Sumisaujana Group Bhd (SUMI)

The Chemical Partner for a Thriving Oil & Gas Industry

- **Through its wholly-owned subsidiary, the Company manufactures O&G specialty chemicals, focusing on upstream drilling fluids (e.g., emulsifiers, lubricants, wellbore chemicals) and production/refinery chemicals (e.g., scavengers, corrosion inhibitors, pour point depressants).**
- **Moving forward, we project a 3-year earnings CAGR of 30.5%, with core PAT expected to reach RM29.2m, RM33.1m, and RM38.1m over the next three years. This growth will be driven by (i) strong contributions from the catalyst segment within its trading business, and (iii) the Company's capacity expansion efforts, with utilization currently at >75% as of LPD.**
- **We ascribe a fair value of RM0.30 for SUMI. Our valuation is derived by pegging a forward P/E of 14.0x to the mid-FY26f EPS of 2.16 cents, implying a 25.0% upside to its IPO price of RM0.24. While the pegged P/E represents a c.20% discount to the Industrial Products & Services Index average P/E of 18.0x, we believe this fairly reflects the Company's smaller market capitalization.**

Investment Highlights

An end-to-end chemical solutions provider. Incorporated in 2011, SUMI has positioned itself as a leading specialty chemicals manufacturer in the domestic Oil & Gas (O&G) sector. With its own formulation, the company produces drilling fluids—including emulsifiers, wetting agents, rheology modifiers, and wellbore cleaning chemicals—as well as production and refinery chemicals like scavengers and corrosion inhibitors, primarily used by upstream players. Serving clients nationwide, SUMI has significant exposure to key market players like Baker Hughes while also standing to benefit from Petronas' RM113bn domestic CapEx, projected to be utilized up until 2027.

Increased drilling activities, higher efficiency to support growth. Apart from its manufacturing segment, the Company is also involved in trading O&G specialty and industrial chemicals, including (i) sulfiding agents, (ii) cold flow improvers, and (iii) brine—while also providing related support services that complement its manufacturing business. In CY22, the Company had entered into an agreement with Topsoe A/S, a Denmark-based catalyst manufacturer, to become its major supplier for this segment. With the anticipated increase in production from upstream to downstream in mid-2025, driven by President Trump's "*drill, baby, drill*" agenda, O&G drilling activities in the US are expected to rise. This catalyst could translate into more business opportunities supported by higher demand for SUMI's products.

Expansion plan to cater growing demand onwards. As of LPD, SUMI's Puncak Alam Factory is operating at a utilization rate of over 75%. Within 12 months, the Company aims to further enhance its operational efficiency and capacity by (i) acquiring the existing Puncak Alam Factory, which it has been renting at RM720k since the commencement of its operations, and (ii) purchasing and installing a new solar PV system at the acquired facility. Apart from this, the Group has also purchased (i) two new reactors, (ii) two hybrid-blend reactors, and (iii) four storage tanks, which are expected to increase its annual capacity by 19,600 tonnes (125.6%), while also supporting its new product segment—biodegradable lubricants and transformer oil, which mainly use in upstream business. The Company is in a final stage of finalising the agreement with the MPOB. We believe this expansion will support the expected growth of its O&G specialty chemicals manufacturing business, driven by rising customer demand onwards.

IPO Note – Not rated

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Non-Rated

Share price	**RM0.24**
Target price	**RM0.30**
Previous TP	-
Capital upside	25.0%
Dividend return	3.7%
Total return	28.7%

Company profile

Incorporated in 2011, the Company principally involved in manufacturing of O&G specialty chemicals, focusing on upstream drilling fluids and production/refinery chemicals.

Stock information

Bursa Code	SUMI
Bloomberg ticker	SUMI MK
Listing market	ACE
Share issued (m)	1443.6
Market Cap (m)	346.5
Shariah compliant	YES
MITI	YES

Major shareholders	**%**
Atreon	65.0

Earnings snapshot

FYE (Dec)	FY24	FY25f	FY26f
PATMI (m)	17.1	29.2	33.1
EPS (sen)	1.19	2.03	2.29
P/E (x)	20.2	11.9	10.5

Timetable of IPO

Opening of application	13 March
Closing of application	25 March
Balloting of application	28 March
Allotment of the IPO shares	7 April
Listing on the ACE market	9 April

