SKA Capital Berhad

(0480|SKACAP MK) ACE| Construction

Non-Rated

Fair Value: **RM0.92**

IPO Note

Powering up the Value Chain

Fair Value of RM0.92. We derive a FV of RM0.92 for the ACE-bound SKA Capital Berhad as we peg its FY27F EPS of 5.4 sen to a PER of 17x, broadly in line with the 16.9x average of its listed peers. This implies an attractive upside potential of 114% from its IPO price of RM0.43. We believe SKA deserves to trade at parity with its peers, underpinned by its established track record in high-voltage substation engineering, expanding EPCC and underground utilities capabilities, and exposure to Malaysia's ongoing power infrastructure investment upcycle. We forecast core earnings to grow +61.0%yoy in FY27, supported by the accelerated recognition of its existing order book and continued contract replenishment.

Riding the grid investment cycle. We see SKA as an emerging beneficiary of Malaysia's accelerating power infrastructure investment cycle, underpinned by rising electricity demand, the rapid expansion of data centres, industrial electrification and the integration of RE into the national grid. We expect this investment cycle to sustain demand for the construction and upgrading of substations, transmission and distribution infrastructure, and underground cable networks, areas in which SKA has established operating capabilities.

Moving up the EPCC chain. We believe the group's expansion from C&S into EPCC will be a potential game changer for its longer-term earnings profile. Historically, the group primarily participated in high-voltage substation developments as a subcontractor, undertaking foundations, control buildings, switchyards and associated civil works. While this established its execution track record, SKA captured only a portion of the total contract value. The acquisition of Reltency Engineering Services Sdn Bhd in Feb-25 broadened SKA's capabilities into E&M engineering and integrated EPCC services. Reltency brings established credentials in undertaking TNB projects and enables the group to participate in larger and more technically complex contracts. This opens two potential routes to contract wins. SKA can continue securing C&S packages from established main contractors or pursue broader EPCC opportunities through Reltency.

Underground utilities to be a new growth engine. The group's relatively recent venture into underground utilities engineering is another potential game changer for its earnings profile. Having secured its first underground cable installation project in Sep-25, the segment has rapidly gained traction, with revenue increasing from RM9.5m in FY25 to RM25.7m in 5M26. The subsegment now accounts for approximately 78% of the group's RM402.7m outstanding order book. We believe the growing demand for underground utilities infrastructure, particularly for DC connections, distribution network expansion and grid reinforcement, should provide further avenues for growth. The proposed acquisition of HDD machinery and supporting equipment could also enhance SKA's execution capacity, reduce its reliance on third-party machinery and improve its competitiveness in future tenders.

RETURN STATISTICS	
IPO Price	0.43
Expected share price return (%)	+114.0
Expected dividend yield (%)	+3.7
Expected total return (%)	+117.7

KEY STATISTICS	
FBM KLCI	1,604.36
Enlarged issued shares (m)	895.5
Estimated free float (%)	26.9
Market Capitalisation (RM'm)	385.1
Shariah compliant	Yes
Shariah compliant	Yes
Public issue (m/%)	168.1m/18.8%
Offer for sale (m/%)	72.4m/8.1%

IPO Indicative Timetable	
Opening of application	20 Oct 2026
Closing of application	27 Oct 2026
Balloting of applications	29 Oct 2026
Allotment/transfer of shares	5 Nov 2026
Listing on the ACE Market	11 Nov 2026

Utilisation of Proceeds	RM'm	%
Working capital	32.7	45.28
Performance bond for future projects	21.0	29.1
Purchase of machinery and equipment	12.1	16.7
Estimated listing expenses	6.5	9.0
Total	**72.3**	**100.0**

INVESTMENT STATISTICS			
FYE DEC (RM'm)	**2026E**	**2027F**	**2028F**
Revenue	230.6	397.4	412.9
Gross Profit	52.2	84.7	86.2
PBT	40.5	65.3	65.8
Core PAT	30.0	48.3	48.7
Core EPS (sen)	3.3	5.4	5.4
DPS (sen)	1.0	1.6	4.6
Dividend Yield (%)	2.3	3.7	3.7

