

CASE : TENAGA NASIONAL BERHAD

A Case Study Analysis

Presented To :

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EXECUTIVES SUMMARY LETTER

Tenaga Nasional Berhad (TNB) is the largest electricity utility in Malaysia with more than RM 54.0 billion in assets and serving over five million customers through out the Peninsular and Sabah. TNB's core business activities are in the generation, transmission and distribution of electricity. In addition to that TNB through its subsidiaries is also involved in the manufacturing of transformers, high voltage switchgears and cables, the provider of professional consultancy services, repair and maintenance services, fuel, logistics, freights and insurance coverage, research and development, higher education, property development and project management services, architectural, civil, electrical and engineering works and services.

Central Electricity Board (CEB) was the original name of TNB and was established in September 1949. Today it is more than 50 years the organization operating and its celebrated its Golden Jubilee for its heritage and strengths in industry.

Reflecting this growth trend since economic crisis of 1997/1998, TNB continued to record a better performance for the financial year 2000 in tandem with the growth of the national economy. The recovery in the manufacturing sector of the economy contributes significantly to the growth in electricity sales for the year.

In the effort to further enhance operational efficiency and consolidate its strengths, TNB embarked on a massive restructuring exercise that saw the emergence of new divisions at various levels. The restructuring has transformed TNB into a more process based data flat management structure to meet challenges of emerging business environment.

TNB is effectively contribute in research and development of power supply and technological improvement as well. Tenaga Nasional Foundation was formed to fulfill the nation demand of workforce. Furthermore TNB greater contribution is ensuring Malaysian to live in comfort lifestyle and as pulse of nation.

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1.0 CASE SUMMARY / BACKGROUND

HISTORY AND BACKGROUND

The Malaysian Government established Tenaga Nasional Berhad (TNB) in September 1990 through a corporatisation and privatization exercise. The corporatization is regulated under the Electricity Supply Department under the Ministry of Energy, Telecommunications and Posts, Malaysia.

The move to transform the former government electricity utility into a private entity was highly successful because of TNB's unique position as a monopoly in the generation, transmission and distribution of electricity in Peninsular Malaysia.

Another major contributing factor in its successful business development has been the utility's legacy, one rich in experience and expertise, from its predecessor, the Central Electricity Board (CEB) established in 1949, which in 1965 was renamed the National Electricity Board (NEB), to meet national aspirations.

Although owned by a large number of shareholders, both national and international, the Malaysian Government through the Ministry of Finance continues to hold the majority stake.

Today, TNB's core activities are driven by the nation's industrialization program. GDP growth, the rising affluence and demographics as well as technological changes all of which see the mega need for mega power.

The tender portion was oversubscribed by 6.47 times and 3.47 times, very impressive figures considering the sheer volume and magnitude of the shares offered oversubscribed the local public offer. Overall, TNB received gross proceeds of RM3,213.9 million from this issue.