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MSM expects better FY16 with new UAE trading outfit

MSM expects better FY16 with new trading outfit in UAE

It also plans to buy sugar plantations in Sri Lanka and Indonesia

GHO CHEE YUAN

KUALA LUMPUR: MSM Malaysia Holdings Bhd, which posted a 33.2% rise in net profit in its third quarter ended Sept 30, 2015 (3QFY15), expects to see better results in the coming financial year (FY16), with the opening of a new trading outfit — MSM Trading International DMCC — in the United Arab Emirates (UAE).

Also expected to improve its earnings is the proposed acquisition of sugar plantations in Sri Lanka and Indonesia, besides its ongoing cost optimisation efforts.

MSM's president and group chief executive officer Datuk Sheikh Awab Sheikh Abod told reporters yesterday the Dubai trading outfit will start operating from Jan 2 next year.

"This will increase our competitive advantage in the global market with the ultimate goal of servicing the Middle East and North Africa (Mena) region," he said.

He added the Dubai entity will also have a representative office in Jakarta, Indonesia, which is scheduled to begin operations concurrently with the Dubai setup.

"The representative office in Indonesia is to explore the country's sugar market as well as to be on the lookout for any investment opportunities within the region," he said.

"The trading outfits (Dubai and Indonesia) will also supply raw sugar to its sister companies in Malaysia (MSM Prai and MSM Perlis) for refinery purposes," he said.

With the trading arm, Sheikh Awab said the group could diversify its income stream from the trading of raw and refined sugar to the export sales of refined sugar as its location is closer to other big sugar players from the United Kingdom and Switzerland.

He expects the trading arm to contribute about 15% to the group's bottom line in the upcoming financial year, with contribution to come in gradually from 2QFY16.

Sheikh Awab said the company is also in talks with government-controlled firms in Indonesia and Sri Lanka for the proposed acquisition of sugar plantation estates — one in each country — measuring between 20ha to 22ha.

"I cannot tell you when the deal [will] be sealed. We are dealing with the governments and we are now looking at the numbers," he said, without disclosing the total investment cost that might be involved.

In view of the weakening ringgit, Sheikh Awab said the group is hedging against the rising US dollar for the import of raw sugar.

"This is a right decision. When our expenses go up, we have to look into the costs [so] that we can save," he said.

He said in this way, the company could pull through tough times resulting from, among others, the weaker ringgit and the increasing number of players with import permits issued by the government.

MSM, the country's largest sugar refiner, saw a 33.2% jump in its net profit to RM63.87 million or 9.09 sen a share in 3QFY15, from RM47.96 million or 6.82 sen a share a year ago, as a result of lower raw sugar price.

Its revenue, however, slipped 2.4% to RM546.49 million from RM559.74 million a year ago, due to lower tonnage sold, both domestically (down 21%) and abroad (down 15%).

It also announced a first interim dividend of 12 sen per share, payable on Dec 29.

For the cumulative nine-month period (9MFY15), MSM's net profit gained 17.6% to RM214.04 million or 30.45 sen a share from RM182.05 million or 25.9 sen a share in 9MFY14. Revenue was, however, 0.6% lower at RM1.64 billion compared with RM1.65 billion a year ago.

Shares in MSM closed eight sen or 1.65% lower at RM4.78, for a market capitalisation of RM3.36 billion.

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SUMMARIES

W£h\ KUALA LUMPUR: MSM Malaysia Holdings Bhd, which posted a 33.