

UTILITIES

Maintain POSITIVE

Shining bright

KEY INVESTMENT HIGHLIGHTS

- **Final batch of successful Corporate Green Power Program applicants released**
- **Samaiden emerges a clear winner among listed companies**
- **Potentially better project returns compared to LSS4**
- **RE EPCC sub-sector is a key play into the CGPP awards**
- **We keep our POSITIVE stance on Utilities premised on a firm policy layout on the energy transition which should drive improved growth and ESG profile for the sector**

What's new? The Energy Commission (EC) released the second (and final) batch of successful applicants for the Corporate Green Power Program (CGPP) yesterday. The entire 237MW remaining CGPP quota was awarded entailing individual project capacities of 10MW to 29.99MW each. Like the first-round winners, the CGPP plants are expected to reach COD (commercial operation date) by end-2025 giving a timeframe of slightly more than 2 years for plant construction and commissioning. With this announcement, the entire 800MW quota under the CGPP program has been awarded.

Samaiden a clear winner. This time around, the list of 10 successful applicants entailed few listed exposures but a clear winner is Samaiden, which secured total gross capacity of 43.3MW via two applications. This is a timely comeback after missing out on the first round of CGPP quota award back in August 2023. With a net cash position of RM102m, we believe Samaiden would have no issues financing its CGPP plants. Other notable listed exposures to the list of CGPP winners are Thong Guan and LBS Bina which won 29.99MW and 28.67MW capacities via their respective consortiums.

Potentially better returns from CGPP. As highlighted in our last sector thematic ([titled 'Powering the Energy Transition'](#)), we reckon the CGPP projects could entail better returns compared to LSS4 given that: (1) Under CGPP, players are free to secure their own offtaker hence giving better pricing power as opposed to stiff competition to supply to a single offtaker under the LSS auction mechanism, (2) CGPP tariffs are likely to reflect a premium for environmental attributes e.g. RECs – as a benchmark, GETS tariff (Green Electricity Tariff) sold by Tenaga was recently raised to 21.8sen/kwh effective August 2023, (3) System Marginal Price under the NEDA wholesale market is averaging at ~22.7sen/kwh (as at September 2023), a decently large premium to the previous LSS4 winning bids of 18-20sen/kwh (for 30-50MW packages). On initial ballpark estimates, we reckon it is possible for project IRRs to hit high-single digit or low-teen levels.

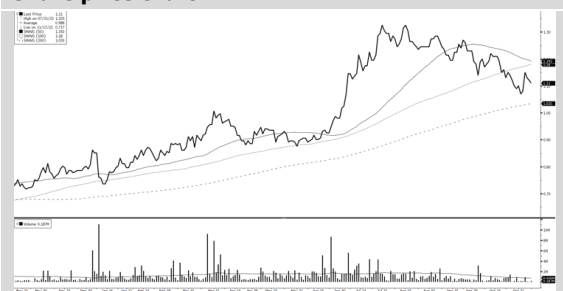
COMPANY IN FOCUS

Samaiden Group Berhad

Maintain **BUY** | Unchanged Target price: RM1.54
Price @ 8th November 2023: RM1.11

- Key winner in latest CGPP award with 43.3MWac capacity in the bags
- Solid orderbook at 2.1x FY22 revenue
- Strong RM1.2b tenderbook – upcoming CGPP EPCC award a potential catalyst

Share price chart



Tenaga Nasional Bhd

Maintain **BUY** | Unchanged Target price: RM11.00
Price @ 8th November 2023: RM9.92

- 90MWac in the bags under CGPP (previous batch)
- Firm policies under NETR to drive aggressive RE targets serves to enhance capacity growth prospects and improve Tenaga's ESG profile
- As a monopoly, Tenaga to benefit from grid investments to support higher VRE penetration and RE exports

Share price chart



Table 1: List of successful CGPP applicants (latest batch)

