Southern Cable Group

HLIB Research PP 9484/12/2012 (031413)
11 August 2026
Company Update

Better-than-expected

We recently hosted a small group visit to SCGBHD's manufacturing facilities and came away more positive on the group's earnings outlook. Beyond confirming that its ongoing capacity expansion remains on track, the key takeaway was the strength of its recent order intake, particularly from the DC and 132kV segments. With these higher-margin PO-based orders likely to see peak deliveries in 3Q26, the resulting mix shift could offset margin pressure from Tenaga sales and potentially keep group margins broadly resilient, if not improve them. We continue to see upside from our earnings projection for FY27 should the expansion plans progress smoothly as planned. All in, we maintain BUY with an unchanged TP of RM2.95

We recently hosted a small group visit to SCGBHD's manufacturing facilities to assess the progress of its ongoing capacity expansion. Overall, we came away reassured that the group's expansion remains on track.

Strong order momentum. SCGBHD secured c.RM200m of DC-related orders in 2Q26 alone – which is meaningful against its estimated DC-related sales of c.RM354m in FY25. At the same time, we gather that its existing 132kV capacity is fully booked through year-end, supported by strong demand from the solar segment. Its newly qualified 132kV 1,600-1,800 sq mm cable has also begun attracting interest from DC customers, with revenue contribution likely to become more visible from FY27 given the typical 6-8 month lead time from PO to delivery. While margins are broadly comparable to its existing 132kV 800 sq mm variant, the larger conductor size expands SCGBHD's addressable market within the fast-growing DC segment, where 1,200-1,800 sq mm cables are more commonly required. Separately, US shipments are targeted at c.50 containers per month in FY26, with a stronger ramp expected from FY27 as new machinery at Plant B comes online.

3Q26 may be better than feared. We had previously expected higher resin prices amid the US-Iran war to weigh on 3Q26 margins, particularly for Tenaga orders, before revised pricing begins to flow through from 4Q26. However, the strong DC and 132kV order intake changes that setup. With these higher-margin PO-based orders likely to see peak deliveries in 3Q26, the resulting mix shift could offset margin pressure from Tenaga sales and potentially keep group margins broadly resilient, if not improve them. Should this materialise, we see upside risk to our earnings forecasts from both stronger revenue and better-than-expected margins. To note, our current revenue assumptions largely reflect only the full-year contribution from last year's capacity expansion.

First capacity leg progressively coming online in 2H26. Against current capacity of c.55k km/year, SCGBHD's planned 5k km/year expansion is expected to progressively come online from Jul-26, with the full benefit likely to be reflected by 4Q26. The expansion is being carried out through a combination of machine upgrades at its existing LV cable plants and additional production lines at its HQ (Figure#1). Upgrades at the LV plants were completed in Jul-26, while additional capacity is currently being installed at its HQ. Following the commissioning of a new aluminium furnace at Plant A, SCGBHD has demolished its old aluminium furnace at its HQ, freeing up space for two new stranding lines. One has been installed, while the second is undergoing on-site hook-up works (Figure#2-3). To support growing DC demand, the group is also installing a new copper furnace and up-casting line (Figure#3-4), which will increase copper furnace capacity by 500mt/month to 2,000mt/month.

Next capacity leg supports FY27 growth. The biggest change from our previous visit in Jul-25 was the progress at Plants A and B, which will serve as a key capacity expansion enabler for SCGBHD over FY27-28. The initial target is for Plants A and B to lift the group's total capacity to 65k km/year by 2027. At Plant A, the new aluminium furnace with capacity

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BUY (Maintain)

Target price (TP):	**RM2.95**
Previous TP:	RM2.95
Current price:	**RM2.50**

Capital upside	18.0%
Dividend yield	0.8%
Total expected return	18.8%

Sector classification

Power infrastructure

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

Major shareholders

Sino shield Sdn Bhd	25.8%
Employees Provident Fund	8.9%
Manulife Financial Corp	4.6%