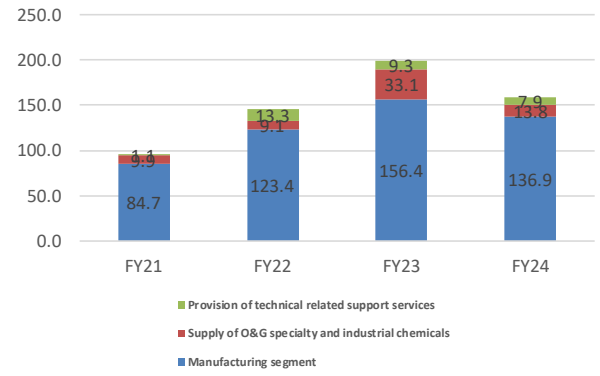
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Company Background

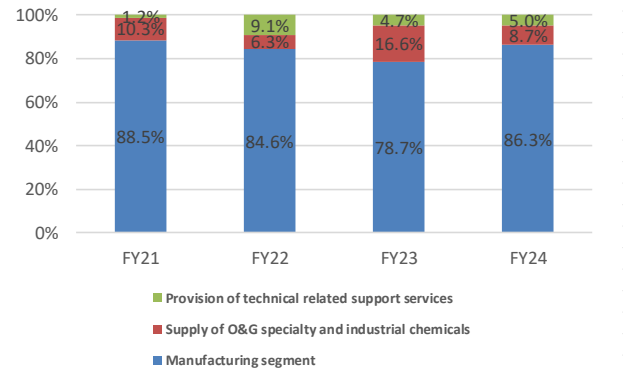
Through its wholly-owned subsidiary, the Company is primarily engaged in manufacturing O&G specialty chemicals, focusing on the upstream segment—specifically drilling fluid chemicals, including (i) emulsifiers, (ii) wetting agents, (iii) rheology modifiers, (iv) fluid loss additives, (v) spotting fluids, (vi) lubricants, (vii) mud thinners, and (viii) wellbore chemicals, as well as—producing production and refinery chemicals, including (i) scavengers, (ii) corrosion inhibitors, (iii) pour point depressants, and (iv) agglomeration chemicals.

#Fig 1: Revenue contribution by segment



Source: Sumisaujana Group Berhad, M+ Research

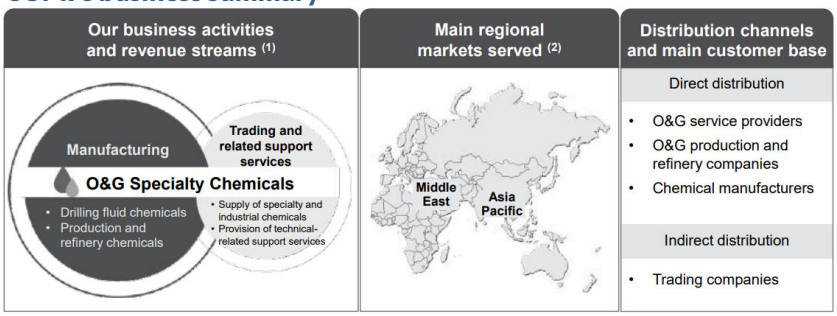
#Fig 2: Revenue contribution by segment (%)



Source: Sumisaujana Group Berhad, M+ Research

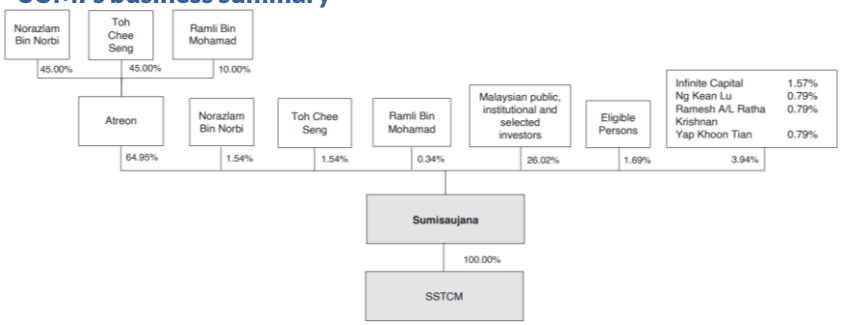
Besides that, the Company also have another two business pillars—supply of O&G specialty and industrial chemicals, including (i) catalysts, (ii) sulfiding agent, (iii) fuel additives, as well as—providing its customers with technical support related, rental of facilities and equipment like smart injection skids, tote tanks, mobilisation, demobilisation and delivery services.