No	Solar Power Producer	Export Capacity (MWac)	Listed members of consortium
1	Consortium of Asia Meranti Sdn. Bhd. and Sepakat Ehsan Sdn. Bhd.	10.00	
2	Consortium of Asiabina Properties Sdn. Bhd. and Asia Meranti Sdn. Bhd.	29.99	
3	Consortium of Ditrolc Energy Holdings Sdn. Bhd. and TTL Energy Sdn. Bhd.	26.94	
4	Consortium of Greenviro Solutions Sdn. Bhd., Angelaxy Power Sdn. Bhd. and Asanaga Sdn. Bhd.	14.00	
5	Consortium of NEFIN Energy (Malaysia) Sdn. Bhd. and NEFINCO (Malaysia) Sdn. Bhd.	29.99	
6	Consortium of P Solar Sdn. Bhd. and TG Plastics Technologies Sdn. Bhd.	29.99	Thong Guan
7	Consortium of Premier Supreme Sdn. Bhd. and Samaiden Sdn. Bhd.	29.90	Samaiden Group
8	Consortium of Setara Armada Sdn. Bhd., MWG Power Sdn. Bhd. and Ocean Solar Power Sdn. Bhd.	28.67	LBS Bina
9	Consortium of Taiping Solar Sdn. Bhd. and Asia Meranti Sdn. Bhd.	23.68	
10	Samaiden Sdn. Bhd.	13.42	Samaiden Group
	Total awarded	236.6	

Source: EC, MIDFR

Table 2: List of successful CGPP applicants (previous batch)

No.	Solar Power Producer	Export Capacity (MWac)	Listed members of consortium
1	Cenergi EE Holdings Sdn. Bhd.	29.99	
2	Coara Solar Sdn. Bhd.	29.99	
3	Consortium of Angelaxy Power Sdn. Bhd. and Uzma Environergy Sdn. Bhd.	12.16	Uzma
4	Consortium of Atlantic Blue Sdn. Bhd. and TNB Renewables Sdn. Bhd.	29.99	Solarvest, Tenaga
5	Consortium of Conextone Energy Sdn. Bhd. and ENGIE Renewable SEA Pte. Ltd.	29.99	
6	Consortium of JAKS Solar Power Sdn. Bhd., Ann Joo Green Energy Sdn. Bhd. and Fabulous Sunview Sdn. Bhd.	29.99	JAKS Resources, Ann Joo, Sunview
7	Consortium of KVC Corporation Sdn. Bhd, Meriah Suria Sdn. Bhd. and Kuala Berang Solution Sdn. Bhd.	29.52	
8	Consortium of Nestcon Infra Sdn Bhd. and Pristine Multivision (M) Sdn. Bhd.	10.00	Nestcon Bhd
9	Consortium of Reservoir Link Renewable Sdn. Bhd., Sumitomo Corporation and Maqo Engineering Sdn. Bhd.	29.99	Reservoir Link
10	Consortium of Salcon Berhad and KAB Smart Solar Energy Sdn. Bhd.	7.00	Salcon, Kinergy Advancement
11	Consortium of Savelite Engineering Sdn. Bhd., Blazing Solar Sdn. Bhd. and TNB Renewables Sdn. Bhd.	29.99	Tenaga, Solarvest
12	Consortium of Shizen Malaysia Sdn. Bhd., HSS Engineering Sdn. Bhd., Solarvest Asset Management Sdn. Bhd. and Aziho Trading Sdn. Bhd.	29.99	HSS Engineers, Solarvest
13	Consortium of Solar Citra Sdn. Bhd. and Total Energies Renewables SAS	29.99	MK Land
14	Gading Kencana Sdn. Bhd.	30.00	
15	Mega First Power Industries Sdn. Bhd.	29.99	Mega First Corporation
16	Pekat Teknologi Sdn. Bhd.	29.99	Pekat Group
17	Sime Darby Plantation Renewable Energy Sdn. Bhd.	14.99	Sime Darby Plantation
18	Solarcity REIT Sdn. Bhd.	29.99	Sunview
19	Starken AAC Sdn. Bhd.	10.00	Chin Hin Group
20	Sunway Construction Sdn. Bhd.	29.90	Sunway Construction
21	Tanah Matahari Sdn. Bhd.	29.99	
22	TNB Renewables Sdn. Bhd.	29.99	Tenaga
	Total awarded	563.4	

