

14 September 2026

Kelington Group

Record Win, Stronger Visibility

By Cheow Ming Liang | cheowml@kenanga.com.my

KGB's record RM1.83b semiconductor contract win in India materially strengthens its medium-term earnings visibility and reinforces its positioning as a direct proxy to front-end wafer fab expansion. The award, to be executed over 30 months through February 2029, lifts YTD 2026 contract wins to RM3.59b and should support earnings growth through FY27–FY29, while its appointment as main contractor could pave the way for further wins as India accelerates its domestic semiconductor build-out. We raise our FY26 new contract win assumption to RM4.0b from RM2.1b but maintain our earnings forecasts as the contribution is expected to be recognized over 2–3 years, extending partly beyond our forecast horizon. We also maintain our TP at RM10.10, based on an unchanged 37x FY27F PER, and reiterate **OUTPERFORM**, underpinned by KGB's strong order and tender books, diversified regional footprint, exposure to front-end semiconductor capex, and continued margin expansion.

Secured record high contract from India. KGB has secured its largest-ever contract, a USD452m (c.RM1.83b) letter of award for a turnkey total facility UHP tool hookup services for a semiconductor wafer fab in Gujarat, India. The group will serve as the main contractor, undertaking the design, installation, connection, testing and handover of manufacturing, laboratory and support tools across Modules 1 and 2, covering up to 886 tools. The project is scheduled over 30 months, with completion targeted by February 2029. The provisional contract value comprises USD249.9m (c.RM1.01b) for Module 1 and USD202.0m (c.RM817m) for Module 2, although the final value will depend on the actual quantities of tools and services executed.

Large-scale award reinforces earnings momentum. We are positive on the development, as the RM1.83b award provides a sizeable uplift to KGB's outstanding workload and should underpin earnings growth through FY27–FY29. Assuming broadly even execution over the 30-month project period, the contract could theoretically translate into c.RM730m of annualised revenue contribution at full run-rate, although actual recognition will depend on project progress and milestone completion. More importantly, KGB's appointment as main contractor marks a step-up in India for its positioning within the semiconductor value chain and could pave the way for further project wins as India accelerates the development of its domestic semiconductor manufacturing ecosystem. Including this contract, KGB's YTD2026 new contract wins have reached RM3.59b, comprising RM1.23b secured in 1HFY26, RM538m secured in July–August, and the latest RM1.83b award, providing strong earnings visibility over the medium term.

Forecasts. We raise our FY26 new contract win assumption to RM4.0b from RM2.1b previously, following the stronger-than-expected YTD order replenishment. Despite the higher contract win assumption, we leave our earnings forecasts unchanged as the sizeable contracts are expected to be executed over 2–3 years, with a meaningful portion of the earnings contribution extending beyond our current forecast period.

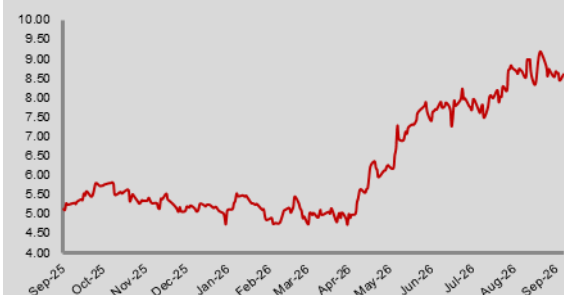
Valuations. Our TP is maintained at RM10.10, based on an unchanged targeted FY27F PER of 37x, at a 10% discount to the local semiconductor front-end peers' (UWC, Frontken and Vitrox) average FY27 PER of 41.3x. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 4).

Investment case. We like KGB for: (i) it being a direct proxy to the front-end wafer fab expansion, (ii) strong earnings visibility supported by an outstanding order book exceeding RM3.0b and a robust tender book of over RM7b, (iii) its strong foothold in multiple markets, i.e. Malaysia, Singapore, and India, and (iv) progressive margin expansion. Maintain **OUTPERFORM**.

