



12 MAY, 2026

Co-generation demand to lift Kawan Renergy

The Star, Malaysia



Co-generation demand to lift Kawan Renergy

PETALING JAYA: Kawan Renergy Bhd is poised to benefit from rising demand for co-generation and industrial engineering solutions, supported by a growing project pipeline tied to data centres and higher electricity tariffs, according to Kenanga Research.

The research house initiated coverage on the ACE Market-listed company with an "outperform" call and a target price of 73 sen, representing a potential 35% upside from its last traded price of 54 sen.

It said Kawan Renergy offers "an attractive risk-reward profile", noting that 84% of its earnings forecast for the financial year ending October 2026 (FY26) is already backed by its RM157mil order book.

The remaining earnings contribution would depend on securing at least one contract from a RM370mil project pipeline comprising two data centre-related gas generator set (genset) enquiries worth RM60mil each, three co-generation plants worth RM50mil each, and a RM100mil food and beverage process plant.

"These projects should generate above-average margins, supported by Kawan Renergy's exclusive distributor status and in-house fabrication," Kenanga Research said in a note to clients yesterday.

Kawan Renergy specialises in integrated engineering solutions involving industrial process equipment, process plants, renewable energy (RE) systems and co-generation plants. Its clients include Dialog E&C, Technip Energies, Tenaga Nasional Bhd's power generation arm, Mitsubishi Chemical and Oleon.

Kenanga Research highlighted the group's ability to fabricate about 60% of plant components in-house as a key competitive advantage, allowing the company to maintain "better cost control, faster execution, and higher margins".

The research house said Kawan Renergy is undergoing a "structural shift toward the RE and co-generation segment", which contributed 28.3% of revenue in FY25 and has emerged as a key growth driver.

It said rising electricity tariffs under Regulatory Period 4 are strengthening demand for co-generation systems as industrial users seek to lower operating costs.

"Higher electricity tariffs have made co-generation increasingly economical, as industrial consumers can achieve cost savings of up to 20% to 30% by converting steam into additional electricity."

Kawan Renergy is also expanding its exposure to Malaysia's fast-growing data centre sector through its distributorships for Solar Turbines and *Rolls-Royce* mtu diesel gensets.

Kenanga Research said the company recently secured a RM70mil purchase order for *Rolls-Royce* gensets for Phase 3 of a data centre project in the central region, with delivery expected within four months.

An additional RM10mil installation contract is also expected to follow.

"More importantly, Phases 4 and 5 of the same facility are expected to shift towards gas-based power solutions, which aligns well with Kawan Renergy's Solar Turbines distributorship," it said.

According to the brokerage, the company is also pursuing another data centre project "estimated to be three times larger than the RM70mil win".

Financially, Kenanga Research expects Kawan Renergy's earnings to rise to RM26mil in FY26 and RM34mil in FY27, driven by stronger order book replenishment, accelerating progress billings from ongoing projects, and contributions from data centre-related contracts.

However, the research house cautioned that risks remain, including slower-than-expected order replenishment, margin compression from higher raw material costs, and project execution delays.