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Ranhill tipped for another IPP

Company likely to land job to build 300 MW power plant

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PETALING JAYA: Water and power generation company Ranhill Holdings Bhd, which is already the largest independent power producer (IPP) in Sabah, is poised to secure a mandate for another third combined-cycle power plant in the state.

According to industry sources, the Energy Commission (EC) was looking favourably at a

proposal to give Ranhill the job to construct, commission and operate a 300MW combined-cycle plant.

If the award comes through, it will be the third combined-cycle gas plant for Ranhill in Sabah.

It is learnt that Ranhill will have 51% stake in the company awarded the job while a Sabah-based government-linked company will have a 25% stake. A private company is likely to hold the remaining 24%.

Ranhill declined comment when contacted.

Ranhill has two combined-cycle gas-turbine plants in Sabah with an aggregate capacity of 380 MW. The company is aiming to increase its power plant capacity to 1,000 MW over the next three years.

Based on previous reports, the company was looking to expand its presence in Sandakan and Lahad Datu.

Plans for a 300 MW power plant in that part of Sabah was up 10 years ago. A subsidi-

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Power consumption set to grow in Sabah

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ary of Tenaga Nasional was given the mandate in 2006 to build a coal-fired power plant.

However, the idea was scrapped in 2011 following opposition from environmental groups. Subsequently, in 2012, Petronas Gas and Sabah Energy Corp Bhd (SEC) took over the project. However, it was changed from a coal to gas-fired power plant.

In February, Petronas Gas and SEC called off the agreement.

A combined-cycle power plant uses both a gas and a steam turbine simultaneously to produce as much as 50% more electricity from the same fuel than a traditional simple-cycle plant.

In Sabah, electricity consumption is expected to grow from 5,517 GWh in 2015 to 6,971 GWh in 2019 at a compounded annual growth rate of 6%, presenting growth opportunities for IPPs such as Ranhill. Ranhill has been looking to balance out its revenue contribution from water and power sectors to 50:50 from the current 70 (water):30 (power).

For its second quarter ended June 30, 2016, Ranhill reported a higher net profit of RM37.77mil due to one-off recognitions made during the quarter.

The group's revenue for the quarter amounted to RM357.04mil. For the preceding quarter, it reported a net profit and revenue of RM6.91mil and RM344.75mil respectively.

Ranhill attributed the large increase to a one-off premium paid on the redemption of the Islamic medium-term notes amounting to RM13.3mil and the recognition of negative goodwill of RM20.1mil arising from its investment in Ranhill Water Technology (Cayman) Ltd (RWTC) during the quarter.

The negative goodwill recognition arose upon the consolidation of RWTC as the provisional fair value of RWTC is higher than Ranhill's total cost of investment.

Ranhill had raised proceeds of RM320mil from its initial public offering in March this year. The proceeds were largely used to pare down borrowings.



Growth opportunities: Ranhill's power plant in Rugading, Sabah. In Sabah, electricity consumption is expected to grow from 5,517 GWh in 2015 to 6,971 GWh in 2019 at a compounded annual growth rate of 6%, presenting growth opportunities for IPPs such as Ranhill.

The group added that its acquisition of the remaining shares in RWTC is expected to enhance the growth in revenue and profit of its environmental segment internationally.

Going forward, Ranhill said that its environmental segment's growth would be supported by the increasing demand for water in Johor. Meanwhile, for its power segment, it is continuously exploring new opportunities to expand its current capacity.

Ranhill added that it is exploring strategic partnerships with investors to jointly invest in China's water business.

Currently, Ranhill has 10 concessions in China, mainly in third-tier cities.

Apart from China, it also has concessions in Thailand. In total, Ranhill currently has a combined design capacity of more than 400 mld in both countries.

In Malaysia, the company is the exclusive

licence holder for water supply in Johor via SAJ Holdings. Ranhill says it is well positioned to help support the country's goal to reduce non-revenue water (NRW) to 25% by 2020, given that it has done so in Johor.

Last week, Ranhill announced that it planned to divest 60% of its interest in Ranhill Water (Hong Kong) Ltd (RWHK) to Singapore-listed SIIC Environment Holdings Ltd for RM167mil.

The company said subsidiary Ranhill Water Technologies (Cayman) Ltd has entered into a term sheet with SIIC for the divestment of RWHK, a wholly-owned unit of RWT Cayman. The all-cash deal has been priced at 273.9 million yuan (RM167mil).

Additionally, SIIC has agreed to provide US\$30mil in shareholder's loans to RWHK, proportionate to its eventual shareholding, upon completion of the divestment.