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Steel Hawk EPCC order book lifted to RM232mil

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PETALING JAYA: Steel Hawk Bhd's contract win is expected to deliver an estimated gross margin of 20% to 30% and net margin of around 10%.

This is broadly in line with Steel Hawk's existing engineering, procurement, construction, and commissioning (EPCC) projects, according to TA research.

The contract also lifted the group's expanded EPCC order book to RM232mil from RM190mil, strengthening earnings visibility over the next two years, said the research house in a report.

It viewed the contract as strategically positive, as it provided incremental earnings uplift over financial year 2026 (FY26) and FY27 while reflecting continued progress in the group's expanded EPCC order book.

The steady contract flow further reinforced the group's growing execution track record and supports the group's diversification beyond its core oil and gas segment.

TA Research revised its earnings forecasts upwards by 8.9% and 2.5% for FY26 and FY27 respectively, reflecting the progressive recognition of the RM41mil electrical infrastructure contracts secured from Ibrahim & Sons Engineering Sdn Bhd (IBSE) over FY26 and FY27.

Following its upward revision to earnings forecasts, it raised its target price to 41 sen a share from 37 sen a share, based on 8.5 times FY26 earnings per share.

It maintained its "buy" call on the stock.

At last look, the stock was trading at 27 sen.

Steel Hawk received four letters of award from IBSE for electrical infrastructure works related to Tenaga Nasional Bhd (TNB).

The subcontracts, awarded on Jan 28, involved underground cabling works, as well as substation construction and upgrading projects across Perak and Pahang TNB distribution zones.

The contracts were based on a fixed total contract sum of RM41mil, with project durations ranging from about nine months to two years, extending up to January 2028.

TA Research added that the contracts were not expected to have a material impact on net assets for FY26, but would contribute positively to group earnings, in line with Steel Hawk's existing engineering capabilities.

For its third quarter ended Sept 30, 2025 (3Q25), Steel Hawk's net profit dipped to RM1.18mil from RM2.85mil in the previous corresponding period due to an increase in administrative expenses by RM5.12mil to RM9.92mil, arising from the recognition of bad debts written off amounting to RM8.94mil in respect of a customer that is undergoing winding-up proceedings.

Revenue dipped to RM20.43mil from RM20.99mil a year earlier attributable to a slowdown in the issuance of work orders and the deferment of planned activities by Petroliam Nasional Bhd – in line with its ongoing internal cost rationalisation and reprioritisation of operational scopes under a tightened operating expenditure budget.

In a statement on its financial results, Steel Hawk said with the current project pipeline and recent contract wins, the group maintains solid operational momentum.

"The diversification into the expanded EPCC segment, beginning with utilities and energy infrastructure, complements its established oil and gas operations and provides a broader and resilient earnings base.

Barring unforeseen circumstances, the developments were expected to contribute positively to the group's financial performance, reinforcing its position as a dependable and growing service provider across the energy sector," the statement added.