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SOUTHERN Cable Group Bhd has been one of Malaysia's quiet stock market winners.

Since its 2020 debut on Bursa Malaysia, the Kedah-based cable and wire producer has multiplied its market capitalisation more than ninefold, riding on strong quarterly earnings thanks to Malaysia's construction boom and energy-transition drive.

But as the company prepares to mark its fifth anniversary as a listed entity, it faces a more daunting challenge: proving it can turn early overseas wins into a lasting global footprint.

Southern Cable aims to achieve this while strengthening its hold at home. Meeting the robust domestic demand is its "primary objective", the company says.

For now, foreign exposure remains modest, even though the company is on track to surpass its RM100m overseas revenue target this year.

Overseas sales, driven largely by a single distributor in the United States, accounted for just under 10% of total revenue in the first half of financial year 2025 (1H25).

The management wants that figure to triple to 30% by financial year 2028 (FY28), a target that would transform the company's profile.

Overseas revenue did quadruple year-on-year in 1H25, but the growth comes from a low base.

For shareholders, the 30% target underscores both opportunity and risk, with Southern Cable taking a leap into competitive markets where incumbents dominate and margins may be thinner than the company has enjoyed at home.

Of course, this is subject to the type of products sold to these countries.

Then, there is the 19% import tariff imposed by President Donald Trump on Malaysian products.

However, it has been reported that Southern Cable's US distributor is prepared to absorb the full tariffs, allowing the company's products to be priced competitively.

"Our current international focus is on deepening our presence in the US market, where we have already gained a foothold. "We are working to build a strong track record and expand our certified product offerings to win more clients.

"This is a long-term plan which will be our launchpad for future international markets," managing director Tung Eng Hai told *StarBiz 7*.

The challenge now is whether early momentum abroad represents a scalable franchise or a temporary spike.

At home, Southern Cable's growth story is firmer, with its products – power cables, telecom lines and control wires – serving multiple different industries.

These include power distribution and transmission, telecommunications, building and construction, infrastructure, manufacturing and processing industries, including oil and gas processing and petrochemical plants.

Tenaga Nasional Bhd, Telekom Malaysia Bhd, Sarawak Energy Bhd and Petroliam Nasional rank among its key customers, tying

# Cable from Kedah to the world

■ **The company's challenge is to prove it can turn early overseas wins into a lasting global footprint**



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its fortunes closely to the pace of government-backed projects.

For example, Southern Cable is already a supplier in major projects like the East Coast Rail Link (ECRL) and the large-scale solar (LSS) initiatives.

The fact that Southern Cable is one of the only three domestic producers of high-voltage 132kV cables, a position strengthened by government restrictions on imports, is a major boost to its earnings profile.

These cables are central to grid

set to secure meaningful contract wins, supported by its status as one of only three high-voltage cable producers in Malaysia, alongside strong access to capital and economies of scale," according to HILB Research.

With the anticipated uplift in high-voltage cable sales, the research house forecasts that Southern Cable's record-high net profit margin of 7.5% achieved in the second quarter of FY25 is likely to sustain into the next two quarters.

Still, the margin profile is not without risks. Copper and aluminium prices, which are largely outside of the management's control, dominate costs.

A spike could quickly erode gains. Southern Cable's response to this risk, in addition to its back-to-back hedging method, has been upstream integration.

A new aluminium furnace, slated for completion in 2026, will triple annual rod output to more than 60,000 tonnes.

This will be part of Southern Cable's expansion adjacent to its Kuala Kerli facilities in Kedah, in which the company is investing RM40m.

The new facility will also feature a new production line for medium- to extra-high voltage (33kV to 275kV) power cables.

In addition, a new compound-ing facility in Sungai Petani, Kedah, will expand plastic production by 50% to 12,000 tonnes. This is slated to commence operation in 1H of 2026.

Both are designed to secure inputs, cut costs and expand the product mix.

"We are targeting to have the new furnace operational by 1H of 2026, with the new production line to follow in 2H of 2026.

"Given our currently high operational utilisation, this expansion will enable us to take on more orders to meet the increasing market demand from both existing and potential new customers."

Since its listing, Southern Cable's annual production capacity has increased by 67% to 51,980km for cables and wires.

However, with a high utilisation rate of about 90%, Southern Cable directly needs an expansion, which is currently ongoing.

"We are actively assessing the potential of acquiring land near our facility in Kuala Kerli, Kedah, to support future expansions," adds Tung.

As the company pours more money into expansion, borrowings also increase. By end-June 2025, total borrowings have risen to RM276.49m, compared to RM195.73m as at end-December 2023.

Tung, however, says he is "comfortable" with the company's financial position.

"Our balance sheet as at end-June 2025 has a net gearing of 0.28 times, which is an improvement from 0.33 times as at the end of 2024.

"We also maintain healthy receivable days of up to 80 days.

"The majority of our borrowings are for working capital to purchase raw materials, such as copper, aluminium and plastic compounds.

"About 5% of our total borrowings so far are used for current capacity expansion initiatives," he adds.

As the company presses on with its growth strategies, investors' focus will be on the dividend payout and share price movement.

Will the company raise its dividends above the 20% payout of annual net profit as seen in FY23 and FY24? Also, can the stock continue its stellar

uprend amid rising valuation?

Year-to-date, the share price is already up by over 95%. Lifting the price-to-earnings ratio to about 21 times currently from 14.3 times at the start of the year.