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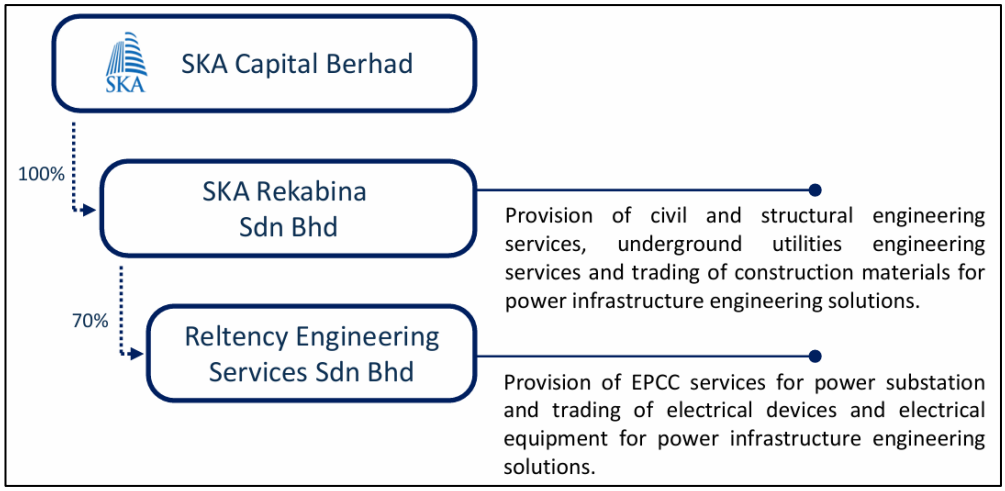
Company and Business Overview

Power infrastructure specialist. SKA Capital is an investment holding company that is principally involved in power infrastructure engineering, where it specialises in substation and underground utilities engineering services. It also undertakes horizontal directional drilling (HDD), open-trench excavation and underground utility works, including infrastructure supporting data centres and TNB's distribution network. With 17-years of operating track record dating back to 2009, the Group has established expertise in high-voltage substations and associated power infrastructure spanning 11kV to 500kV. In addition, it is also involved in the trading of electrical devices, electrical equipment and construction materials. Historically focused on C&S works for substations, SKA has progressively expanded its capabilities along the power infrastructure value chain, particularly following its acquisition of a 70% stake in Reltency Engineering in Feb-25, which strengthened its E&M and EPCC capabilities and positioned the group to undertake larger, integrated projects. Reltency brings established credentials in undertaking TNB projects and enables SKA to participate in larger and more technically complex contracts. This opens two potential routes to contract wins. SKA can continue securing C&S packages from established main contractors or pursue broader EPCC opportunities through Reltency.

Group structure. SKA's two operating subsidiaries are wholly owned SKA Rekabina Sdn Bhd and its 70%-owned subsidiary, Reltency Engineering Services Sdn Bhd. SKA Rekabina principally undertakes civil and structural (C&S) engineering, underground utilities engineering and the trading of construction materials for power infrastructure projects. Meanwhile, Reltency Engineering, in which SKA Rekabina acquired a 70% stake for RM5.0m in Feb-25, specialises in EPCC services, electrical and mechanical (E&M) engineering, and the trading of electrical equipment.

Figure 1: SKA Capital group structure



Source: Company, MBSBR

Licenses and recognitions. SKA is registered with the Construction Industry Development Board (CIDB) as a Grade G7 contractor across the Building (B), Civil Engineering (CE) and Mechanical & Electrical Engineering (ME) categories, allowing it to undertake projects of unlimited contract value nationwide. It is also registered with Tenaga Nasional Berhad (TNB) as an approved supplier and service contractor, enabling direct participation in TNB projects, while its Class A Electrical Contractor registration with the Energy Commission permits electrical works exceeding RM1.0m in value. Additionally, both SKA Rekabina and Reltency Engineering hold ISO 9001, ISO 14001 and ISO 45001 certifications covering quality management, environmental management and occupational health and safety.

Business segments.

I. Substation Engineering Services

This is the core of SKA's operations, encompassing C&S, E&M, and EPCC services for high-voltage substations ranging from 11kV to 500kV. The acquisition of a 70% stake in Reltency Engineering enables SKA to undertake a broader scope of works, including electrical system design, equipment procurement, installation, testing and commissioning, as well as participate directly in TNB contracts. The rapid expansion of data centres also presents opportunities for SKA, given the substantial power infrastructure required.

II. Underground Utilities Engineering

This is SKA's emerging growth segment, encompassing the procurement, installation, laying, relocation, testing and commissioning of underground power cables and related infrastructure. The group employs both open-trench excavation and horizontal directional drilling (HDD) methods, with the latter allowing cables and pipelines to be installed beneath roads, railways, rivers and other obstacles with minimal surface disruption. Data centres projects are also expected to drive demand for underground utilities engineering, particularly high-voltage cable connections between substations and data centre facilities

III. Trading of Electrical Devices, Electrical Equipment and Construction Materials

SKA's trading segment complements its core engineering activities through the supply of electrical devices, electrical equipment and construction materials used in power infrastructure projects. Its product range includes current transformers, circuit breakers, air-insulated and gas-insulated switchgear, as well as construction materials such as steel bars, bricks, concrete and quarry products. The segment is undertaken through both SKA Rekabina and Reltency Engineering, serving customers involved in substation construction and related engineering works.

