

30 April 2025

SumiSaujana Group Berhad

Engineered to Flow

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INVESTMENT MERIT

As the major specialty chemical supplier for the upstream (which includes demulsifiers (for drilling) and corrosion inhibitors producer, SUMI is set to almost double its manufacturing capacity post IPO and expects to gain more market share in the upstream chemicals markets. The group has a large portfolio of clients globally, which partially mitigates its capex delay risk for local upstream players amid the PETROS & Petronas saga. It will also benefit from the expected ramp-up in upstream capex in Thailand and Indonesia. We have an ADD rating on the stock with a fair value of RM0.23/share pegged to 9x FY26F PER, which is already at -1SD for small-to-mid cap oil & gas companies, conservatively factoring in also a 10% decline in selling price in view of weaker oil price.

IPO proceeds mainly for expansions. Of the RM74.4m IPO proceeds to be raised, c. 69% will be used to fuel further growth in the company (including the acquisition and refurbishment of new facilities, working capital and R&D spending, which is a sensible move even amid rising recessionary risks globally, allowing the group to capture more market share. SUMI has already significantly increased its production capacity through the installation of two additional reactors and hybrid blend-reactor tanks in 4QCY24, which brings its capacity to 35,200 MT from 15,600 MT (a 126% increase).

Weaker local demand, but regional demand ramps up. In 2025, drilling mud demand might be more tepid YoY due to lower expected drilling activity in Malaysia, as evidenced by the recently announced Petronas Activity Outlook (2025-2027) whereby 10 rigs are needed in 2025 by Petronas as opposed to 14 in 2024. This indicates lower demand locally from Malaysia but SUMI's revenue is quite diversified regionally, with its Malaysian revenue accounting for only 18% of its FY24 revenue. Thailand and Indonesia, which account for 46% of its FY24 revenue based on the prospectus, are expected to see higher demand as both PTTEP (Thai NOC) and Pertamina (Indonesia NOC) are expected to increase their upstream capex YoY by 23% and 4% in 2025 according to PTT E&P website and Petromindo.

Ample room to gain market share. SUMI's global market share for drilling fluids is 10%, representing a significant room for further gains in market share by the group in the longer run, particularly given the group's capacity expansion and increased working capital firepower post listing. Hence, we are not overly concerned about the take-up rate of the new capacity expansion by the group as the group has already been operating at close to full utilisation before expansion. With capacity expansion, the group is expected to gain more market share both locally and globally, given its track record.

Forecasts. We expect the group's earnings to improve by 61% YoY in FY25 on the back of the recovery in demand for drilling mud products, particularly in Malaysia after some delays in late 2024. That aside, we also pencilled in its capacity expansion (126% capacity jump) with an overall utilisation assumption of 55% and this could allow the group to gain more market share using its new capacity. Subsequently, we forecast its FY26 earnings to grow further by 82% YoY after pricing in an increase of its overall plant utilisation rate to 71%, and a 10% decline in average product selling price.

	Rating	Fair Value
Last Price	-	RM0.175
Kenanga	ADD	RM0.23
Consensus	-	-

Stock Information

Shariah Compliant	Yes
Stock Name	SUMISAUJANA GROUP BHD
CAT Code	0349
Industry	Chemicals
Industry Sub-sector	Chemicals-Specialty
YTD stock price chg	-
Market Cap (RM m)	252.6
Shares Outstanding (m)	1,443.6
52-week range (Hi)	0.205
52-week range (Low)	0.165
3-mth avg. daily vol.	-
Free Float	31.5%
Beta	0.41
Altman's Z-score	-

Major Shareholders

Atreon Holdings Sdn	65.0%
Bin Norbi Norazlam	1.5%
Toh Chee Seng	1.5%

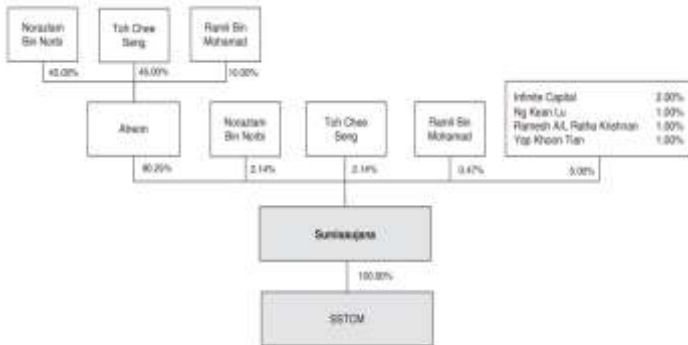
Financials

FYE Dec (RM m)	2024A	2025F	2026F
Revenue	158.6	309.4	359.0
EBIT	20.5	36.8	49.1
PBT	21.8	37.4	48.5
Net Profit (NP)	17.1	27.6	36.4
EPS (sen)	1.2	1.9	2.5
BV/Share (RM)	0.0	0.1	0.1
PER (x)	14.7	9.1	6.9
Price/BV (x)	14.8	2.1	1.6
Net Gearing (x)	-0.1	-0.2	-0.3
DPS (sen)	0.4	0.6	0.8
Div Yield (%)	2.0	3.3	4.3