OUTPERFORM ↔

Price : RM8.62
Target Price : RM10.10 ↔

Share Price Performance



KLCI 1,698.01
YTD KLCI chg 1.1%
YTD stock price chg 66.8%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KGRB MK Equity
Market Cap (RM m)	7,589.0
Shares Outstanding	880.4
52-week range (H)	9.20
52-week range (L)	4.75
3-mth avg. daily vol.	3,409,988
Free Float	69%
Beta	0.73

Major Shareholders

Palace Star	21.4%
Sun Lead Internation	6.2%
Employees Provident	5.3%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	1,274	1,673	1,983
EBIT	191	250	314
PBT	190	250	315
Net Profit	151	197	249
Consensus	-	193	283
Earnings Revision (%)	-	-	-
EPS (sen)	20.3	21.7	27.3
EPS Growth (%)	10.1	6.9	26.0
NDPS (sen)	13.0	15.0	15.0
BV/Share (RM)	0.8	0.9	1.0
Core PER (x)	42.5	39.7	31.5
P/BV (x)	10.5	9.7	8.5
Gearing (x)	-0.3	-0.4	-0.4
Dvd Yield (%)	1.5%	1.7%	1.7%

Risks to our call include: (i) a slowdown in wafer fab investment, (ii) worsening Sino-US chip war, and (iii) low utilisation of its LCO2 plants.

Income Statement						Financial Data & Ratios					
FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F	FY Dec	2023A	2024A	2025A	2026F	2027F
Revenue	1,614	1,272	1,274	1,673	1,983	Growth (%)					
EBITDA	156	183	207	270	335	Turnover	26.2	-21.2	0.1	31.3	18.6
Dep & Amor	11	15	16	19	21	EBITDA	79.2	17.1	13.4	30.2	24.1
Operating Profit	145	168	191	250	314	Operating Profit	81.5	15.8	13.8	31.1	25.3
Other Income	10	15	10	14	16	PBT	80.0	18.6	19.7	31.4	26.2
Interest Exp	-11	-9	-8	-8	-8	Adj Net Profit	86.8	19.4	21.5	30.6	26.0
PBT	134	159	190	250	315						
Taxation	-28	-32	-39	-52	-66	Profitability (%)					
Minority Interest	-2	-2	-0	-0	-0	EBITDA Margin	9.7	14.3	16.3	16.1	16.9
Net Profit	104	124	151	197	249	Operating Margin	9.0	13.2	15.0	15.0	15.8
Core Net Profit	104	124	151	197	249	PBT Margin	8.3	12.5	14.9	14.9	15.9
						Core Net Margin	6.5	9.8	11.9	11.8	12.5
						Effective Tax Rate	-20.8	-20.2	-20.4	-20.9	-21.0
						ROA	9.7	10.8	10.8	11.8	13.0
						ROE	30.8	26.3	24.6	24.5	27.1
Balance Sheet											
FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F						
Fixed Assets	169	209	227	251	290						
Intangible Assets	-	-	-	-	-	DuPont Analysis					
Other FA	15	14	16	16	16	Net Margin (%)	6.5%	9.8%	11.9%	11.8%	12.5%
Inventories	25	20	15	19	22	Assets Turnover (x)	1.5x	1.1x	0.9x	1.0x	1.0x
Receivables	437	341	468	615	729	Leverage Factor (x)	3.2x	2.4x	2.3x	2.1x	2.1x
Other CA	157	153	268	270	271	ROE (%)	30.8	26.3	24.6	24.5	27.1
Cash	269	413	405	499	580						
Total Assets	1,073	1,150	1,401	1,670	1,908	Leverage					
						Debt/Asset (x)	0.2	0.2	0.1	0.1	0.1
Payables	216	189	225	292	339	Debt/Equity (x)	0.5	0.4	0.3	0.2	0.2
ST Borrowings	252	225	199	199	199	Net Cash/(Debt)	92	236	209	327	408
						Net Debt/Equity (x)	-0.3	-0.5	-0.3	-0.4	-0.4
Other ST Liability	193	172	272	158	165						
LT Borrowings	63	76	74	74	74	Valuations					
Other LT Liability	10	15	17	141	213	Core EPS (sen)	16.2	18.4	20.3	21.7	27.3
MI	6	0	0	0	0	DPS (sen)	4.0	8.0	13.0	15.0	15.0
Net Assets	332	473	613	806	918	BVPS (RM)	0.52	0.70	0.82	0.89	1.01
						PER (x)	53.3	46.8	42.5	39.7	31.5
Shr. Equity	74	184	266	397	397	Div. Yield (%)	0.5%	0.9%	1.5%	1.7%	1.7%
Reserves	259	289	348	409	521	P/BV (x)	16.7	12.3	10.5	9.7	8.5
Total Equity	332	473	613	806	918	EV/EBITDA (x)	36.2	33.2	32.0	30.3	24.6
Cashflow Statement											
FY Dec (RM m)	2023A	2024A	2025A	2026F	2027F						
Operating CF	177	175	65	166	277						
Investing CF	-68	-73	-84	-43	-59						
Financing CF	-107	3	43	-29	-137						

