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IOI Corp's venture to unlock land bank potential

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SOLAR POWER

IOI Corp's venture to unlock land bank potential

KUALA LUMPUR: IOI Corp Bhd's venture into large-scale solar energy with Tenaga Nasional Bhd (TNB) is expected to unlock value from its land assets while providing a new source of recurring income, says CIMB Securities.

The research house views the venture positively, saying it could enhance returns from IOI Corp's land bank and support its long-term earnings diversification strategy.

"We estimate the project could generate annual net profit of RM50 to RM60 million. This implies an RM12.5 to RM15 million contribution to IOI, based on its 25 per cent stake, excluding lease income," it said in a note.

CIMB Securities estimated that the project could generate a combined annual net profit contribution and lease rental income of RM22 million to RM24.5 million from 2029.

IOI Corp announced that its wholly-owned subsidiary, Luminous Aspect Sdn Bhd, had entered into a joint venture with TNB Renewables Sdn Bhd (TRe) and a consortium of 12 small and medium enterprises (SMEs).

The partnership will develop a 500-megawatt alternating current (MWac) solar photovoltaic project integrated with a 250 MW/1,000 MWh battery energy storage system (BESS) in Bahau, Negri Sembilan.

IOI Corp will hold a 25 per cent stake in the project, while TRe will own 70 per cent and the SME consortium the remaining five per cent.

CIMB Securities said the project, estimated to cost RM2 billion, would be funded through 80 per cent debt and 20 per cent equity, translating into an estimated equity investment of RM100 million by IOI Corp.

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