

Lower sugar prices push MSM into the red

PETALING JAYA: MSM Malaysia Holdings Bhd, the country's leading refined sugar producer, has registered a net loss of RM7.06mil for its first quarter ended March 31, on the back of lower sugar prices, a 15% increase in the issuance of approved import permits (APs) and a sharp drop in export volumes.

MSM posted a net profit of RM15.8mil during the corresponding quarter last year.

The company recorded a 12% year-on-year decline in revenue to RM485.62mil.

In a statement issued yesterday, MSM said the Malaysian market was disrupted by the significant increase in the number of APs issued to industrial users which, compounded with increased smuggling of sugar into Malaysia, resulted in reduced prices in the domestic market.

Additionally, an 81% decline in exports during the period affected revenues further, which was largely due to heightened competition in the export market as a result of a global sugar glut.

In the first quarter of financial year 2019, MSM produced a total of 217,880 tonnes of refined sugar, 1% lower than the 218,976 tonnes of the previous corresponding period.

MSM's newly appointed group CEO, Datuk Khairil Anuar Aziz, said despite the backdrop of increased production from other countries and far greater competition in both the domestic and international markets, MSM managed to maintain strong financial management values, which resulted in a 12% increase in the group's cash balance.

"This allowed for more efficient capital management and the implementation of other cost-saving initiatives to mitigate the impact of high gearing.

"Efficient capital management would remain a key focus in 2019," he said.

Apart from that, MSM was affected by the decline in the ringgit to RM4.1209 against the US dollar.

"Since MSM's operating cost is highly dependent on global raw sugar prices and foreign-exchange rates, we are vigilantly monitoring the situation and have implemented strategic hedging mechanisms to mitigate our exposure to price and currency volatility.

"Going forward, the market expects the ringgit to continue to weaken against the US dollar for the next few months, but the situation is expected to improve in the fourth quarter of 2019," said Khairil Anuar.

Meanwhile, the upcoming imposition of excise duties for sugared beverages of 40 sen per litre beginning July 1, 2019, as well as the possible issuance of more APs, may affect MSM's bottomline negatively, going forward.

"Despite the unfavourable market and the many challenges ahead, we focus on maintaining our market leadership in Malaysia and grow our regional footprint.

"MSM will continue to increase product diversification, explore opportunities for commercial collaboration, dispose non-core assets and implement cost-saving measures," Khairil Anuar said.



Khairil Anuar: Efficient capital management would remain a key focus in 2019