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Southern Cable powers up production, earnings

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MANUFACTURING

PETALING JAYA: Southern Cable Group Bhd is poised to capture more market share in the power cable business amid the growing demand for power and a recent exit of a major competitor, says Hong Leong Investment Bank Research (HLIB Research).

The research house said in a report that it is positive about the group's outlook, given Southern Cable's leading position in the power cable business in Malaysia.

"We believe expansion of Malaysia's power infrastructure is set to trend higher, supported by Tenaga Nasional Bhd's (TNB) continued efforts to enhance grid resiliency, the ongoing expansion of national power supply and strong electricity demand from energy-intensive users such as data centres," the research house noted.

Furthermore, listed power-infrastructure players with access to capital and economies of scale are best positioned to capitalise on this multi-year upcycle, the research house added.

HLIB Research, which visited Southern Cable's plant sites at Lot 20, 21 and 22 in Kuala Ketil, Kedah, said the group is planning on capacity expansion.

Lot 22, which is adjacent to the group's existing plant, is currently undergoing civil and structural works, with machinery installation targeted by the fourth quarter of this year (4Q25).

This facility will house the group's second

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Company expanding facilities in three Kedah locations

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Hong Leong Investment Bank Research

aluminium furnace, supporting both TNB-related demand and exports to the United States. The new furnace will expand the group's aluminium furnace capacity from 21,600 tonnes per year to 63,600 tonnes.

Once Lot 22 is operational, construction work on Lots 20 and 21 will begin, with completion targeted by end-2026.

HLIB Research noted that the expansion is expected to raise the group's capacity to 65,000km of cable per year versus 49,900km in 1Q25 over the next two years.

On the product front, Southern Cable is

also on track to launch its 1,600 square millimetres (mm²) 132 kilovolt (kV) cable by next year, which will offer higher transmission capacity versus the current 800mm² specification.

In addition, demand from its US customers remained strong, with monthly orders of up to 100 containers versus the current estimated 50 containers.

Separately, Southern Cable is in the process of obtaining certification from global private safety company Underwriters Laboratories for three additional industrial

cables, which offer higher margins.

Looking ahead to 2Q25, HLIB Research expects the group to report stronger quarter-on-quarter and year-on-year earnings, driven by the full ramp-up of its additional 3,000km per year in cable capacity that was commissioned last quarter.

The group should also benefit from normalised production levels following a seasonally weaker 1Q25 amid festive holidays.

Additionally, the transition to a new long-term TNB supply contract is expected to support a modest margin rise.

The research house added that earnings momentum is likely to accelerate in the second half of this year, underpinned by the commissioning of an additional 2,000km per year capacity and the start of 132kV cable deliveries for the East Coast Rail Link project.

HLIB Research has a "buy" rating on the stock with an unchanged target price of RM1.90 per share.