

## MSM's 1Q18 profit helped by lower costs



By KEVIN WONG / Graphic By TMR

MSM Malaysia Holdings Bhd said lower material costs and the favourable foreign-exchange rate helped the sugar maker post a net profit of RM15.81 million for the first quarter ended March 31, 2018 (1Q18), thus sustaining the path to profitability since the second half of last year (2H17).

Earnings per share for the quarter stood at 2.25 sen as revenue for the quarter fell by 14.2% year-on-year (YoY), or RM90.98 million, to RM549.06 million due to a 7% reduction in the overall tonnage sold and lower average selling prices.

The country's leading refined sugar producer and subsidiary of Felda Global Ventures Holdings Bhd noted that the improved performance was helped by a reduction in administrative expenses, down 33% quarter-to-quarter, or RM9.1 million, from RM23.8 million.

"The 1Q18 performance shows encouraging signs towards a healthy balance sheet. It certainly is a continuous turnaround process and MSM's direction is firm to reinforce its leading role in this business," said MSM ED Datuk Khairil Anuar Aziz.

He said the group will continue to strengthen its operational focus by marking down its raw sugar cost by 23.1% against 1Q17.

"This was hampered by an increase in the average refining cost due to higher fuel cost, which resulted from an upward revision of the gas tariff in January by 16%," he said.

Khairil said for the past year, the group has been prudent with its cost management initiatives to ease pressure on its margins.

"The group's current quarter pretax profit of RM20.94 million is considered a feat as it shows a steady recovery and outperforms the corresponding quarter last year.

"The cost management initiatives are now sustainably embedded across the group. Ideally, we plan to maintain discipline in cost and operational efficiency," he said, adding the group is focused on investments in its profitable assets to maximise cashflow regeneration.

MSM plans to further improve its inventory management, supply and distribution efficiency, and operating expenditure optimisation to remain resilient for the remaining quarters.

Khairil said sugar yields have improved significantly due to the Asian monsoon rains, which have led a global sugar glut.

"Global supply is estimated to beat demand by 10.4 million metric tonnes in the current season, 26% more to erase shortages for the past two seasons," he said.

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