

**HLIB Research**

PP 9484/12/2012 (031413)

**Sam Jun Kit**
[jksam@hlib.hongleong.com.my](mailto:jksam@hlib.hongleong.com.my)

+603-2083 1723

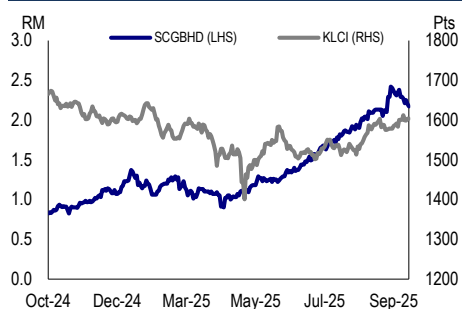
**BUY** (Maintain)

**Target Price:** **RM2.65**
**Previously:** **RM2.65**
**Current Price:** **RM2.17**

Capital upside	22.1%
Dividend yield	1.0%
Expected total return	23.1%

**Sector coverage:** Manufacturing

**Company description:** Southern Cable Group (SCGBHD) is a manufacturer of cables and wires used for power distribution and transmission, communications, building and construction, infrastructure, manufacturing .

**Share price**


Historical return (%)	1M	3M	12M
Absolute	1.9	38.2	163.0
Relative	1.2	30.8	168.0

**Stock information**

Bloomberg ticker	SCGBHD MK
Bursa code	0225
Issued shares (m)	1,024
Market capitalisation (RM m)	2,221
3-mth average volume ('000)	6,220
SC Shariah compliant	No
F4GBM Index member	No
ESG rating	N/A

**Major shareholders**

Sino shield Sdn Bhd	30.7%
Semangat Handal Sdn Bhd	3.9%
FIL Ltd	2.3%

**Earnings summary**

FYE (Dec)	FY24	FY25f	FY26f
PATMI – core	120.8	142.7	164.6
EPS – core (sen)	6.2	10.1	11.9
P/E (x)	35.2	21.6	18.2

# Southern Cable

## Raising fund

SCGBHD has proposed 10% private placement to fund its expansion plans for Plot A and Plot B. While management had initially intended to finance the capex fully via internal fund, the group has opted for equity raising due to (i) higher capex requirements from a more ambitious expansion plan and (ii) strong order flows from Tenaga and other customers, which necessitate preserving internal funds for working capital. We view the exercise as neutral from a dilution standpoint but take comfort that the funding need is demand-driven. We maintain our BUY call with an unchanged TP of RM2.65, based on 22x FY26 fully diluted EPS.

### NEWSBREAK

SCGBHD has proposed a private placement of up to 10% of its total issued shares, with the final issue price to be determined later. The placement price will be fixed based on the five-day VWAP, subject to a discount of up to 10%. For illustration, assuming an indicative issue price of RM2.16 per placement share, the exercise is expected to raise gross proceeds of approximately RM218.2m under the Minimum Scenario and RM259.2m under the Maximum Scenario. The proposed utilisation of proceeds is detailed below:

Use of funds	Min scenario (RM'000)	Max scenario (RM'000)	Expected timeframe for utilisation
<b>Capex and expansion</b>			
-Construction and renovation of factories and warehouse	34,000	34,000	Within 24 months
-Acquisition and set up of a new warehouse	12,000	12,000	Within 24 months
-Purchase of machinery and equipment	83,000	83,000	Within 24 months
	<b>129,000</b>	<b>129,000</b>	
Settlement of the balance purchase price and related expenses for the acquisition of a lease	5,070	5,070	Within 3 months
Repayment of bank borrowings	16,600	16,600	Within 6 months
Working capital requirements	65,004	105,530	Within 6 months
Estimated expenses for the Proposed Private Placemen	2,500	3,000	Within 1 months
	<b>218,174</b>	<b>259,200</b>	

### HLIB's VIEW

**Why raise fund?** We understand that management had initially planned to fund the capex fully via internal fund. However, the group has opted to pursue equity raising following two considerations: (i) higher capex needs arising from a more ambitious expansion plan, and (ii) strong order flows from Tenaga and others, which necessitate preserving internal funds for working capital.

Originally guided for a single CVV line, the capex scope has now been expanded to include two CVV lines at the new plant, alongside the construction of an additional warehouse that was not guided previously. The increase in CVV lines is intended to meet strong demand for HV cables from Tenaga and data centres, while also supporting the group's entry into the extra-high voltage segment - a niche currently without a domestic producer. Meanwhile, the continued strong orders from Tenaga and the private sector require sizeable working capital for raw material (metal) purchases, reinforcing management's decision to retain internal funds for operations.

