

# MSM Malaysia Holdings Berhad - Visit to Sugar Refinery in Tanjung Langsat Johor

Date: 20/07/2018

Source	: MIDF	Price Target	: 3.86		Price Call	: HOLD
Stock	: MSM	Last Price	: 3.62		Upside/Downside	:  +0.24 (6.63%)

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## INVESTMENT HIGHLIGHTS

- **Visited sugar refinery in Tanjung Langsat Johor**
- **Production capacity to be boosted by 80%**
- **Earnings estimate maintained for FY18 and FY19**
- **Maintain NEUTRAL with TP of RM3.86**

**Visited sugar refinery in Tanjung Langsat Johor.** We have visited MSM Malaysia Holdings Berhad (MSM) sugar refinery which is located in Tanjung Langsat Industrial Complex, Pasir Gudang Johor. During the visit, we gather that the new refinery is almost completed. Operationally, it has received its first batch of raw sugar exceeding 40,000 tonnes and the Company has started to process the raw sugar.

**Production capacity to be boosted by 80%.** Upon completion, MSM's annual production capacity of refined sugar will be boosted by 1.0m tonnes to 2.25m tonnes (from 1.25m tonnes currently). With the completion of the refinery, MSM will be the largest sugar refiner in Asia. Note that MSM has invested USD259m for the refinery.

**Earnings estimate maintained for FY18 and FY19.** Overall, we expect MSM earnings to turnaround in FY18 with Profit After Tax estimated at RM97.1m (against FY17 Loss After Tax of RM32.6m). Key driver will be the significant decline in cost due to lower raw sugar price. For FY19, we maintain our earnings estimate of RM129.1m.

**Maintain NEUTRAL with TP of RM3.86.** Our Target Price is based on 21x Forward PE on FY19 EPS of 18.37 sen. The 21x Forward PE is based on +1.0SD Valuation as we expect earnings to turnaround in FY18. Despite the earnings turnaround, the issue of smuggled Thai sugar may limit MSM near term share price upside.

Source: [MIDF Research](#) - 20 Jul 2018

<https://c/servlets/ptres/46277.jsp>