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Power infra sector remains constructive

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KUALA LUMPUR: Hong Leong Investment Bank Bhd (HLIB) remains constructive on Malaysia's power infrastructure sector into the first half of 2026 (1H 2026), driven by strong order flows from Tenaga Nasional Bhd (TNB), data centres and solar.

In a research note, it said the financial year 2026 (FY2026) is shaping up to be particularly strong, driven by the rollout of large-scale solar (LSS) 5 and LSS5+, which further expands demand for grid and substation works.

"TNB's call-ups should expand in FY2026 as deferred FY2025 capital expenditure (capex) normalises following the tax overhang, reinforcing our view that grid investment will remain elevated, with RM3.0 billion to RM3.5 billion of annual base capex directed towards the grid," it said.

Meanwhile, HLIB also projected that listed power infrastructure players with access to capital and economies of scale would be best positioned to capitalise on this multi-year upcycle.

Since the data centre investment wave gathered momentum in 2023, the investment bank said the power infrastructure market has seen a surge in available jobs.

However, it noted that two years on, many smaller unlisted players are increasingly facing financial



bottlenecks in securing new projects.

It said this is evidenced by the recent wave of fundraising activity among listed mechanical and electrical (M&E) contractors and cable manufacturers, where proceeds are earmarked mainly for working capital support (M&E) or capacity expansion (cable makers).

"On the customer front, TNB's

move to require M&E contractors to procure high-voltage cables rather than be supplied by TNB further raises the financing bar.

"As such, we believe the next wave of power infrastructure jobs from both TNB and the private sector is likely to be increasingly concentrated among listed companies," it said.

Additionally, HLIB said policy

tailwinds, such as the government's cable import regulations and TNB's preference for local contractors, would create barriers to entry for foreign competitors, further reinforcing the market position of domestic players.

Hence, the bank has maintained its "overweight" call on the power infrastructure sector. – BERNAMA