ADD rating with FV of R0.24. We value SUMI at RM0.23, based on a targeted FY26F PER of 9x, which is reasonable compared to the average local small-to-mid cap chemical players that on average are trading at 10x CY25 PER (ANCOM: 10.8x, Luxchem: 10.2x, Southern Acids: 10.9x and Samchem: 10.8x). This is also on the back of SUMI’s net margin being higher than its peers at 9%, vs. 3-3.5 % which indicates that drilling fluid chemicals provide higher margins. There is no adjustment to our FV based on ESG given a 3-star rating as appraised by us (see Page 3).

Risks to our call include: (i) significantly lower Brent crude prices, (ii) long-term capex cut by Petronas, and (iii) material drop in drilling activities.

CORPORATE STRUCTURE



BUSINESS OVERVIEW

SUMI is primarily engaged in the manufacturing and trading of oil and gas (O&G) specialty and industrial chemicals, supported by technical services. Its key products include demulsifiers, corrosion inhibitors, scale inhibitors, biocides, and oxygen scavengers, which are critical for upstream and downstream O&G operations. Backed by in-house R&D, the Group also provides tailored chemical formulations, lab analysis, and on-site technical support. Based in Puncak Alam, Selangor, Sumi Saujana serves both domestic and regional clients, with exports contributing over 80% of FY2023 revenue, mainly to Thailand and Indonesia.

BUSINESS SEGMENTS

- Sumi Saujana’s manufacturing segment, contributes 79%–88 of total revenue, focuses on producing O&G specialty chemicals for drilling, production, and refining. Key products include emulsifiers, wetting agents, fluid loss additives, corrosion inhibitors, and pour point depressants, supporting drilling efficiency, asset integrity, and production flow.
- The trading segment accounts for 11%–21% of revenue, involving the trading of catalysts, sulfiding agents, fuel additives, and industrial chemicals, as well as providing technical services such as equipment rental, chemical tolling, and field support. It complements the manufacturing segment by offering integrated chemical solutions.

Source: Company

30 April 2025

ESG

While details of SumiSaujana's exact ESG initiatives or roadmap are not available yet, it is noteworthy that the company has obtained a certificate of compliance with the requirements of the International Sustainability and Carbon Certification (ISCC EU) and Renewable Energy Directive (RED II) issued by NIOSH Certification Sdn Bhd, valid from October 2024 till October 2025. This certification gives assurance that the company's biomass, biofuels, or related products and operations meet the stringent sustainability and traceability requirements of the EU, allowing it to tap into a wider market while contributing to EU greenhouse gas emission reduction goals. This adds credibility to the company's sustainability initiatives.

This is in line with the company's commitment to optimize the use of raw materials and resources, deploy technologies to reduce GHG emissions, promote the use of environmentally-friendly chemicals and additives as well as implement responsible waste reduction, disposal and recycling programmes in the O&G industry to reduce environmental impacts. We are positive on SumiSaujana's determination to provide transparent reporting and disclosure on its ESG performance, financial data and operational performance indicators as part of good governance.

Underscoring the emphasis on good governance, the group has adopted recommendations under the Malaysia Code of Corporate Governance (MCCG) where four out of its seven board members are independent directors, translating to over half of its entire board. The company has also three female directors, exceeding the 30% women directors as recommended by the MCCG. All in, we award a 3-star ESG rating to SumiSaujana, reflecting its commendable ESG initiatives pending a more detailed sustainability statement.

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★		
	Community Investment	★	★			
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★		
	Anti-Corruption Policy	★	★	★		
	Emission Management	★	★	★		
SPECIFIC	Transition to Low-Carbon Future	★	★	★		
	Conservation & Biodiversity	★	★	★		
	Effluent & Waste Management	★	★	★		
	Water Management	★	★	★		
	Supply Chain Management	★	★			
	Energy efficiency	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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