

Highlight

CIMB downgrades MSM; AllianceDBS ceases coverage

Neily Syafiqah Eusoff / theedgemarkets.com
August 30, 2017 15:12 pm MYT



KUALA LUMPUR (Aug 30): CIMB Investment Bank Bhd has cut its earnings forecast by up to 34% for MSM Malaysia Holdings Bhd to reflect higher raw sugar cost and start-up losses at its Johor refinery.

In a note today, CIMB analyst Ivy Ng Lee Fang said CIMB had also reduced its MSM share target price to RM2.70 from RM3.78. At 2:40pm, MSM shares changed hands at RM3.88 with 23,000 units traded.

"We continue to rate MSM a Reduce due to poor earnings and potential losses from its new sugar refinery due to weak domestic demand for sugar. Key upside risk is lower raw sugar costs or higher ceiling prices for domestic sugar," Ng said. CIMB issued its note after MSM announced its second quarter results.

Yesterday, MSM said it posted a net loss of RM21.45 million in the second quarter ended June 30, 2017 (2QFY17) from a net profit of RM23.88 million a year earlier on higher production cost due costlier raw sugar. MSM said 1HY17 net loss stood at RM56.07 million versus a net profit of RM83.02 million a year earlier.

Today, CIMB said MSM's 1HFY17 core net loss at RM56 million was wider than CIMB's and market forecast.

AllianceDBS Research Sdn Bhd analysts Abdul Azim Muhthar and Cheah King Yoong said the research firm was ceasing coverage on MSM due to its earnings outlook.

"In view of MSM's unexciting earnings prospects, low liquidity and lack of re-rating catalysts, we are ceasing coverage on the stock," they said.