Fig #3 SUMI's business summary



Source: Sumisaujana Group Berhad

Fig #4 SUMI's business summary



Source: Sumisaujana Group Berhad

Fig #5 SUMI's corporate milestones

Year	Milestones
2010 - 2015	Established in 2013, with a master purchase agreement with Customer A, signed in 2014 and renewed until 2026, extendable to 2030, supplying drilling fluid chemicals globally. Added an extra reactor in 2015, increasing annual capacity from 4,100 tonnes to 7,400 tonnes, supporting growing demand.
2016 - 2017	Business Relationship with Customer B – Began supplying drilling fluid chemicals to a global Customer B in 2016, expanding its customer base. Registered with Petronas, obtained its first license, and currently holds 41 SWEC codes, including 26 as a manufacturer of O&G specialty chemicals, valid until August 2025.
2018 - 2019	In 2019, added 1 reactor, 2 blend tanks, and 1 hybrid blend-reactor tank, increasing reactor capacity to 10,700 tonnes and blend tank capacity to 16,300 tonnes, with the hybrid blend-reactor adding 4,900 tonnes. Established a business relationship with Customer C, supplying corrosion inhibitors and other O&G specialty chemicals, further strengthening its market presence.
2020 - 2021	Received RM0.19 million in reimbursements for logistic costs related to exporting Malaysian products, supporting international market expansion. Secured RM0.50 million from SME Corporation Malaysia under the PRESTIGE programme to enhance growth in the O&G sector. In 2022, installed 2 additional blend tanks, increasing blend tank capacity from 16,300 tonnes to 19,500 tonnes, while reactor capacities remained unchanged.
2022 - LPD	Signed a three-year agreement (May 2023 – May 2026) with a subsidiary of Baker Hughes to supply drilling fluid chemicals, with service coverage across Asia Pacific, Middle East, and Europe, and an option to renew until May 2029. Secured its first tolling service agreement in April 2023, manufacturing graphene masterbatch for a Petronas Group company, valid until April 2025. Installed 2 new reactors and 2 hybrid blend-reactor tanks, increasing reactor capacity from 10,700 tonnes to 20,500 tonnes and hybrid blend-reactor capacity from 4,900 tonnes to 14,700 tonnes, further strengthening production capabilities.

Source: Sumisaujana Group Berhad

Fig #6 Utilization of proceeds

Use of proceeds	RM'm	%	Estimated time frame
Acquisition of the New Puncak Alam Warehouse and Corporate Office	40.2	58.4%	Within 12 months
Acquisition of existing Puncak alam Factory	18.9	27.5%	Within 12 months
Capital expenditure	2.1	3.0%	Within 24 months
Expansion of R&D division	7.6	11.1%	Within 36 months
Total	68.8	100.0%	

Source: Sumisaujana Group Berhad

Financials

Revenue highlights. The Group reported a revenue of RM158.6m in FY24, reflecting a CAGR of 18.3% from RM95.7m in FY21. This growth was driven by (i) steady demand for its in-house manufactured products and (ii) a significant contribution from new catalyst supplies in its O&G specialty and industrial chemicals segment. The 20.2% YoY decline was primarily due to (i) fluctuations in material costs, (ii) forex losses from the strengthening Ringgit in mid-24, affecting its export-driven business, and (iii) rising freight rates.

Earnings forecasts. Moving forward, we project a 3-year earnings CAGR of 30.5%, with core PAT expected to reach RM29.2m, RM33.1m, and RM38.1m over the next three years. This growth will be driven by (i) strong contributions from the catalyst segment within its trading business, and (iii) the Company's capacity expansion efforts, with utilization currently at >75% as of LPD. Additionally, cost efficiencies from the acquisition of its Puncak Alam Factory and the adoption of Solar PV will further support its profitability.

