



KEMENTERIAN TENAGA DAN SUMBER ASLI

KERATAN SURAT KHABAR

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Solarvest likely to win more large-scale projects

PETALING JAYA: Solarvest Holdings Bhd may secure more Large-Scale Solar 4 (LSS4) engineering, procurement, construction and commissioning (EPCC) contracts in the coming quarters.

This is based on RHB Research's views following the company's recent contract win from MK Land Resources for the full turnkey EPCC works of a 10.95MWac LSS4 plant in Kerian, Perak.

The research house noted, however, that the contract is within its order book assumptions.

"We previously imputed a RM600mil worth of LSS4 EPCC job wins in our forecast. While demand for solar energy remains strong locally, we believe the current market valuation of 26 times fully diluted forecast financial

year 2023 (FY23 March) price to earnings ratio is fair, given the uncertainties from the lockdowns and elevated solar panel costs," RHB Research said.

"Following the win, we can expect more LSS4 EPCC contract flows in the coming months, as the group continues to be in discussions with other shortlisted LSS4 bidders," it added.

RHB Research had, however, cut Solarvest's forecast FY22-FY24 earnings by 14.2%-3.7% on the stricter lockdown measures.

"While the LSS4 and commercial and industrial contract flows remain robust, we note that the re-imposition of the lockdowns since May – and subsequent stricter measures – have slowed down the overall progress billings of Solarvest's solar EPCC projects," it said.

"Based on the latest guidelines, we understand that the group is unable to work on its EPCC projects," RHB Research added.

It maintained its "neutral" recommendation on the counter while lowering its target price to RM1.32 following the downward earnings revision.

RHB also ascribed a lower target valuation of 22 times PER from 25 times on a fully diluted FY23 forecast earnings.

"Our target PER is at a 20% discount to the regional peers' average of 28 times, in view of the uncertainties from the high number of Covid-19 cases that have led to the strict lockdown measures, as well as elevated solar panel costs which has increased by 30% to 40% in the year-to-date period that may result in further margins compression," it said.