

Eita Resources Berhad (5208)

Sarawak Substation Breakthrough

Bloomberg Ticker: EITA MK | Investment Horizon: 12 Months

Recommendation

We maintain our HOLD call with a higher target price of RM0.61 (from RM0.58), with unchanged FY27F PE of 8x, which is in line with its 3 years average, to reflect stronger orderbook in manufacturing segment and better improvement in high voltage system segment.

Outlook

Sarawak substation award of RM221mn. On 26 August 2026, TransSystem Continental Sdn Bhd (TSC), the 60%-owned high voltage subsidiary of EITA, received a Notification of Award dated 17 August 2026 from Syarikat SESCO Berhad for the Mapai 500kV substation and the Mapai 275kV substation extension project, at a total contract value of approximately RM221mn over a 25-month delivery period from commencement on 7 September 2026. This is by far the largest single award TSC has secured, and it rescales the high voltage orderbook in one stroke. With commencement only on 7 September 2026, we concur with management that FY26F is immaterial, and we phase the contribution 40% into FY27F and 60% into FY28F. We are positive on this contract, given that margins will be better than legacy projects and that it serves as a stepping stone into Sarawak substation projects.

Still cautious on the high voltage segment. The segment has been the principal drag on group earnings, narrowing to a 9MFY26 loss before tax of RM4.2mn from RM7.6mn a year earlier, and we had continued to model it as loss-making through FY26F. We also continue to factor in losses of RM3mn-RM4mn that could drag into FY27F, in line with management guidance for a smaller loss in FY27F than in FY26F on legacy projects. With only 40% of the Mapai project recognised in FY27F, we do not expect it to reverse the segment loss in full that year; FY28F is therefore more likely to see the segment turn profitable as the remaining Mapai billings are recognised. We estimate a project gross margin above 10% and assume a 5%-8% net margin on the turnkey substation work, against legacy projects that were loss-making on cost overruns from delayed completion and higher raw material costs. TSC is 60%-owned, so 40% of the incremental net profit accrues to minority interest and does not reach owners of the parent. We also understand the existing high voltage system team will deliver the project without adding headcount, so no incremental staff cost.

A platform for further Sarawak work, held as optionality. We read the award as a door-opener rather than a one-off, given the multi-year transmission build ahead across the Sarawak Energy group and the value of a delivered 500kV reference at Mapai for follow-on tenders. We have not embedded any further Sarawak awards into our forecasts and treat them as pure optionality to FY28F and beyond. Execution and phasing remain the swing factors, and the award is stated to be subject to the execution of formal contract documents.

Forecast

We keep FY26F broadly unchanged and raise our FY27F-FY28F earnings forecasts by 6%-19% to reflect the Mapai contribution and narrowing high voltage losses.

Investment Risk to our Call

(i) Project-based revenue volatility, (ii) operational and execution risk, and (iii) intense competition.

HOLD ↔

Target Price: RM0.61 (-4%) ↑

Current Share Price: RM0.64

Main Market
Industrial Products & Services

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Company Overview

EITA Resources Berhad is a Malaysian-based engineering company specializing in the manufacturing, installation, and maintenance of elevators and electrical systems for infrastructure and building sectors.

Stock Information

Market Cap (RM'mn)	196.2
Issued Shares (mn)	301.8
52W High (RM)	0.67
52W Low (RM)	0.45
Estimated Free Float (%)	24.8
Beta vs FBM KLCI	0.3
3-month Average Vol. (mn)	0.2
Shariah Compliant	Yes

Consensus	FY25A	FY26F	FY27F
EPS (sen)	4.6	5.1	5.8
TP (RM)	High	Mean	Low
	0.60	0.55	0.50
Ratings	Buy	Hold	Sell
	1	1	0

Category	Score	Materiality	Weighted Score
Environmental	33	25%	1.6
Social	34	35%	2.4
Governance	34	40%	2.7
Total	99	100%	6.7

