Corporate Update

Petronas Chemicals Group Berhad

(5183 | PCHEM MK) Industrial Products & Services | Chemicals

SHARIAH Compliant | ESG 4 Stars | FTSE4Good

Upgrade to BUY
(from NEUTRAL)

Revised Target Price **RM6.60**
(from RM3.01)

Dual Chokepoints, Urea Spikes

Profound turn in Middle East conflict. Over the weekend, developments in the Middle East took a more pronounced turn following statements by Houthi military leadership indicating their intention to formally join the ongoing conflict. This marks a notable expansion in the scope of the war, which had previously been largely concentrated around the Strait of Hormuz.

With the inclusion of Houthi forces, the conflict now extends to the Bab el-Mandeb Strait in the Red Sea, effectively placing two of the world's most critical maritime chokepoints for not only crude oil but petrochemical trade under disruption. Disruptions across both corridors are likely to introduce a sustained and elevated supply risk premium, as market participants reassess the reliability of maritime logistics and the accessibility of key export routes.

Impact to fertiliser market. The immediate impact of these developments was evident in fertiliser markets, where urea prices recorded a sharp increase of approximately +12.78% within a single day, rising from USD665 to USD750 per metric tonne. While for the month of March, it managed to appreciate by +28.9%mtd.

Coincides with spring planting season. This price movement coincides with the peak spring planting season across key agricultural regions, including the United States, Europe, and China, where fertiliser demand typically accelerates. Given that urea remains a critical input for crop yield optimisation and is not easily substitutable, buyers responded by accelerating procurement activity, resulting in a wave of precautionary purchasing. The combination of supply uncertainty and inelastic demand has therefore amplified price volatility, reinforcing the presence of a supply-driven risk premium within fertiliser markets.

In parallel, methanol prices also trended higher, registering an increase of approximately 4.5% over the same day which than saw prices appreciating by 29.8%mtd for the month of March. While the price movement observed is broadly in tandem with Urea, this upward trajectory reflects broader tightening conditions across the chemical derivatives segment, as feedstock constraints begin to permeate downstream markets.

Cost competitiveness increasingly important differentiating factor. Against this backdrop, cost competitiveness becomes an increasingly important differentiating factor. In this regard, Petronas Chemicals is relatively well positioned, supported by its structural advantage of securing feedstock at comparatively lower and more stable prices under long-term arrangements with its parent. This cost structure provides a degree of insulation against short-term feedstock price volatility, potentially allowing the company to maintain margin resilience amid rising input costs across the broader industry.

RETURN STATISTICS	
Price @ 31st Mar 2026 (RM)	6.07
Expected share price return (%)	+8.7
Expected dividend yield (%)	+2.2
Expected total return (%)	+10.9

SHARE PRICE CHART

Price performance (%)	Absolute	Relative
1 month	103.0	106.7
3months	67.8	67.2
12 months	68.2	51.1

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	32,085	32,328	33,944
Operating Profit	1,927	1,823	1,914
Profit Before Tax	1,768	1,695	1,780
Core PATAMI	1,360	1,507	1,582
Core EPS	17.0	18.8	19.8
DPS	13.6	15.0	15.8
Dividend Yield	2.2	2.5	2.6

KEY STATISTICS	
FBM KLCI	1,690.36
Issue shares (m)	8000.00
Estimated free float (%)	26.37
Market Capitalisation (RM'm)	48,560.00
52-wk price range	RM2.75 – RM6.15
3-mth average daily volume (m)	1.66
3-mth average daily value (RM'm)	13.09
Top Shareholders (%)	
Petroliam Nasional Bhd	64.35
Employees Provident Fund Board	11.52
Amanah Saham Nasional Bhd	4.20

Analyst
MBSB Research
research@mbsb.com
03-2173 8396

Moving forth there could be a continued mobilisation of ground troops into the Middle East suggests an increasing probability of further escalation in the conflict. While the immediate impact points toward a widening in scope, the presence of land-based operations also raises the likelihood of a more prolonged engagement.

Upgrade to BUY. In such a scenario, a broader and more sustained conflict would likely exert continued upward pressure not only on feedstock prices, but also across petrochemical derivatives, as supply disruptions persist and production costs adjust accordingly. Against this backdrop, Petronas Chemicals is expected to be a relative beneficiary, supported by its access to competitively priced feedstock. Accordingly, we are **Upgrading this stock to a BUY with a target price of RM6.60**, based on its FY'26 earnings and pegged to a +1-standard deviation of its 5 year historical P/E multiple of 38.8x, reflecting both improved earnings visibility in the short to medium term.

MBSB RESEARCH (formerly known as MIDF RESEARCH) is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad)

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad. The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report. This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

MBSB INVESTMENT BANK (formerly known MIDF INVESTMENT BANK) : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology