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Solar sector set for RM18bil boost

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Petra launches RE programmes to accelerate growth

ENERGY

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>
> Hong Leong Investment Bank Research

PETALING JAYA: Hong Leong Investment Bank (HLIB) Research is positively surprised about the country's large scale solar 6 (LSS6) programme, which is expected to be open for bidding in the second quarter of this year (2Q25).

The research house is expecting to see between RM15bil and RM18bil worth of solar engineering, procurement, construction and commissioning (EPCC) contracts to be formalised over the next 24 months.

This is assuming the LSS6 is of similar size to LSS5 and the recent 2GW LSS5+ announcement by the Energy Transition and Water Transformation Ministry (Petra).

"There are no details on its quota yet, but we think LSS5 (2GW) and LSS5+ (2GW) could be a reasonable indication," HLIB Research said.

It added that cumulative quotas from just LSS5 and LSS5+ of 4GW is about 28% larger than total quotas awarded from LSS1 to LSS4 programmes and Corporate Green Power Programme.

The research house said the upcoming transmission and distribution upgrades during regulatory period 4 (2025 to 2027) – enabled by record allowable capital expenditure of RM42.8bil – should prepare the grid for new renewable energy (RE) capacity.

Petra announced new RE programmes last Friday to further accelerate developments, including a Community Renewable Energy Aggregation Mechanism which will enable home owners to lease rooftop spaces to third parties (RE developers), creating additional income streams.

"Guidelines are being finalised and we think take-up will rest on potentially critical parameters such as System Access Charge rates and storage requirements, if any. Difficulties on aggregation will also pose a challenge to developers," HLIB Research added.

It said the second round of bidding for battery energy storage system development is slated for 3Q25, following the first bidding in November last year.

The research house maintained its "overweight" rating on the sector, with "buy" calls for Solarvest Holdings Bhd, target price (TP) of RM2 per share, and Samaiden Group Bhd (TP: RM1.44).

"Both stocks under coverage, Solarvest and Samaiden, are major beneficiaries from an extended upcycle.

"We flag upside risks to our longer dated earnings forecasts from this development," it said.

Similarly, Phillip Capital Research has maintained its "overweight" stance on the sector, underpinned by ongoing national energy transition initiatives and a strong contract pipeline driving robust activity.

"Government-led green initiatives and growing RE demand is set to benefit companies like BM Greentech Bhd ("buy"; TP: RM2.65), Solarvest ("buy"; TP: RM2), and Pekat Group Bhd ("buy"; TP: RM1.15)," the research house said.

It pointed out that Pekat should see limited upside from the current levels, having surged some 29% over the past three months, driven by optimism on EPE Switchgear (M) Sdn Bhd synergies.

Last August, Pekat announced the acquisition of a 60% stake in the Nilai-based switchgear manufacturer RM96mil.

In addition, Phillip Capital Research expects power utility infrastructure engineering companies such as MN Holdings Bhd and CBH Engineering Holding Bhd, which offer interconnection solutions, to gain from the expansion of RE programmes, which support solar EPCC contractors.

The research house said key risks included government RE policy changes, project execution delays, intense market competition and volatility in solar module prices amidst the ongoing supply chain capacity consolidation.