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MSM foresees sweet year ahead

The Malaysian Reserve, Malaysia

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The company expects to capitalise on the anticipated lower average cost per tonne of raw sugar

by SHAZNI ONG

MSM Malaysia Bhd is anticipating a sweet year ahead, as an expected deficit in global sugar supplies will leave room for the group to expand its export market.

"We are constantly monitoring global sugar trends and prices. MSM expects to capitalise on the anticipated lower average cost per tonne of raw sugar, as the slide in the benchmark NY#11 is in our favour," Group CEO Datuk Khairil Anuar Aziz said in a statement yesterday.

The International Sugar Organisation (ISO) has forecasted a global sugar deficit of about 3.5 million tonnes in 2019 up to 2020.

It also expects the deficit to rise to nearly six million tonnes in 2020 to 2021, mainly due to lower production in major manufacturing countries including Brazil, Thailand and Europe.

Pic by Muhd Amin Naharul

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Khairil said the predicted deficit outlook will turn the tables for MSM, reinforcing its export growth, uplifting the utilisation rates, and allowing for cost optimisation and overall efficiency of the group's new refinery, MSM Sugar Refinery (Johor) Sdn Bhd.

"Currently, MSM aims to export more than 100,000 tonnes of its sugar products to the Asian region by 2021, including its newly produced premix blends which have recently commenced shipping in June 2019, as well as liquid sugar of which the maiden shipment is set for October 2019," he said.

The group incurred its third consecutive quarter in the red for the second quarter ended June 30, 2019 (2Q19) with a net loss of RM67.33 million, versus a net profit of RM14.33 million last year.

Its investment for a premix sugar blending facility at the refinery will allow the group to penetrate into the premix market in Asia, where current total estimated demand hovers around three million tonnes a year.

"We also intend to penetrate into the corn syrup market mainly in Asia, with an estimated demand of four million tonnes a year. These would be a stepping stone for MSM to further expand our premix and liquid sugar export to the global market," Khairil said.

The group is also "actively scanning" Singapore's sugar market for potential to increase its direct sugar supply there.

The recent audits and approval by multinational food and beverage companies have boosted demand for MSM sugar in Singapore to "an all-time high".

Affin Hwang Investment Bank Bhd (Affin Hwang Capital) in a note earlier this week said the country's largest sugar manufacturer is likely to continue seeing weak results in 3Q19.

Its losses, however, are expected to narrow progressively from the fourth quarter onwards.

"This would be fuelled by an uptick in global sugar prices favouring export sales prospects, a local average selling price (ASP) revision due to abating competition and maiden volume orders for MSM's high margin liquid sugar and sugar premix from October 2019," the research house said.

The group will also continue to face potential liberalisation of the local sugar industry and public campaigns against sugar consumption due to rising obesity rates in South-East Asia.

Affin Hwang Capital upgraded the stock to 'Hold' (from 'Sell' previously), with an unchanged 12-month target price of RM1.05.

MSM — which is 51%-owned by FGV Holdings Bhd — closed 1.55% higher at 98 sen yesterday, with a market capitalisation of RM692.44 million.

Shares of FGV ended the day's trading 5% higher at RM1.05, valuing the company at RM3.83 billion.

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SUMMARIES

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