

MSM revenue up on better selling price

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PETALING JAYA: Refined sugar producer MSM Malaysia Holdings Bhd registered 26% higher revenue at RM838.31mil for the fourth quarter (Q4) of financial year ended Dec 31, 2016 (FY16), bringing its full-year revenue to RM2.66bil.

The increase in revenue for the quarter under review was attributable to improved selling price and higher volume of refined sugar sold, as well as better trading revenue.

However, the group's net profit fell to RM14.39mil for the quarter and declined by 56% to RM120.72mil for the financial year, due to higher raw material costs and weakening ringgit.

In a statement, MSM president and CEO Mohamad Amri Sahari said the group's business is reliant on optimising margins between prices of raw and refined sugar.

"In 2016, the raw sugar costs increased tremendously by approximately 40%; consequently this translates to 80% of MSM's operating costs and no doubt this is beyond our control and has significantly pressured our margins.

"Nevertheless, taking into consideration the substantial increase in natural gas price, we managed to retain our refining costs with a bare minimum increase of only 0.76%, which exemplifies our operational excellence," he said.

The lower profit performance came after a strong year, during which MSM achieved its best-ever after-tax profit of RM275mil and saw its expenses fall by 11.3%.

In terms of annual production output, FY16 set another record despite challenges facing the commodities market and significant suppression on US dollar/ringgit currency exchange rates.

MSM, which operates the sugar business of Felda Global Ventures Holdings Bhd (FGV), closed FY16 with a total output of 1.117 million tonnes, up 8.1% compared with 2015 production.

MSM is 40.03%-owned by FGV's unit Felda Global Ventures Sugar Sdn Bhd and 10.97%-owned by Felda Global Ventures Holdings Sdn Bhd.

On its current year's prospects, MSM said: "Notwithstanding the volatility of commodity prices, the group is expected to be able to perform in line with the industry."

In addition, Amri said that as a group, MSM hoped to remain resilient by improving its earnings in 2017.

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