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MSM swings to first quarterly loss since 2011

Wong Ee Lin / The Edge Financial Daily
June 01, 2017 09:28 am MYT

This article first appeared in The Edge Financial Daily, on June 1, 2017.

KUALA LUMPUR: MSM Malaysia Holdings Bhd, the country's leading refined sugar producer and a 40.03%-owned subsidiary of Felda Global Ventures Holdings Bhd, swung to its first quarterly net loss since 2011 for the first quarter of 2017, due to a weaker ringgit and late market recovery of international raw sugar prices.

It posted a net loss of RM34.62 million in the three months ended March 31, 2017 (1QFY17) compared to a net profit of RM59.34 million in 1QFY16. It posted a loss per share of 4.83 sen in 1QFY17 compared to an earnings per share of 8.44 sen.

Quarterly revenue, however, was up 17.3% to RM648.97 million from RM553.16 million a year ago, on improved sales volume by 22.8% and an increase in the average selling price in the overall market segments.

In a statement yesterday, MSM said it posted loss from operation of RM39.56 million in 1QFY17 due to a steep increase in raw sugar cost and other uncontrollable external factors.

"The production cost of refined sugar for MSM continued to increase in 1QFY17 as a result of the weaker ringgit compared with 1QFY16. This factor translated into MSM paying higher amount in terms of ringgit per tonne of sugar purchased," it added, noting that its cost of procuring raw sugar rose 45.5% year-on-year (y-o-y).

MSM also saw its weighted average rate of buying US dollar increase 4.1% during the same period under review, resulting in its gross profit margin declining 97.1% y-o-y.

"We are closely monitoring the movement of the ringgit against the US dollar and hedge our US dollar exposure on a quarterly basis. Our aim is to average out the foreign exchange volatility and achieve a better control over our imported material costs," said MSM president and chief executive officer Mohamad Amri Sahari.

"However, I believe the unfortunate result [in 1QFY17] is experienced across most sugar commodity markets globally. While there is a late gradual decline of international raw sugar prices, the global sugar commodity is heavily operating in a volatile market environment.

"We continue to engage with the government and update them on the global sugar market and is hopeful for a favourable outcome," he added.

Going forward, Mohamad Amri said MSM will focus on its current investments to fortify its trading arm in Dubai and ensure completion of the Johor refinery remains on track. Construction is 45% completed and within the stipulated budget, he added.

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