

Nov 21, 2016 | Written by Gho Chee Yuan | 0



KUALA LUMPUR (Nov 21): Higher raw material costs and a weaker ringgit has eroded MSM Malaysia Holdings Bhd's profitability by 63.5% in the third financial quarter ended Sept 30, 2016 (3QFY16).

In announcing its result, the country's leading refined sugar producer said its 3QFY16 net profit slumped to RM23.31 million or 3.32 sen per share from RM63.87 million or 9.09 sen per share a year earlier, though revenue climbed 16% to RM633.12 million from RM546.49 million.

The rise in top line was due to higher volume of refined sugar sold in the domestic market, its filing with Bursa Malaysia revealed today.

MSM also declared a first interim dividend of 10 sen for the quarter, payable on Dec 30.

In the nine months ended Sept 30, 2016 (9MFY16), its net profit halved to RM106.33 million or 15.13 sen per share against RM214.04 million or 30.45 sen per share a year earlier, as it recognised higher raw material and production costs.

Cumulative revenue, however, rose 11% to RM1.82 billion from RM1.64 billion on higher volume and trading revenue.

"Raw sugar cost has increased tremendously to almost 40% since early of the year and no doubt this has significantly affected our margin," said MSM president and group chief executive officer Mohamad Amri Sahari in a statement.

"It was a very challenging quarter and we had invested a great [amount of] effort and energy to steer through the global economic uncertainty," he added.

Notwithstanding that, he remained confident the group could continue to register a solid revenue given its lion's share of the market.

The group also remains committed to its dividend policy, he said. "The board's decision [in approving the 10 sen dividend] is a sign of confidence in the state of business and faith in MSM's prospects for the future," he added.

Moving forward, he said MSM's strategy remains focused on capturing available opportunities in the supply and demand dynamics as MSM foresees higher cost spill-over effect to continue in the sugar market until the end of first quarter 2017.

MSM, he also noted, has experienced and successfully steered through a range of market cycles in its 52-year history, thanks to its expertise, local market understanding and longstanding customers'

needs.

Given that, he believed its strategic actions for growth, to which the group is committed, will create long-term shareholder and stakeholder value.

Shares in MSM closed at RM4.85, down four sen or 0.82%, with a market capitalisation of RM3.41 billion.

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