Figure 2: Business segments

Principal business activities	Provision of power infrastructure engineering solutions		
Business segments	**Substation Engineering Services**	**Underground Utilities Engineering Services**	**Trading Of Electrical Devices, Electrical Equipment And Construction Materials**
Key Offerings	• EPCC Services • Civil and structural engineering services • Electrical and mechanical engineering services	• Project planning and management • Installation and commissioning • Open trenching and HDD	• Electrical devices: current transformers • Electrical equipment: insulated switchgears • Construction materials: steel bars, quarry products
Revenue contribution	FYE 2023: 86.73% FYE 2024: 90.63% FYE 2025: 89.62% 5M FPE 2026: 75.65%	FYE 2023: Nil FYE 2024: Nil FYE 2025: 3.94% 5M FPE 2026: 21.53%	FYE 2023: 13.27% FYE 2024: 9.37% FYE 2025: 6.44% 5M FPE 2026: 2.82%
Principal market	**Peninsular Malaysia**		

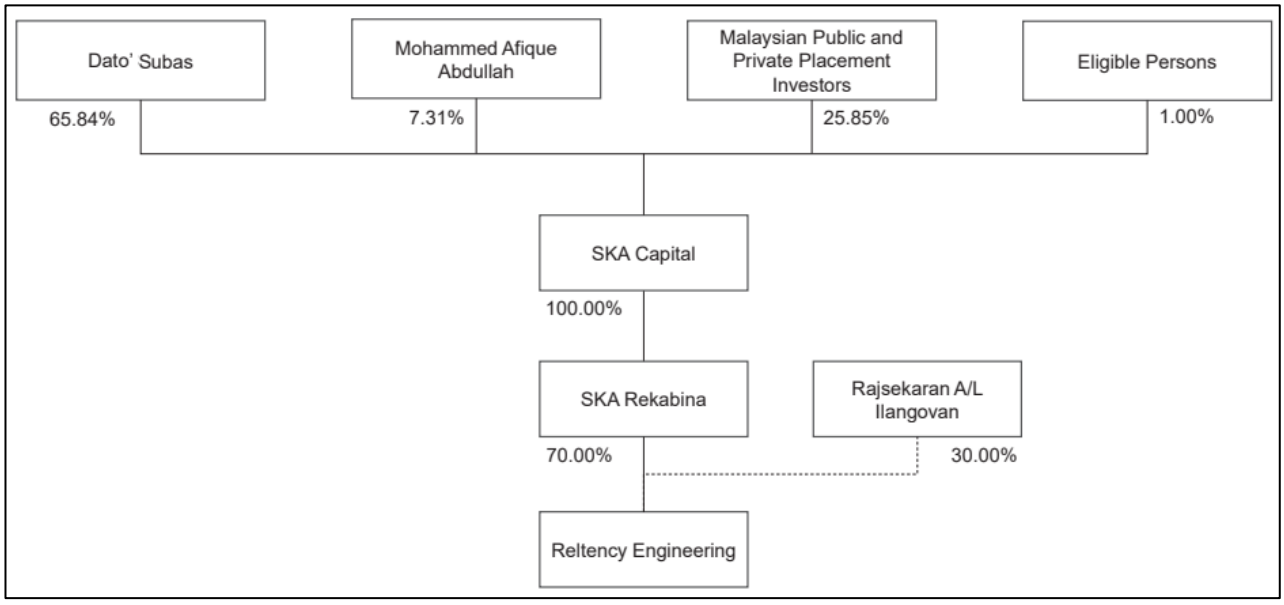
Source: Company, MBSBR

IPO details

Listing on the ACE Market. SKA is scheduled to be listed on the ACE Market on 11 November 2026, with an IPO comprising 168.1m new shares and an offer for sale of 72.4m existing shares at RM0.43 per share. The IPO represents 26.9% of the Group's enlarged share capital of 895.5m shares, implying a market capitalisation of RM385.1m upon listing. The public issue is expected to raise RM72.3m in gross proceeds.

Shareholding structure. SKA Capital is currently owned by its managing director and founder Dato' Subas Kumar Ambairam, who holds a 91% stake while the remaining 9% is held by Mohammad Afique Abdullah, a substantial shareholder. Post-IPO, Dato' Subas will remain the controlling shareholder with a 65.8% stake while Mohammed Afique's shareholding will be diluted to 7.3%. The remaining 26.85% of the enlarged share capital will be held by Malaysian public and private placement investors (25.85%) and eligible persons (1.0%).

