

28 April 2026

Southern Cable Group

Growth Intact

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We recently organised a corporate access with SCGBHD and came away more confident in its ability to manage polymer cost pressures. Management has secured sufficient polymer inventory to support deliveries up to July, which should help mitigate near-term margin risks. To recap, c.70% of revenue is derived from short-term POs, where pricing is adjusted in line with prevailing input costs, allowing for effective cost pass-through. PO prices have already been revised upward by c.10%. For long-term contracts, we see a likelihood of price revisions, supported by the need to ensure industry sustainability, particularly among smaller cable manufacturers. Our base case assumes measured price revisions, implying modest earnings impact (c.3%/1% cuts to FY26F/FY27F). Maintain Outperform with a revised TP of RM2.68 (from RM2.71), based on 18x FY27F PER, supported by strong demand visibility and resilient earnings outlook.

A closer look at polymer cost pressure. Polymer prices have risen sharply by c.30%-40% YTD following recent geopolitical tensions, with prices now highly volatile and fluctuating every 1-2 days. Despite this, SCGBHD has secured sufficient polymer inventory at pre-spike prices to support its long-term contract deliveries up to July, which should help cushion near-term margin pressure. Management also remains proactive in securing additional inventory to build further buffer amid ongoing supply uncertainty.

To recap, c.70% of revenue is derived from short-term POs, where costs are passed through on a daily basis, with recent pricing already reflecting a 10% increase. The remaining c.30% is tied to long-term contracts, where polymer pricing is fixed at tendered levels and does not allow for cost pass-through. Under long-term contracts, existing TNB VO's and the first-year cycle of the TNB 1+1 contract are expected to last until 3Q.

Negotiation for Price Revision. SCGBHD and industry peers are jointly negotiating price adjustments on long-term contracts to reflect higher polymer, transportation and operating costs. Discussions are ongoing, with clarity expected by end-2Q26.

We see scope for price revisions, supported by strong RP4 demand and a fragmented cable industry, particularly within the LV segment, where smaller players are more vulnerable to rising cost pressures. This necessitates some level of price adjustment to sustain operations. For larger players like SCGBHD, part of the impact should be cushioned by economies of scale and procurement efficiencies.

High-voltage cable to support 2H26 revenue recognition. SCGBHD secured LSS5-related HV cable orders in 1Q26, with volumes already matching FY25 levels. Revenue recognition is expected to kick in from 2H26. Meanwhile, the new 33-275kV line is slated for delivery in 2H26 and will commence production in FY27, supporting higher output for both 132kV and 275kV cables.

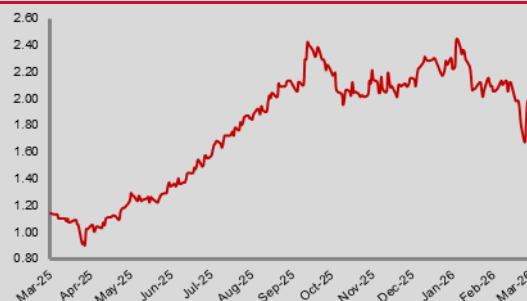
Capacity expansion on track. Current capacity stands at c.55,000km, with an additional ~5,000km expected to be added in 2H26 and a further ~5,000km in FY27, bringing total capacity to c.65,000km as Plant A and B ramp up. The Group continues to explore nearby land for further expansion, supported by strong demand visibility.

US export momentum intact. US customer demand remains strong, with monthly shipments at around 45 containers. Customers are requesting broader cable configurations. SCGBHD has obtained new PV wire certification, with commercial rollout expected in 2H26, which

OUTPERFORM ↔

Price : **RM1.91**
Target Price : **RM2.68** ↓

Share Price Performance



| | |
|---------------------|----------|
| KLCI | 1,717.27 |
| YTD KLCI chg | 2.2% |
| YTD stock price chg | -16.6% |

Stock Information

| | |
|-----------------------|------------------|
| Shariah Compliant | Yes |
| Bloomberg Ticker | scgbhd MK EQUITY |
| Market Cap (RM m) | 2,169.1 |
| Shares Outstanding | 1,135.6 |
| 52-week range (H) | 2.52 |
| 52-week range (L) | 1.08 |
| 3-mth avg. daily vol. | 6,651,569 |
| Free Float | 65% |
| Beta | 1.3 |

Major Shareholders

| | |
|----------------------|-------|
| Sino Shield Sdn. Bhd | 27.8% |
| Employees Provident | 9.1% |
| Semangat Handal Sdn. | 3.6% |

Summary Earnings Table

| FYE Dec (RM m) | 2025A | 2026F | 2027F |
|------------------------|--------------|--------------|--------------|
| Turnover | 1,759.7 | 1,877.8 | 2,148.3 |
| Operating Profit | 185.6 | 218.9 | 264.1 |
| Profit Before Tax | 177.3 | 205.2 | 255.0 |
| Net Profit | 131.5 | 156.0 | 193.8 |
| Core Net Profit | 139.6 | 156.0 | 193.8 |
| Consensus (NP) | | 159.5 | 187.0 |
| Earnings Revision | | -3.1% | -1.1% |
| Core EPS (sen) | 15.1 | 15.2 | 18.9 |
| Core EPS Growth (%) | 90.7 | 11.7 | 24.2 |
| NDPS (sen) | 2.9 | 3.5 | 4.5 |
| NTA per Share (RM) | 0.4 | 1.0 | 1.2 |
| PER (x) | 12.0 | 11.9 | 9.6 |
| PBV (x) | 4.2 | 1.9 | 1.5 |
| Net Gearing (x) | (0.0) | 0.1 | 0.0 |
| Net Div. Yield (%) | 1.6 | 1.9 | 2.5 |

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could further lift US contribution.

