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Robust order replenishment expected to lift Pekat prospects

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PETALING JAYA: Pekat Group Bhd's earnings prospects will be underpinned by its robust order book and order replenishment, driven by commercial and industrial (C&I) solar projects and battery energy storage systems (Bess).

UOB Kay Hian (UOBKH) Research said Pekat's 60%-owned subsidiary, EPE Switchgear (M) Sdn Bhd, has an outstanding order book of RM359mil.

The research house expects this to provide healthy revenue visibility for 2026 to 2027, with annual tender opportunities estimated at RM500mil to RM600mil.

"In January, Tenaga Nasional Bhd (TNB) awarded a RM113.3mil switchgear supply contract to EPE Switchgear. This brought Pekat's power distribution equipment division order book to RM359mil (from RM240mil a year ago).

"We also expect the power distribution equipment division to deliver a favourable net margin of around 10% (versus the group's average net margin of 7% to 9%).

"Management previously indicated that annual tender opportunities from TNB for medium-voltage switchgear are estimated at RM500mil to RM600mil," the research house said in a recent report.

It said following the introduction of the solar accelerated transition action programme (Atap) in January, Pekat expects C&I engineering, procurement, construction and commissioning (EPCC) orders to accelerate in the second half of 2026 (2H26) as non domestic consumers gain greater clarity on available schemes.

This is further supported by C&I customers aiming to minimise maximum demand charges through peak shaving, and an attractive payback period of five years.

"Current C&I order book stands at RM94mil, and we expect this to double in 2H26. We project the combined C&I solar and Bess EPCC order book to remain above RM100mil in 2H26, with an estimated turnover of six to eight months," UOBKH Research said.

The combined order book of the solar, power distribution equipment (EPE Switchgear) and earthing and lightning protection (ELP) divisions currently stands at a record RM842.5mil.

"We believe Pekat can manage the cost pressure from elevated solar module prices, given its ability to pass on the cost to customers, with C&I and residential customers expected to see payback period increasing by not more than a year (C&I: four to five years; residential: six to eight years)," the research house said.

Meanwhile, Phillip Capital said Pekat's outlook remains intact, supported by its diversified business model spanning solar, ELP and power distribution.

Phillip Capital said data centre (DC) exposure remains a "compelling near term catalyst" for the group. Pekat is actively bidding for two DC contracts in Johor worth about RM100mil, on top of RM20mil in ELP contracts secured year-to-date from IJM Corp Bhd and Sunway Bhd.

"Beyond direct ELP contributions, DC projects act as a demand multiplier across Pekat's ecosystem, anchoring Bess deployments and creating recurring operation and maintenance opportunities.

"Looking ahead, Pekat is targeting higher-value segments, including the transmission main intake (PMU) and main distribution substation (PPU), where one to two project wins could add RM100mil to RM200mil to the group's order book. A TNB tender for PMU/PPU is expected to be rolled out in 2H26," the brokerage said.

Phillip Capital kept its "buy" call for Pekat with an unchanged target price of RM1.93, implying a 17 times forward 2027 price-to-earnings ratio.