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Vsolar to bid for 30MW solar plant from EC

BY SULHI AZMAN

KUALA LUMPUR: Vsolar Group Bhd intends to submit its bid for a large-scale solar photovoltaic plant with the capacity to produce up to 30Mw of electricity in August to the Energy Commission (EC), says the group's executive director Edward Leung Kok Keong.

Vsolar, which has tied up with Universiti Teknologi Malaysia to submit the bid and recently proposed a cash call to finance the project, is banking on the project to turn its fortunes around.

The rights issue with warrants is essential as the group, which has been in the red for the past six years, only had cash in hand of RM1.16 million as at Dec 31, 2016.

"Vsolar registered its interest to bid for the solar project in February this year. We didn't participate in last year's tender as we were not operationally and financially ready to bid for such a large-scale project. This time around, Vsolar has inked a joint-venture (JV) agreement with Universiti Teknologi

Malaysia (UTM) in Johor to jointly submit the solar plant proposal by August," Leung told *The Edge Financial Daily* in an interview.

Under the JV agreement, UTM will provide a suitable parcel of land of 20 acres (8.09ha) for every 10Mw of plant capacity needed for the solar generation plant, which will be leased for RM1 annually to a JV company to be set up between Vsolar and UTM.

"The quota the EC has set ranges between 10Mw and 30Mw. We will bid for the maximum capacity the regulator offers," he said. If successful, he said, the project should generate recurring income for Vsolar for 21 years once it signs a power purchase agreement for the power generated to be oftaken by Tenaga Nasional Bhd.

The group estimated that for each Mw of electricity to be generated, Vsolar — an information technology-turned-renewable energy firm — will have to incur between RM3.5 million and RM4 million in capital expenditure to build the ground-mounted solar plant.

"As a rule of thumb, the cost to build a high-mounted solar plant that can generate 1Mw of electricity is anywhere between RM7 million and RM10 million. A ground-mounted solar plant is cost-efficient and viable for us to generate electricity," he said, adding that solar panel cost has declined in recent years.

"Assuming we get the contract to build a solar plant that can generate 30Mw of electricity, we estimate it will cost around RM120 million or lower," he said.

He said Vsolar is looking to source its solar panels from Kulim-based First Solar Malaysia Sdn Bhd, a solar panel manufacturer, as the EC encourages sourcing of solar materials locally, instead of from abroad.

Leung, however, declined to reveal the company's estimated internal rate of return from the proposed solar plant, saying only that it expects the project to break even by the sixth or seventh year, and "subsequently be self-sustaining with only maintenance cost to be worried about."

On roping in UTM to submit the

proposal together, Leung said Vsolar sees the move as a "win-win" deal.

"UTM is actually very interested to collaborate with us on this project. Vsolar is leveraging on universities in Malaysia such as UTM, which owns a lot of land that could be unlocked by embarking on strategic projects," Leung said, noting that Vsolar will, in return, endow some RM2 million to UTM to conduct solar-related research.

"The collaboration is on an 80:20 basis, with us owning the controlling stake. I see a strategic fit for UTM to collaborate with us. As for Vsolar, we are targeting something like 60 acres to 70 acres of land that we can leverage on to build the upcoming solar plant," Leung said.

"Our current cash position is [only] sufficient to cover salaries of our staff [until year end] after retrenching some [last year], leaving 10 staff. To fund the project, this is where the rights issue with warrants comes in, and we are hoping to raise the cash before the submission of the solar plant bid to the EC," he said.

On April 20, Vsolar announced

that it had revised the terms of its proposed cash call, first announced in December 2014 but lapsed on March 28 this year, and was submitting a fresh application to the regulator.

"Vsolar decided to submit a fresh rights issue with warrants application as the previous terms were not conducive given prevailing market conditions," Leung added.

Initially intending to raise up to RM115 million via the issuance of up to 1.15 billion rights shares, and as many as 576.55 million free detachable warrants, Vsolar has cut the maximum proceeds it anticipates to raise to RM62.2 million, via 1.24 billion rights shares and 621.55 million free warrants.

The sum, however, is still 62% higher than the ACE Market company's market value of RM38.36 million, based on its last traded price of 11.5 sen last Friday.

As to when Leung thinks Vsolar should be able to return to the black, he said: "It is hard to predict. Vsolar is moving on a steady path to a financial recovery. It may take some time."