

14 JUL, 2025

# Northern Solar expands beyond rooftops with utility-scale solar push

The Edge, Malaysia



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BY JOHN LAI

Northern Solar Holdings Bhd (KL:NORTHERN) sees compelling catalysts for business expansion amid Malaysia's power tariff reforms that shift the cost burden to high-usage consumers like data centres with projected electricity cost increases of up to 15%, thus enhancing the appeal of alternatives.

Better known for its strengths in the commercial and industrial (C&I) rooftop solar segment, Northern Solar is entering the utility-scale solar space with a strategic focus on Corporate Renewable Energy Supply Scheme (CRESS) and Large Scale Solar (LSS) opportunities.

"This is a new vertical for us, but one that we are both technically equipped and financially ready to pursue," says Northern Solar managing director Lew Shoon Kai.

He cites robust demand for large-scale solar, operational readiness and a strengthened balance sheet post-listing as key catalysts for the group's expansion. "We are confident [of getting] some market share in the utility-scale solar space," he adds.

Under a newly introduced ultra-high voltage category, data centres face an average tariff of about 60 sen per kWh, translating into an internal rate of return (IRR) of nearly 8% under a solar system. For a 100MW facility, some estimate that the new structure would add up to RM63 million in annual electricity costs.

Given this backdrop, CRESS emerges as a compelling hedge for large energy users by enabling direct sourcing of renewable electricity from developers. Its 21-year fixed-rate power purchase agreement (PPA) structure provides tariff certainty while advancing environmental, social and governance (ESG) goals and aligning with the RE100 commitment, a global initiative aimed at transitioning corporations to 100% renewable electricity.

"For me, CRESS is the interesting [option]," says Lew, adding that one project is already at the advanced stages of negotiations.

He is not alone. Kenanga Investment Bank Bhd, for one, estimates that another RM5 billion in CRESS-related engineering, procurement, construction and commissioning (EPC) jobs could follow, driven by an estimated 2GW of corporate demand looking for more predictable, cost-efficient and ESG-aligned solutions for long-term energy procurement.

Capitalising on its EPC track record, Northern Solar plans to participate in up to 200MW of utility-scale solar bids over the next one to two years, potentially translating into RM500 million in project value.

To undertake projects exceeding 30MW, the group will establish a joint venture with China-based Northwest Electric Power Design Institute Co Ltd (NWEPTDI), following a memorandum of understanding signed in April. Upon securing a successful bid for LSS projects, the parties will incorporate a joint-venture company, with Northern Solar holding a 51% stake and NWEPTDI the remaining 49%. Meanwhile, projects below 30MW will be solely executed by Northern Solar.

NWEPTDI, a specialist in power and infrastructure, is a subsidiary of China Power Engineering Consulting Group Co Ltd, which is part of state-owned China Energy Engineering Corporation Ltd. Its partner-

Key financial metrics of selected solar stocks on Bursa Malaysia (as at July 10)

COMPANY	MARKET CAP (RM MIL)	LAST PRICE (RM)	CONSENSUS TARGET PRICE (RM)	UPSIDE POTENTIAL (%)	TTM PER (TIMES)	FORWARD PER (TIMES)	YTD SHARE PRICE PERFORMANCE (%)	3-YEAR AVERAGE NET PROFIT MARGIN (%)	ROE (%)
Solarvest Holdings	1,732	2.26	2.36	4.3	33.3	23.8	33.7	7.2	17.7
BM Greentech	1,279	1.86	2.31	24.0	24.4	18.8	6.9	6.9	12.7
Pekati Group	922	1.43	1.75	22.4	30.4	19.3	44.4	6.4	19.5
Cypark Resources	769	0.94	0.92	-1.6	NM	33.4	8.1	-75.3	-0.9
Samaliden Group	555	1.24	1.49	20.2	29.4	26.4	-3.9	7.0	14.3
Survivior Group	230	0.41	0.46	13.6	36.2	16.2	-10.0	2.9	4.0
Northern Solar Holdings *	276	0.70	-	-	24.2	20.2	11.1	13.3	16.7

\* YTD share price performance is calculated from the IPO price of 63 sen on Feb 6. ROE: Return on equity; NM: Not meaningful



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ship with Northern Solar strengthens the latter's credentials when tendering for LSS projects by combining local insight with international technical and financial muscle, says Lew.

On the demand front, Kenanga IB estimates that solar-related EPC order books reached an all-time high as players accelerated the delivery of Corporate Green Power Programme (CGPP) projects ahead of the end-2025 deadline. Meanwhile, RM10 billion worth of 4GW LSS5 and LSS5+ contracts are set to enter the market, with completion timelines extending to 2027.

The cumulative value of EPC contracts has surged to RM17.4 billion from RM12.4 billion, sustaining strong sector momentum until 2028. Listed companies have announced RM2.9 billion worth of contract wins to date.