Earnings revision. Earnings forecasts for FY26F and FY27F are cut by 3% and 1%, respectively, due to a measured pricing outcome applied to the renewal of existing long-term contracts.

Valuations. We understand investors' concern over polymer price impact on earnings. However, we believe there is a chance of price revision considering the cable industry is very fragmented, especially LV players who rely heavily on working capital and have taken a big hit from the recent polymer price surge. Our base case already assumes conservative pricing, from which we derive a **TP of RM2.68** (from RM2.71) based on 18x FY27F EPS. Notably, even under a worst-case scenario of no price revision for renewal of existing long-term contracts, the TP would only dip to RM2.65, with limited downside. No ESG rating is available pending the FY25 full-year report. Looking ahead, 3QFY26 earnings will be the key watchpoint.

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 RM2.4bn 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.

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Peer Table Comparison

| Name | Rating | Last Price (RM) | Target Price (RM) | Upside | Market 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. |
| Stocks Under Coverage | | | | | | | | | | | | | | | | | |
| ANCOM NYLEX BHD | OP | 0.881 | 1.50 | 70.3% | 924.7 | Y | 05/2026 | 7.7 | 9.4 | 20.0% | 22.9% | 11.5 | 9.4 | 1.3 | 11.9% | 5.0 | 5.7% |
| BM GREENTECH BHD | UP | 1.32 | 1.72 | 30.3% | 907.9 | Y | 03/2026 | 11.3 | 12.2 | 11.5% | 7.5% | 11.7 | 10.8 | 2.5 | 22.5% | 1.8 | 1.4% |
| BP PLASTICS HOLDINGS BHD | MP | 0.860 | 0.870 | 1.2% | 242.1 | Y | 12/2026 | 9.1 | 8.7 | 100.2% | -4.5% | 9.4 | 9.9 | 0.8 | 9.2% | 4.3 | 4.9% |
| HPP HOLDINGS BHD | MP | 0.285 | 0.300 | 5.3% | 110.8 | Y | 05/2026 | 2.0 | 2.3 | 146.9% | 12.7% | 14.0 | 12.4 | 0.9 | 6.3% | 2.0 | 7.0% |
| 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 | 3.71 | 3.91 | 5.4% | 5,773.8 | Y | 07/2026 | 39.5 | 39.4 | 17.0% | -0.4% | 9.4 | 9.4 | 1.2 | 13.4% | 13.0 | 3.5% |
| SLP RESOURCES BHD | MP | 0.840 | 0.900 | 7.1% | 266.2 | Y | 12/2026 | 6.4 | 6.1 | 99.0% | -5.4% | 13.1 | 13.9 | 1.5 | 11.5% | 4.8 | 5.7% |
| SOUTHERN CABLE GROUP BHD | OP | 1.91 | 2.68 | 40.3% | 2,169.1 | Y | 12/2026 | 12.0 | 14.9 | 11.7% | 24.2% | 15.9 | 12.8 | 3.8 | 29.7% | 3.5 | 1.8% |
| TECHBOND GROUP BHD | OP | 0.280 | 0.470 | 67.9% | 212.4 | Y | 06/2026 | 4.1 | 4.5 | 37.5% | 9.1% | 6.8 | 6.2 | 0.8 | 12.0% | 1.0 | 3.6% |
| THONG GUAN INDUSTRIES BHD | OP | 1.63 | 1.73 | 6.1% | 637.9 | Y | 12/2026 | 26.1 | 22.9 | 45.9% | -12.3% | 6.2 | 7.1 | 0.6 | 10.8% | 6.0 | 3.7% |
| SECTOR AGGREGATE | | | | | 11,545.8 | | | | | 22.8% | 4.3% | 10.3 | 9.9 | 1.2 | 12.0% | | 4.1% |

Source: Kenanga Research

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Stock ESG Ratings:

| | Criterion | Rating | | | |
|-----------------|-----------------------------------|--------|---|---|---|
| GENERAL | Earnings Sustainability & Quality | ★ | ★ | ★ | ★ |
| | Community Investment | ★ | ★ | ★ | ★ |
| | Workers Safety & Wellbeing | ★ | ★ | ★ | ★ |
| | Corporate Governance | ★ | ★ | ★ | |
| | Anti-Corruption Policy | ★ | ★ | ★ | |
| | Emissions Management | ★ | ★ | ★ | |
| SPECIFIC | Transition to Renewables | ★ | ★ | ★ | ★ |
| | Reliable Energy & Fair Tariff | ★ | ★ | ★ | ★ |
| | Effluent/Waste Management | ★ | ★ | ★ | |
| | Ethical Practices | ★ | ★ | ★ | ★ |
| | Supply Chain Management | ★ | ★ | ★ | |
| | Customer Satisfaction | ★ | ★ | ★ | ★ |
| 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.**

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