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Pekat banks on RM31mil TNB contract win

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PETALING JAYA: Analysts are bullish on Pekat Group Bhd for its latest contract win from Tenaga Nasional Bhd (TNB) to undertake switchgear equipment maintenance and repair works.

In a filing with Bursa Malaysia on Monday, the group announced that its indirect 60%-owned subsidiary, EPE Switchgear (M) Sdn Bhd, had secured a RM31.32mil switchgear maintenance and repair job from TNB.

The contract shall be effective from Aug 1, 2025, and valid for two years with an option to extend for another year.

Phillip Capital Research said it estimated the net profit margin for this project to be at 15%, in line with margins typically seen in TNB's maintenance contracts, which are above EPE Switchgear's historical average of 10% to 12%.

Inclusive of this win, EPE's Switchgear outstanding order book has risen to RM356mil, translating into a 2.6 times financial year 2024 revenue cover ratio.

"Year-to-date (y-t-d) new wins total RM264mil, surpassing our initial 2025 annual order book replenishment target of RM240mil. We understand that Pekat is eyeing another TNB long-term contract to supply a ring main unit, potentially worth RM100mil to RM130mil.

"The tender was recently closed in July this year, with the award expected to be made by the first quarter of 2026."

The research house is maintaining its "hold" rating on Pekat with a 12-month target price of RM1.57.

Meanwhile, UOB Kay Hian Research said it is also positive on the contract win for Pekat, adding that this would bring its y-t-d order book for the enlarged group to RM630mil. The research house said it is maintaining its "buy" call and target price of RM1.7 per share.