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KUCHING: Hong Leong Investment Bank (HLIB Research) has initiated full coverage on Southern Cable Group Bhd following two years of strong operational performance under its non-rated coverage, rising institutional interest, and a robust earnings outlook.

The research house in a note on Wednesday said Southern Cable's current order book stands at RM1.32 billion, equivalent to 0.98 times its forecasted FY24 revenue.

Of this, RM792 million comprises long-term contracts from utility companies, while the remainder comes from purchase orders.

Medium-voltage (MV) cables make up more than 20 per cent of the order book, driven by strong demand from Tenaga Nasional, data centres (DC), and the Sarawak market.

High-voltage (HV) cables contribute around five per cent, supported by demand from DCs, solar projects, mainly the Corporate Green

Power Programme (CGPP) and the East Coast Rail Link (ECRL). The rest of the order book consists of low-voltage (LV) cables.

"Demand for cables remains robust, with the expanded 3,000 km per year already nearing full use reflected by the a strong 90 per cent utilisation rate in the first quarter of FY25.

"Backed by the RM1.32 billion order book and over RM1 billion in active tenders, management expects this high utilisation rate to continue," it said.

Furthermore, HLIB Research noted that management does not anticipate any delivery disruptions to its US customer despite recent announcements of reciprocal tariffs.

"Based on the committed capacity and existing delivery schedule, management expects US sales to remain steady at approximately RM30 million per quarter throughout FY25.

"This is on track to meet its initial full-year target of at least RM100 million," it said.

However, the commercial

launch of its new USE-2/RHW-2 low-voltage aluminium power cable has been delayed to the fourth quarter of 2025 from the originally planned second quarter due to delays in the importer's certification process.

The house believes the launch of this new product could be a key catalyst, potentially raising US sales beyond the current RM30 million quarterly run rate.

HLIB Research has raised its earnings forecasts for FY25, FY26, and FY27 by 8 per cent, 7 per cent, and 17 per cent respectively.

It said the sharp increase in the FY27 projection reflects the expected contribution from Lot 21 and Lot 22, which has begun construction with full commercialisation expected in second half of FY26.

HLIB Research initiated a "buy" call and a higher target price of RM1.69 per share from RM1.55 previously based on a multiple of 18 times fully diluted FY25 earnings per share of 9.4 sen.