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MSM recorded a loss before tax of RM179m for FY2022

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KUALA LUMPUR: MSM Malaysia Holdings Berhad (MSM), the leading refined sugar producer recorded loss before tax (LBT) of RM179 million for the 12 months (12M) ended December 31, 2022 (FY2022), compared to profit before tax (PBT) of RM81 million in the corresponding period last year, due to prolonged margin compression for domestic controlled price retail segment and without any subsidy.

Revenue for the 4Q FY2022 was RM678 million against RM642 million for the corresponding quarter last year, while for 12M FY2022, MSM recorded revenue of RM2.56 billion, an improvement of 13% from RM2.26 billion in the same period last year.

The increase in Average Selling Price (ASP) derived from the higher Industry premium and increased Export premium is the main attribute to the improvement in revenue.

Despite the increase in ASP, MSM reported a negative gross profit as a result of 22% higher production cost mainly from 18% higher NY11, 5 percent higher foreign exchange, and 25% increase in refining cost (RC). One of the main factors contributing to higher RC is the increase in gas cost of 63%.

"For 4Q FY2022, the Group sales volume decreased by 4% compared to 4Q FY2021. Although wholesale volume increased by 18% in line with higher demand and Industry volume increased by 7%, MSM export sales decreased by 41% as priority was given to domestic orders to avoid local sugar shortage," said MSM Group CEO, Syed Feizal Syed Mohammad.

"Supply to wholesale and retail of the consumer segment made up of 40% of MSM business and for this particular segment we are operating with significant negative margin since the fourth quarter 2021. Over the last 10 years' sugar refiners operated without subsidies and only received a miniscule price increase of 1 sen/kg. At controlled price of RM2.85/kg, Malaysia is by far cheaper than leading sugar producing countries integrated with plantations and energy savings scheme such as Thailand at RM3.50/kg. Rest of Asia region retails between RM4.50 – 6.50/kg," said Syed Feizal.

"As a joint industry, we have engaged the government since May 2021 for support in a proposed new price revision or subsidy. We are even ready to operate on a floating price basis but request the overdue intervention from the government. As essential food producers, local sugar refiners ensure food security while imports are not a sustainable option and is restricted to export quotas from their countries, particularly India, that may switch off to protect domestic needs," he added.

Even with stronger demands seen in the local and export markets, the high input costs continue to impede the improvement of the Group's financial performance. The Group remains focused on improving average selling price and attaining lower refining cost.

MSM will continue to pursue sustainable growth with an enhanced Environmental, Social and Governance (ESG) framework within MSM Group through a wide range of ongoing and new initiatives such as the recent signing of the United Nations Women's Empowerment Principles (WEPs) and 100% raw sugar sourced from Wilmar NDPE Sugar Initiative.

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