

Brighter prospects for MSM in 2021

By Farah Adilla - March 9, 2021 @ 10:48am



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KUALA LUMPUR: Robust export volume for MSM Malaysia Holdings Bhd will likely sustain into 2021, with Vietnam expected to be a key contributor on top of the other existing export markets, Affin Hwang Capital said.

The firm said in 2020, MSM's export sales had surged 170 per cent year-on-year (Y-o-Y) to RM468 million, backed by higher volume tonnage of 272,000 tonnes (up 226 per cent Y-o-Y).

Affin Hwang said MSM had aimed to achieve 350,000 tonnes in export sales for 2021, with 65 per cent (220,000 tonnes) of its targeted volume already secured to date.

The group also has locked in favourable price premiums of US\$140-US\$145 per tonne for exports secured to date, tracking the rise in global refined sugar prices which have appreciated 10 per cent year-to-date.

"The tightness in supply in major production countries such as Thailand and Brazil, which coincided with the increased demand from major consumption countries such as China, is expected to keep sugar prices elevated in the near term," Affin Hwang said in a report today.

With around 80 per cent of production cost coming from raw sugar, the firm views the refreshed procurement strategy as key for MSM to sustain favourable margins going forward.

Affin Hwang said for 2021, MSM had hedged 85 per cent of its raw sugar requirement (wholesale) at US\$0.13-US\$0.14 per pound (2020: US\$0.13).

Correspondingly, it foresees MSM's gross earnings to average at 10 per cent for 2021-2023, which is higher against the past three-year average of six per cent.

Affin Hwang has maintained its "buy" call on MSM, with a higher target price of RM1.70 from RM1.27 previously.

AGENCY: New Straits Times

LINK: <https://www.nst.com.my/business/2021/03/672281/brighter-prospects-msm-2021>