Figure 3: Post-IPO shareholding structure



Source: Company, MBSBR

Proceeds utilisation. The proceeds from the IPO will be primarily used to strengthen its financial capacity and support the expansion of its power infrastructure engineering operations. The bulk of the proceeds, amounting to RM32.7m (45.3%), will be allocated towards working capital to fund project execution, including payments to suppliers and subcontractors, while RM21.0m (29.1%) will be earmarked for performance bonds to facilitate participation in larger projects and the simultaneous execution of multiple contracts. Another RM12.1m (16.7%) will be utilised for machinery and equipment purchases, particularly to expand its underground utilities engineering capabilities and reduce reliance on third-party equipment rental, with the remaining RM6.5m (9.0%) allocated towards listing expenses. The Group intends to deploy the working capital and machinery allocations within 24 months of listing, while the performance bond allocation will be utilised within 36 months.

Table 1: Planned acquisitions of machinery and equipment

Machinery and equipment	Estimated average cost per unit (RM'000)	Units	Total (RM'm)
Backhoe	300	4	1.2
Excavators	420	5	2.1
Pick-up truck	130	5	0.65
Scaffolding	-	-	3.2
Cranes	600	4	2.4
HDD machines	500	5	2.5
		Total	**12.05**

Source: Company, MBSBR

Financials

Snapshot of latest financials. SKA's financial year ends in December. For the latest five-month financial period ended 31st May, the group posted a +45.4%yoy growth in revenue to RM119.2m, while core PATAMI tripled to RM15.5m. This was led by higher stage of completion of ongoing projects in both the substation engineering services and underground utilities engineering services segments, which offset the lower revenue from the trading segment. The margin improvement was primarily attributable to downward revisions in estimated project costs for certain C&S and EPCC contracts, alongside higher margins for underground utilities engineering, partly supported by TNB-approved diesel-related price adjustments passed through by the main contractor.

Table 2: Results snapshot

All in RM'm unless stated otherwise	Cumulative		
Income Statement	**5M25A**	**5M26A**	**YoY**
Revenue	82.0	119.2	45.4%
Cost of sales	(69.2)	(90.2)	30.4%
Gross profit	12.8	28.9	126.5%
Other income	0.0	0.2	430.0%
Administrative expenses	(3.5)	(7.8)	126.2%
Impairment gain/(loss)	–	0.1	-
Finance costs	(0.5)	(0.9)	83.1%
Profit before tax	8.9	20.5	130.9%
Taxation	(2.3)	(5.8)	148.7%
PATAMI	5.1	13.5	163.2%
Core PATAMI	5.1	15.5	202.6%

Source: Company, MBSBR

Segmental breakdown. Substation engineering services has been the group's bread and butter, accounting for approximately 90% of revenue between FY23 and FY25, predominantly driven by civil and structural (C&S) works. The acquisition of Reltency Engineering in Feb-25 broadened SKA's revenue streams into E&M and EPCC. This also marked a shift in the Group's business mix towards higher-value integrated power infrastructure contracts. Meanwhile, underground utilities engineering, which commenced operations in September 2025, has emerged as a key growth driver, with revenue increasing from RM9.5m in FY25 to RM25.7m in 5M26, accounting for 21.5% of Group revenue. Notably, this segment commanded a higher gross profit margin of 33.3% in 5M26, compared with 21.0% in FY25, attributable to a TNB-approved diesel-related price adjustment/surcharge mechanism.

Table 3: Segmental revenue breakdown

	FY23A	FY24A	FY25A	5M26A
Substation Engineering Services				
- Civil and structural	38.5	137.6	119.5	44.3
- Electrical and mechanical	-	-	52.7	6.8
- EPCC	-	-	44.1	39.1
	38.5	137.6	216.3	90.1
Underground Utilities Engineering Services	-	-	9.5	25.7
Trading of Materials	5.9	14.2	15.5	3.4
Total Revenue	44.4	151.8	241.4	119.2

Source: Company, MBSBR

Table 3: Segmental GP and GP margin breakdown

	Gross profit				Gross profit margin			
	FY23A	FY24A	FY25A	5M26A	FY23A	FY24A	FY25A	5M26A
Substation Engineering Services								
- Civil and structural	9.8	26.5	28.1	11.6	25.4%	19.3%	23.5%	26.2%
- Electrical and mechanical	-	-	4.2	1.3	-	-	8.0%	18.8%
- EPCC	-	-	6.5	7.2	-	-	14.7%	18.3%
Blended substation engineering GP/margin	9.8	26.5	38.8	20.1	25.4%	19.3%	17.9%	22.3%
Underground Utilities Engineering Services	-	-	2.0	8.6	-	-	21.0%	33.3%
Trading of Materials	1.5	3.0	3.2	0.3	25.0%	20.7%	20.7%	9.0%
Blended GP/margin	11.3	29.5	44.0	28.9	25.4%	19.4%	18.2%	24.3%

