



Strong demand for power bodes well for Southern Cable

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PETALING JAYA: To capture growing demand for cables, Southern Cable Group Bhd (SCG) has added 3,000km of new capacity year-to-date and plans to add another 2,000km by the second half of 2025 (2H25).

In a note to clients, Apex Securities said the manufacturer of cables and wires posted a record-high core net profit of RM72.3mil in the financial year 2024 (FY24) driven by strong MV and HV cable demand from rapid substation development for solar farms, data centres and fast-tracked projects under Tenaga Nasional Bhd's (TNB) Green Lane Pathway.

"As of December 2024, orders on hand stood at RM1.28bil, equivalent to one times FY24 revenue.

"Sales to the United States remained robust, with FY24 exports nearly tripling to RM40mil, and management targets RM100mil for FY25," the research firm said.

Moving forward, it said management expects core net profit margins to hover at the fourth quarter FY24 (4Q24) levels of 7.5%.

This will be underpinned by a better product mix, and the newly-added capacity and sustained momentum in US exports for aluminium-based cables and wires.

"We expect power cable demand to remain strong, driven by national grid upgrades, renewable energy projects, construction upcycle, the data centre boom and growing US demand.

"We are informed that TNB's 1+1 tender has been fully awarded, with SCG securing around a 20% market share, consistent with previous cycles."

With the liquidation of peer Sarawak Cable Bhd and Leader Cable Industry Bhd being up for sale, Apex believes that SCG would be well-positioned to capture any supply gap.

This is especially if these competitors face cash-flow constraints that hinder order fulfilment.

"This could translate into additional upside surprise orders for SCG, particularly in the MV segment, where few sizeable players remain in the field."

Apart from this, SCG's 1,800 sq m HV Milliken cables are expected to receive TNB certification by 3Q25.

However, given the specialised nature of these high-specification conductors, sales conversion may take time to materialise, with meaningful revenue contribution likely to commence from FY26 onwards, said Apex.

"We maintain our 'buy' recommendation with an unchanged target price of RM1.71 based on 18 times price to earnings ratio applied to FY25 fully diluted earnings per share of 9.5 sen along with three-star environmental, social and governance rating," it said.