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Ranhill to grow clean energy capacity for LSS5 auction

PETALING JAYA: Ranhill Utilities Bhd appears to be putting more emphasis on growing its renewable energy (RE) portfolio, moving forward.

The group plans to grow its clean energy capacity as it looks to participate in the upcoming large-scale solar 5 (LSS5) auction process, said MIDF Research.

The research house, which attended the group's recent investor meeting, noted that Ranhill has an internal target of expanding its power capacity to 1,000 megawatts (MW) by 2025 from 380MW at present.

"Additionally, the group is exploring RE for its own consumption by Ranhill SAJ. For context, Ranhill SAJ is one of the largest electricity consumers in Johor, consuming around 350GWh per year.

"SAJ's annual electricity cost of RM150mil is equivalent to 10% of Ranhill's annual revenue," it said.

The group had recently made its foray into the RE sector when it was awarded a 50MW package under the recent LSS4 auction cycle.

Eventually, MIDF said the group expects that in the next three years, the engineering division will contribute 20% to its revenue, with the remaining 65% and 15% coming from the environment and power divisions.

The group, through Ranhill Solar 1 Sdn Bhd (RS1), will build a LSS4 plant in Batang Padang, Perak.

"The project is progressing well, having secured the required land, and is in the final stages of appointing a sub-contractor before reaching financial close.

"The recently acquired Ranhill Bersekutu will take on the role as the main contractor," it said.

MIDF said the capital expenditure is expected to be around RM160mil (or RM3.2mil per megawatt) and is targetted to generate a double-digit equity internal rate of return.

"Under the 21-year renewable energy power purchase agreement signed with Tenaga Nasional Bhd, the commercial operation date of the RS1 plant is expected by August 2023," it added.

MIDF said the circa two-year development timeframe gives the group some leeway to manage raw material cost, considering the rise in solar panel prices in the past year.

The RS1 will subsequently increase Ranhill's power capacity by 13% to 430MW once completed, it noted.

The research house has maintained its "buy" call on Ranhill with a revised target price of 82 sen from RM1 previously.

"Notwithstanding dilution from the new share issuance, the acquisitions are net earnings accretive, estimated to enhance Ranhill's pre-acquisition forecast financial year 2022 earnings per share of 3.16 sen by 24%," it said.