Source: Company, MBSBR

New contracts ahead of IPO. In a public filing yesterday, SKA announced that its wholly owned subsidiary SKA Rekabina had accepted an RM89.3m letter of award from Ibrahim & Sons Engineering Sdn Bhd for six TNB-related distribution infrastructure contracts on 23 October, which is expected to be completed within 18 months from the date of commencement. The works involved are:

i) Installation, testing and commissioning of 11kV and 33kV underground cables and related accessories
ii) Construction of a 33/11kV main distribution substation in Kuantan, Pahang
iii) Construction of a 33/11kV main distribution substation in Chendering, Terengganu
iv) Underground cable laying and jointing works for TNB's distribution network in Selangor

Stellar order book. The new contracts secured yesterday lift SKA's outstanding order book to RM402.7m, representing an FY25 order book coverage ratio of 1.8x/1.0x of our FY26E/FY27F revenue forecasts. The breakdown of the order book is skewed towards underground utilities engineering services at about 78%, followed by substation EPCC and substation C&S at 11% each.

We estimate a conservative replenishment target of RM350m for FY27 and RM400m for FY28. We remain optimistic on SKA's order-book replenishment prospects, underpinned by TNB's RM42.8b approved capital expenditure under RP4 (2025–2027), alongside growing demand for power infrastructure to support the rapid expansion of data centres and industrial developments. SKA can continue securing C&S packages from established main contractors or pursue broader EPCC opportunities through Reltency. We estimate the group's tender book to be in the range of RM1.5b to RM2.0b.

Earnings uptick in FY27. We forecast a +61.0% growth in core earnings in FY27F to RM48.3m, alongside a revenue growth of +72.3% to RM397.4m, underpinned by the recognition of existing contracts and continued replenishment of SKA's order book. Of SKA's RM313.4m outstanding order book as at Sep-26, RM233.8m is scheduled for recognition in FY27, predominantly from underground utilities engineering projects. While we expect margins to improve with SKA's prospective acquisitions of machinery and equipment, we have conservatively factored in a normalisation of underground utilities gross margins from the elevated 33.3% recorded in 5M26, which had benefited from TNB-approved diesel-related price adjustments passed through by the main contractor.

Dividend policy. SKA has a target dividend payout ratio of at least 30% of PAT each financial year. This translates to an FY27F dividend yield of 3.7% based on the IPO price.

Table 4: SKA Capital's ongoing projects

Project Name	Scope	Client	Commencement	Completion Date	Contract Value (RM mil)	Balance Contract Value As at LPD (RM mil)	Completion (%) as at LPD
Genting Kelang GIS Project (KL)	Establishment of 132/33kV GIS substation	TNB	Jun-25	Oct-26	46.3	11.6	75.0%
Iskandar Puteri West Project (Johor)	Civil, mechanical and electrical works for 275kV switching station	TVSB	Jun-25	May-27	35.0	5.3	85.0%
Bukit Batu Project (Johor)	Civil works for 500/275kV substation	TVSB	Jun-25	Dec-26	31.5	4.7	85.0%
Gurun East Project (Kedah)	Civil, mechanical and electrical works for 500/275kV substation	TVSB	Jun-25	Feb-27	44.1	8.8	0.8%
Pahang Project	Supply, installation, testing and commissioning works for an electricity supply project	ISESB	Sep-25	Dec-26	25.9	25.9	N.A.
Perak Project	Supply, installation, testing and commissioning works for an electricity supply project	ISESB	Sep-25	Dec-26	16.3	16.3	N.A.
Sepang Project	Establishment of 33kV main distribution substation and an 11kV electrical substation	KLIA	Oct-25	Oct-26	29.5	5.2	82.4%
11kV Project	Installation, testing and commissioning of 11kV underground cables and accessories in Peninsular Malaysia	ISESB	Dec-25	Dec-27	50.0	31.5	37.0%
33kV Project	Installation, testing and commissioning of 33kV underground cables and accessories in Peninsular Malaysia	ISESB	Dec-25	Dec-27	45.0	28.3	37.0%
Cyberjaya East Project (Selangor)	Civil works for Cyberjaya East substation	TVSB	Dec-25	Dec-26	22.7	3.4	85.0%
11kV 1 Project	Installation, testing and commissioning of 11kV underground cables and accessories in Peninsular Malaysia	ISESB	Jan-26	Jan-28	17.6	17.6	N.A.
33kV 1 Project	Installation, testing and commissioning of 33kV underground cables and accessories in Peninsular Malaysia	ISESB	Jan-26	Jan-28	32.2	32.2	N.A.
Johor Project	EPCC works for a 33kV substation and 275kV/33kV HDD works	CSB	Dec-25	Oct-27	47.9	32.8	31.7%
Elmina Project (Selangor)	Underground utilities works for data centre and substation	CSB	Jun-26	Apr-27	47.0	37.6	20.0%
Elmina 1 Project (Selangor)	Underground utilities works for data centre and substation	CSB	Jun-26	Apr-27	34.0	27.2	20.0%
Six latest contracts	TNB-related distribution infra	ISESB	Oct-26	Apr-28	89.3	89.3	N.A.

