Research firm maintains ‘sell’ call on MSM

CORPORATE NEWS

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PETALING JAYA: Affin Hwang Capital Research has maintained its “sell” rating on MSM Malaysia Holdings Bhd but raised its target price to RM3.70 on limited growth in FY19.

The research firm said the new Johor refinery is expected to begin production in June 2018, mainly for the export market.

However, Affin Hwang believed gross margin would be diluted as export margin is much lower than the domestic margin and assumes the depreciation and interest expenses for the refinery would weigh on MSM’s earnings, especially for FY19.

Affin Hwang noted that MSM posted a net loss of RM46mil for 9MFY17 due to a higher average raw sugar cost but it understood that the higher-cost inventory was going down.

“Management has fully locked in its cost at US$14-16 cts/lb for Q4’17 and we expect a stronger Q4’17 sequentially. We forecast that profits can be sustained into

FY18 as management has fully covered 50% of the group’s total raw sugar requirement for H1’18 at US$14-16 cts/lb.”

https://www.thestar.com.my/business/business-news/2018/01/19/research-firm-maintains-sell-call-on-msm/