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Pekati Group positioned to ride data centre boom

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PETALING JAYA: Pekati Group Bhd is well positioned to capitalise on Malaysia's data centre expansion through its growing exposure to earthing and lightning protection (ELP) works, after the company recently secured RM46.9mil worth of new contracts.

MBSB Research maintained its "buy" recommendation on Pekati with an unchanged target price of RM2.03 per share, noting the group's long-term growth would continue to be supported by large-scale and rooftop solar projects, ELP jobs linked to data centres and contributions from its switchgear business.

Pekati had secured two new ELP contracts involving the supply and installation of earthing and lightning protection systems for data centre developments in Negri Sembilan and Johor.

According to MBSB Research, the first contract worth RM19.7mil is for a hyper-scale data centre in Port Dickson, while the second, valued at RM27.2mil, is for a data centre in Johor.

The projects are scheduled for completion by June and September 2027, respectively.

The latest wins lifted Pekati's consolidated order book to RM907.9mil, comprising RM347.8mil from EPE Switchgear, RM308.3mil from solar engineering, procurement, construction and commissioning jobs, RM238.9mil from ELP projects and RM112.9mil from its trading segment.

MBSB Research expects replenishment prospects to remain healthy across all of Pekati's divisions, driven by upcoming large-scale solar 5+ (LSS5+) and LSS6 projects, sustained demand for ELP solutions from data centre developments and continued opportunities for EPE Switchgear within Tenaga Nasional Bhd's supply chain.

It also highlighted Pekati's proposed transfer from the ACE Market to the Main Market of Bursa Malaysia, with an application submitted to the Securities Commission on June 26.

The research house said the move, expected to be completed by the fourth quarter of financial year 2026, would enhance the group's corporate profile and reflect its growth since listing in 2021.

Kenanga Research also maintained its positive stance on Pekati, retaining its "outperform" call while raising its target price to RM2 per share from RM1.91 after increasing its earnings forecasts.

The research house raised its financial year 2026 (FY26) and FY27 earnings estimates by 2% and 7%, respectively, after the latest ELP contract wins exceeded its replenishment assumptions.

Kenanga Research estimated the two contracts could generate a gross profit of about RM14mil over their duration, assuming a gross profit margin of 30%.

Following the latest wins, Kenanga Research said Pekati's outstanding order book is estimated to have risen to RM994mil, equivalent to about 1.6 times its FY25 revenue.

"The order book comprises 35% from EPE Switchgear, 24% from ELP, 21% from solar and the remainder from other business segments," the research house noted.

It expects demand for specialised ELP systems to remain robust as Malaysia continues to attract sizeable investments into digital infrastructure, supported by record annual foreign direct investment inflows of RM38.9bil.

It noted the increasing development of Tier 3 and Tier 4 data centres, which require higher levels of system reliability and uptime, would support rising contract values for ELP works.