MSM to capitalise on lower cost and stronger ringgit in 2H19

by RAHIMI YUNUS

MSM Malaysia Holdings Bhd anticipates lower average cost per metric tonne (MT) of raw sugar and a stronger ringgit exchange rate will help it weather a challenging second half of 2019 (2H19).

Group CEO Datuk Khairil Anuar Aziz said the market has forecast a stronger ringgit, which will be positive for the company over the next few months.

"We are constantly monitoring world sugar trends and prices. MSM expects to capitalise on the anticipated lower average cost per MT of raw sugar as the relatively favourable ringgit is in our favour," he said in a statement yesterday.

He said the primary focus of the country's leading refined sugar producer includes the possible disposal of non-core assets, reducing stock levels and improving efficiency to lower refining cost.

Pic by Muhd Amin Naharul

Khairil Anuar says the firm is looking at diversifying into value-added sugar products for exports

Khairil Anuar added that the firm is looking at diversifying into value-added sugar products for exports and working on commercial collaborations with reputable industry players to pave the way for a global market presence.

Weaker average selling price (ASP) saw MSM's net loss widen to RM67.3 million in the second quarter ended June 30, 2019 (2Q19), from RM7.06 million in 1Q19.

Revenue in 2Q19 tumbled 17.3% year-on-year (YoY) or RM98.8 million to RM474 million due to a 7% reduction of the overall ASP, its Bursa Malaysia filing yesterday noted.

For the January to June period, topline declined 14% YoY to RM959 million, hit by the lower ASP of refined sugar, a softer ringgit which resulted in increased raw material costs, stiff competition in the market and costs associated with its refinery in Johor.

In the first six months of the year, MSM recorded a decrease in ASP for the domestic and industrial sectors of 9% and 13% respectively, largely due to a supply glut following new approved permit issuances by the government.

Khairil Anuar said refining cost increased by 15% due to higher fuel costs from the gas tariffs hike in January this year.

In July, its main shareholder FGV Holdings Bhd announced that it is exploring potential collaborations in the palm and sugar industries, including a potential dilution of its 51% stake in MSM.

MSM is leading in the local sugar refining business, controlling close to 60% of the domestic sugar market.

MSM's share price remained unchanged yesterday at RM1.48 a share, giving it a market capitalisation of RM1.04 billion.