Source: Company, MBSBR

Note: TNB – Tenaga Nasional Berhad; TVSB – Transgrid Ventures Sdn Bhd; ISESB – Ibrahim & Sons Engineering Sdn Bhd; KLIA – KLIA Aeropolis Sdn Bhd; CSB – Cablecon Sdn Bhd

Peer comparison

Attractive valuation relative to peers. At its IPO price of RM0.43, SKA is valued at 8.0x our FY27F core earnings, representing a substantial -52.7% discount to the 16.9x average forward P/E of its listed peers. We believe the valuation discount appears relatively steep, considering SKA's exposure to Malaysia's ongoing grid infrastructure investment cycle, growing DC-related power infrastructure requirements and its expanding capabilities in EPCC and underground utilities engineering. Nevertheless, we acknowledge that its smaller market capitalisation, relatively nascent underground utilities operations and dependence on continued order-book replenishment warrant some valuation discount. We believe sustained contract wins, successful execution of its existing order book and greater earnings visibility beyond FY27 could provide the catalysts for a narrowing of the valuation gap.

Table 5: Peer comparison

	Market	FYE	Market Cap (RM'm)	Price @ 26th Oct	Forward PE	FY26A/E Revenue	Consensus Revenue Growth		FY26A/E EPS (RM)	Consensus EPS Growth	
							FY27	FY28		FY27	FY28
MN Holdings	Main	Jun	2714.6	3.88	18.0	869.2	48.9%	13.1%	0.1	35.9%	20.8%
Critical Holdings	Main	Jun	1010.0	2.47	14.7	305.8	154.3%	18.3%	0.1	103.3%	37.7%
CBH Engineering Holding	ACE	Dec	1768.0	0.94	16.5	592.0	17.3%	12.5%	0.0	16.3%	14.0%
Cheeding Holdings	ACE	Mar	430.5	0.54	10.0	110.7	37.8%	28.9%	0.0	11.4%	10.2%
Jati Tinggi Group	ACE	Nov	580.2	1.31	14.6	422.5	40.9%	-4.6%	0.1	63.6%	16.7%
UUE Holdings	ACE	Feb	717.5	0.77	17.1	209.0	30.0%	14.1%	1.1	-96.4%	12.5%
Kee Ming	ACE	Mar	806.0	2.48	17.7	41.9	268.0%	80.5%	0.0	400.0%	40.0%
Pekat	ACE	Dec	2002.8	2.82	26.9	698.2	17.5%	7.4%	0.1	28.0%	10.5%
Average					**16.9**		**76.8%**	**21.3%**		**70.3%**	**20.3%**
SKA Capital	ACE	Dec	385.1	0.43	8.0	230.6	72.2%	3.9%	0.0	61.2%	0.9%

Source: Bloomberg, Companies, MBSBR

Industry overview and key catalysts

Power infrastructure spending on an upward trajectory. Malaysia's power infrastructure utilities market has expanded considerably over the past decade, with capital expenditure on recurring electricity generation, transmission and distribution increasing from RM5.7b in 2016 to RM15.0b in 2025, representing a 9-year CAGR of 11.4%, according to Providence Strategic Partners. We expect the investment upcycle to gain further momentum, supported by TNB's RM42.82b approved regulated capital expenditure under Regulatory Period 4 (RP4: 2025–2027), of which RM15.0b is expected to be invested in 2027. We believe the sustained spending even into RP5 will translate into opportunities across grid reinforcement, substation construction, underground cabling and associated electrical infrastructure, which is favourable for power infrastructure contractors such as SKA.

Data centres to drive power infrastructure investments. We view the rapid expansion of DCs as a major structural catalyst for power infrastructure spending, particularly in Johor and the Klang Valley. TNB's DC pipeline stood at 61 projects with a combined maximum demand of 8.35GW as at Jun-26. Of this, 42 projects totalling 5.65GW were already connected to the system, while another 16 projects representing 2.21GW were under construction and three projects totalling 0.49GW had signed electricity supply agreements (ESAs). Johor accounted for approximately 5.6GW, or 67%, of the secured capacity. We believe opportunities are in the supporting electricity infrastructure required to connect these developments to the grid. This includes high-voltage substations, switching stations, underground cables and upstream grid reinforcement, which directly align with SKA's engineering capabilities. The Government has recently floated the prospect of requiring DC operators to generate their own power as it seeks to manage the growing strain on the national grid. We view this as an additional opportunity for power infrastructure contractors, as self-generation would still require electrical infrastructure and distribution within DC campuses, alongside grid interconnections where applicable. We believe SKA is well-positioned to capitalise on these developments.

