

15 June 2026

# Southern Cable Group

## Trust the Process

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We recently attended a briefing by SCGBHD and came away more positive on its order momentum and earnings outlook. Quarterly earnings are expected to see sequential improvement, driven by resumption of business operations after the festive season and a higher mix of HV cables. Current orders in hand stand at RM925m, providing near-term earnings visibility, while new POs secured in 1QFY26 surged 82% YoY to RM458m, driven by expansion in DCs and RE (LSS5) projects. Given the Group's high utilization rate of 92% and ongoing capacity expansion (additional 5,000km by end-2026), we believe it is well-positioned to capitalize on growing utility and infrastructure demand. Maintain TP of RM2.76.

**Earnings momentum expected to continue.** Coming quarter earnings are expected to see sequential QoQ improvement, supported by: (i) resumption of business operations following the post-festive season impact in 1QFY26; (ii) higher product mix from HV cables supported by LSS5 solar farm and DC projects, with smaller quantity production already commenced in Q2; (iii) new plastic compounding facility to be commissioned in 3QFY26, expected to contribute ~1% to GP margins; and (iv) expansion of product offering for the US market, including new PV wire offering for solar applications.

**Recent hike in polymer cost.** The Group maintains stable inventory levels at RM209m, covering c.50% of outstanding POs. Discussions for price revision on the second year of the TNB 1+1 contract are ongoing, with an outcome expected in the near term. In our view, the impact from the recent polymer cost hike remains manageable as: (i) 70% of revenue is contributed by POs where pricing is based on daily commodity prices, allowing pass-through (including US POs); and (ii) recent PO prices have already been revised upward. In addition, we have assumed the Group will secure a certain percentage of price revisions in our forecasts, given that cable remains a key component in electrification development. This is particularly important for smaller LV players, which may face working capital constraints.

**US export growth as a secondary catalyst.** US sales currently represent c.10% of total revenue, with monthly shipments remaining relatively stable at 40-50 containers per month for two existing products (XHHW-2 and URD). The Group's new PV wires for solar energy systems have recently been certified, with commercialization targeted in 2HFY26, and another four certifications are in the pipeline. Despite recent hikes in freight and commodity costs, demand from the US market remains robust, with distributors expressing interest for higher production volumes. We view the US market as a secondary catalyst that could deliver double-digit growth in FY26.

**Expansion and capacity headroom.** Additional 5,000km capacity will kick in by end of 2026, bringing total capacity to 60,000km/year (expansion gradual, with majority reflected in 4QFY26). For HV capacity, the Group still has 40-50% headroom for new orders this year. The new furnace in Plant A is already operational, tripling rod reroll capacity to 60,000 metric tons, while Plant B construction (LV production) is on track for 2HFY26 completion. SCGBHD remains one of the key cable manufacturers with sufficient capacity to capture robust demand from data centres and electrification grid enhancement.

**Orders in hand.** Current orders in hand stand at RM925m, of which 52% is from the order book and the remainder from POs. New POs secured in 1QFY26 surged 82% YoY to RM458m, driven by expansion in DCs and RE (LSS5) projects.

# OUTPERFORM ↔

**Price :** RM2.11  
**Target Price :** RM2.76 ↔

### Share Price Performance



KLCI	1,683.63
YTD KLCI chg	0.2%
YTD stock price chg	-7.9%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SCGBHD MK EQUITY
Market Cap (RM m)	2,410.3
Shares Outstanding	1,142.3
52-week range (H)	2.52
52-week range (L)	1.31
3-mth avg. daily vol.	6,088,049
Free Float	68%
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	187.5	219.5	264.7
Profit Before Tax	177.2	205.8	255.5
<b>Net Profit</b>	<b>131.4</b>	<b>156.4</b>	<b>194.2</b>
<b>Core Net Profit</b>	<b>139.5</b>	<b>156.4</b>	<b>194.2</b>
Consensus (NP)	-	153.5	184.5
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)	12.0	11.8	9.5
PBV (x)	2.2	2.3	1.9
Net Gearing (x)	0.1	0.3	0.2
Net Div. Yield (%)	1.6	1.9	2.5

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**Earnings revision.** Maintained.

**Valuations.** We maintain our **TP** at **RM2.76**, based on 18x FY27F EPS, incorporating a 3% ESG premium. The ESG premium is mainly attributable to: (i) improving climate governance maturity; (ii) strong safety disclosure relative to Malaysian industrial peers; (iii) direct exposure to electrification and grid expansion themes; and (iv) its structurally positive positioning within Malaysia's energy transition. Please refer to the appendix for further ESG details.

**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 which have reshaped the competitive landscape in SCGBHD's favour; and (iv) its diversification into the US export market, with only three 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.
<b>Stocks Under Coverage</b>																	
<b>MANUFACTURING</b>																	
ANCOM NYLEX BHD	OP	0.875	1.50	71.4%	923.0	Y	05/2026	7.7	9.4	20.0%	22.9%	11.4	9.3	1.3	11.9%	5.0	5.7%
BM GREENTECH BHD	UP	1.75	1.72	-1.7%	1,203.6	Y	03/2027	11.3	12.2	11.5%	7.5%	15.5	14.4	3.4	22.5%	1.8	1.0%
BP PLASTICS HOLDINGS BHD	OP	0.690	0.870	26.1%	194.2	Y	12/2026	9.1	8.7	100.2%	-4.5%	7.6	7.9	0.7	9.2%	4.3	6.2%
HPP HOLDINGS BHD	MP	0.340	0.300	-11.8%	132.2	Y	05/2026	2.0	2.3	146.9%	12.7%	16.7	14.8	1.0	6.3%	2.0	5.9%
KUMPULAN PERANGSANG																	
SELANGOR BHD	UP	0.515	0.480	-6.8%	276.8	Y	12/2026	4.4	4.8	143.9%	8.4%	11.6	10.7	0.3	2.2%	2.0	3.9%
SCIENTEX BHD	OP	3.77	3.91	3.7%	5,867.2	Y	07/2026	39.5	39.4	17.0%	-0.4%	9.5	9.6	1.2	13.4%	13.0	3.4%
SOUTHERN CABLE GROUP BHD	OP	2.11	2.68	27.0%	2,409.5	Y	12/2026	12.4	15.0	15.3%	21.7%	17.1	14.0	3.5	20.9%	3.5	1.7%
TECHBOND GROUP BHD	OP	0.275	0.470	70.9%	208.6	N	06/2026	4.1	4.5	37.5%	9.1%	6.7	6.1	0.7	10.4%	1.0	3.6%
THONG GUAN INDUSTRIES BHD	OP	1.56	1.73	10.9%	609.7	Y	12/2026	26.1	22.9	45.9%	-12.3%	6.0	6.8	0.6	10.8%	6.0	3.8%
<b>SECTOR AGGREGATE</b>					<b>12,087.8</b>					<b>22.2%</b>	<b>4.3%</b>	<b>10.8</b>	<b>10.3</b>	<b>1.3</b>	<b>11.8%</b>		<b>3.9%</b>

Source: Kenanga Research

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**Stock ESG Ratings:**

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

☆ 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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