

Southern Cable Group

Cables in High Demand

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SCGBHD's 2QFY26 results came in within expectations, with CNP of RM41m bringing 1HFY26 CNP to RM76m, accounting for 49% of both our and consensus full-year forecasts. QoQ earnings improved 15% following the normalisation of operating days after festive-season disruptions in 1QFY26. Despite a less favourable product mix, with 2Q skewed more towards MV-LV cables versus higher HV contribution in 1Q, GP margin remained broadly stable, which we believe was supported by better upstream efficiency following the commissioning of the new aluminium furnace. Looking ahead, earnings should remain firm on stronger HV cable deliveries, which we expect to ramp up from LSS5 and LSS5+ projects, normalising US sales, and further cost efficiencies from the new plastic compounding facility. We raise our TP to RM2.98 (from RM2.76). Maintain OUTPERFORM.

Within expectations. SCGBHD's 2QFY26 CNP came in at RM41m (+15% QoQ, +25% YoY), bringing 1HFY26 CNP to RM76m (+25% YoY). This accounted for 49% of both our and consensus full-year estimates, which we deem within expectations. SCGBHD also declared a 1.20 sen interim dividend/share for the quarter.

QoQ. CNP increased 15%, mainly supported by the normalisation of operating days following the festive-season disruptions in 1QFY26, which drove higher sales of power cables and wires. Despite a less favourable product mix, with 2Q skewed more towards MV-LV cables compared with the higher HV contribution in 1Q, GP margin remained broadly stable. We believe this was partly supported by better upstream efficiency following the commissioning of the new aluminium furnace in Apr 2026. Control and instrumentation cables and wires also recorded stronger contribution, with revenue rising c.50% QoQ. Meanwhile, the effective tax rate increased to 25% from 23%, mainly due to deferred tax arising from capital expenditure, partially offset by tax-exempt income from short-term funds.

YoY. CNP improved 25%, mainly supported by higher sales volume following the expansion in production capacity to 54,980km/year from 51,980km/year. Power cables and wires remained the key growth driver, while the stronger contribution from other cable segments was broadly consistent with the factors highlighted above.

Outlook. We expect SCGBHD's earnings momentum to remain firm in the coming quarters, supported by a more favourable product mix, as we believe HV cable deliveries for LSS5 and LSS5+ projects should begin to ramp up. The scheduled commissioning of the new plastic compounding facility, which will raise annual capacity by c.54% to 12,000 tonnes from 7,800 tonnes, should also improve upstream efficiency and help support GP margins. US sales, which were softer in 2Q due to delivery timing, are expected to normalise in 3Q and provide another earnings growth driver. Current orders on hand stood at c.RM1.4b, of which c.54% comprised firm order-book contracts, with the remainder mainly from purchase orders.

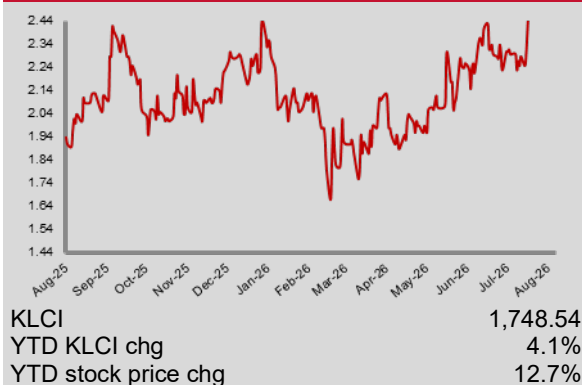
Forecasts. Maintained.

Valuations. We raise our TP to **RM2.98** (from RM2.76) after increasing our target PER to 20x from 18x FY27F EPS, incorporating a 3% ESG premium. The higher multiple reflects SCGBHD's improving structural growth prospects, particularly from potential local-content requirements for new DC developments (refer to [Positioning For The Second Wave](#)), similar to the framework adopted in Selangor. As power cables remain

OUTPERFORM ↔

Price : **RM2.58**
Target Price : **RM2.98** ↑

Share Price Performance



Stock Information

Shariah Compliant	No
Bloomberg Ticker	SCGBHD MK Equity
Market Cap (RM m)	3,288.4
Shares Outstanding	1,274.6
52-week range (H)	2.62
52-week range (L)	1.67
3-mth avg. daily vol.	5,641,538
Free Float	70%
Beta	1.24

