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Positive outlook for power infrastructure

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Hong Leong Investment Bank Bhd expects Tenaga Nasional Bhd's call-ups to expand in financial year 2026. NSTP FILE PIC

GRID EXPANSION AND DATA CENTRES

Positive outlook for power infrastructure

KUALA LUMPUR: Malaysia's power infrastructure sector is expected to see higher demand going into the first half of 2026, backed by strong order flows from Tenaga Nasional Bhd (TNB), data centres and solar projects.

Hong Leong Investment Bank Bhd (HLIB Research) in a note said the rollout of Large Scale Solar (LSS) 5 and LSS5+ will further expand demand for grid and substation works, generating about RM1.6 billion of cable demand.

Additionally, the firm said TNB's call-ups should expand in financial year 2026 as deferred financial year 2025 capital expenditure (capex) normalises following the tax overhang.

This reinforced HLIB Research's view that grid investment will remain elevated, with RM3 billion to RM3.5 billion of

annual base capex directed towards the grid.

Looking into the data centre space, HLIB Research said incremental investment will continue to be directed towards Malaysia.

With the current data centre buildout focused on cloud storage, it sees scope for another investment upcycle as artificial intelligence inferencing workloads scale.

"In our last power infrastructure report, we highlighted that listed power infrastructure players would emerge as prime beneficiaries of the upcycle, given their access to capital — a theme that has gained traction and, in our view, will become more pronounced in the coming years.

"Since the data centre investment wave gathered momentum in 2023, the power infrastructure

market has seen a surge in available jobs. Two years on, however, we noted that many smaller unlisted players are facing financial bottlenecks in securing new projects," HLIB Research added.

The firm said this is evidenced by the recent wave of fundraising activity among listed mechanical and electrical contractors and cable manufacturers, where proceeds were earmarked for working capital support or capacity expansion.

Meanwhile, it expects earnings momentum across the power infrastructure value chain to extend into this year.

It kept its "overweight" call on the sector with MN Holdings Bhd ("buy", target price: RM2.23) and Southern Cable Group Bhd ("buy", target price: RM2.59) as beneficiaries of grid expansion.