Source: EC, MIDFR

Table 3: Summary of listed companies' gross CGPP capacity

Listed companies	Gross capacity secured (MWac)*
Tenaga Nasional	89.97
Solarvest Holdings	89.97
Sunview Group	59.98
Samaiden Group	43.32
Pekat Group	29.99
Mega First	29.99
JAKS Resources	29.99
Ann Joo	29.99
Reservoir Link	29.99
HSS Engineering	29.99
MK Land	29.99
Thong Guan	29.99
Sunway Construction	29.90
LBS Bina	28.67
Sime Darby Plantation	14.99
Uzma	12.16
Chin Hin Group	10.00
Nestcon	10.00
Salcon	7.00
Kinergy Advancement	7.00

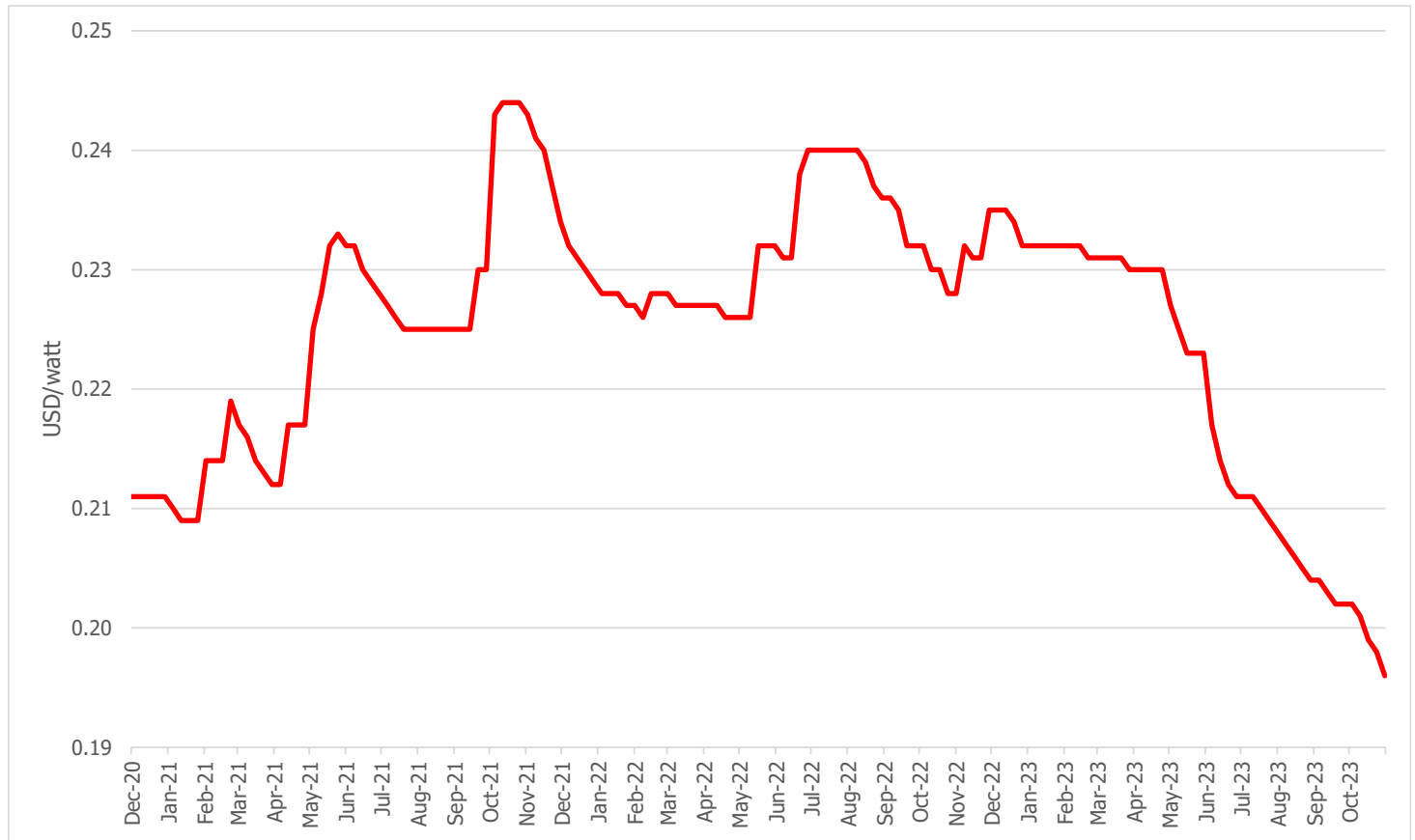
Source: EC, MIDFR

*Includes overlapping capacity given multiple listed members of winning consortiums

