Solar Management gets MBSB to finance solar farm project

MALAYSIA Building Society Bhd (MBSB) will provide RM247 million to Solar Management (Seremban) Sdn Bhd for the company to build its first solar farm in Rembau, Negri Sembilan.

The Shariah-compliant financing comprises RM19 million of Performance Guarantee under the kafalah concept, and RM228 million of term financing with sub limit of RM137 million under the tawarruq and kafalah concepts respectively.

MBSB, which recently announced the acquisition of the Asian Finance Bank Bhd (AFB) and enroute to become a full-fledged banking entity, aims to boost its commercial financing and reduces the dependence on retail financing.

"If this project works well, we will look at more opportunities throughout the country and maybe abroad as well," said MBSB president and CEO Datuk Seri Ahmad Zaini Othman at the signing ceremony in Kuala Lumpur yesterday.

Ahmad Zaini said the group wants to grow its corporate banking portfolio, which currently constitutes about 20% of its overall business.

"We’ve been making a conscious effort in corporate loans as we want our business to comprise 70% retail and 30% corporate.

“We’re not slowing down on the retail side, but we are pushing more on the corporate side. By next year, we should achieve the 70/30 ratio," he said.

The non-banking lender had traditionally focused on retail Shariah-compliant financing for purchases of properties, vehicles and other personal consumptions. But the bank now looks set to expand its financing opportunities, especially in the commercial sector.

“We hope to offer not just project financing, but other trade finance-related services," Ahmad Zaini said.

Earlier this month, MBSB entered into a conditional share purchase agreement with the shareholders of AFB to acquire the bank for RM644.95 million.

Commenting on the merger, Ahmad Zaini said: "It (the merger) will definitely happen. There's no turning back.""We've already paid 10%. So, it's now a matter of doing the integration for the whole process," he said, adding that an EGM will be called at the end of January 2018 to get the nod from the lender's shareholders.

The proposed merger is expected to be completed by the first quarter of 2018. AFB is one of three foreign banks with licences to offer Islamic banking services in Malaysia.

Solar Management signed an agreement with Tenaga Nasional Bhd in March 2017 to design, construct, own, operate and maintain a 50MW solar photovoltaic energy generating facility in Rembau.

"The project is expected to be completed by the end of November next year. It is sited on a 90ha site (200 acres)," Solar Management director Tee Cheng Hua said.

Besides MBSB’s RM247 million financing, Solar Management will finance the balance of the project cost through internal funds.

He said the company has no plan to go public and tap the equity market to finance the project.

Solar Management was one of seven bidders awarded transmission-connected large scale solar photovoltaic plant projects by the Energy Commission (EC), following a competitive bidding exercise organised by the EC in 2016.

The Power Purchase Agreement governs the obligations of the parties to sell and purchase energy generated by the facility for 21 years from the commercial operation date of Nov 30, 2018.

Mattan Engineering Sdn Bhd has been appointed as the turnkey engineering, procurement, construction and commissioning contractor for the project.

It inked a RM285 million contract with Solar Management to undertake the designing, construction and operation works of the facility in Rembau.

The company in turn appointed China Machinery Engineering Corp, which forms part of the China National Machinery Industry Corp group of companies, as the procurement arm to supply material and equipment for the solar farm.