RE to create another layer of demand. Malaysia's energy transition ambitions should provide another avenue of growth for power infrastructure contractors. Under the National Energy Transition Roadmap (NETR), the Government targets a 70% renewable energy (RE) share of installed capacity by 2050, predominantly driven by solar photovoltaic installations. The recently announced LSS6will see 2,650MW of solar capacity, including 2,500MW paired with 1,250MW of battery energy storage systems (BESS), with commercial operation date (COD) targeted by end-2029. Separately, initiatives such as the Corporate Renewable Energy Supply Scheme (CRESS) are expected to facilitate additional renewable generation investments through third-party grid access. The integration of renewable generation and storage will require corresponding investments in substations, transmission infrastructure and grid interconnections.

Industrial investments to provide further demand support. Beyond DCs and RE, Malaysia's ongoing industrialisation also underpins demand for electricity infrastructure. According to the Malaysian Investment Development Authority (MIDA), total approved investments reached a record RM426.7b (+11.0%) in 2025. The manufacturing sector accounted for RM131.3b, including RM28.5b from the electrical and electronics (E&E) industry, while the information and communications subsector attracted RM152.9b in approved investments. We believe the development of semiconductor facilities, advanced manufacturing plants and industrial parks

will necessitate additional power supply connections and substations, providing a diversified pipeline of potential projects for engineering contractors.

Key Risks

Client concentration risk. While SKA remains dependent on a relatively small pool of customers, we note encouraging signs of diversification in recent years. Notably, Transgrid Group's contribution to revenue has declined substantially from 96.6% in FY24 to 54.1% in FY25 and further to 39.1% in 5M26, supported by the emergence of new revenue streams following the acquisition of Reltency Engineering and expansion into underground utilities engineering. This has broadened SKA's customer base, with Ibrahim & Sons Engineering and KLIA Aeropolis accounting for 21.5% and 18.5% of revenue in 5M26 respectively. While we view the diversification away from Transgrid positively, any reduction in contract awards from key customers could still materially affect SKA's order-book replenishment and earnings visibility.

Dependence on continued job replenishment. SKA's earnings sustainability hinges on its ability to secure new contracts to replenish its outstanding order book. Our earnings forecasts assume RM350m/RM400m in new wins for FY27/FY28, respectively. Any shortfall in tender conversion, delays in project awards or intensified competition could result in weaker-than-expected revenue recognition and earnings growth, particularly beyond FY27 when the bulk of the existing order book is expected to have been recognised.

Project execution and regulatory approval risks. SKA is exposed to project delays arising from site readiness, regulatory approvals, subcontractor performance and other unforeseen circumstances. Notably, approximately RM92.0m of its outstanding order book as at Sep-26 related to projects that had yet to commence pending approvals from the relevant local authorities, while another RM97.6m related to projects awaiting finalisation of letters of award despite instructions to commence works. Combined, these represent approximately 60.5% of the outstanding order book. Prolonged delays could defer revenue recognition, increase project costs and potentially expose SKA to liquidated ascertained damages (LAD), although the Group has not incurred any LAD during the period under review.

Exposure to margin compression and cost overruns. SKA's profitability remains susceptible to fluctuations in material prices, labour costs and project execution expenses, particularly given the fixed-price nature of most contracts. The group is exposed to movements in steel and copper prices, while delays or inaccurate cost estimates could result in cost overruns that may not be fully recoverable from customers. Separately, we expect underground utilities gross margins to normalise from the elevated 33.3% recorded in 5M26, which benefited partly from diesel-related cost adjustments. A sharper-than-expected margin normalisation could weigh on earnings.

Reliance on subcontractors and skilled manpower. SKA depends on subcontractors and skilled technical personnel for the execution of its engineering projects, with subcontractor costs accounting for approximately 50.4% of total cost of sales in 5M26. Any shortage of skilled workers, subcontractor underperformance or delays in securing the necessary manpower could disrupt project timelines and increase execution costs. This is particularly relevant as SKA expands into larger EPCC and underground utilities contracts, which could place greater demands on its project management and execution capabilities.

SWOT Analysis

Strengths

- Established track record in high-voltage substation infrastructure up to 500kV
- Broader EPCC capabilities through 70%-owned Reltency
- Direct TNB project experience and relationships with established main contractors
- Strong near-term underground utilities order book

Weaknesses

- Historical customer concentration, particularly Transgrid
- Earnings sensitivity to project mix, timing and contract replenishment
- Relatively limited track record executing much larger integrated EPCC contract

Opportunities

- TNB's multi-year transmission and distribution capex programme

- Rising DC electricity connection requirements
- Potential direct 500kV EPCC contract wins
- In-house HDD capacity and broader project scope

Threats

- Intensifying competition among power infrastructure contractors
- Project delays arising from permitting, approvals and utility coordination
- Margin pressure from materials, equipment and subcontractor costs
- Failure to secure replacement projects or sustain elevated project margins

ESG overview

Environmental. SKA's environmental initiatives focus on energy conservation, waste management and reducing the environmental footprint of its construction activities. These include the adoption of energy-efficient LED lighting, paperless documentation and recycling of construction materials such as steel and aluminium. While its operations are not classified as emissions-intensive, it has yet to disclose quantified greenhouse gas emissions or specific carbon reduction targets.

