

MSM to benefit from normalisation of sugar ceiling prices after targeted subsidy implementation, says MIDF

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KUALA LUMPUR (April 3): MSM Malaysia Holdings Bhd stands to benefit from the normalisation of sugar ceiling prices after the implementation of targeted subsidies, according to MIDF Research.

With the Central Database Hub (Padu) system's launch, the government can streamline aid to eligible recipients while adjusting the sugar ceiling price to market rates. This initiative also supports sugar industry players like MSM and Central Sugars Refinery Sdn Bhd (CSR) in addressing margin losses from their main input cost, NY11 sugar, while ensuring food security, said the research firm in a note on Wednesday.

MIDF has revised its earnings estimates for MSM upward by 20%-25% for the financial year ending Dec 31, 2024 (FY2024) to FY2025, driven by normalisation of profit supported by potential sales volume growth in the export market, attributed to a supply gap and a new hybrid pricing mechanism. MIDF reaffirmed its 'buy' call on MSM with a higher target price of RM4.48, from RM3.43 previously.

Worst is over for MSM

Moreover, MIDF said the worst is over for MSM, as the rectification at MSM Johor has been completed. This development is expected to enable the group to increase its melting activities in anticipation of rising demand in Asia Pacific countries, spurred by supply gap issues. Consequently, this could propel the group's share price back to previous levels, it added.

Year-to-date, MSM has gained over 105% to a high of RM3.43 on March 26 — its highest level since October 2018.

As of 9.54am on Wednesday, the stock rose five sen or 1.53% to RM3.32, giving it a market capitalisation of RM2.34 billion. MSM's initial public offering price was RM3.38.

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