Share price chart

Stock information

Bloomberg ticker	SCGBHD MK
Bursa stock code	0225
Issued shares (m)	1,272
Market capitalisation (RM m)	3,179
3M average volume ('000)	5,070
Shariah compliant	Yes
FTSE Russell ESG rating	N.A

Core earnings summary

FYE Dec	FY25	FY26f	FY27f
PATMI (RM m)	131.4	151.3	174.6
EPS (sen)	10.8	11.6	13.4
P/E (x)	23.2	21.5	18.6

of 3.5k mt/month has been operational since Mar-26 (Figure#6-7), with ample surrounding space available to house additional production lines. At Plant B, apart from the main factory building, the group has also completed a three-storey facility earmarked for future rubber cable production. New machinery for Plant B are expected to be delivered over the next two months, with production targeted to commence in 1Q27-2Q27. Given Plant B's proximity to the aluminium furnace, the new lines are likely to focus on aluminium-based cables, catering to demand from both Tenaga and the US market. Importantly, the production lines are interchangeable between Malaysian and UL specifications, allowing SCGBHD to flex capacity according to demand.

The CCV line at Plant A. Beyond expanding its LV capacity, another key focus of the expansion is to add a new CCV line at Plant A (vs four existing lines at HQ), while extending SCGBHD's product capability into 275kV cables. The new line will be capable of producing 33kV, 132kV and 275kV cables, with estimated annual capacity of c.2,000km if utilised for MV cables or c.400km at higher voltage (vs current max capacity of 300km). As CCV production requires a multi-storey vertical setup, SCGBHD will demolish an existing building inherited from the previous owner in Plant A (Figure#8) and construct a new seven-storey facility to house the line. Construction is expected to commence by 4Q26, with the building targeted for completion by mid-27 and machinery installation thereafter. While the line will eventually support 275kV cables, we expect initial utilisation to be skewed towards 132kV demand, given that 275kV cables require around 18 months of qualification with Tenaga after sample being produced.

Forecast. Unchanged.

Maintain BUY with an unchanged TP of RM2.95, based on 22x FY27 fully diluted EPS. 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. In our view, MIDA's import restrictions on power cables (up to 33kV), unless local variants or capacity are unavailable, places Malaysian cable manufacturers in a strong position to benefit from the power infrastructure wave.

Financial forecast table

Balance Sheet

FYE Dec	FY24	FY25	FY26F	FY27F	FY28F
Cash	83.2	254.0	326.4	374.2	467.6
Receivables	315.3	498.7	540.1	621.1	677.0
Inventories	183.7	210.8	228.3	262.5	286.2
PPE	81.9	126.5	144.1	160.2	174.9
Others	57.1	62.7	61.0	59.2	57.4
Assets	**721.2**	**1152.8**	**1299.8**	**1477.3**	**1663.1**
Payables	89.8	124.2	135.0	155.3	169.3
Debt	215.7	235.7	235.7	235.7	235.7
Others	13.9	41.9	41.9	41.9	41.9
Liabilities	**319.4**	**401.8**	**412.6**	**432.9**	**446.9**
Shareholder's equity	401.8	751.0	887.2	1044.4	1216.2
Equity	**401.8**	**751.0**	**887.2**	**1044.4**	**1216.2**

