



Oversupply, Margin Squeeze Among MSM's Latest Problems

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MIDF Amanah Investment Bank Bhd (MIDF Research) has downgraded MSM Malaysia Holdings Bhd to a **NEUTRAL** call from Trading Buy, revising its target price down to RM1.20 from RM1.55. The research house cited a slower-than-expected earnings recovery, exacerbated by a persistent oversupply of imported Thai sugar and narrowing average selling price (ASP) premiums in both domestic and export markets.

For the first quarter of FY25, MSM reported a significant drop in profitability, with profit before tax plunging 88% year-on-year to RM8 million and profit after tax declining 91.1% to RM3.7 million. MIDF Research noted that these results accounted for only 5% and 6% of its and consensus full-year earnings forecasts respectively.

The decline was driven by an 11% drop in ASPs and an 8% fall in sales volume, which offset gains from lower production costs. The situation was further worsened by unregulated dumping of imported sugar into Malaysia and sluggish demand in the local F&B sector, even during the typically stronger festive period.

Operationally, MSM's utilisation factor (UF) weakened to 47% compared to 53% in the previous quarter, mainly due to planned shutdowns at the MSM Prai and Johor refineries. The group's yield also dropped slightly to 95%, though MIDF deemed this still a high level of refining efficiency.

However, with Boiler 3 at the Johor refinery expected to commence operations in 1QFY26, UF is projected to improve to between 35% and 40% in FY25–FY26. Including uninterrupted operating days, overall UF could reach around 55% to 58%, supporting improved output capacity in the near term.

In light of earnings that fell short of expectations, MIDF Research revised its earnings forecasts downward by 52% for FY25E, 35% for FY26F and 32% for FY27F. The research house pointed to the estimated 1 million tonnes of surplus Thai sugar flooding regional markets, following export restrictions to China. This has triggered aggressive pricing competition and ASP compression across key subsegments, severely squeezing MSM's margins.

Looking ahead, MIDF Research expects MSM's earnings to remain subdued amid continued price wars and carry-forward inventory among approved permit (AP) holders. The firm is adopting a more cautious stance, anticipating a prolonged impact from the current oversupply situation.

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