**Forecast.** Unchanged.

**Maintain BUY with an unchanged TP of RM2.65**, based on 22x FY26 fully diluted EPS (see Figure#1). Overall, we like SCGBHD for its leading position in the power cable business in Malaysia. The growing power demand and the dropout of a major competitor bodes well for the group to capture more market share. We believe Malaysia's power infrastructure demand is set to trend higher, supported by three key factors: (i) Tenaga's continued efforts to enhance grid resiliency; (ii) the ongoing expansion of national power supply; and (iii) strong electricity demand growth from energy-intensive industries such as DC. Listed power infrastructure players with access to capital and economies of scale are best positioned to capitalise on this multi-year upcycle

## Financial Forecast

All items in (RM m) unless otherwise stated

### Balance Sheet

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Cash	96.0	83.2	80.5	117.8	157.4
Receivables	264.9	315.3	387.8	438.2	504.0
Inventories	144.1	183.7	215.4	247.7	284.9
PPE	54.6	81.9	102.3	121.3	138.8
Others	45.9	57.1	55.5	53.8	52.1
<b>Assets</b>	<b>605.6</b>	<b>721.2</b>	<b>841.5</b>	<b>978.8</b>	<b>1137.2</b>
Payables	82.8	89.8	107.4	123.4	141.9
Debt	195.7	215.7	215.7	215.7	215.7
Others	12.0	13.9	13.9	13.9	13.9
<b>Liabilities</b>	<b>290.5</b>	<b>319.4</b>	<b>337.0</b>	<b>353.0</b>	<b>371.5</b>
Shareholder's equity	315.0	401.8	504.5	625.8	765.7
<b>Equity</b>	<b>315.0</b>	<b>401.8</b>	<b>504.5</b>	<b>625.8</b>	<b>765.7</b>

### Cash Flow Statement

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Profit before taxation	39.0	92.3	159.0	187.8	216.5
D&A	9.2	11.1	12.7	14.2	15.7
Working capital	65.0	-83.3	-86.6	-66.8	-84.4
Taxation	-1.8	-17.2	-38.1	-45.1	-52.0
Others	11.6	8.3	0.0	0.0	0.0
<b>CFO</b>	<b>123.0</b>	<b>11.3</b>	<b>47.0</b>	<b>90.1</b>	<b>95.9</b>
Capex	-7.8	-49.2	-31.5	-31.5	-31.5
Others	-1.0	0.0	0.0	0.0	0.0
<b>CFI</b>	<b>-8.8</b>	<b>-49.2</b>	<b>-31.5</b>	<b>-31.5</b>	<b>-31.5</b>
Shares issued	0.0	1.0	2.0	3.0	4.0
Dividends	-2.2	-13.1	-18.1	-21.4	-24.7
Others	-37.8	36.7	-2.0	-3.0	-4.0
<b>CFF</b>	<b>-40.1</b>	<b>24.6</b>	<b>-18.1</b>	<b>-21.4</b>	<b>-24.7</b>
<b>Net cash flow</b>	<b>74.1</b>	<b>-13.3</b>	<b>-2.7</b>	<b>37.2</b>	<b>39.7</b>
Others	0.0	0.5	0.0	0.0	0.0
Beginning cash	21.9	96.0	83.2	80.5	117.8
Ending cash	96.0	83.2	80.5	117.8	157.4

### Income Statement

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Revenue	1053.1	1347.0	1656.8	1905.4	2191.2
EBITDA	57.7	113.0	181.2	211.6	241.8
EBIT	48.5	101.9	168.5	197.4	226.1
Profit before tax	39.0	92.3	159.0	187.8	216.5
Tax	-9.6	-20.0	-38.1	-45.1	-52.0
Net profit	29.4	72.3	120.8	142.7	164.6
Minority interest	0.0	0.0	0.0	0.0	0.0
Reported PATMI	<b>29.4</b>	<b>72.3</b>	<b>120.8</b>	<b>142.7</b>	<b>164.6</b>
Exceptionals	0.4	1.8	0.0	0.0	0.0
Core PATMI	29.8	74.1	120.8	142.7	164.6
Consensus core PATMI	-	-	-	-	-
HLIB/ Consensus	N/A	N/A	N/A	N/A	N/A

