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Southern Cable Group Bhd

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INDUSTRIAL PRODUCTS & SERVICES

Southern Cable Group Bhd



Riding wave of AI infrastructure boom

BY KANG SIEW LI

When investors think about the artificial intelligence (AI) and data centre (DC) boom, technology and property companies are often the first to come to mind. But the surge in demand for computing infrastructure is also creating opportunities further down the supply chain, including for power cable manufacturers like Southern Cable Group Bhd (KL:SCGBHD).

The Kedah-based cable and wire manufacturer has emerged as one of the beneficiaries of the resulting power infrastructure up cycle as DCs, renewable energy (RE) projects and grid upgrades drive demand for cables and wires.

The group posted a record net profit of RM131.42 million for the financial year ended Dec 31, 2025 (FY2025), up from RM72.32 million in the previous year. Over the past three years, its net profit has grown at a risk-weighted compound annual growth rate of 54.1%.

The growth has also been reflected in its share price, which has steadily risen from 30 sen at end-March 2023 to 50 sen a year later, RM1.07 on March 28, 2025, and RM1.79 at March 31, 2026, the cut-off date for *The Edge* Billion Ringgit Club (BRC) Awards 2026. As at Aug 28, 2026, the share price had climbed to RM2.53, giving the group a market capitalisation of RM3.23 billion.

This price movement translated to an 81.4% adjusted return over three years, earning Southern Cable recognition as the top-performing company in the industrial products and services sector for shareholder returns over three years.

Notably, Southern Cable was a winner at *The Edge* Centurion Club Corporate Awards 2025, taking home the award for the Highest growth in profit after tax over a three-year period. The Centurion Club recognises the achievements of companies with a market capitalisation of below RM1 billion. With its latest win, the group has moved up the ranks to become a BRC member.

Southern Cable maintains a dividend payout ratio of 15% of net profit. For FY2025, the company declared a dividend of 3.03 sen per share — its highest ever — compared with 1.6 sen in FY2024 and 0.75 sen in FY2023.

The momentum has carried into 2026. For 1HFY2026, its net profit rose 24.9% to RM73.73 million from RM59.05 million a year earlier, while revenue increased 18.5% to RM960.28 million. The group attributed the growth to demand from DCs and RE developments, national grid upgrades and increased building and construction activity.

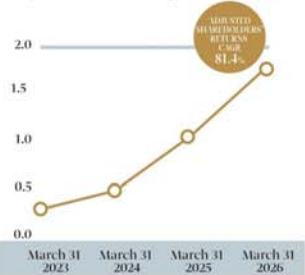
Southern Cable has also been expanding the manufacturing capacity of its factories in Kuala Ketil and Sungai Petani, Kedah, to keep pace with demand. Its cable and wire production capacity, currently 54,980km a year, is expected to increase to 60,000km by end-2026 and 65,000km by end-2027, through upgrades to existing facilities and the installation of new machinery.

The group is expanding upstream as well. Its aluminium furnace, commissioned in



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Adjusted share price (RM)



April, has lifted annual aluminium rod capacity to more than 60,000 tonnes. A new copper furnace is expected to begin operation by end-2026, increasing annual copper rod capacity to 24,000 tonnes from 18,000 tonnes.

A new plastic compound facility is also undergoing testing and is targeted for commissioning in the third quarter of 2026. It will increase annual capacity to 12,000 tonnes from 7,800 tonnes.

The investments are aimed at increasing the proportion of raw materials that Southern Cable can source internally while expanding its ability to supply larger infrastructure projects.

The group had RM1.36 billion worth of orders in hand at end-June 2026, with deliveries and revenue recognition extending to 2028. The order book includes cable and conductor supplies to power utilities as well as engineering, procurement, construction and commissioning (EPCC) contractors working on infrastructure and DC and RE projects.

A recent certification for its 132kV Miliken Conductor cable could further widen the group's addressable market, allowing it to compete for higher-capacity power connection projects.

Analysts see another potential tailwind in the push for greater local content in DC developments.

Following Southern Cable's first-half results, Kenanga Research raised its target price to RM2.98 from RM2.76 and increased its target price-earnings ratio to 20 times

from 18 times FY2027 earnings per share. The research house said the higher valuation reflected the group's improving structural growth prospects, particularly the potential introduction of local-content requirements for new DC developments.

Kenanga Research noted that Tenaga Nasional Bhd's (KL:TENAGA) push for local content has altered the competitive landscape in Southern Cable's favour. "As power cables remain 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," it said in an Aug 27 note.

Apart from Tenaga, Southern Cable's customer base includes Telekom Malaysia Bhd (KL:TM), Sabah Electricity Sdn Bhd, Petrolim Nasional Bhd and Sarawak Energy Bhd.

The group is also looking beyond Malaysia. Overseas revenue increased 44.3% to RM112.8 million in 1HFY2026 from RM78.2 million a year earlier, mainly because of stronger deliveries to the US. It said it had seen an increase in US orders alongside rising construction activity and plans to expand its presence there by broadening its product range.

Southern Cable managing director Tung Eng Hai said the group is now preparing for sustained investment in the power infrastructure sector as Malaysia's industrial and DC expansion has increased electricity demand and the energy transition has reshaped the country's power system.

"As Malaysia accelerates its transformation towards a high-value economy, sustained industrial and data centre developments are driving stronger electricity consumption, while the energy transition is reshaping the power landscape," he said when releasing the group's 1HFY2026 results on Aug 26.



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