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KUALA LUMPUR (Jan 21): SMRT Holdings Bhd (KL:SMRT) said on Wednesday that only its one-off deployment revenue may face a potential slowdown amid rising competition, while stressing that its existing long-term managed services contracts with Tenaga Nasional Bhd (TNB) (KL:TENAGA) remain unaffected and continue to be the group's largest revenue contributor.

The clarification came after a sharp selldown that saw the IT solutions provider's shares plunge as much as 65% on Monday, following Hong Leong Investment Bank's (HLIB) downgrade of the stock from "buy" to "sell" on expectations of a significant earnings reset due to reduced deployment work from TNB.

HLIB had said deployment activity for TNB is expected to slow materially in the coming years, following the opening up of the utility's Supervisory Control and Data Acquisition (Scada) vendor base, removing what it described as a key driver of SMRT's one-off revenue stream.

Meanwhile, SMRT also announced that Aberdeen Group plc has disposed of its entire 6.57% stake or 30.04 million shares on Jan 20.

SMRT's other substantial shareholders include non-executive director Tan Sri Palaniappan Ramanathan (13.33% direct and 15.72% indirect stake), Urusharta Jamaah Sdn Bhd (8.73%), and the Employees Provident Fund Board (7.57%).

In its filing, SMRT stressed that the statements highlighted in HLIB's report relate solely to a possible reduction in future deployment contracts, rather than its existing multi-year managed services agreements with TNB.

"The company's existing managed services contracts with its major customer remain in place and continue to generate recurring revenue," SMRT said in a bourse filing. "Any possible slowdown referred to in the article relates only to possible slowdown in revenue from future one-off deployments."

SMRT reiterated that it continues to derive revenue from two components: one-off deployment income, and recurring managed services provided round-the-clock throughout the duration of each contract, typically three to five years after the deployment is completed.

The group added that concerns over lower future deployment revenue stem from the prospect of more companies entering the deployment services space, which may increase competition in tenders and potentially reduce the volume of new deployment contracts awarded.

However, it emphasised that whether such a slowdown materialises depends on the timing and number of new TNB deployment jobs it manages to secure.

HLIB's downgrade on Monday was premised on the expected sharp fall in site deployments from a historical run rate of about 3,000 sites annually to fewer than 100 sites from FY2027 onwards.

The research house also lowered its FY2026 to FY2028 earnings forecasts by between 18% and 44%, and cut its target price for SMRT by more than 74% to 32 sen from RM1.24 previously.

SMRT, in its filing on Wednesday, highlighted that its diversification efforts, including expansion of its IT service businesses into Indonesia and the Philippines, have seen revenue from foreign customers grow by about 63% between FY2023 and FY2025.

The group also pointed to its strategic collaboration with Kuasa Aktif Sdn Bhd, aimed at incorporating patented technology into its deployment services to strengthen competitiveness and improve efficiency.

"By incorporating patented technology, the company's deployment services may also become more exclusive and defensible, given that they will be patent protected," it added.

Shares of SMRT closed unchanged at 19 sen on Wednesday, with a market capitalisation of RM87 million. Over the past one year, the counter has declined over 84%.