RE EPCC is likely to be the biggest winner. Other than the asset owners, we believe RE EPCC players are among the biggest beneficiaries given huge EPCC prospects from construction of the CGPP plants. We estimate the entire 800MW CGPP capacity could give rise to some RM2.4b worth of EPCC prospect. This would serve as timely orderbook replenishment over the next 2 years as LSS4 projects gradually reach completion by mid-2024. We expect EPCC awards for the CGPP projects to start trickling down into orderbooks from 2QCY24 onwards.

Prospects are getting even brighter. Beyond the CGPP projects, we believe flagship solar projects announced under the National Energy Transition Roadmap (NETR) recently could potentially boost orderbook prospects for the EPCC players further. To recap, a total of 1.5GW large scale solar projects were announced under NETR comprising a 1GW hybrid solar plant spearheaded by UEM Group & Itramas Corporation and a 500MW solar park under Tenaga. These could entail an estimated EPCC value of RM4.5b. There is also another 2.5GW hybrid hydro floating solar to be undertaken by Tenaga at its Kenyir and Sungai Perak hydro dams, which could entail prospective EPCC jobs of some RM10b-12.5b, on our estimates.

Easing cost pressure. Solar module cost has eased significantly against peak levels immediately post-Covid pandemic (See Chart 1) driven by easing supply chain issues and commissioning of large manufacturing capacities. We believe easing solar module prices, which makes up the bulk of EPCC cost (approximately half of cost), should be beneficial to EPCC players from potentially improved margins, especially those on fixed cost terms with clients (project owners). Given the lessons learnt from implementation of LSS4 projects (which were disrupted due to the sharp rise in solar module costs), we reckon EPCC players would be more conservative with project costing this time around.

Chart 1: Price of solar modules continues to ease

Source: Bloomberg, MIDFR


Recommendation. We reaffirm our **POSITIVE** call on Utilities on the back of a clear and firm policy layout on the energy transition, which we believe should drive a sector re-rating on improved growth and ESG profile. Our top picks are the EPCC sub-sector players namely **Samaiden (BUY, TP: RM1.54)**, **Sunview (BUY, TP: RM1.48)** and **Pekat (BUY, TP: RM0.63)** being key beneficiaries of the CGPP project rollout. **Tenaga (BUY, TP: RM11.00)** is one of the key beneficiaries in the asset ownership space being the largest capacity winner under the CGPP with a total 90MWac in the bags under the initial round of award. 

Table 4: Sector Valuation Summary

Companies	FYE	Rating	Shr Price (RM)	EPS (sen)		PE (x)		ROE (%)	Div Yield (%)	Market Cap (RMm)	TP (RM)
				FY23	FY24	FY23	FY24				
Ranhill Utilities	Dec	BUY (U.R.)	0.900	3.6	3.5	25.0	25.7	5.9	3.3	1,150.2	0.80
Tenaga Nasional	Dec	BUY	9.920	70.4	85.6	14.1	11.6	7.0	5.2	56,717.8	11.00
YTL Power	Jun	BUY	2.250	25.0	27.3	9.0	8.2	8.0	5.6	18,230.0	2.45
Samaiden	Jun	BUY	1.110	2.9	5.9	38.5	18.8	19.3	0.0	437.3	1.54
Sunview	Dec	BUY	0.720	2.8	4.2	25.7	17.1	17.5	0.0	337.0	1.48
Pekat	Dec	BUY	0.440	2.1	2.5	21.0	17.6	9.5	0.0	283.8	0.63

Source: Companies, Bloomberg, MIDFR

U.R.: Under Review

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology