

Business News [Home](#) > [Business](#) > [Business News](#)

Friday, 20 May 2016 | MYT 11:06 AM

Maybank IB maintains hold on MSM, cuts target to RM4.70

[FACEBOOK](#)
[TWITTER](#)
[GOOGLE+](#)
[LINKEDIN](#)





Popular Now in Business

- [End to Petronas-Sarawak controversy](#)
- [Sime Darby Property unveils RM8bil Alya KL](#)
- [High wages flash recession warnings in Singapore](#)
- [Researcher downgrades AirAsia to 'sell' as euphoric rise overdone](#)
- [Petronas H1 earnings down 72% to RM6.2b](#)

KUALA LUMPUR: Sugar refiner and distributor MSM Malaysia Holdings Bhd could face further margin pressure should raw sugar costs continue to trend up, according to Maybank Investment Bank Research.

“Raw sugar prices have rebounded from a low of US\$0.11 per pound from end-Sept 2015 to US\$0.17 per pound (+33% in RM terms). Positively, into 2016, we understand that the government will cease the issuance of approved permits (AP) to import sugar for industrial use.

“We view this positively as the local sugar refiners will stand to benefit in the near term. To recall that in 2015, AP imported sugar accounted for about 130,000 tonnes (estimated 9% of the local consumption),” the research house said.

MSM’s earnings fell 16.4% to RM59.34mil in the first quarter ended March 31, 2016 due to higher raw sugar cost and a weakening ringgit. Its revenue was up 8.7% to RM553.16mil from RM508.48mil.

Maybank said MSM’s first quarter results came in “below expectations” on higher-than-expected raw sugar costs and operating expenses.

Positively, the government’s cessation of sugar imported through AP (starting April 2016) could help cushion bottom-line on the clawback of volumes.

“We have revised our FY16/17/18 earnings forecasts by -9%/-7%/-3%,” Maybank said, adding that it has maintained a “hold” on MSM but with a lower target price of RM4.70.

TAGS / KEYWORDS:

[Corporate News](#) , [Analyst Reports](#) , [MSM](#) , [sugar refiner](#) , [AP](#) , [earnings](#)