Social. Given the labour-intensive nature of its operations, the group places emphasis on occupational health and safety, employee welfare and workforce development. It has established a safety and health committee, conducted regular safety training and implements hazard identification and risk assessments at project sites. It also provides on-the-job and external training programmes to enhance employees' technical competencies, alongside policies promoting equal employment opportunities and workplace inclusivity.

Governance. SKA has progressively adopted the principles of the Malaysian Code on Corporate Governance (MCCG), supported by policies covering ethical conduct, anti-bribery and corruption, whistleblowing and personal data protection. It intends to formalise its sustainability disclosures through annual sustainability statements in accordance with Bursa Malaysia's reporting requirements.

Company Leadership

Dato' Subas Kumar Ambairam – Managing Director

- Aged 49
- BSc Mechanical Engineering, Robert Gordon University
- Founded SKA Rekabina in 2009

Surentheran M. Kanagalingam – Chief Financial Officer

- Aged 55
- Bachelor of Business (Accounting), Charles Sturt University
- Certified Practising Accountant, CPA Australia
- Chartered Accountant, Malaysian Institute of Accountants (MIA)
- Joined SKA in 2025

Tan See Ling – Project Director

- Aged 45
- BSc Building Construction Management, Sheffield Hallam University
- MSc Project Management, Sheffield Hallam University
- Joined SKA Rekabina in 2019 as a Senior Contract Executive
- Promoted to Procurement and Contract Manager in 2021
- Promoted to Project Director in 2025.

Rajasekaran Ilangovan – Head of Reltency Engineering

- Aged 43
- Bachelor of Engineering (Electrical), Universiti Teknologi Malaysia
- Member of the Institution of Engineers Malaysia
- Professional Engineer, Board of Engineers Malaysia
- Member of the Institution of Engineering and Technology
- 275kV Competent Electrical Engineer
- Joined Reltency Engineering in 2015 as Technical Director and Senior Design Consultant

Buminathan Marimuthu – Human Resources Director

- Aged 45
- Malaysian Certificate of Education, SMK Dato' Hamzah
- Responsible for overseeing the group's HR and administrative functions
- Joined SKA Rekabina in 2009 as Director, Human Resource and Admin Executive
- Promoted to Admin and Human Resource Manager in 2024
- Promoted to Human Resources Director in 2025

Track Record of Completed Projects

	Data Centre Project, Selangor	The Light Project, Penang	Kempas Lama Project, Johor	Cyberjaya South GIS Project, Selangor
				
Scope	Civil works for a 132kV main switching station for a data centre	Civil works for a 275/132kV substation and 275kV substation	Civil and structural construction works for data centre landing station	Civil works for a 275/132/33kV GIS substation
Contract Value	**RM14.63 million**	**RM19.03 million**	**RM55.00 million**	**RM39.88 million**
Completion Date	October 2024	December 2024	April 2025	November 2025

Source: Company

	Seri Iskandar West Project, Perak	TRX Project, Kuala Lumpur	Merchang Project, Terengganu	Kemasek Project, Terengganu
				
Scope	Civil, mechanical and electrical works for a 275/132kV substation	Civil works for 2 Tun Razak Exchange substations	Electrical works for a 132kV switching station	Electrical works for a 132kV switching station
Contract Value	**RM23.40 million**	**RM49.00 million**	**RM16.10 million**	**RM15.54 million**
Completion Date	November 2025	December 2025	April 2026	May 2026

Source: Company

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	**151.8**	**241.4**	**230.6**	**397.4**	**412.9**
Gross profit	29.5	44.0	52.2	84.7	86.2
PBT	22.1	39.3	40.5	65.3	65.8
Taxation	-5.5	-8.4	-10.5	-17.0	-17.1
PAT	16.3	28.9	30.0	48.3	48.7
Core earnings	**17.4**	**22.4**	**30.0**	**48.3**	**48.7**
EPS (sen)	1.9	2.5	3.3	5.4	5.4
PER (x)	22.1	17.2	12.9	8.0	7.9
DPS (sen)	-	1.3	1.0	1.6	1.6
Dividend yield (%)	-	-	2.3	3.7	3.7

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
GP margin	19.4	18.2	22.6	21.3	20.9
PBT margin	14.5	16.3	17.6	16.4	15.9
PAT margin	10.7	12.0	13.0	12.2	11.8
Core PAT margin	11.5	9.3	13.0	12.2	11.8

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MBSB INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology