefits of working closely with SMEs.

Signify Asean chief executive officer Alok Ghose said it has multi-level engagement with SMEs.

"For us, it's been about thinking globally but acting locally, as different markets have different needs.

"By teaming up with the local players and manufacturers, we can determine what is needed locally and then actively work on that together."

Signify is the world leader in connected light-emitting diode (LED) lighting systems, software and services and has recently increased its UV-C lighting production capacity and broadened its UV-C product portfolio to meet the growing demand for disinfection.

PPG industrial coatings Asia Pacific general manager and South-East Asia region managing director Soma Swaminathan meanwhile says the benefits are shared when partnering with SMEs.

"We have several vendor partnerships and one such is with a local engineering company where they help us with design and fabrication of some of our plant equipment.

"We adhere to our global engineering standards and rather than have plant equipment manufactured offshore, we much rather work with a local partner to both shorten our lead times and also have local support for trouble shooting and maintenance."

PPG is a leading global manufacturer of paint and specialty coatings products and in Malaysia PPG serves a wide range of end markets, namely automotive, industrial, marine,



**Shared benefits:** Soma believes that working with local SMEs allows PPG to help upskill local companies.

construction, consumer and aerospace. With its Malaysia and SEA headquarters in Petaling Jaya, PPG employs close to 600 people.

Soma added that working with local SMEs also allows PPG to help upskill local companies by building their knowledge base in the coatings value chain as well as the sharing of world class business processes and best practices.

"PPG in turn gains from the local knowledge of our partners to provide the most efficient and cost effective solution to our needs. Our goal will remain to forge long term strategic partnerships with local SMEs to drive innovation and productivity in all things we do. A good example is in the area of sustainability where PPG is committed to innovating sustainable products, reducing our carbon footprint and reducing waste and water consumption. We work with our local partners to generate new ideas and find new solutions to achieving this important corporate goal."

Commenting on the lighting industry, Alok said the sector has been undergoing a huge transformation for over a decade, from conventional products to LED lighting.

"Last year, we continued to see a decline in conventional lighting products. LEDs continued to scale up and brought on new possibili-



**Thinking, global, acting local:** Alok says collaborating with SMEs provides an avenue to build its business in Malaysia.

ties that weren't there before, such as smart lighting."

Smart lighting is a type of lighting technology designed for energy efficiency, convenience and security.

"Our businesses include business-to-consumer (50%); business-to-business (40%); and 10% comprising business with original equipment manufacturers.

"Some of the partners here are pretty big and have an Asian presence. We partner with them to develop new products for new segments and supply to them not just the technology, but also the components," said Alok.

Additionally, Alok noted that many of the company's partners have been around longer than Signify.

"Therefore, they know the ecosystem. When we collaborate with them, we also get an opportunity to provide them with components and lamps and that is business for us.

"But it's also good business for them because when they go out into the market, there are certain technologies where quality plays a much more important role, so that they can proudly claim that this is Signify insight, for instance. Some of these

partners will also have catalogues with our brands in it."

Despite being well-established players within their respective industries, Soma and Alok concurred that the business environment has been challenging this year in light of the Covid-19 pandemic.

Soma said there weren't too many disruptions while working with the more "established" SMEs.

"For the established SMEs there has not been any issues. But for the smaller and newer ones, it definitely has had an impact.

"Our strategic intent has always been to see where we can localise our supply chain. Transporting liquid paint over long distances is not our preferred business model. Localisation of our footprint helps build speed, efficiency and cost effectiveness so better serve our customer needs."

Alok said things were off to a good start in the first quarter of this year.

"In Malaysia, we are already starting to see things start to normalise over the past five-to-six weeks. However, there are still challenges. But we see this as an opportunity to reinvent ourselves."

One challenge, said Soma, is the need to create greater corporate brand awareness to attract a future pipeline of talent in a mature industry like paint and coatings.

One way PPG is trying to overcome that obstacle is to reach out to young, potential talent pools.

"We also work with local universities to employ interns. Corporate brand awareness is important to create a pull factor for the younger generation who will form the next wave of our human capital.

"When you look at talent acquisition, that's one way to do it."

Alok said working closely with InvestKL has been very beneficial for global MNCs trying to enlarge its footprint not just in Malaysia, but also Asean.

"We've worked with InvestKL for three years. They were instrumental in why Signify brought its Asean headquarters to Kuala Lumpur and that has provided us with a platform and a deeper understanding of the Malaysian needs, ecosystem, strategies and regulations."

Commenting how MNCs and SMEs can benefit from each other, Azmi said: "Both parties can tap into collaborative opportunities within the local ecosystem to leverage each other's strengths and reach new heights."