

Leader shines on potential cable jobs

Firm may gain from TNB's RM15bil spending over next 5 years

PETALING JAYA: Leader Universal Holdings Bhd shares are trading at an attractive valuation, given that prospects are becoming brighter, particularly with the recent developments at Tenaga Nasional Bhd (TNB).

Based on *Bloomberg's* consensus estimated earnings per share of 11.8 sen for the financial year ending Dec 31 and yesterday's closing price of RM1.13, the stock is trading at a price-to-earnings ratio of 9.6 times.

The share price came off its seven-year high of RM1.23 during the recent sell-down.

TNB is Leader's single-largest customer, accounting for 9% of sales of

cables and wires.

Yesterday, it was reported that TNB intends to spend about RM15bil over the next five years to improve its electricity supply networks by replacing old cables, switchgears and transformers.

OSK Investment Bank noted in its report that demand from TNB was likely to be sustainable.

This is given that substantial new power transmission lines were being laid out nationwide, the commissioning of new power plants and the gradual change in its existing 275kV power network in Peninsular Malaysia to 500kV to cater to escalating power demand.

Furthermore, national production of insulated cables and wires in 2006 had been encouraging while production in the first quarter this year was equivalent to last year's 26.7% despite it being a seasonally slower quarter.

Leader, which leads one of the three consortiums supplying cables and wires to TNB, is expected to benefit from the increased spending.

The research house also said that the Eastern Corridor, Iskandar Development Region and Northern Corridor projects might spur demand for cables and wires further.

"Though Leader is unlikely to par-

ticipate in the submarine cable project, we are hopeful the company might participate in the 600km overhead or underground cable connecting Bakun to Kuching," OSK added.

The company, which is likely to release its second-quarter results at end-August, had posted an encouraging performance in the first three months ended March 31.

In the quarter, net profit surged 53% to RM12.2mil from RM8mil in the previous corresponding period. Revenue rose 23.6% to RM585.8mil from RM473.9mil, while earnings per share improved to 2.81 sen from 1.83 sen.