Cash Flow Statement

FYE Dec	FY24	FY25	FY26F	FY27F	FY28F
Profit before taxation	92.3	177.2	199.1	229.8	251.2
D&A	11.1	14.3	15.7	17.2	18.6
Working capital	-83.3	-166.7	-48.0	-95.0	-65.5
Taxation	-17.2	-32.8	-47.8	-55.1	-60.3
Others	8.3	18.1	0.0	0.0	0.0
CFO	**11.3**	**10.1**	**119.0**	**96.8**	**144.0**
Capex	-49.2	-61.8	-31.5	-31.5	-31.5
Others	0.0	-130.5	0.0	0.0	0.0
CFI	**-49.2**	**-192.3**	**-31.5**	**-31.5**	**-31.5**
Shares issued	1.0	2.0	3.0	4.0	5.0
Dividends	-13.1	-20.4	-15.1	-17.5	-19.1
Others	36.7	243.0	-3.0	-4.0	-5.0
CFF	**24.6**	**224.6**	**-15.1**	**-17.5**	**-19.1**
Net cash flow	**-13.3**	**42.4**	**72.3**	**47.8**	**93.4**
Others	0.5	128.4	0.0	0.0	0.0
Beginning cash	96.0	83.2	254.0	326.4	374.2
Ending cash	83.2	254.0	326.4	374.2	467.6

Income Statement

FYE Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue	1347.0	1759.7	1905.7	2191.6	2388.8
EBITDA	113.0	204.2	227.5	259.7	282.6
EBIT	101.9	189.9	211.8	242.5	263.9
Profit before tax	92.3	177.2	199.1	229.8	251.2
Tax	-20.0	-45.8	-47.8	-55.1	-60.3
Net profit	72.3	131.4	151.3	174.6	190.9
Minority interest	0.0	0.0	0.0	0.0	0.0
Reported PATMI	**72.3**	**131.4**	**151.3**	**174.6**	**190.9**
Exceptionals	1.8	9.0	0.0	0.0	0.0
Core PATMI	74.1	140.5	151.3	174.6	190.9
Consensus core PATMI			156.0	185.0	N.A
HLIB/ Consensus			97%	94%	N.A

Valuation & Ratios

FYE Dec	FY24	FY25	FY26F	FY27F	FY28F
Core EPS (sen)	5.7	10.8	11.6	13.4	14.7
P/E (x)	44.0	23.2	21.5	18.6	17.1
DPS (sen)	0.8	1.8	1.9	2.2	2.4
Dividend yield (%)	0.3%	0.7%	0.8%	0.9%	1.0%
BVPS (RM)	0.31	0.58	0.68	0.80	0.93
P/B (x)	8.1	4.3	3.7	3.1	2.7
EBITDA margin	8.4%	11.6%	11.9%	11.8%	11.8%
EBIT margin	7.6%	10.8%	11.1%	11.1%	11.0%
PBT margin	6.9%	10.1%	10.4%	10.5%	10.5%
Net margin	5.5%	8.0%	7.9%	8.0%	8.0%
ROE	18.4%	18.7%	17.1%	16.7%	15.7%
ROA	10.3%	12.2%	11.6%	11.8%	11.5%
Net gearing	33%	Cash	Cash	Cash	Cash

Figure #1 New 5k km/year located in HQ and its existing LV plant

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Figure #2 New copper furnace sits alongside the existing two at HQ

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Figure #3 New up-casting line supporting the new copper furnace

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Figure #4 **Ongoing on-site hook-up works for the new stranding line at HQ**

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Figure #5 **New stranding line installed at HQ following removal of the aluminium furnace**

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Figure #6 **Plant A's aluminium furnace**

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Figure #7 **Ample space in front of the aluminium furnace for additional machinery**

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Figure #8 **Existing building to be demolished for the new seven-storey CCV facility**

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Figure #9 **Plant B**

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Figure #10 **Three-storey building at Plant B for future product expansion**

