THE EDGE MALAYSIA

MSM net loss narrows in 2Q amid higher capacity utilisation and land disposal gain

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KUALA LUMPUR (Aug 24): MSM Holdings Bhd saw its net loss narrowing by 38.89% to RM20.82 million in the second quarter ended June 30, 2023 (2QFY2023), from RM34.07 million previously.

The better quarterly earnings came in on the back of higher capacity utilisation, lower freight cost, as well as gains from the disposal of its Pulau Indah land of RM8.33 million.

It was also boosted by the gain from translation of US dollar balances of RM9.67 million and gain from US dollar forward contracts of RM7.09 million, said the country's largest refined sugar producer in a statement on Thursday (Aug 24).

Hence, loss per share shrank to 2.96 sen in 2QFY2023, compared to 4.85 sen previously.

Revenue for the quarter rose 19.5% to RM746.23 million — its highest since the fourth quarter ended Dec 31, 2016 (4QFY2016) when it posted a revenue of RM838.31 million — from RM624.20 million a year before.

The improved quarterly results also contributed to MSM's smaller net loss of RM56.69 million for the cumulative six months ended June 30, 2023 (6MFY2023), from RM61.75 million in 6MFY2022.

Its 6MFY2023 revenue increased by 9.38% to RM1.33 billion, from RM1.22 billion in the previous Jan-June period.

MSM group chief executive officer Syed Feizal Syed Mohammad said that high input costs continue to impede the improvement of the group's financial performance, despite stronger demand seen in the local and export markets.

"The sugar industry continues to face prolonged high input cost owing to rising raw sugar cost, freight, natural gas costs as well as the weaker ringgit. The wholesale/retail segment made up to 43% of our business and this segment has been recording significant negative margin since the fourth quarter of 2021 without any subsidy or price adjustment," he said.

For 6MFY2023, the group recorded negative gross profit margin mainly from the price-controlled wholesale segment due to prolonged high input costs, without any subsidy.

"Due to external cost pressures, production cost has increased by 12%, driven by 5% higher USD rate and 6% more expensive raw sugar prices. In addition, fuel cost, which accounts for 40% of the group's refining cost, has been impacted by a 49% increase in gas rate, resulting in 28% higher refining cost for the period," said MSM.

Against this backdrop, Syed Feizal said the joint sugar industry still requires urgent government intervention to normalise sugar price or subsidy in ensuring food security and long-term sustainability of the sugar industry amidst its challenges.

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He then said Malaysia is by far the cheapest sugar-producing country under the gazetted controlled selling price of RM2.85 per kg compared to other sugar-producing countries with integrated plantations and energy savings scheme such as Thailand at RM3.50 per kg. The rest of the Asian region retails between RM4.50 per kg and RM9.50 per kg.

MSM's share price closed three sen or 2.61% lower at RM1.12 on Thursday, giving the group a market capitalisation of RM787 million. Year to date, the stock has risen 32%.

Edited By Esther Lee

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