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The surging business of MN Holdings

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ENERGY

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AS a power infrastructure service provider, the growth opportunities for MN Holdings Bhd are far and wide.

Although the group has a track record of large-scale solar projects, data centres and semiconductor plants, the demand for its services is not limited to a particular sector.

Managing director Datuk Clement Toh says the group's versatility enables it to serve both upstream and downstream clients, ranging from power project contractors to power plants.

"As long as there is a demand for power in the country, our growth opportunities remain robust.

"Some may label us as a data centre player given our involvement in the sector. However, our role in these projects is in the provision of power infrastructure that is crucial for data centre operations.

"Hence, should the hype surrounding data centres die down in the future, we are able to pivot to other sectors where power infrastructure remains essential," he tells *StarBizWeek*.

Listed on the ACE Market of Bursa Malaysia in April 2022, MN Holdings core business activities are related to the provision of underground utilities engineering and substation engineering services and solutions.

Toh says the group's listing has provided more visibility for the company, elevating it from a general contractor to become a recognised player in the industry.

"Previously, we lacked the authority to dictate project terms. However, post-listing, we are able to lead projects and offer advice to clients.

"The company progressed from being a small-scale player to being able to participate in more significant projects, expanding our scope of capabilities," he says.

MN Holdings is also able to secure larger projects directly from Tenaga Nasional Bhd (TNB).

"In the past, we were only able to secure contracts worth RM1mil directly from TNB. However, now we are awarded contracts worth RM11mil to RM42mil.

"While this may not be solely attributed to our listing status, the difference in contract size does demonstrate the impact of our listing exercise," Toh says.

Growth catalysts for its business segments are dependent on urbanisation, population growth and the influx of foreign

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Healthy demand for power infrastructure services



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direct investment, which will spur the demand for its services.

Currently, its unbilled order book stands at RM440mil for the next two years, with the bulk of it or 60% derived from the underground utilities segment and the rest are substation engineering projects.

The group's contract replenishment occurs on a monthly or bi-monthly basis, with contract durations ranging from three months to a maximum of two years.

"Our order book fluctuates regularly with projects being handed over and new jobs secured. We have consistently maintained an order book of about RM450mil over the past six months compared with the previous year's figure of over RM200mil," he says.

Jobs from TNB and data centres accounted for a significant portion, constituting nearly 60% of the company's unbilled order book. Property development, semiconductor and other sectors make up the remainder.

MN Holdings' tender book amounts to RM420mil (excluding projects that are in negotiation), of which RM170mil is in the

underground utilities projects and RM250mil for substation projects.

"The net profit margin, whether for substation or underground projects, varies depending on the project. If a substation project involves significant equipment costs, such as transformers, the margin may be slightly lower.

"The company's strategy is to maintain a double-digit gross profit (GP) margin which is at around 20% now. Our profit after tax margin typically ranges between 7% and 9%. We primarily focus on GP margin as an indicator of a project's profitability," Toh says.

MN Holdings' shares have been climbing steadily, having almost doubled, since early October 2023.

At its close of 62 sen yesterday, the counter has gained 13% year-to-date alone. The group does not have a dividend policy currently.

Beyond data centre projects, the demand for power infrastructure will also be anchored by the National Energy Transition Roadmap initiative, TNB's capital expenditure (capex) under Regulatory Period 3

(RP3) and RP4 as well as the Corporate Green Power Programme.

Despite its involvement in numerous private projects, MN Holdings executive director Datuk Dang Siong Diang says contracts secured from TNB are contributing a major portion to the company's revenue.

The company expects an increase in tenders from TNB for substation and underground cable projects, anticipating a surge in TNB's investments within the limited timeframe of RP3, from 2022 to 2024.

Under RP3, TNB is investing RM20bil in enhancing and modernising transmission and distribution infrastructure to ensure long-term sustainability and meet future requirements.

"We have only tapped into less than 1% of TNB's capex, hence this indicates that there are still a lot of growth opportunities for us to explore," he says.

Apart from the provisioning of power infrastructure services, the group also distributes power control systems and components for substations through its wholly-owned subsidiary, MN Power Transmission Sdn Bhd.

MN Holdings is the authorised representative and distributor of Lucy Zodion's street lighting cut out fuses, Lucy Electric's neutral disconnectors and is the agent for the sales and distribution of instrument transformers produced by Mehru Electrical & Mechanical Engineers (P) Ltd, in Malaysia.

Toh says the distributorship for the high-voltage products requires stringent due diligence and compliance with strict standards, as the company represents the quality and warranty of the distributed products.

"We also need to obtain approval from authorities like TNB to list these products so that they can be supplied locally. This process typically takes three to five years due to the need for various certifications and extensive field trials.

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MN Holdings eyeing transfer to Main Market

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"Hence, obtaining these distributorships is not an easy feat.

"We carry these products not only to diversify our revenue streams but also to leverage better pricing of the items in our projects and payment terms in our operations when we quote tenders," he says.

Dang notes that for Lucy Group's products, the group is expecting an annual turnover of RM2mil to RM3mil per annum, as the company has a few contracts for blanket supplies of Lucy Group's products to Sabah Electricity Sdn Bhd (SESB) and Syarikat Sesco Bhd (Sesco), a subsidiary of Sarawak Energy.

Major contracts for supply of Lucy Group's products to Sesco amounted to RM10.7mil, not including minor purchases to support SESB and TNB orders.

"For Mehru products, we have some major contracts with TNB, with total contracts amounting to about RM23mil, which

include a recently secured contract worth RM11.7mil, with annual turnover of about RM2mil for the past two years.

"We are also purchasing Mehru products for installation at our construction contract project (building or upgrading substations)," he says.

In addition to its business developments, MN Holdings has recently appointed Datuk Seri Baharin Din, former chief executive officer of TNB, as its independent non-executive chairman.

"As a former CEO of TNB, one of the top government-linked companies in the market, his decision to join us reflects positively on our company and his presence instils confidence in the public and among our employees.

"Although he will not be directly involved in the day-to-day operations, his insights and guidance, based on his tenure at TNB, are invaluable.

"His understanding of TNB's growth direction and industry trends enables him to provide strategic advice for our future

growth and positioning in the market," Toh says.

Going forward, the company plans to transfer its listing status to Main Market within the next two years.

"Over the past two years, we are seeing a compound annual growth rate of 30%. However, there will come a point where we need to consolidate our position. Following the transition to the Main Market, we will strategically evaluate our next steps and consider new avenues for business expansion," Toh says.

He does not rule out inorganic growth in the future and any acquisitions the company does must complement its existing business.

"There should be a balance between organic and inorganic growth and we cannot depend on organic growth alone.

"In pursuing inorganic growth, we aim to acquire companies within the same industry, such as our subcontractor suppliers, to strengthen our position and foster synergy within our operations," he points out.