MSM urges govt intervention in sugar prices as 3Q loss narrows y-o-y, but widens q-o-q

By Chester Tay / theedgemalaysia.com 23 Nov 2023, 02:00 pm

KUALA LUMPUR (Nov 23): Sugar refiner MSM Malaysia Holdings Bhd's net loss narrowed to RM36.06 million or 5.13 sen per share for the third quarter ended Sept 30, 2023 (3QFY2023) thanks to improved margin from higher average selling price, lower freight cost and better capacity utilisation.

This was 50% lower than the net loss of RM72.80 million or 10.36 sen per share recorded by MSM, which is 51%-owned by FGV Holdings Bhd, in 3QFY2022, according to a stock exchange filing on Thursday.

Koperasi Permodalan Felda Malaysia Bhd is MSM's second largest shareholder with a 15.3% stake, followed by Amanahraya Trustees Bhd's 7.5% shareholdings.

MSM's 3QFY2023 revenue grew 21% to RM806.72 million, from RM668.13 million a year ago.

However, its quarterly net loss widened quarter-on-quarter from RM20.82 million or 2.96 sen per share in 2QFY2023, due to higher raw sugar and freight costs, and a weaker ringgit. This was despite an 8.1% increase in revenue from RM746.23 million, on higher overall sales volume and average selling price.

For the cumulative nine-month period (9MFY2023), MSM's net loss was 31% lower at RM92.76 million from RM134.55 million in the previous corresponding period, while revenue grew 13% to RM2.14 billion from RM1.89 billion.

Commenting on its outlook, MSM said the sugar industry continues to face prolonged high input cost owing to rising raw sugar, freight and natural gas costs as well as a weakening ringgit.

Despite stronger demand from local and export markets, MSM said the prevailing high input costs continue to impede the improvement of the group's financial performance.

MSM said the joint sugar industry requires "urgent" government intervention to increase price of sugar or subsidy for the retail segment to ensure food security and long-term sustainability of the industry.

"Wholesale segment contributes 40% of total sales affected by negative margin as its price is controlled by the government," said group chief executive officer Syed Feizal Syed Mohammad in a statement on Thursday.

"The ceiling price set by the government has remained unchanged and without subsidy over the last 10 years. Malaysia's sugar-controlled price is the cheapest in the region and the world, representing an anomaly in economics," he said.

"Many other countries across the region have increased sugar prices such as Indonesia and Thailand, and we seek the government's support on a price normalisation to help overcome high input costs. We believe that the government will provide due consideration and support for sustainability of the local sugar industry," he added.

Syed Feizal said MSM will ensure uninterrupted supply of sugar in the market.

"On financial performance, we are taking all measures to ensure return to profitability as recorded in 2021 in order to provide returns to our shareholders, fulfil our corporate responsibility to our stakeholders, and contribute positively to the economy," he said.

Shares of MSM, which have gained 67% year to date, were trading five sen or 3.7% higher at RM1.42 before market break, giving it a market capitalisation of RM998.23 million.

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