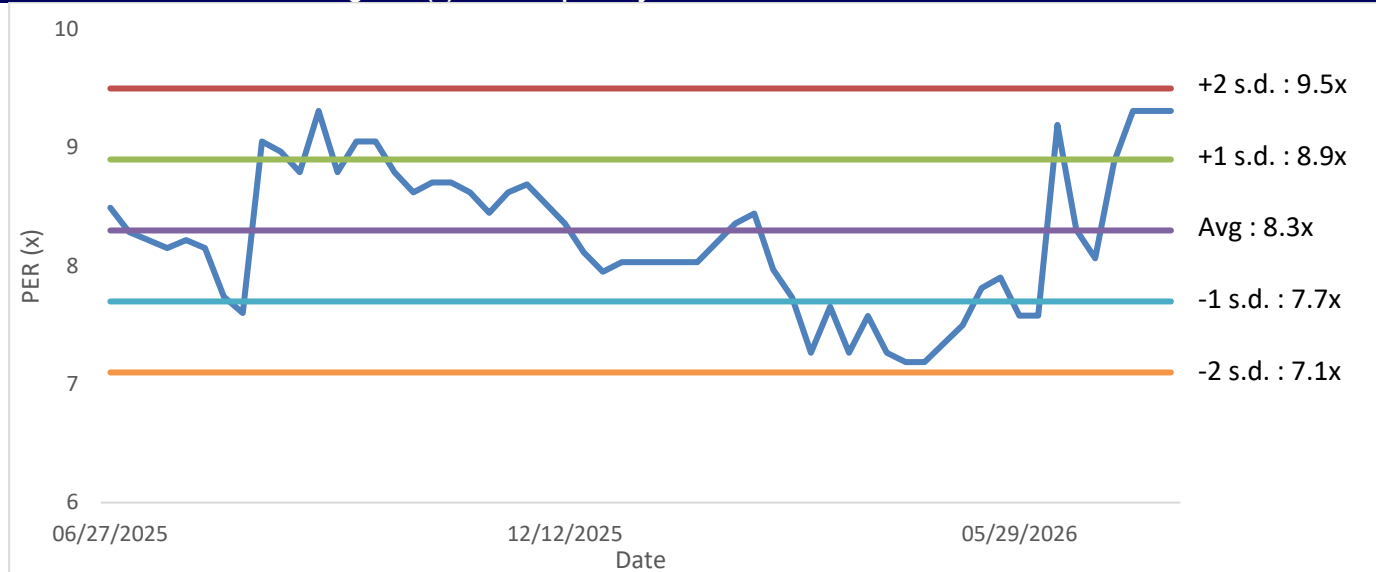
Key Assumption

Revenue Growth	Actual		Before			After		
	FY24	FY25	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
Manufacturing	33%	7%	6%	15%	4%	6%	15%	4%
Services	-4%	-3%	5%	5%	2%	5%	5%	2%
Marketing & distribution	39%	9%	-5%	5%	2%	-5%	5%	2%
High voltage system	34%	22%	6%	0%	0%	6%	0%	0%

Key Financial Metrics

FYE 30 Sept	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RM'mn)	394.7	430.6	433.1	467.5	526.1
EBITDA (RM'mn)	18.4	25.7	32.6	43.7	48.5
Pretax profit (RM'mn)	10.5	17.5	24.6	36.3	40.9
Net profit (RM'mn)	9.4	14.6	19.6	23.2	28.7
EPS (sen)	3.1	4.8	6.5	7.7	9.5
PER (x)	20.5	13.2	9.9	8.3	6.7
Core net profit (RM'mn)	9.4	14.6	19.6	23.2	28.7
Core EPS (sen)	3.1	4.8	6.5	7.7	9.5
Core EPS growth (%)	(10.4)	55.1	34.1	18.6	23.8
Core PER (x)	20.5	13.2	9.9	8.3	6.7
Net DPS (sen)	2.25	3.0	2.5	2.5	3.5
Dividend Yield (%)	3.5	4.7	3.9	3.9	5.5
ROE (%)	3.8	5.8	7.2	7.5	8.3
P/BV (x)	0.8	0.8	0.7	0.6	0.6

