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# IOI Corp enters 500MW solar JV with TNB, RHB maintains 'Buy'

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**KUCHING:** IOI Corporation Bhd has entered into a joint venture with Tenaga Nasional Bhd (TNB) and a consortium of small and medium enterprises (SMEs) to develop a 500-megawatt (MW) solar photovoltaic (PV) project in Bahau, Negeri Sembilan.

The project, undertaken through Bahau Energy Ventures Sdn Bhd, will include a 250MW/1,000-megawatt-hour (MWh) battery energy storage system and supply renewable energy to DayOne Data Centres under a 21-year offtake agreement with TNB.

RHB Investment Bank Bhd said IOI holds a 25 per cent stake in the joint venture through its wholly-owned subsidiary Luminous Aspect, while TNB Renewables holds 70 per cent and CSP 500MW, a consortium of 12 SMEs, owns the remaining five per cent.

The project will be developed on about 1,300 acres of IOI's land in Bahau, which the plantation group will lease to the joint venture.

The research house said the project is targeted for completion by December 2028, with an estimated total cost of RM2 billion.

Up to 80 per cent of the project cost is expected to be financed through non-recourse debt at the joint venture level.

The research house estimates an equity internal rate of return of about eight to nine per cent, while IOI's initial equity contribution is expected to be about RM100 million, potentially rising to RM151.5 million under the maximum equity capitalisation outlined in the joint venture agreement.

"While the earnings impact is small, it gives IOI long-term recurring income as both a shareholder and landlord," it said.

Based on an estimated tariff of close to 30 sen per kilowatt-hour, the research house projects the joint venture to generate annual net profit of about RM20 million, giving IOI an estimated RM5 million annually from financial year 2029.

This represents about 0.3 per cent of IOI's forecast recurring net profit for FY2027, excluding income from leasing the land to the joint venture.

It said the land involved comprises about 600 hectares of ageing oil palm trees due for replanting, representing 0.3 per cent of IOI's planted area, and expects minimal impact on fresh fruit bunch production.

The research house said the solar project aligns with IOI's five-year strategic roadmap for 2025 to 2029 to expand its renewable energy business.

IOI had previously identified about 2,000 to 3,000 hectares of suitable land in Tangkak and another 1,000 hectares in Pahang for renewable energy development.

It maintained its 'Buy' recommendation on IOI with a target price of RM5.45, implying 22 per cent upside from its reference price of RM4.45, alongside an estimated dividend yield of about three per cent for FY2027.

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