Major Shareholders

Sino Shield Sdn. Bhd	25.8%
Employees Provident	8.7%
Semangat Handal Sdn.	4.6%

Summary Earnings Table

FYE Dec (RM m)	2025A	2026F	2027F
Turnover	1,759.7	1,877.8	2,148.3
Operating Profit	187.5	219.5	264.7
Profit Before Tax	177.2	205.8	255.5
Net Profit	131.4	156.4	194.2
Core Net Profit	139.5	156.4	194.2
Consensus (NP)		156.6	187.7
Earnings Revision			
Core EPS (sen)	15.1	15.3	19.0
Core EPS Growth (%)	90.6	12.1	24.2
NDPS (sen)	2.9	3.5	4.5
NTA per Share (RM)	0.8	0.8	1.0
PER (x)	17.1	16.9	13.6
PBV (x)	3.2	3.3	2.6
Net Gearing (x)	0.1	0.3	0.2
Net Div. Yield (%)	1.1	1.4	1.7

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a critical component of power connectivity, we believe such requirements could provide an additional structural demand catalyst for locally manufactured power cables over the foreseeable future.

Investment case. We like SCGBHD given: (i) its position as one of the few cable manufacturers capable of supplying the full range of TNB cables, with utility revenue contributing c.30% of total sales; (ii) its fully funded capacity expansion (+12% by 2027) could generate up to RM2.4b in annual revenue at full run rate, offering clear earnings upside; (iii) the exit of SCABLE (PN17) and TNB's push for local content have reshaped the competitive landscape in SCGBHD's favour; and (iv) diversification into the US export market, with only two products currently, provides high-margin growth potential as more products come online.

Risks to our call include: (i) policy risk, (ii) sustained hikes in polymer prices, and (iii) geopolitical and trade policy risk.

Results Highlights

FYE Mar (RM m)	2Q26	1Q26	QoQ	2Q25	YoY	1H26	1H25	YoY
Revenue	528	433	22%	419	26%	960	810	19%
Cost of sales	-458	-375	22%	-362	26%	-834	-702	19%
Gross Profit	69	57	21%	57	22%	127	108	17%
Other income	1	2	-31%	0	473%	3	1	92%
Administrative expenses	-5	-4	15%	-3	32%	-9	-9	0%
Sales and distribution expenses	-10	-10	5%	-9	12%	-19	-18	11%
Operating Profit	56	45	24%	45	25%	101	83	22%
Finance Income	0	1	-575%	1	-623%	1	1	-746%
Finance costs	-3	-3	N.A.	-3	N.A.	-6	-6	N.A.
Profit before tax	54	43	25%	42	28%	97	78	24%
Tax expense	-13	-10	33%	-10	26%	-23	-19	22%
Net Profit	41	33	22%	32	28%	74	59	25%
Core Net Profit	41	35	15%	32	29%	76	61	25%
GP Margin	13%	13%		14%		13%	13%	
Operating Margin	11%	10%		11%		11%	10%	
PBT Margin	10%	10%		10%		10%	10%	
Net Margin	8%	8%		8%		8%	7%	
Core Net Margin	8%	8%		8%		8%	7%	
Effective tax rate	25%	23%		25%		24%	24%	

Source: Company, Kenanga Research

Segmental Breakdown

External Revenue	2Q26	1Q26	QoQ	2Q25	YoY	1H26	1H25	YoY
Power	479	391	23%	388	23%	870	755	15%
Communication	0	1	-81%	0	-17%	1	1	63%
Control and instrumentation	20	13	50%	11	84%	33	18	82%
Others	42	39	10%	32	34%	81	59	37%
Adjustment	-14	-11	25%	-12	22%	-26	-23	10%
Total Revenue	527	433	22%	419	26%	960	810	19%
GP breakdown								
Power	64	53	20%	54	20%	118	102	15%
Communication	0	0	-33%	0	12%	0	0	24%
Control and instrumentation	4	3	49%	2	81%	6	4	75%
Others	1	1	115%	1	16%	2	2	10%
Adjustment	0	0	-167%	0	117%	0	0	N.A.
Total GP	69	57	21%	57	22%	127	108	17%
GP Margins								
Power	13%	14%		14%		14%	14%	
Communication	64%	18%		48%		25%	33%	
Control and instrumentation	19%	19%		19%		19%	20%	
Others	3%	2%		4%		2%	3%	
Adjustment	2%	-3%		1%		0%	1%	
Total	13%	13%		14%		13%	13%	

