

**ENERGY**

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SOLARVEST Holdings Bhd is accelerating its transformation from a solar photovoltaic (PV) engineering, procurement, construction and commissioning (EPCC) player into a clean energy specialist via a five-year plan.

The plan entails the group achieving recurring income by investing in large-scale solar (LSS) farms and entering into corporate power purchase agreements (PPA). It also intends to build a "clean energy ecosystem beyond solar energy".

"The landscape in the solar PV sector is congested. In the past five to 10 years, hundreds of small and big EPCC players have entered the sector.

"We need to capitalise on opportunities in the clean energy ecosystem, which have potential for growth," executive director and group CEO Davis Chong tells *StarBizWeek*.

Solarvest's five-year plan focuses on three pillars of growth.

# Solarvest transforming into clean energy specialist

## Group to invest in LSS farms, enter into corporate PPAs

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Davis Chong



"The disruptions may pose a potential risk of project execution and delays in installations in the coming quarters," says the group.

Chong says that despite project delays and constraints caused by a spike in raw material prices and labour shortages, "the good news is there are no project cancellations".

"We are very confident on our financial performance for the coming financial year ending March 31, 2023 (FY23) and FY24.

"Also, prices for solar panels are more stable now and have even dropped slightly since hitting a peak in the last two quarters," he says.

As at Dec 31, 2021, the group's

broadened its operations into asset ownership by undertaking 50 megawatt peak (MWp) large-scale solar photovoltaic (LSSPV) projects in addition to its existing 1MWp plant in Kedah.

AmInvest Research points out that in August 2021, Solarvest Holdings secured a 21-year PPA with Tenaga Nasional Bhd for 50MWp of solar park projects over three projects from round four of Malaysia's fourth tender of the LSSPV programme.

The 25MW solar plant in Manjung and 13MW facility in Kuala Selangor is targeted for completion by the end of 2022.

The first is to maintain the group's strong position in providing solar PV EPCC services.

The second is to focus on renewable asset (RE) development and ownership in Malaysia, the Philippines, Taiwan, Vietnam and Indonesia.

"In the next five years, we target to develop 1,000 megawatts (MW) of RE capacity in these five countries. We will incorporate other RE sources such as mini-hydro and biogas," says Chong.

He points out that the RE industry is very policy driven, and that Taiwan has an attractive feed-in tariff scheme for renewables.

"We have a strong local partner in Taiwan and we are tendering for 140MW in RE projects there," says Chong.

The group also has a local partner in the Philippines and are in talks with a few partners in Indonesia and Vietnam.

As for Indonesia, Solarvest chief strategy officer Leon Liew explains that he sees great potential for growth in the RE space as the country "has only around 0.2 gigawatts (GW) in solar energy generation,

which is low considering its population size."

"The progress in solar has been slow there because of a strong reliance on coal, which is a finite resource. However, Indonesia has a population that is more than eight times the size of Malaysia," he says.

As for the third growth pillar, this will consist of a vertical expansion across the clean energy ecosystem, with the group looking to venture into energy storage systems (ESS), energy efficiency (EE) solutions, low-carbon mobility, an international trading platform for RE certificates, and green hydrogen.

Liew explains that ESS would resolve the constraints of intermittent electricity from solar power, which is only available during daytime hours.

"We are looking into the adoption of ESS into both utility and distributed energy systems. A successful solar-plus-storage system will improve the viability of solar power as a main source of energy in the future," says Liew.

Meanwhile, EE solutions reduce

energy usage in buildings, which in turn leads to lower greenhouse gas emissions.

The EE venture will include the offerings of Artificial Intelligence of Things solutions to manage energy consumption efficiently.

"We are looking at becoming more of a technology player. We don't want to just limit ourselves to being an EPCC player," says Chong, adding that the group would explore opportunities in its third growth pillar in the later phase of its five-year plan.

He explains that mergers and acquisitions would be vital to the group's growth plans, as well as other forms of collaborations.

"We may raise funds in the equity market, via private placements, and perhaps the debt market," says Chong.

In a filing with Bursa Malaysia on its results for the third quarter ended Dec 31, 2021, Solarvest says the solar industry is still facing major procurement and supply chain disruptions that led to price volatility in solar-related material.

unbilled order book stood at RM595mil, which will be progressively recognised in FY22 and FY23.

To date, the group has secured RM418mil worth of EPCC jobs under the LSS@MEtTARI programme.

"The group's overall performance will improve, given movement restrictions easing and increasing momentum for solar installation, and being resilient to interruptions in the procurement and supply chain."

For its third quarter of FY22, Solarvest saw its net profit drop by 60% year-on-year to RM2.0mil while revenue slipped 32.4% to RM47.4mil.

On a quarter-on-quarter basis, its revenue and net profit were up by 57.0% and 95.6%, respectively.

For the nine months under review, net profit dropped 67.6% year-on-year to RM3.2mil while revenue decreased 37.7% to RM100.4mil, mainly due to movement restrictions which impacted the construction progress of projects and caused business operations to not be able to operate on a full-scale basis.

A recent AmlInvest Research report notes that Solarvest has

The remaining 12MW farm in Manjung, Perak, is targeted for completion in the fourth quarter of 2023.

Upon full completion, the group expects these facilities will increase the group's net profit from FY25 onwards by RM8mil annually.

According to AmlInvest Research, Solarvest plans to fund 80% of the construction of the new LSS developments, potentially costing RM160mil, from term loans and the balance from its net cash position, which stood at RM87mil on March 31, 2021.

It aims to secure the needed permits by end-2021, lease the requisite land and launch construction activities by early 2022.

AmlInvest Research points out that on an accelerated case basis, the International Energy Agency is projecting Asean PV to rise 2.5 times to 50GW by 2025 from 20GW in 2021.

"Rising environmental awareness, together with a gradual phasing out of special industrial tariff discount, are expected to encourage more business owners to adopt solar PV to reduce utility costs," says the research unit.