Source: Kenanga Research

14 September 2026

Malaysian Technology Peers Comparison

Name	Rating	Last Price @ 14 Sep (RM)	Target Price (RM)	Upside	Mkt Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) – Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net. Div. Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
AMBEST GROUP BHD	OP	1.39	1.80	29.5%	708.9	Y	12/2026	3.0	6.9	151.6%	128.0%	46.0	20.2	9.5	22.1%	0.0	0.0%
D&O GREEN TECHNOLOGIES BHD	MP	0.455	0.440	-3.3%	564.0	Y	12/2026	(1.7)	2.0	-287.6%	51.9%	N.A.	22.8	1.1	-22.7%	1.0	2.2%
FRONTKEN BHD	OP	4.81	5.72	18.9%	8,720.2	Y	12/2026	12.3	15.2	27.3%	22.9%	39.0	31.7	6.8	18.5%	4.0	0.8%
INARI AMERTRON BHD	OP	2.56	2.77	8.2%	9,874.1	Y	06/2027	8.1	8.7	61.3%	8.2%	31.7	29.3	3.5	11.0%	7.3	2.9%
KELINGTON GROUP BHD	OP	8.62	10.10	17.2%	7,589.0	Y	12/2026	21.7	27.3	30.6%	26.0%	39.7	31.5	9.7	27.8%	15.0	1.7%
LGMS BHD	OP	0.485	0.600	23.7%	221.2	Y	12/2026	2.2	3.0	-2.0%	38.0%	22.1	16.0	1.8	8.0%	2.0	4.1%
M'SIAN PACIFIC INDUSTRIES BHD	MP	40.00	43.70	9.3%	7,975.9	Y	06/2027	134.1	149.1	41.9%	11.2%	29.8	26.8	3.3	11.6%	40.0	1.0%
NATIONGATE HOLDINGS BHD	OP	1.66	2.14	28.9%	3,756.6	Y	12/2026	1.8	10.3	-58.0%	462.4%	90.5	16.1	3.7	4.1%	2.0	1.2%
OPPSTAR BHD	UP	0.655	0.750	14.5%	423.8	Y	03/2027	2.1	2.3	-14.9%	8.8%	30.6	28.2	3.1	10.8%	0.0	0.0%
P.I.E. INDUSTRIAL BHD	MP	1.68	1.51	-10.1%	645.2	Y	12/2026	5.9	8.4	0.4%	42.3%	28.4	20.0	1.0	3.5%	0.0	0.0%
SKP RESOURCES BHD	UP	0.325	0.270	-16.9%	491.7	Y	03/2027	2.5	3.5	-19.4%	42.0%	13.2	9.3	0.5	3.7%	0.0	0.0%
SKYECHIP BHD	OP	2.92	3.64	24.7%	5,244.4	Y	03/2027	3.6	4.6	34.8%	25.4%	80.2	64.0	9.8	18.4%	70.0	24.0%
UNISEM (M) BHD	UP	4.26	3.81	-10.6%	7,304.7	Y	12/2026	5.6	11.7	44.4%	107.5%	75.7	36.5	3.2	3.5%	0.0	0.0%
UWC BHD	OP	6.26	7.00	11.8%	6,909.9	Y	07/2026	8.6	15.9	132.3%	86.3%	73.2	39.3	12.1	18.0%	0.0	0.0%
PENTAMASTER CORP BHD	MP	5.10	5.60	9.8%	3,627.7	Y	12/2026	11.9	15.7	36.8%	31.6%	42.8	32.5	4.2	10.3%	2.0	0.4%
INFOMINA BHD	OP	1.58	1.90	20.3%	942.8	Y	05/2027	7.6	8.5	30.2%	11.6%	20.8	18.6	4.9	25.8%	3.0	1.9%
Simple Average					64,291.2					31.2%	45.1%	44.0	30.3	4.6	10.1%		2.7%

Source: Kenanga Research

14 September 2026

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★	☆	
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	★	★	
SPECIFIC	Technology & Innovation	★	★	☆		
	Supply Chain Management	★	★	★	☆	
	Energy Efficiency	★	★	★		
	Effluent/Water Management	★	★	★		
	Waste Management	★	★	★		
	Ethical Practices	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. Kenanga Investment Bank Berhad being a full-service investment bank offers investment banking products and services and acts as issuer and liquidity provider with respect to a security that may also fall under its research coverage.

Published by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my