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MSM feels bit of sugar price hike, weaker ringgit

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sunbiz@thesundaily.com

PETALING JAYA: MSM Malaysia Holdings Bhd (MSM) saw its net profit in the fourth quarter ended Dec 31, 2016 (Q4FY16) fall 76.5% to RM14.39 million, from RM61.26 million in the same period last year, on the back of higher cost of production resulting from raw sugar price hike and weakening ringgit.

Revenue up 26.3% to RM838.31 million, compared with RM663.97 million in the previous corresponding quarter, mainly due to increased sales volume from the group's domestic segment and improved average refined sugar selling price.

For the twelve months period, MSM's net profit slipped 56% to RM120.72 million, against RM275.3 million a year ago, while revenue increased 15.2% to RM2.66 billion, compared with RM2.31 billion previously.

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

Last year, Mohamad Amri said, the raw sugar cost increased tremendously by about 40%, which translates to 80% of MSM's operating costs and has significantly pressured its margins.

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

Despite challenges facing the commodities market and significant suppression on US dollar/ringgit currency exchange rates, Mohamad Amri said the group still managed to close the year with the highest production output of 1.1 billion tonnes in 2016, an increase of 8.1% compared to the 2015 production.

He said the group hopes to remain resilient by improving its earnings this year and continue to intensify its focus, particularly in managing costs, enhancing customers and stakeholder's relation, strengthening its brand and continue to develop human capital for the future.

He also noted that the group is focusing on several potential growth initiatives within the Southeast Asia market which is in line with its approved strategic roadmap.

Mohamad Amri said the initiatives setup are intended to expand MSM's market share and customer base, particularly in sugar-hungry regional markets and fast-growing countries for synergetic joint ventures or partnerships which are also part of the plans to shift the company from a local player to a global player.

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