

MSSM posts third straight loss-making quarter

Poor performance comes amid lower sugar prices, higher costs

BY EMIR ZAINUL

KUALA LUMPUR: Refined sugar producer MSSM Malaysia Holdings Bhd incurred a net loss of RM67.33 million in its second quarter ended June 30, 2019 (2QFY19) — its third consecutive loss-making quarter — due to lower average selling price (ASP) of refined sugar and higher refining costs.

The 51%-owned unit of FGV Holdings Bhd also incurred higher finance cost during the quarter following the modification of certain terms in respect of an Islamic term loan, its stock exchange filing yesterday showed.

In comparison, the group made a net profit of RM14.33 million in 2QFY18, when revenue came in at RM573.03 million. In its latest quarter, revenue fell 17.3% to RM474.02 million.

The weak 2QFY19 pulled the group into the red in the first half of FY19 (1HFY19), with a net loss of RM74.34 million, versus a net profit of RM30.14 million in the previous

corresponding period, as revenue dropped 14.5% to RM959.46 million from RM1.12 billion.

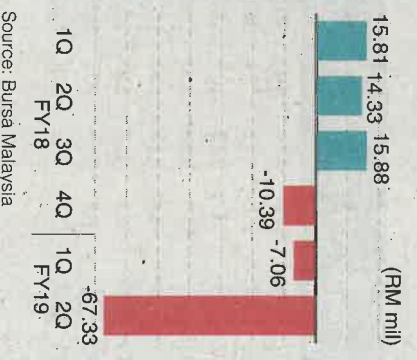
In a statement, MSSM said the losses were largely due to lower refined sugar ASP, a weaker ringgit that resulted in pricier raw materials, and stiff competition in the market as well as costs associated with its refinery in Johor.

It blamed the lower ASP to a supply glut arising from the issuance of new approved permits (APs) in the industrial sector, which resulted in price competition. "Meanwhile, the heightened competition in the export market resulted in reductions in overall ASP and sales volume of 3% and 21% respectively," it said.

The weaker 1HFY19 earnings were also impacted by higher finance cost and commercialisation cost including depreciation.

"Barring these two major costs, MSSM recorded earnings before interest, taxes, depreciation and amortisation (Ebitda) of RM 27.5 million for the period. The increase

MSSM Malaysia Holdings Bhd's quarterly earnings



Source: Bursa Malaysia

in raw sugar cost for 1HFY19, as a result of the weakening of the ringgit to 4.1269 against the greenback, compared to 3.9614 in the previous year, further impacted performance," it added.

MSSM group chief executive officer Datuk Khairul Anuar Aziz said MSSM will remain cautious in

2HFY19, despite expectations that the ringgit will be stronger over the next few months, as the imposition of sugar tax for sugared beverages, the possible issuance of even more APs and the potential liberalisation of the local sugar market may hurt its bottom line.

"Thus, MSSM is engaging with relevant authorities and customers to discuss further, industry-related matters, especially the issuance of APs," he said.

Meanwhile, in line with its continued commitment to ease cash flow, he said the group's primary focus areas for 2019 include the possible disposal of non-core assets, reducing stock levels and improving efficiency to lower refining cost.

"We are also looking to diversify into value-added sugar products for exports and aim to accelerate strategic growth through possible commercial collaborations with reputable industry players to pave the way for global market presence," he added.