MSM ended 2018 by swinging into the black

MSM, a subsidiary of FGV Holdings Bhd, ended 2018 positively despite being in the red in its fourth quarter ended December 31, 2018 with a net loss of RM10.39 million against a net profit of RM9.32 million a year ago on lower average selling price and higher finance cost.

By ZARINA ZAKARIAH - February 20, 2019 @ 8:11pm

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KUALA LUMPUR: Leading refined sugar producer MSM Malaysia Holdings Bhd recorded a net profit of RM35.62 million, turning around its net loss of RM36.34 million in the previous year.

MSM, a subsidiary of FGV Holdings Bhd, ended 2018 positively despite being in the red in its fourth quarter ended December 31, 2018 with a net loss of RM10.39 million against a net profit of RM9.32 million a year ago on lower average selling price and higher finance cost.

Executive director Datuk Khairil Anuar Aziz said as it continued on its turnaround journey, MSM had been making solid progress and becoming a much stronger company by strengthening its business and setting a strong foundation for growth.

“A foundation that includes a refreshed portfolio of disciplined strategy, prudent cost management and improved productivity as well as efficiency across the group.

“On average, we spent around US$406 million on raw sugar purchase in 2018. This exposed us to price fluctuations in the commodity and currency market.

“In a bid committed to the Government to ensure an adequate sugar supply for the country, our risk mitigation elements have been improved significantly via sound policies in place to hedge strategically, average out our losses, avoid loss-making contracts as a pro-active measure to ensure our overall financial standing remains robust,” he said in a statement today.

For the full-year under review, earnings per share (EPS) strengthened at 5.07 sen against loss per share of 5.17 sen and net assets value per share increased to RM 2.79 compared to RM 2.74 previously.

In tandem with the year-on-year strength of the ringgit against the US dollar, MSM average raw sugar cost per tonne improved by 30 per cent with the average dollar buying rate lowered to RM 4.0422 from RM4.3611 in 2017.

In a bid to ramp up production and sales, MSM Johor has successfully conformed to HALAL, MS (Malaysian Standard), QMS ISO 9001:2015, KOSHER, FSSC22000, ISO22000, HCCP and GMP certifications ensuring the safety and quality of the sugar products.

As at December 2018, the yield increased significantly from 80 per cent to 94 per cent, churning out 12,804.2 tonnes of ICUMSA 45 sugar grade which conforms to international standards and is delivered to major international food and beverage (F&B) customers.

“Generating revenue in 2019 will be another challenge due to the excise duty (soda tax) for sugar beverages of RM0.40 sen/litre beginning 1 April 2019. We are reshaping the way we do our business to ensure that we remain competitive.

“Currently, we are exploring the downstream business that will give us more values as the product can go further down the value chain and potentially improve our bottom-line.

“We are open to talk to local as well as international F&B companies for possible partnership especially those who use sugar or sweetener as their main ingredient,” he added.

Local refiners have been operating within a challenging business environment with the cost of doing business escalating steadily over the last several years.

The industry has also borne the increase in minimum wage, rising gas and electricity tariffs, while the ceiling price of refined sugar reduced at RM2.85 per kilogramme in September 2018.

In contrast, F&B manufacturers are able to transfer increased costs to consumers should their operational cost increase.

MSM said it had sought the government's support to protect the local refiners by not issuing new sugar import permits because sugar was considered as strategic commodity in most part of the world.

"The sugar industry has endured a challenging 2018, as global raw sugar prices dropped to a single digit mark to US$9.91 c/lb for the first time in a decade as production soared in Thailand, India and the European Union (EU).

"The price of white sugar is experiencing pressure as Indian production touched 35.6 million tonnes for 2017-2018, oversupplying the domestic market and leading the Indian government to announce export subsidy thereby squeezing the market further.

"Moving forward in the 2019/20 season, as Brazil diverts its sugarcane harvest into ethanol production and EU switching from sugar beet into more profitable crops, world sugar prices are forecasted to rise with the market swinging into deficit season," it added.

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AGENCY: New Straits Times

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