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Sugar producer MSM's profit hit by higher costs, weaker currency

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Workers at the production and packaging line of MSM's Prai plant, the country's largest sugar refinery.



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KUALA LUMPUR: The country's top refined sugar producer MSM Malaysia Holdings Bhd, whose after-tax profit showed an uptrend in the last three financial years and hit a record high last year, has failed to sustain the growth momentum so far in 2016.

Disclosing its latest unaudited quarterly results to Bursa Malaysia, the company announced a net profit of RM23.68mil for the second quarter (Q2) ended June 30, down 70.1% from RM79.13mil a year earlier. This was despite selling a higher volume of refined sugar, as reflected in the 7.7% growth in revenue to RM633.86mil.

The tumble in profit was more drastic in Q2 than the 16.4% fall year-on-year seen in the first quarter.

MSM gave the same explanation for the lower performance: higher raw material costs and the weakening ringgit.

On its prospects, MSM expressed some optimism: "Notwithstanding the volatility of commodity prices, the group is expected to be able to sustain its satisfactory performance."

MSM, which controls about 65% of the domestic sugar market (its brand is Gula Prai), is 51% owned by the Felda group through Felda Global Ventures Holdings Bhd's unit Felda Global Ventures Sugar Sdn Bhd (40.03%) and Felda Global Ventures Holdings Sdn Bhd (10.97%).