May 10, 2016 | Written by Chen Shaua Fui | 0

KUALA LUMPUR (May 10): Sugar refiner MSM Malaysia Holding Bhd is confident of an improved financial performance this year, through better management of raw sugar costs and foreign exchange risks.

“We are managing the raw sugar costs by having Dubai operations,” said MSM chief financial officer Aznur Kama Azmir, referring to the company’s newly-launched trade office in the Arab city to handle sugar exports to the Middle East and North Africa.

“We are managing the forex, which is ringgit. We’ve covered for the second quarter, we are looking to cover the third and fourth quarter, looking at where the direction of ringgit is going by hedging,” she added at a press conference, after MSM’s annual general meeting.

Aznur said based on the company’s in-house study, the price of raw sugar is on an upward trend, due to situations in Brazil and other producing countries.

“Based on our assessment, Brazil and Thailand will have a deficit. This will pressure the sugar price. We are monitoring it closely,” she added.

The Sugar #11 July 16 contract was quoted at 15.98 US cents per pound as at 4.30pm today. The benchmark contract for sugar trading hit a five-month high of 16.65 cents on May 4.

MSM reported a higher net profit of RM280.76 million for the year ended Dec 31, 2015 (FY15), compared with RM257.01 million for FY14. Revenue rose to RM2.31 billion, from RM2.28 billion.

MSM, the country’s largest sugar producer, also achieved its highest ever output of 1.03 million tonnes in FY15.

Deputy chief executive officer Mohamad Amri Sahari said the group excepts to do even better in FY16, despite the death of its chief executive officer Datuk Dr Sheikh Awab Sheikh Abod in April.

Amri said MSM’s Dubai trading hub was expected to start contributing to the group in the first quarter of FY16. The Dubai office will be further complemented with a representative office in Jakarta, Indonesia.

The Jakarta office is aimed at supporting clients on inbound and outbound transactions across the region, and will act as a gateway to other markets in Asia Pacific.

Amri said the group would be able to save cost amounting to RM10.5 million in FY16, compared with RM17 million in FY15.

“We had more fuel savings last year, because we are using gas. But since January, the gas price has increased 15%, so there is not much to save from there. We are optimistic of saving RM10.5 million this year from other initiatives,” he said.

One of the initiatives is to cut its warehouse cost by segmentizing its distribution centre. For example, the group’s Perlis mill and refinery will send the goods to Johor directly, he said.

Amri said MSM has also received a number of merges and acquisitions (M&A) proposals for milling and upstream in India, but these proposals are still at the preliminary stage of discussion.

Similarly, for its M&A in Indonesia, Amri said it is also still at its preliminary stage.

Aznur, meanwhile, added that the group would spend RM40 million as capital expenditure for its refineries.

It would use about half of the budget amounting to US$125 million (RM505.87 million) to build its refinery in Johor, which is expected to be completed in the last quarter of FY17.

The Johor refinery, which is expected to reduce sugar processing cost by 30%-50%, would boost its annual capacity to 2.25 million tonnes by FY18, and is expected to double its revenue and profit, said Aznur.

At present, MSM is controlling up to 65% of the domestic sugar market and aims to increase its market share to 80%, with the Johor refinery as a catalyst.

MSM rose 9 sen or 1.88% today to RM4.89, for a market capitalisation of RM3.4 billion.

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