Fig #7 Financial highlights

FYE Dec (RM m)	FY23	FY24	FY25f	FY26f	FY27f
Revenue	198.8	158.6	246.6	295.9	342.4
EBITDA	47.1	26.1	47.6	56.5	64.8
EBIT	42.5	20.9	39.2	44.7	51.5
PBT	41.4	20.6	38.5	43.5	50.1
PAT	30.6	17.1	29.2	33.1	38.1
PATMI – Core	30.6	17.1	29.2	33.1	38.1
PATMI – Reported	30.6	17.1	29.2	33.1	38.1
% change YoY – Core PATMI	82.3%	-44.0%	70.6%	13.2%	15.0%
Core EPS (sen)	2.12	1.19	2.03	2.29	2.64
P/E (x)	11.3	20.2	11.9	10.5	9.1
DPS (sen)	1.5	0.2	0.6	0.7	0.8
Yield (%)	6.3%	1.0%	2.5%	2.9%	3.3%
BVPS (RM/share)	0.05	0.06	0.13	0.14	0.16
P/B (x)	4.9	3.9	1.9	1.7	1.5
ROE (%)	46.0%	21.6%	21.7%	17.1%	17.5%
Net Gearing (%)	0.2	CASH	CASH	CASH	CASH

M+ Research

Valuations

We ascribe a fair value of RM0.30 for SUMI. Our valuation is derived by pegging a forward P/E of 14.0x to the mid-FY26f EPS of 2.16 cents, implying a 25.0% upside to its IPO price of RM0.24. While the pegged P/E represents a c.14-22.6% discount to peers' average 12-month forward P/E and historical P/E of 16.3-18.1x within the Industrial Products & Services sectors, we believe this P/E multiple is justified, reflecting SUMI's smaller market capitalisation.

Fig #8 Peer comparison

Company	Market Group	FYE	Price (RM)	Market Cap (RM'm)	P/E (x)	Forward P/E (x)	NP Margin (%)
Sumisaujana Group Bhd	**ACE**	**Dec**	**0.24**	**346.5**	**20.2**	**10.5**	**10.8**
Analabs Resources BHD	MAIN	Apr	1.70	185.2	5.5	NM	20.3
Ancom Nylex Bhd	MAIN	May	0.97	1,040.2	14.9	16.4	4.1
Hextar Global Bhd	MAIN	Dec	0.89	3,467.6	58.2	40.2	6.4
Hexza Corp BHD	MAIN	Jun	0.86	171.3	26.7	NM	13.1
Hil Industries BHD	MAIN	Dec	0.75	249.0	6.2	5.4	18.4
Imaspro Corp Bhd	MAIN	Jun	0.87	69.6	24.0	NM	9.9
Karyon Industries Bhd	MAIN	Mar	0.16	73.7	8.8	NM	3.9
Lotte Chemical Titan Holding B	MAIN	Dec	0.47	1,059.1	NM	NM	(15.9)
Luster Industries Bhd	MAIN	Dec	0.06	164.6	27.5	NM	3.6
Petronas Chemicals Group Bhd	MAIN	Dec	3.71	29,680.0	26.5	16.6	3.8
SENG FONG HOLDINGS BHD	MAIN	Jun	0.89	642.3	13.4	10.7	5.0
Southern Acids Malaysia BHD	MAIN	Mar	2.91	398.5	10.7	NM	1.5
Techbond Group Bhd	MAIN	Jun	0.32	242.8	10.9	8.6	10.9
TMK CHEMICAL BHD	MAIN	Dec	1.28	1,280.0	2.6	NM	8.6
Avg ex-Sumisaujana Group Bhd				**2,766.0**	**18.1**	**16.3**	**6.7**

Source: M+ Research

Investment risks

Crude Oil & Natural Gas Price Fluctuations. Volatility in global oil and gas prices creates uncertainties for the industry. Prolonged low prices may discourage exploration and development activities, making marginal fields unviable, ultimately reducing demand for O&G specialty chemicals due to lower drilling activity.

OPEC+ Production Adjustments. OPEC+ decisions on crude oil output directly affect global supply and price stability. Recent production cuts, extended until 2026, contribute to market uncertainty, impacting industry investments and demand for O&G specialty chemicals.

Transition to Renewable Energy. The growing shift towards renewable energy threatens the long-term viability of fossil fuels, potentially reducing demand for O&G specialty chemicals used in exploration, production, and refining.

Rising Sea Freight Costs. Fluctuations in sea freight rates significantly impact operational costs. The surge in shipping costs in 2024, driven by capacity shortages and geopolitical risks, poses a challenge to profitability and supply chain stability.

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Stock recommendation guide	
BUY	The share price is expected to appreciate more than 10% over the next 12 months
HOLD	The stock price is expected to range between -10% and +10% over the next 12 months
SELL	The share price is expected to fall more than 10% over the next 12 months
TRADING BUY	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
TRADING SELL	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
NOT RATED	No recommendation is assigned