


Sugar glut, rising finance cost push MSM deeper into the red in Q2



msm sugar

KUALA LUMPUR: [MSM Malaysia Holdings Bhd](#)  made a its biggest quarterly losses in years as the sugar producer struggled with rising cost, while selling prices of refined products declined.

The group said the increase in finance cost, as well as the commercialisation cost of its factory in Johor that includes depreciation, contributed to the losses.

MSM posted a net loss of RM67.3mil in the second quarter ended June 30, while revenue fell 17% to RM474mil.

For the first six-month (1HFY19) period, the group recorded a loss of RM74.3mil on revenue of RM959bil.

"We expected 2019 to be challenging for the group due to the glut of refined sugar in the domestic market and the weakening ringgit," group chief executive officer Datuk Khairil Anuar Aziz said in a statement today.

To improve its cashflow, Khairil said the group is looking at 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 said.

MSM recorded a decrease in average selling prices (ASP) for the domestic and industrial sectors of 9% and 13% respectively.

"This is mainly attributable to the issuance of new approved permits (AP) in the industrial sector, which resulted in price competition," Khairil said.

"Meanwhile, the heightened competition in the export market has resulted in reductions, in overall ASP and sales volume of 3% and 21% respectively," he added.

Meanwhile, higher finance cost and commercialisation cost of MSM Johor that includes depreciation contributed to its dismal results.

"Barring these two major costs, MSM recorded earnings before interest, tax, depreciation and amortisation (EBITDA) for the period of RM 27.5mil," he said.

"The increase in raw sugar cost for 1H 2019, as a result of the weakening of the ringgit to RM 4.1269 against the greenback, compared to RM 3.9614 in the previous year, further impacted performance."

Moving forward, Khairil expects MSM to benefit from lower raw sugar prices and a "relatively favourable ringgit." However, he cautioned that the imposition of the sugar tax for sugared beverages, the possible issuance of even more APs and potential liberalisation of the local sugar market may also affect MSM's bottom-line negatively.

“We will continue to monitor and practice strategic hedging mechanism to mitigate our exposure to global raw sugar prices and currency volatility,” he said.

“Although we expect more challenges for the year ahead, MSM intends to focus on execution,” Khairil Anuar said. “In line with our continued commitment to ease cash flow, MSM’s primary focus areas for 2019 include the Anuar.

AGENCY: The Star (Online)

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