



KERATAN AKHBAR

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Ranhill explores options to revive Tawau RE project

Otherwise, firm have to make impairment of stake in associate TGE

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PETALING JAYA: Ranhill Holdings Bhd is said to be exploring alternatives to revive its renewable energy (RE) project in Tawau, Sabah, which it has interest in through 26.7%-owned associate Tawau Green Energy (TGE).

But failing this, it have to make an impairment for that stake in its upcoming fourth quarter financial year 2018 (4Q18), said MIDF Research.

The water infrastructure group paid RM18.7mil for a 26.1% stake in TGE in October 2017. TGE was among the RE projects issued under the fit-in-tariff mechanism that was revoked by the government last year.

TGE was undertaking a geothermal development project in Tawau, Sabah, and had secured a 21-year RE power purchase agreement with Sabah Electricity Sdn Bhd for an initial 30MW capacity.

However, a decision to revoke its permit was made after no major development progress was seen at the project site since 2017.

Ranhill had subsequently submitted an appeal, but last month said its associate had failed in its appeal against the revocation of a permit to sell RE.

Raising the possibility of a “kitchen-sinking” exercise in 4Q18, MIDF Research said it is revising Ranhill’s 2018 full-year earnings downward by more than a quarter.

“Our current projections had conservatively excluded any future earnings contribution from TGE’s geothermal potential.

“However, we revise down our financial year 2018 (FY18) forecast net profit by 29% (core net profit unchanged) to factor in the potential impairment on Ranhill’s stake in TGE.”

This is based on the assumption that the whole carrying value of RM18.7mil is written off in 4Q18.

Notwithstanding a possible impairment, MIDF Research said Ranhill’s underlying earnings forecast remained intact, driven by its existing water operations in Johor and power operations in Sabah.

The research firm has kept the group’s

FY19/20 forecast unchanged.

It has also kept its “buy” call, with a target price of RM1.30.

The stock closed at RM1.19 on Monday for a market capitalisation of RM1.05bil.

Despite the setback, Ranhill is believed to be exploring alternatives to revive the project.

Prior to the permit cancellation, it was in talks to buy out its partners in TGE.

However, MIDF Research said it “understands that Ranhill is now exploring a reapplication of the geothermal development permit directly instead of through TGE”.

In terms of the land concession, the research firm noted that the previous terms agreed between TGE and the state government was for occupational permit and the right of use of Sabah Park and Sabah Forest sites specifically for the purpose of geothermal development. But it is now uncertain if the agreement regarding the use of the site still holds.

Ranhill declined to comment on *StarBiz*’s queries on the subject.