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KUALA LUMPUR: MSM Malaysia Holdings Bhd said it is still in discussion with the domestic trade, cooperatives and consumerism ministry to raise the retail ceiling price of sugar for the domestic market by up to 30%, amid the persistently high raw sugar price which has hit the sugar refiner's bottom line in its third quarter ended Sept 30, 2016 (3QFY16).

MSM's net profit for the quarter dropped 63% to RM23.31 million, from RM63.87 million a year earlier, despite a 15.85% year-on-year increase in revenue to RM633.12 million from RM546.49 million.

The group has announced a dividend of 10 sen per share for the quarter.

"We had a double whammy in terms of the spike in sugar price as well as the weakening of the ringgit, as we purchase our stock in US dollars," said MSM president and group chief executive office Mohamad Amri Sahari, adding that the 30% year-to-date (YTD) increase in natural gas price has also driven up production costs.

Speaking at a media briefing yesterday for the group's financial results, Amri said the spike in raw sugar price up to US\$0.24/lb (RM1.05/lb) was alarming to the group, in view of the fixed ceiling price of RM2.84/kg enforced by the government on sugar for the retail market since 2012.

"Since raw sugar price has increased, MSM has discussed with the ministry to request for an increase in the ceiling price. We asked for a hike of around 20% to 30% from the current RM2.84/kg," he said.

Amri said the price will have to be raised in order to preserve margins, adding that Malaysia still offers the lowest unrefined sugar price compared with neighbouring countries — with Thailand, Singapore and Indonesia selling at approximately between RM3 and RM5/kg.

However, he said there is no timeline yet on when the hike will be enforced.

MSM's gross profit margin for 3QFY17 shrank to 12.1% from 18.6% a year ago.

Amri noted that raw sugar price peaked at US\$0.24/lb in September, compared with prices of around US\$0.13 to US\$0.14/kg a year earlier.

The elevated sugar prices have had a major impact on the group's earnings, as raw sugar accounts for about 90% of its costs for production.

For the nine months to Sept 30, net profit dropped 50% to RM107.02 million from RM214.03 million, while revenue climbed 11% to RM1.82 billion from RM1.64 billion.

However, Amri said MSM has enough raw sugar stock until the end of 2016 and has started purchasing for 1Q of 2017.

Going forward, the group expects raw sugar price to remain elevated, expecting it to touch between US\$0.24 and US\$0.26/lb amid the prevailing deficit in sugar supply.

“Production in Thailand will be lesser at around nine million tonnes, due to the weather, while we are still waiting to see whether Brazil can produce more than 35 million tonnes or lesser,” said Amri.

In August, it was reported that MSM had proposed to the government to raise the retail price of refined sugar from RM2.84/kg.

For its 2QFY16, net profit fell 70% to RM23.68 million from a year ago despite a 7.7% growth in revenue, due to high raw material costs and weak ringgit.

YTD, the ringgit has declined 3.28% against the greenback.

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