



12 JAN, 2026

Pekats secures RM113m TNB contract, upgrade to 'Buy'

The Malaysian Reserve, Malaysia



Pekats secures RM113m TNB contract, upgrade to 'Buy'

► Recommendation: Buy
Target Price: RM1.87
by Apex Securities Bhd (Jan 5)

PEKAT Group Bhd, via its 60%-owned indirect subsidiary EPE Switchgear (M) Sdn Bhd, has received a letter of award (LOA) from Tenaga Nasional Bhd (TNB) for the supply of 11 kilovolt (kV) motorised ring main units (RMU) with interconnector and remote-control boxes (RCB) of various configurations.

The two-year contract, valued at RM113.3m (inclusive of Sales and Services Tax [SST]), is effective from Dec 31, 2025. The contract also requires a performance security of RM5.7m, representing 5% of the contract value.

This, as a positive development for Pekat, strengthens the group's earnings visibility through FY27F. Assuming a 25% gross profit (GP) margin, the contract is expected to generate cRM27m in GP over the 240-month duration, with cRM13.5m recognised in FY26 (7.8% of our FY26F) and cRM13.5m in FY27 (6.9% of our FY27F). With this latest win, Pekat's unbilled orderbook increases to RM745.3m, equivalent to 2.6x FY24 revenue,

providing solid earnings support over the next three years.

We remain positive on EPE's outlook, supported by TNB's RP4 capital expenditure plan of up to RM42.8b, with more than half expected to be allocated towards distribution upgrades, grid automation and connectivity-related investments.

EPE is among a limited pool of qualified vendors that meet TNB's technical, quality and track-record requirements. Supported by over five decades of established relationships with local utility companies, we believe the group is well positioned to secure repeat utility tenders, underpinning multi-year earnings visibility and enhancement.

No changes are made to earnings forecasts, as the contract win is

already captured within the FY26F EPE orderbook replenishment assumption of RM250m. Also, we introduced FY27F earnings at RM64.5m.

We increase the applied P/E multiple on EPE to 17x (from 15x) to reflect a more favourable earnings landscape. Following the valuation rollover and P/E enhancement, we derive a higher TP of RM1.87 (from RM1.68) based on a SOP valuation, supported by a three-star ESG rating. Upgrade to 'Buy' (from 'Hold').

Pekats's strong historical financial results qualify the group for a transfer to the Main Market of Bursa Malaysia.

Risks: Heavy reliance on government initiatives, inability to secure new contracts and spike in raw material costs such as copper and steel.

PEKAT GROUP BHD				
FYE DEC	2024	2025F	2026F	2027F
REVENUE (RM mil)	287.0	455.1	513.5	583.2
CORE NET PROFIT (RM mil)	23.1	44.3	57.1	64.6
EPS (sen)	3.6	6.9	8.9	10.0
P/E (x)	46.4	24.2	18.7	16.6