### Rooftop solar prospects remain intact

While the tariff reforms incentivise high-usage consumers to embrace renewable energy, there are concerns that lower electricity bills for typical households may dampen interest in the adoption of residential solar.

Lew points out that the company's customer base largely comprises high-consumption users across the C&I and residential segments, rather than just typical households.

"For high-usage consumers, the new tariff structure still delivers clear economic benefits. We are also seeing growing interest in battery storage integration to further enhance returns on investment," he says.

On the discontinuation of the Net Energy Metering (NEM) programme, Lew explains that the scheme was limited to systems below 1MW and only allowed excess energy to be exported to the grid.

As a result, many large energy consumers, including manufacturers, shopping malls

and data centres, have taken up the self-consumption (Selco) programme. With the government removing the 85% demand capacity cap, Northern Solar has received more enquiries from large-scale users typically requiring systems of more than 10MW, he says.

Looking ahead, the company views solar-plus-storage as Malaysia's next major leap in energy transition. "With higher electricity tariffs, clients are increasingly demanding energy resilience," says Lew, adding that the company has secured battery supply partnerships.

For non-domestic systems exceeding 72kWp, regulations mandate the integration of battery energy storage systems (BESS).

Backed by a healthy project pipeline, Lew remains confident of sustained C&I demand and expects the company to achieve earnings growth of 20%, excluding contributions from upcoming utility-scale solar ventures.

Northern Solar currently has a RM1.8 billion tender book, driven primarily by C&I rooftop solar opportunities. According to Lew, the company achieves a 15% conversion rate on average, with rooftop projects delivering higher margins than utility-scale developments.

The company says it is unaffected by the newly expanded sales and service tax (SST) and continues to operate comfortably in the current macro environment, supported by a stable ringgit, steady solar panel prices and continued technology improvements from China.

Despite broader awareness, the rooftop solar segment remains significantly underpenetrated, with only about 65,000 of Tenaga Nasional Bhd's (KL:TENAGA) 10.2 million retail customers having adopted the solution, highlighting its vast untapped potential.

One initiative that is showing promise is the Community Renewable Energy Aggregation Mechanism (CREAM), which enables homeowners to lease rooftop space for solar generation, says Lew.

Northern Solar is currently exploring collaboration opportunities with its substantial shareholder Lagenda Properties Bhd (KL:LAGENDA) to integrate rooftop solar into the latter's upcoming township developments. However, Lew mentions that it is still in early stages and declines to elaborate.

The central region is the company's largest market, followed by Johor. Penang has been identified as the next key market, particularly for its strong industrial presence and robust solar adoption potential.

Lew clarifies that its short-term priorities are anchored in domestic execution while international expansion remains on the longer-term horizon. "We evaluate overseas opportunities selectively, but our focus for now is execution at home."

Northern Solar is sticking to its solar-centric strategy, with no plans to diversify into other technologies such as hydropower or biomass.

For the financial year ended March 31 (FY2025), the company reported revenue of RM84.87 million and a net profit of RM11.4 million. Excluding one-off listing costs of RM2.76 million, its normalised net profit stood at RM14.16 million.

Revenue was predominantly derived from its core EPC services, which contributed RM83.2 million or 98% to its total revenue. Its solar asset generation segment, supported by 5MW in installed capacity, contributed RM1.6 million or 1.8%, while operations and maintenance services generated RM100,000.

Northern Solar aims to triple recurring asset generation to 15MW by year end through installations under the NEM and Selco programmes.

As at end-March, the group had RM52.2 million in cash and RM10.3 million in borrowings, bolstered by the RM42.37 million in proceeds from its ACE Market listing on Feb 6.

Northern Solar's public float remains limited, with major shareholders collectively controlling 74.1% of the company. Its major shareholders are Lew and executive director Chew Win Hoe, who hold 30.8% each. Lagenda Properties has 12.5% equity interest following a strategic investment in December 2023, when it acquired a 15% stake from Lew and Chew Ann Bee — the sister of Win Hoe — for RM15.1 million.

The transaction valued the company at RM100 million, implying a price-earnings ratio (PER) of 16.4 times based on FY2023 earnings. Following the divestment, Ann Bee no longer holds any equity interest in the company.

At the time of writing, Northern Solar's shares were trading at a trailing PER of 24.2 times, among the lower valuations in the sector. The company's smaller scale likely explains the discount, with its other listed solar peers trading at trailing PERs of between 24.4 and 33 times.

Investor interest in solar stocks has strengthened over the past month, with share prices rising between 10% and 25% amid robust contract opportunities and a domestically focused growth narrative. Solarvest Holdings Bhd (KL:SLVEST) led sector gains with a 28.4% rise, pointing to increased allocations among institutional investors. ■



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