Eita Resources Berhad's rolling PER (x) over the past 3 years



Financial Exhibits

Income Statement

FYE 30 Sept (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue	394.7	430.6	433.1	467.5	526.1
Operating expenses	(376.3)	(404.9)	(400.5)	(423.8)	(477.7)
EBITDA	18.4	25.7	32.6	43.7	48.5
Depreciation	(5.4)	(5.8)	(5.0)	(4.9)	(5.0)
EBIT	13.0	19.9	27.7	38.8	43.5
Net int income/(expense)	(2.5)	(2.5)	(3.0)	(2.5)	(2.5)
Exceptional gains / (losses)	0.0	0.0	0.0	0.0	0.0
Associates' contribution	0.0	0.0	0.0	0.0	0.0
Pretax profit	10.5	17.5	24.6	36.3	40.9
Tax	(7.3)	(8.5)	(11.1)	(9.1)	(10.2)
Minority interest	6.2	5.6	6.0	4.0	2.0
PATAMI	9.4	14.6	19.6	23.2	28.7
Core PATAMI	9.4	14.6	19.6	23.2	28.7

Balance Sheet Statement

FYE 30 Sept (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Fixed assets	44.2	42.9	43.8	44.7	46.5
Other long term assets	28.0	27.9	11.3	22.5	25.5
Total non-current assets	72.3	70.9	55.2	67.2	72.0
Cash and equivalents	68.4	65.4	89.6	88.9	102.2
Inventories	64.5	55.9	115.2	153.3	173.6
Receivables	70.7	86.3	78.0	112.2	126.3
Other current assets	127.1	134.9	109.6	101.9	111.5
Total current assets	330.6	342.6	392.5	456.3	513.6
Payables	61.4	77.5	115.2	156.7	177.6
Short term borrowings	43.9	49.1	49.1	49.1	49.1
Other current liabilities	45.6	35.3	6.4	2.0	2.0
Total current liabilities	150.9	161.9	170.7	207.8	228.7
Long term borrowings	10.7	8.9	8.9	8.9	8.9
Other long term liabilities	2.0	1.8	-	-	-
Total long term liab.	12.7	10.6	8.9	8.9	8.9
Shareholders' Funds	245.0	252.2	273.3	308.1	347.3
Minority Interest	-5.8	-11.3	-5.3	-1.3	0.7

Cash Flow Statement

FYE 30 Sept (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Pretax Profit	10.5	17.5	24.6	36.3	40.9
Depreciation & amortisation	5.4	5.8	5.0	4.9	5.0
Working capital changes	(19.5)	(5.6)	17.8	(20.4)	(8.0)
Cash tax paid	(7.4)	(8.7)	(11.1)	(9.1)	(10.2)
Others	16.5	0.6	0.0	0.0	0.0
C/F from operation	5.5	9.5	36.4	11.7	27.7
Capex	(2.9)	(2.2)	(5.2)	(5.5)	(7.5)
Others	0.7	(1.0)	0.6	0.6	0.6
C/F from investing	(2.2)	(3.2)	(4.6)	(4.9)	(6.9)
Debt raised/(repaid)	(0.4)	(1.8)	0.0	0.0	0.0
Dividends paid	(6.4)	(7.5)	(7.5)	(7.5)	(7.5)
Others	11.2	0.1	0.0	0.0	0.0
C/F from financing	4.4	(9.3)	(7.5)	(7.5)	(7.5)
Net change in cash flow	7.7	(2.9)	24.2	(0.7)	13.3
Free Cash Flow	2.6	7.3	31.2	6.2	20.2



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SELL: Total stock return expected to below -15% over a 12-month period

TRADING BUY: Total stock return expected to exceed +10% over 6-month period

TRADING SELL: Total stock return expected to below -10% over a 6-month period

IPO Note:

SUBSCRIBE: Total stock return expected to exceed +15% over 12-month period

NEUTRAL: Total stock return expected to below +15% over 12-month period