Southern Cable Group

Secures RM404m TNB Extension

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OUTPERFORM ↔

Price : RM2.34
Target Price : RM2.76 ↔

SCGBHD has secured a RM404m extension of its existing long-term contract from TNB for the supply of underground power cables and conductors. This contract extends the supply tenure to August 2027. Including this latest award, SCGBHD's total orders in hand has risen to RM1.3b, providing clear earnings visibility until FY27. Demand for power cables is expected to remain robust, supported by 3.8GW of signed ESAs signalling a massive wave of required grid connections over the next 12 months. This pipeline should translate into strong cable order flow over the near term. Maintain TP of RM2.76 and OUTPERFORM.

Secures RM404m extension contract from TNB. SCGBHD has secured an extension of its existing long-term contract with TNB valued at RM404m for the supply and delivery of LV and MV underground cables and conductors for the distribution division. The contract charter one year extension and will commence until August 2027, with an option for a 30% or RM121m add-on based on the contract value. Under the RP4 framework, SCGBHD has secured total TNB awards RM929m to date.

Our take. Assuming these contracts comprise a significant proportion of higher-margin MV underground cables and conductors, exercising the 30% variation option coupled with a double-digit GP margin assumption could generate total GP of close to RM60m. This would represent 21% of our forecast FY26 GP. We believe the option is highly likely to be exercised, along with additional orders up to 30% of the original contract value. Following these wins, the Group's total order book in hand has risen to RM1.3b, representing 0.8x its FY25 revenue base.

Outlook. We expect demand for power cables to remain robust over the near term. This outlook is supported by the 3.8GW of signed Electricity Supply Agreements (ESAs) disclosed in TNB's latest analyst briefing, signalling massive required grid connections within the next 12 months. This pipeline should translate into accelerated order flows and demand for power cables in the coming quarters. We believe SCGBHD is highly likely to secure additional orders from the grid, particularly as industry supply remains tight while demand continues to escalate.

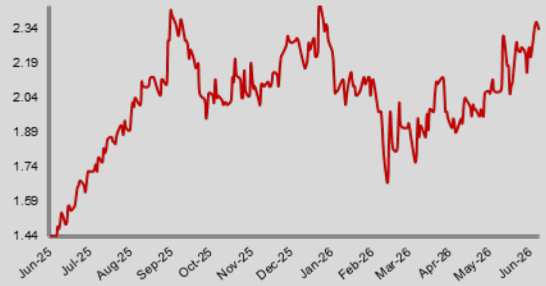
Earnings revision. Maintained our earnings forecast, as this win falls within our expectation of RM2b in FY26 order book replenishment.

Valuations. We maintain our TP at **RM2.76**, based on 18x FY27F EPS, incorporating a 3% ESG premium. Maintain **OUTPERFORM**.

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.

Share Price Performance



KLCI	1,661.83
YTD KLCI chg	-1.1%
YTD stock price chg	2.2%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	SCGBHD MK EQUITY
Market Cap (RM m)	2,954.9
Shares Outstanding	1,262.8
52-week range (H)	2.52
52-week range (L)	1.42
3-mth avg. daily vol.	6,376,194
Free Float	70%
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
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		0.0%	0.0%
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)	15.5	15.3	12.3
PBV (x)	2.9	3.0	2.4
Net Gearing (x)	0.1	0.3	0.2
Net Div. Yield (%)	1.2	1.5	1.9

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	0.830	1.50	80.7%	871.4	Y	05/2026	7.7	9.4	20.0%	22.9%	10.8	8.8	1.2	11.9%	5.0	6.0%
BM GREENTECH BHD	UP	1.78	1.72	-3.4%	1,224.3	Y	03/2027	11.3	12.2	11.5%	7.5%	15.7	14.6	3.4	22.5%	1.8	1.0%
BP PLASTICS HOLDINGS BHD	OP	0.700	0.870	24.3%	197.0	Y	12/2026	9.1	8.7	100.2%	-4.5%	7.7	8.0	0.7	9.2%	4.3	6.1%
HPP HOLDINGS BHD	MP	0.290	0.300	3.4%	112.7	Y	05/2026	2.0	2.3	146.9%	12.7%	14.3	12.7	0.9	6.3%	2.0	6.9%
KUMPULAN PERANGSANG SELANGOR BHD	UP	0.490	0.480	-2.0%	263.3	Y	12/2026	4.4	4.8	143.9%	8.4%	11.0	10.2	0.2	2.2%	2.0	4.1%
SCIENTEX BHD	OP	3.74	3.91	4.5%	5,820.5	Y	07/2026	39.5	39.4	17.0%	-0.4%	9.5	9.5	1.2	13.4%	13.0	3.5%
SOUTHERN CABLE GROUP BHD	OP	2.34	2.68	14.5%	2,954.9	Y	12/2026	12.4	15.0	15.3%	21.7%	18.9	15.6	3.9	20.9%	3.5	1.5%
SLP RESOURCES BHD	OP	0.820	0.900	9.8%	259.9	Y	12/2026	6.0	6.5	11.7%	8.4%	13.6	12.6	1.1	9.1%	1.3	1.5%
TECHBOND GROUP BHD	OP	0.265	0.470	77.4%	201.1	N	06/2026	4.1	4.5	37.5%	9.1%	6.4	5.9	0.7	10.4%	1.0	3.8%
THONG GUAN INDUSTRIES BHD	OP	1.40	1.73	23.6%	545.6	Y	12/2026	26.1	22.9	45.9%	-12.3%	5.4	6.1	0.6	10.8%	6.0	4.3%
SECTOR AGGREGATE					**12,450.6**					**22.2%**	**4.3%**	**11.1**	**10.7**	**1.3**	**11.8%**		**3.9%**

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.***

Published by:

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