### Valuation & Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
Core EPS (sen)	2.5	6.2	10.1	11.9	13.7
P/E (x)	87.3	35.2	21.6	18.2	15.8
DPS (sen)	0.8	0.8	2.3	2.7	3.1
Dividend yield (%)	0.3%	0.3%	1.0%	1.2%	1.4%
BVPS (RM)	0.26	0.33	0.42	0.52	0.64
P/B (x)	8.3	6.5	5.2	4.2	3.4
EBITDA margin	5.5%	8.4%	10.9%	11.1%	11.0%
EBIT margin	4.6%	7.6%	10.2%	10.4%	10.3%
PBT margin	3.7%	6.9%	9.6%	9.9%	9.9%
Net margin	2.8%	5.4%	7.3%	7.5%	7.5%
ROE	9.5%	18.4%	23.9%	22.8%	21.5%
ROA	4.9%	10.3%	14.4%	14.6%	14.5%
Net gearing	32%	33%	27%	16%	8%

**Figure #1 FV calculation**

<b>Valuation</b>	<b>Basic</b>	<b>Fully Diluted</b>
FY25F projected after tax earnings (RM'm)	142.7	142.7
+Net Interest savings	-	2.0
Adjusted FY26F projected earnings (RM'm)	142.7	144.7
Number of shares (m)	983.3	983.3
+ Number of warrents (m)	-	216.7
Number of fully diluted shares (m)	983.3	1,200.0
EPS	14.5	12.1
Fair Value (RM)	3.19	2.65

HLIB Research

## Disclaimer

The information contained in this report is based on data obtained from sources believed to be reliable. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, are made as to the accuracy, adequacy, completeness or reliability of the info or opinions in the report.

Accordingly, neither Hong Leong Investment Bank Berhad nor any of its related companies and associates nor person connected to it accept any liability whatsoever for any direct, indirect or consequential losses (including loss of profits) or damages that may arise from the use or reliance on the info or opinions in this publication.

Any information, opinions or recommendations contained herein are subject to change at any time without prior notice. Hong Leong Investment Bank Berhad has no obligation to update its opinion or the information in this report.

Investors are advised to make their own independent evaluation of the info contained in this report and seek independent financial, legal or other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise represents a personal recommendation to you.

Under no circumstances should this report be considered as an offer to sell or a solicitation of any offer to buy any securities referred to herein.

Hong Leong Investment Bank Berhad and its related companies, their associates, directors, connected parties and/or employees may, from time to time, own, have positions or be materially interested in any securities mentioned herein or any securities related thereto, and may further act as market maker or have assumed underwriting commitment or deal with such securities and provide advisory, investment or other services for or do business with any companies or entities mentioned in this report. In reviewing the report, investors should be aware that any or all of the foregoing among other things, may give rise to real or potential conflict of interests.

This research report is being supplied to you on a strictly confidential basis solely for your information and is made strictly on the basis that it will remain confidential. All materials presented in this report, unless specifically indicated otherwise, are under copyright to Hong Leong Investment Bank Berhad. This research report and its contents may not be reproduced, stored in a retrieval system, redistributed, transmitted or passed on, directly or indirectly, to any person or published in whole or in part, or altered in any way, for any purpose.

This report may provide the addresses of, or contain hyperlinks to websites. Hong Leong Investment Bank Berhad takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to Hong Leong Investment Bank Berhad own website material) are provided solely for your convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or Hong Leong Investment Bank Berhad website shall be at your own risk.

1. As of 15 October 2025, Hong Leong Investment Bank Berhad has proprietary interest in the following securities covered in this report:

(a) -

2. As of 15 October 2025, the analyst(s) whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) -

### Published & printed by:

#### Hong Leong Investment Bank Berhad (10209-W)

Level 28, Menara Hong Leong,  
No. 6, Jalan Damanlela,  
Bukit Damansara,  
50490 Kuala Lumpur  
Tel: (603) 2083 1800  
Fax: (603) 2083 1766

### Stock rating guidelines

<b>BUY</b>	Expected absolute return of +10% or more over the next 12 months.
<b>HOLD</b>	Expected absolute return of -10% to +10% over the next 12 months.
<b>SELL</b>	Expected absolute return of -10% or less over the next 12 months.
<b>UNDER REVIEW</b>	Rating on the stock is temporarily under review which may or may not result to a change from the previous rating.
<b>NOT RATED</b>	Stock is not or no longer within regular coverage.

### Sector rating guidelines

<b>OVERWEIGHT</b>	Sector expected to outperform the market over the next 12 months.
<b>NEUTRAL</b>	Sector expected to perform in-line with the market over the next 12 months.
<b>UNDERWEIGHT</b>	Sector expected to underperform the market over the next 12 months.

The stock rating guidelines as stipulated above serves as a guiding principle to stock ratings. However, apart from the abovementioned quantitative definitions, other qualitative measures and situational aspects will also be considered when arriving at the final stock rating. Stock rating may also be affected by the market capitalisation of the individual stock under review.

