Renewable Energy

Another SAC Cut

OVERWEIGHT

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PETRA's latest CRESS Acceleration Package should quicken CRESS deployment, with the SAC for firm supply cut to 14 sen/kWh from 20 sen/kWh and qualifying projects required to achieve COD by end-2028. We expect EPCC awards to start materializing from 4QCY26, ahead of LSS6. The c.3.15GW of registered CRESS capacity represents a potential c.RM16bn solar EPCC market, while incremental DC demand based on PETRA projections could provide another c.RM19bn opportunity assuming 30% RE usage, by our count. We see SLVEST as our preferred CRESS exposure play given its c.300-500MW CRESS target and partnership with Brookfield, allowing it to participate through both EPCC and asset ownership. SAMAIDEN (BUY; TP: RM2.90) is also well positioned with c.RM2bn of CRESS tenders, while KEEMING (OP; TP: RM2.84) could benefit from interconnection works flowing from SLVEST's CRESS projects. We raise SLVEST's TP to RM3.76 (from RM3.36) and SAMAIDEN's TP to RM2.90 (from RM2.50) following our earnings revisions. Impact to TENAGA (OP; TP: RM16.30) should remain limited near term, although faster CRESS adoption should support longer-term grid capex. We maintain OVERWEIGHT, with SLVEST our preferred CRESS exposure.

SAC Cut to 14 sen/kWh. On 18 Sep 2026, PETRA lowered the CRESS SAC for firm supply to 14 sen/kWh, from 20 sen/kWh currently. Qualifying projects must achieve COD by 31 Dec 2028 and enter into a minimum 10-year developer-offtaker contract. Projects that miss the deadline will revert to the prevailing SAC and terms, with no extension allowed. To recap, the SAC for firm supply was initially set at 25 sen/kWh when CRESS was introduced in 2024, before being lowered to 20 sen/kWh on 29 Aug 2025 and subsequently to 14 sen/kWh under this latest Acceleration Package.

Better Economics Should Accelerate CRESS Adoption. We view the announcement positively as the 6 sen/kWh SAC reduction should foster CRESS adoption by allowing developers to offer more favourable tariff terms to offtakers, particularly DC operators. For firm output, assuming a 35 sen/kWh developer tariff and 14 sen/kWh SAC, we estimate equity IRRs of c.10-13%. Despite this, the latest announcement did not indicate any change to the existing SAC review mechanism. Under the current framework, SAC is reviewed every regulatory period, with variations capped at 15% during RP4. Hence, we assume the existing review mechanism remains in place for now. We expect greater clarity under the revised SAC methodology from RP5.

EPCC Awards Could Start from 4QCY26. Based on precedent LSS projects, which generally require c.1.5-2 years for construction, CRESS projects would likely need to commence works by 2HCY27 to meet the end-2028 COD deadline. This implies EPCC awards could start materialising from 4QCY26 onwards, providing another order book replenishment catalyst for solar EPCC players. CRESS currently has 11 REDs and 8 GCs registered with the Single Buyer, representing c.3.15GW of project capacity. Assuming c.RM5m/MW of EPCC value, this represents a potential addressable market of c.RM16bn.

DC Demand Another Catalyst. Based on our channel checks, new DC applicants are being encouraged to strengthen their renewable energy plans, including green energy sourcing, as well as carbon-efficiency measures. Malaysia's DC power demand is projected by PETRA to reach c.21GW by 2040, compared with c.8.35GW of secured maximum demand currently. Assuming RM5m/MW, the incremental c.12.7GW of DC demand and 30% RE usage could translate into c.3.8GW of green energy demand, representing c.RM19bn of solar EPCC opportunities. We believe this could provide another sizeable source of CRESS demand as new DC capacity comes online.

Neutral to TENAGA for Now. We see limited near-term earnings impact to **TENAGA (OP; TP: RM16.30)** from the lower SAC, with our earnings estimates yet to reflect any contribution from CRESS. Nonetheless, faster CRESS adoption and higher RE penetration should support longer-term grid connectivity and reinforcement needs, providing upside to transmission and distribution capex.

