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Affin Hwang Capital says it expects MSM Malaysia Holdings Bhd to reach an average production utilisation rate of 65 per cent at its Johor and Prai sugar refineries this year. FILE PIC

RM1.23 TARGET PRICE

Affin Hwang upgrades MSM rating to 'buy'

KUALA LUMPUR: MSM Malaysia Holdings Bhd's core earnings are expected to improve in its financial year 2022 and continue the recovery momentum in its financial years 2023 and 2024, said Affin Hwang Capital.

The research firm expects MSM's revenue to grow at a compound annual growth rate of 13.2 per cent for its financial years 2022 to 2024 on the back of increasing sales volume and higher average selling price across its business segments.

"MSM aims to reach an average production utilisation rate of 65 per cent this year (2021: 49 per cent) at its MSM Johor and MSM Prai refineries, which have a total annual capacity of two million tonnes.

"The group is mitigating the impact of rising prices by hedging the raw sugar requirement for the next year two years as well as hedging its US dollar foreign exchange requirement.

"Even then, we expect MSM's gross margins to contract to 6.7 per cent (-0.4 percentage points year-on-year) this year as the company partially passes on the rise in costs to customers."

Affin Hwang said MSM's share price had hit a trough after plunging 48 per cent between December last year and early last month.

The stock has recovered around 41 per cent over the past few weeks.

At current levels, the stock is deemed as undervalued.

Affin Hwang has upgraded MSM to a "buy" with a higher target price of RM1.23 from RM1 previously.

Media: NST Online

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