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Cheeding captures power transmission niche

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ENERGY

PETALING JAYA: Malaysia's power transmission sector is expected to see sustained growth, underpinned by grid expansion, renewable energy integration and rising electricity demand from data centres, according to Kenanga Research.

The research house, which has initiated coverage on Cheeding Holdings Bhd with a "positive" outlook, said demand for transmission towers is expected to remain robust over the medium-to-long term, supported by structural drivers such as the rollout of utility-scale solar projects and the replacement of retiring coal-fired capacity.

These trends are expected to drive continued investment in grid infrastructure, reinforcing the sector's growth trajectory.

Against this backdrop, Cheeding is positioned as a niche player in the high-voltage transmission space.

Kenanga Research highlighted that the group "is the pure-play transmission specialist on Bursa Malaysia with 500kV technical capability, a licence held by very few players", giving it a competitive advantage in securing large-scale projects.

In a note released yesterday, the research house said: "Cheeding offers strong near-term earnings visibility, where approximately 54% of its RM184mil order book is scheduled for completion in the financial year ending March 2027 (FY27)."

Kenanga Research further said this translates into a significant portion of forecast earnings, as additional upside is expected from its RM248mil tender pipeline with potential contract wins estimated

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Firm to benefit from tech demand, grid expansion

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at RM50mil to RM62mil, supporting a projected 22% earnings growth.

The research house also sees Cheeding as a key beneficiary of Tenaga Nasional Bhd's (TNB) Regulatory Period 4 (RP4) capital expenditure cycle.

TNB plans to allocate RM13bil for transmission and distribution, with transmission forming the core of Cheeding's business.

Kenanga Research pointed out that the transmission segment represents Cheeding's core engine and contributed to

69% of the group's revenue for FY25, while early contract wins under RP4 have already reached RM60mil.

Beyond traditional overhead transmission, the group is also gaining traction in underground utility solutions, particularly driven by data centre developments.

As a pre-qualified TNB "Green Lane" contractor, Kenanga Research said Cheeding can participate in fast-track infrastructure projects, as the company is well positioned to capture rising demand for underground utilities driven by Malaysia's

data centre expansion, with 51% of its tender book linked to such projects.

Regionally, the proposed Asean Power Grid presents a longer-term growth opportunity.

The initiative involves a 1,000km, 500kV transmission corridor, potentially offering up to RM1bil in replenishment opportunities.

Given Cheeding's technical capabilities and track record, Kenanga believes the group is well placed to participate in these projects.

Financially, the group has demonstrated strong growth momentum, with core net profit rising significantly in recent years.

Looking ahead, Kenanga Research anticipates earnings to continue expanding, supported by a healthy order book, steady contract replenishment and improving execution capacity.

"We initiate coverage on Cheeding with an 'outperform' rating and a target price of 79 sen," said Kenanga Research, citing the group's strong fundamentals, niche positioning and exposure to long-term infrastructure trends.