AUTHOR: No author available SECTION: STARBIZ AUDIENCE : 175,986 PAGE: 9
PRINTED SIZE: 192.00cm² REGION: KL MARKET: Malaysia PHOTO: Black/White ASR: MYR 9,729
WORDS: 434 ITEM ID: DP0121886225

08 SEP, 2026

Kee Ming earnings momentum set to rise

The Star, Malaysia

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PETALING JAYA: Kee Ming Group Bhd's earnings momentum is expected to improve in the next few quarters backed by an order book of RM246mil.

The engineering solutions provider's order book included the recent RM40mil award, bringing its year-to-date wins for financial year ending March 31, 2027 (FY27) at RM143mil.

Kenanga Research reckons that earnings from the second quarter ending Sept 30, 2026 onwards would be supported by two solar interconnectivity projects as execution ramps up towards their commercial operation dates.

"Margins are expected to remain at a similar level, assuming no meaningful variation order contributions during the period," it says.

It noted that Kee Ming has also set up a branch in Sarawak as part of its expansion – and has submitted three tenders with a combined value of RM100mil for mechanical and electrical (M&E) works.

According to the research firm, it also sees data centres (DC) as a key for growth for the group.

"With DC owners increasingly favouring contractors with strong balance sheets and proven high-voltage execution capabilities, we believe Kee Ming's track record in 132KV substation and interconnectivity works positions the group well to capture further opportunities in this space," Kenanga Research said.

Kee Ming is also actively participating in Tenaga Nasional Bhd's (TNB) tenders, having submitted five tenders in February with the award outcomes still pending.

"Despite the slower award cycle, the group continues to submit new TNB tenders almost every month through its two TNB vendor partners. These tenders carry an average contract value of about RM50mil to RM60mil, mainly comprising substation extension and refurbishment & replacement works," Kenanga Investment noted.

As for the company's staffing, expansion of its workforce has continued.

Kenanga Research said currently there are about 130 permanent employees, but investors have raised concerns whether manpower could become a bottleneck as its order book grows.

"Management believes current capacity remains manageable, as manpower requirements vary by project type and scope, while site resources can be mobilised accordingly. In our view, the group also retains flexibility to tap subcontractors should internal capacity become stretched, although this could result in some margin dilution," it noted.

With that, Kenanga Research said it will raise its FY27 to FY28 order book assumption to RM313mil and RM398mil respectively.

"We also factor in improved DC order flow, particularly from smaller M&E packages where Kee Ming has been gaining traction.

Consequently, we raise our FY27 and FY28 earnings forecast by 8% and 15% respectively.

Our revised estimates have yet to incorporate any sizeable wins from data hall electrical works or TNB projects, which could provide further upside."