SLVEST Our Preferred CRESS Exposure. We see **SLVEST (OP; TP: RM3.76)** as a key beneficiary given its proven track record across past LSS cycles and partnership with Brookfield, allowing it to participate through both EPCC and asset ownership. Under the 51:49 JV structure, SLVEST holds a 51% stake, with Brookfield holding the remaining 49%. Assuming RM5m/MW and 80:20 debt-equity financing, SLVEST's c.RM748m of unutilised funding could support up to c.RM7.3bn of total project investment. To recap, management had been targeting c.300-500MW of CRESS wins by year-end, which would require only c.RM153m-255m of equity funding from SLVEST, placing the target well within its funding capacity. Following the latest development, we raise our FY27F/FY28F order book replenishment assumptions to RM2.1bn/RM2.0bn, from RM600m/RM1.0bn, respectively, factoring in 300MW of firm-output CRESS projects at RM5m/MW.

SAMAIDEN Also Well Positioned. SAMAIDEN (OP; TP: RM2.90) had also earlier revealed c.RM2bn of CRESS tenders, accounting for c.70% of its utility-scale tender book. This provides meaningful replenishment potential against its relatively low RM436m order book. To recap, management reiterated its RM1bn order book target by end-2026. On asset ownership, its c.RM1.4bn of unutilised funding could support up to c.RM7bn of total project investment based on 80:20 debt-equity financing.

Assuming RM5m/MW, this translates into potential funding capacity of up to c.1.4GW. Following the latest development, we raise our FY26F/FY27F order book replenishment assumptions to RM600m/RM850m, from RM400m/RM600m, respectively.

KEEMING Could See Order Spillover. We also see **KEEMING (OP; TP: RM2.84)** as an indirect beneficiary, given SLVEST's c.24% stake and its established role as an M&E contractor for solar interconnection facilities. KEEMING has already secured multiple interconnection works totalling c.RM126m from SLVEST. Assuming SLVEST achieves its 300-500MW CRESS target and RM5m/MW for firm-output projects, this translates into c.RM1.5bn-2.5bn of potential project value, part of which could flow through to KEEMING for interconnection works.

Maintain OVERWEIGHT. We expect the lower SAC and end-2028 COD deadline to accelerate CRESS deployment, potentially bringing forward EPCC awards from 4QCY26 ahead of LSS6. This should extend order replenishment visibility for solar contractors beyond LSS5 & LSS5+, while rising RE requirements from new DC developments provide another source of CRESS demand. We raise **SLVEST's TP** to **RM3.76** (from RM3.36), following our FY27F/FY28F EPS revisions to 15.7/17.5 sen (from 14.0/14.1 sen). We also raise **SAMAIDEN's TP** to **RM2.90** (from RM2.50), after lifting FY27F/FY28F EPS to 8.4/10.9 sen (from 8.1/9.3 sen). We maintain **BUY** on both stocks, with **SLVEST** remaining our preferred CRESS exposure.

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
CHEEDING HOLDINGS BHD	OP	0.575	0.780	35.7%	458.4	Y	03/2027	5.0	5.3	0.0%	5.0%	11.5	10.9	2.6	25.5%	1.0	1.7%
KEEMING GROUP BHD	OP	2.48	2.00	-19.4%	806.0	Y	03/2027	9.8	12.9	39.1%	31.3%	25.2	19.2	7.4	37.6%	0.0	0.0%
KAWAN RENERGY BHD	OP	0.365	0.570	56.2%	200.8	Y	10/2026	3.4	4.7	-20.9%	39.2%	10.8	7.8	1.5	15.1%	1.0	2.7%
KJTS GROUP BHD	OP	1.00	1.60	60.0%	690.7	Y	12/2026	4.3	5.6	65.4%	29.6%	23.3	18.0	2.7	14.3%	0.0	0.0%
PEKAT GROUP BHD	OP	2.11	2.10	-0.5%	1,497.0	Y	12/2026	9.0	11.3	28.9%	25.9%	23.5	18.6	3.6	19.2%	1.3	0.6%
SAMAIDEN GROUP BHD	OP	1.95	2.90	48.7%	1,091.1	Y	06/2027	10.4	13.4	21.3%	29.0%	18.7	14.5	2.6	15.2%	3.0	1.5%
SOLARVEST HOLDINGS BHD	OP	3.33	3.76	12.9%	3,204.1	Y	03/2027	15.5	19.2	45.1%	23.5%	21.5	17.4	6.5	34.1%	0.0	0.0%
SWIFT ENERGY TECHNOLOGY BHD	OP	0.235	0.470	100.0%	235.2	Y	09/2026	1.3	2.0	-29.3%	53.8%	18.1	11.8	3.0	19.1%	0.0	0.0%
SECTOR AGGREGATE					**8,183.2**					**23.8%**	**25.7%**	**22.9**	**18.2**	**3.7**	**22.5%**		**0.8%**

Source: Kenanga Research

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Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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