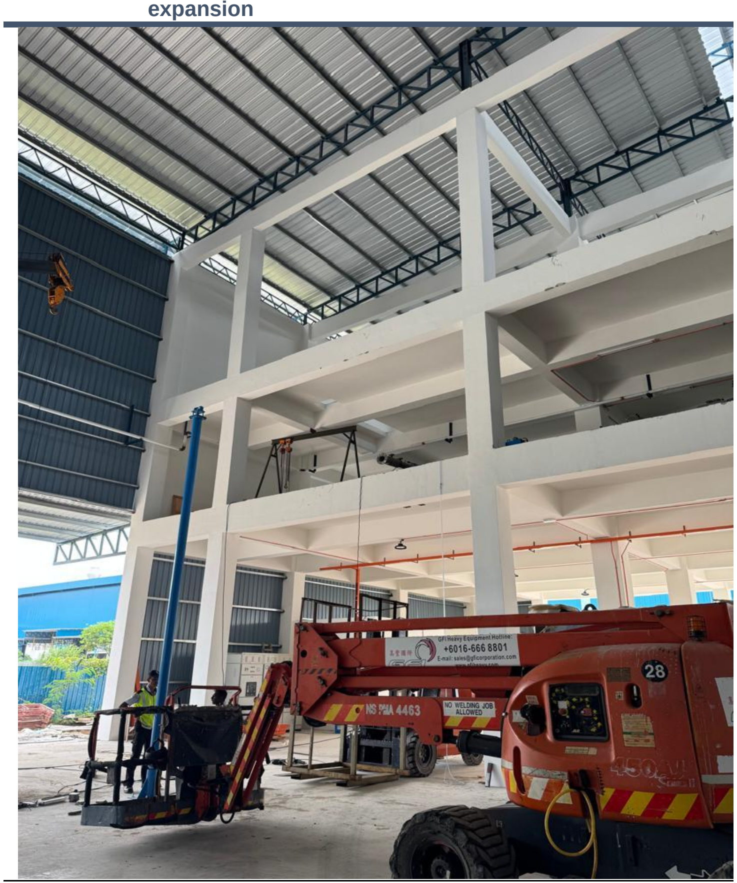

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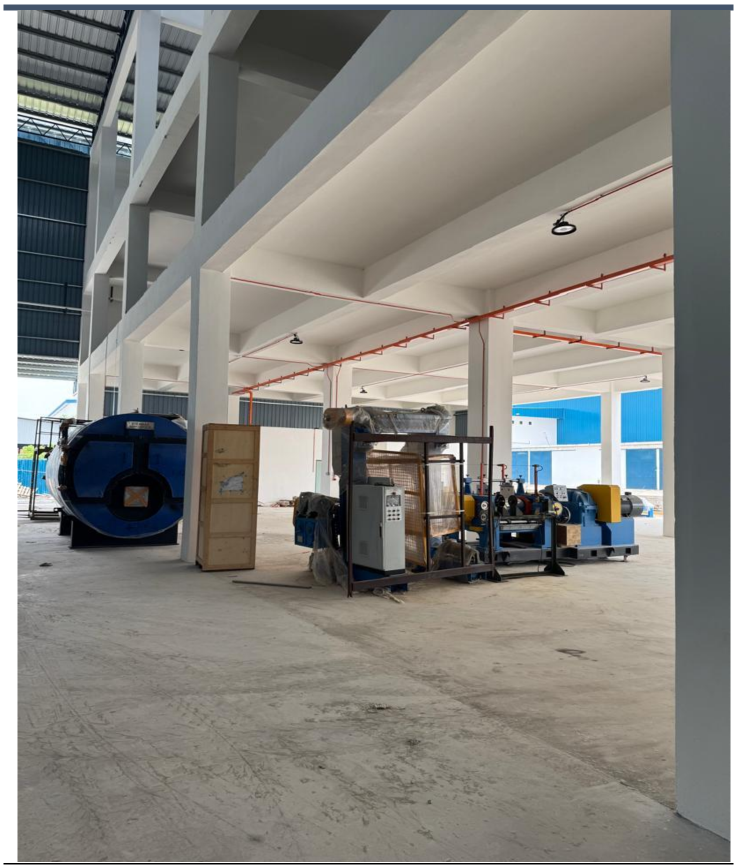
Figure #11 **New machinery delivered to Plant B**



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1. As of 11 August 2026, Hong Leong Investment Bank Berhad has proprietary interest in the following securities covered in this report:
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2. As of 11 August 2026, 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:
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Stock rating guide

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

Sector rating guide

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

The stock rating guide 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.