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SMRT to profit from transition to IoT

PETALING JAYA: SMRT Holdings Bhd is well-positioned to capitalise the ongoing digitalisation within the utilities sector, amid flourishing smart grid initiatives, says Hong Leong Investment Bank (HLIB) Research.

From 2020 to 2023, SMRT divested itself of several business units and evolved into a pure Internet of Things player.

“Operating under the umbrella of N’osairis Technology Solutions Sdn Bhd (NTS), SMRT now specialises in installing, monitoring and maintaining customised hardware solutions for its clients’ operational facilities, establishing wireless network connections tailored to their specific requirements,” the research house said in a report yesterday.

HLIB Research, which initiated coverage on SMRT yesterday, noted that Tenaga Nasional Bhd (TNB) is implementing distribution automation (DA) systems under its “Grid of the Future” initiative.

In order to facilitate communication within the grid system, the DA system will require Internet connectivity at the installed distribution substations.

Being the sole provider of dual-sim technology for TNB’s distribution substations, the research house said SMRT is poised to benefit from TNB’s initiative as the substations rely on wireless connections.

“With only 20,700 or 24.9% of the total distribution substations in Peninsular Malaysia having adopted the DA system, we anticipate TNB will continue to accelerate its installation of DA systems in its substations going forward,” HLIB Research said.

Moreover, SMRT, leveraging on its solid track record in providing telecommunication infrastructure to TNB, is expected to extend its services to Sabah and Sarawak, where frequent interruptions in power supply have been a significant challenge.

“Currently, the distribution substations in this area operate on a manual basis, leaving utility companies in a reactive mode during unplanned electricity outages.

“By providing connectivity to these substations, SMRT will empower utility companies to proactively detect issues, enabling subsequent manual interventions and repairs to help them attain their target system average interruption duration indexes,” HLIB Research said.

The Indonesian automated teller machine (ATM) market is also another potential opportunity for SMRT. Indonesia continues to have a significant number of ATMs relying on satellite connections.

HLIB Research initiated a “buy” call on SMRT with a target price of RM1.38 based on a price-to-earnings ratio of 20 times, pegged to earnings for the financial year 2025. The research house also projects a three-year earnings compounded annual growth rate of 21.5%.