

**TheStar**

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MSM Malaysia Holdings Bhd appears to be upbeat again on its future.

The group just celebrated its 60th anniversary last year by returning to the black after two years of losses.

In its financial year ended Dec 31, 2024 (FY24), MSM reported a full year net profit of RM31.25mil.

It was back in FY21 when MSM was last profitable, and that time too it was deemed a turnaround, as the company reported a net profit of RM125.35mil, following loss making years in FY20 and FY19.

The big question now is whether MSM's return to profitability can sustain or wither away like previously.

Last year's turnaround coincided with a moderation in raw sugar prices.

MSM, which hedges these input costs, says production costs for FY24 had actually risen, including a 22% rise in freight costs. But refining costs had declined by some 11%.

Better capacity utilisation and efficiency yields had improved its refining cost metric.

Last trading at RM1.37, MSM's shares are up around 30% in the last month.

MSM's group chief executive officer Syed Feizal Syed Mohammad believes the turnaround will be sustainable this time.

"It is part of our group's turnaround programme. The forecast is to be able to return yearly profits to shareholders," Syed Feizal tells *StarBiz 7*.

"One of the key factors is the improvement of our Johor refinery."

"While we were previously focused on the turnaround programme for Johor, we've now achieved process improvements and mitigated key equipment issues."

"This has allowed us to move forward with our ramp-up plan, significantly reducing deficits within the group," he explains.

Another positive factor is the group's cost management strategy, which he believes is on a stronger footing this year.

"This is especially evident in hedging raw sugar, which could mitigate other cost elements, including freight and foreign exchange," Syed Feizal says. MSM keeps enhancing raw sugar hedging practices as part of its risk management strategy.

MSM anticipates growth in demand domestically and exports this year.

Last year's exports totalled 258,932 tonnes, according to its annual report.

"Exports account for 20% to 25% of revenue. As we increase production, the mix will remain around this figure but it will be higher in terms of tonnage."

"This year we target to export about 360,000 tonnes," he says. MSM exports to more than 20 countries. Last year, China was the top destination (31.4%), followed by Singapore (24.9%), the Philippines (22.2%) and Indonesia (13.3%).

Syed Feizal is optimistic on domestic consumption and he notes a portion of this also goes into producing finished food products which are then exported.

# MSM expects sweet turnaround to last

"Currently domestic consumption is around 1.5 million tonnes a year and is steadily growing."

"This isn't just pure local consumption but from fast-moving consumer goods companies which sell their products outside the country," he says.

MSM estimates it has 60% of domestic market share.

Commenting on sugar subsidies, Syed Feizal says moving forward, a price float regime is preferable not just for the company but also the industry as a whole.

"The current subsidy system also works well, helping the industry manage the challenges in sugar economics."

"It bridges the gap between input costs and the prices we're allowed to sell at."

"I believe this reflects the industry's perspective as well," he explains.

"With a price float, we could adjust end prices to reflect changes in our input costs, which can be unpredictable and volatile."

"This way, we wouldn't need to constantly negotiate ceiling prices with the government."

"Pricing would then naturally align with supply and demand," he explains.

MSM typically sets aside RM50mil to RM60mil annually for capital expenditures.

This year, the group plans to allocate these funds to enhance the capacity of MSM Johor and MSM Prai.

"In Prai, we are rejuvenating the plant to extend its life by 30

years, similar to Petrolchem Nasional Bhd's approach with older petrochemical or fertiliser plants."

"This will require capital expenditure (capex) over three years," says Syed Feizal.

"The capex will be funded internally. Our gearing is fixed-term at 10%, with net gearing at 34%," he adds.

■ **FY24 profits rose despite higher production costs**

■ **Both domestic and exports are seeing stronger demand**

■ **MSM is the largest sugar producer by market share in Malaysia**



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