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliance	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.
MANUFACTURING																	
ANCOM NYLEX BHD	OP	0.875	1.50	71.4%	909.4	Y	05/2027	8.9	10.3	9.4%	15.8%	9.8	8.5	1.1	12.2%	2.5	2.9%
BM GREENTECH BHD	UP	1.66	1.72	3.6%	1,141.7	Y	03/2027	11.3	12.2	11.5%	7.5%	14.7	13.6	3.2	22.5%	1.8	1.1%
BP PLASTICS HOLDINGS BHD	OP	0.760	0.870	14.5%	213.9	Y	12/2026	9.1	8.7	100.2%	-4.5%	8.3	8.7	0.7	9.2%	4.3	5.6%
HPP HOLDINGS BHD	MP	0.295	0.300	1.7%	114.7	Y	05/2027	2.0	2.3	146.9%	12.7%	14.5	12.9	0.9	6.3%	2.0	6.8%
KUMPULAN PERANGSANG																	
SELANGOR BHD	UP	0.560	0.480	-14.3%	300.9	Y	12/2026	4.4	4.8	143.9%	8.4%	12.6	11.6	0.3	2.2%	2.0	3.6%
SCIENTEX BHD	OP	3.70	3.91	5.7%	5,758.2	Y	07/2026	39.5	39.4	17.0%	-0.4%	9.4	9.4	1.2	13.4%	13.0	3.5%
SOUTHERN CABLE GROUP BHD	OP	2.58	2.68	3.9%	3,288.4	Y	12/2026	12.4	15.0	15.3%	21.7%	20.9	17.2	4.2	20.9%	3.5	1.4%
SLP RESOURCES BHD	OP	0.865	0.900	4.0%	274.2	Y	12/2026	6.0	6.5	11.7%	8.4%	14.4	13.2	1.2	9.1%	1.3	1.4%
TECHBOND GROUP BHD	OP	0.285	0.350	22.8%	216.2	N	06/2027	3.0	3.0	23.5%	0.0%	9.4	9.4	0.7	7.4%	1.3	4.6%
THONG GUAN INDUSTRIES BHD	OP	1.61	1.73	7.5%	626.2	Y	12/2026	26.1	22.9	45.9%	-12.3%	6.2	7.0	0.6	10.8%	6.0	3.7%
SECTOR AGGREGATE					12,843.9					21.0%	3.7%	11.3	10.9	1.3	11.6%		3.5%

Source: Kenanga Research

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Stock ESG Ratings:**Sustainability-Related Opportunities (SROs)**

- **Energy transition beneficiary:** Southern Cable is directly leveraged to Malaysia's National Energy Transition Roadmap (NETR), grid modernisation initiatives, renewable energy integration and increasing electricity demand from industrial facilities and data centres. The Group supplies cables used in transmission and distribution networks, renewable energy projects and major infrastructure developments.
- **Climate governance leadership among industrial peers:** Southern Cable has begun transitioning from TCFD to IFRS S1 and IFRS S2 disclosures in line with Malaysia's NSRF roadmap. The Board has formal oversight of sustainability- and climate-related risks and opportunities through the Sustainability Advisory Board (SAB), Sustainability Steering Committee (SSC) and Audit & Risk Management Committee (ARMC).
- **Grid modernisation and electrification growth:** The company is expanding into high-voltage (132kV) and extra-high-voltage cable segments to support transmission upgrades and future power infrastructure investments. The Group expects continued demand growth from renewable energy projects, industrial electrification and data centre developments.
- **Operational resilience through vertical integration:** Internal aluminium casting, plastic compounding and cable drum manufacturing improve supply chain reliability, cost management and raw material availability, reducing operational disruption risk.

Sustainability-Related Risks and Disclosure Gaps

- **Scope 3 disclosure gap:** While Southern Cable has adopted IFRS S1/S2 governance structures and climate-risk oversight, comprehensive Scope 3 emissions disclosure remains absent. This limits visibility into upstream raw material emissions from copper, aluminium and plastics.
- **Environmental target gap:** The Group is currently developing sustainability- and climate-related targets. However, quantified emissions reduction targets, renewable energy targets and science-based transition pathways have yet to be disclosed.
- **Raw material transition risk:** Southern Cable remains exposed to copper, aluminium and plastic compound price volatility. Future carbon pricing or stricter environmental regulations affecting upstream suppliers could increase input costs.
- **Circular economy disclosure gap:** Limited disclosure on recycled material content, product recyclability, waste recovery rates or end-of-life cable management compared with leading international cable manufacturers.

ESG Rating

Criterion	Rating				
Environmental Impacts of Operations	★	★	★		
Workforce Health & Safety	★	★	★	★	
Lifecycle Impacts of Products & Infrastructure	★	★	★	★	
Climate Impacts of Business Mix	★	★	★	★	
Business Ethics	★	★	★	★	
Product Design & Management	★	★	★	★	
OVERALL	★	★	★	★	

☆ denotes half-star
 ★ -5% discount to TP
 ★★ -3% discount to TP
 ★★★ TP unchanged
 ★★★★ +3% premium to TP
 ★★★★★ +5% premium to TP

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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.**

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