



Pekat Group on solid footing for this year

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PETALING JAYA: Electrical engineering and solar power company Pekat Group Bhd is expected to deliver record earnings this year, backed by a strong order book and full-year consolidation of 60%-owned EPE Switchgear (M) Sdn Bhd, analysts say.

UOB Kay Hian (UOBKH) Research said this would pave the way for the group to engage in active capital management and a possible transfer to a Main Board listing by the end of this year.

Pekat has an order book of RM600mil, which includes RM260mil from the solar division, RM100mil from earthing and lightning protection (ELP) and trading division, and RM240mil order book from EPE Switchgear.

"We came away from a recent meeting with the group's management more sanguine about the near-term prospects of the company.

"With a strong order book across the solar and ELP segments, we raise our net profit forecasts for this year and next year by 22% and 26% to RM37.7mil and RM45.1mil, respectively," the research house said in a report yesterday.

Recently, EPE Switchgear announced a RM97mil contract win from Tenaga Nasional Bhd (TNB) to supply 11 kilovolt single busbar circuit breakers for the electricity distribution network.

UOBKH Research expects another large TNB tender of about RM300mil by June, for gas insulated switchgear.

"We note that TNB's tender size has increased year-on-year, benefitting the likes of EPE Switchgear," the research house said.

UOBKH Research added that Pekat's bright prospects for this year is also underpinned by the full-year consolidation of EPE Switchgear, RM110mil Corporate Green Power Programme (CGPP) construction contract to be completed by end of this year, and strong ELP order book thanks to the robust pipeline of data centres jobs in the country.

"We project a robust three-year earnings compound annual growth rate of 32% between this year and 2027.

"Following the acquisition of its stake in EPE Switchgear, Pekat introduced a new power distribution equipment division, adding RM10mil or 3% to its revenue base. Moving forward, the consolidation of full-year results from EPE Switchgear will see group revenue doubling from its the base last year of RM291mil," the research house said.

UOBKH Research said throughout last, Pekat benefited from photovoltaics as net profit margins came in well within its internal target of 8% to 10% of revenue.

UOBKH Research maintained a "buy" call for Pekat with a higher target price of RM1.45 a share from RM1.30.