



## Lower raw material cost, forex drive MSM earnings



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KUALA LUMPUR: Sugar producer MSM Malaysia Holdings Bhd's net profit rose to RM15.88 million in its third quarter ended Sept 30, 2018 (Q3 2018), driven by lower raw material costs and favourable foreign exchange (forex) rate as compared to RM10.42 million in the same period last year.

The positive performance is backed by 22.5 per cent lower raw sugar cost as compared to the third quarter (3Q) 2017 and an 8 per cent improvement of the ringgit.

Further, the results is also attributed via prudent cost management, continuous review on all consumables and reprioritising outsourcing contracts across the Group.

The company's revenue however declined to RM562.05 million from RM667.11 million previously, hampered by a four per cent reduction in the overall tonnage sold and lower average selling price.

"We were disciplined in our operational pace and maintained our commitment to focus on execution. Building on our turnaround momentum from 1Q, 2Q and the current quarter, we continue to manage our raw sugar and forex cost effectively, focus on a performing and winning culture which consequently led to our solid results.

"With full support from our board, management and employees, we remain confident in our ability to achieve the full-year target," said MSM's executive director Dato' Khairil Anuar Aziz in a statement today.

MSM recorded a net profit of RM46.01 million for the nine-month period as compared to a net loss of RM45.66 million same period last year due to lower raw material costs and favourable forex rate.

Revenue for the period declined to RM1.68 billion from RM2.01 billion previously due to lower overall tonnage sold.

On outlook for the remainder of the current financial year ending Dec 31, 2018, the group said it is confident that it would remain profitable for the year.

"We are thankful to the government for the abolishment of AP for sugar imports. However, as the AP holders still maintain carry-over stocks of imported sugar during the first half of 2018, the total effect would only be accounted for in FY 2019.

"Generating revenue next year will be a challenge due to the reduction in the retail selling price of refined sugar and the imposing of an excise duty (soda tax) for sugar beverages of RM0.40 sen/litre beginning 1 April 2019," Khairil said.

Although too early to draw on conclusion, the impact will reflect MSM's bottom-line.

Nonetheless, MSM remain optimistic on its performance in the sugar business to increase shareholders value and provide a stable income stream with better returns.

MSM Johor has successfully produced the International Commission for Uniform Methods of Sugar Analysis (ICUMSA) 45 refined sugar and is supplying in small quantities to major industries and wholesalers in its initial stage.

Additionally, the sugar refinery has successfully conformed to certifications such as HALAL, MS (Malaysian Standard), QMS ISO 9001:2015 and KOSHER ensuring the safety and quality of the sugar products.

**AGENCY:** New Straits Times

**LINK:** <https://www.nst.com.my/business/2018/11/433275/lower-raw-material-cost-forex-drive-msm-earnings>