FGV in no hurry to sell stake in MSM

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Transformation plan: FGV Holdings Bhd group chief executive officer Datuk Haris Fadzilah Hassan (left) and chief financial officer Datuk Mohd Hairul Abdul Hamid speaking at a media briefing on the group's 2Q19 financial results. Haris Fadzilah says FGV's transformation plan is on track as its FFB production and yield increased by 15% and 19%, respectively, in the quarter. >

KUALA LUMPUR: FGV Holdings Bhd is not rushing to sell its 51% stake in refined sugar producer MSM Malaysia Holdings Bhd, which has partially widened its net losses in the second quarter ended June 30.

Given that the world's largest crude palm oil (CPO) producer is exploring potential collaborations with sugar industry players for MSM, group chief executive officer Datuk Haris Fadzilah Hassan said the group is still looking for the "best fit" as it explores more options for the loss-making refined sugar producer.

"The parties that we have spoken to do not have the upstream and logistics capabilities, as well as an export market for MSM. They lacked the criteria.

"We do not want to rush into bringing a strategic partner that cannot strengthen the export market. It is all about getting the best value. We want to take our time in making the best decision for both FGV and MSM, " he told a press conference here yesterday.

MSM’s export market is 10% of its total sales, while it controls close to 60% of the domestic sugar market. The sugar producer has been struggling with losses in recent years on the back of lower selling prices, higher refining costs and oversupply conditions.

From the losses incurred in the sugar sector and the 19% drop in CPO prices year-on-year, FGV posted its fifth quarterly net loss of RM52.2mil for the second quarter from RM23.43mil a year ago.

Revenue dropped 5% to RM3.27bil from RM3.43bil a year ago due to higher yields and an improved CPO sales volume.

However, FGV is on track with its transformation plan as its fresh fruit bunch production and yield increased by 15% and 19%, respectively, in the quarter due to an improved plantation management and work method, completion of estate rehabilitation and better crop-evacuation methods.

For the plan to be implemented more effectively, Haris noted that a stable relationship between the board and shareholders of FGV was crucial, referring to the recent freeze on the remuneration payout of the group’s directors by its three major shareholders.

At an AGM in June, the controlling shareholders, namely, the Federal Land Development Authority, Koperasi Permodalan Felda Malaysia Bhd and the Armed Forces Board expressed their unhappiness by voting against the resolutions on the proposed financial year 2018 remuneration for the entire board.

Haris hoped the remuneration issue between the shareholders and the board could be resolved in an “amicable” and “quick” manner, saying that the directors have continued to work hard in driving the transformation of the plantation group.

“Officially, I think there has not been any meeting with regard to the directors’ remuneration. This is a shareholders’ matter, they probably will have their own unofficial meeting which the management is not privy to, ” he said.

Last year, the directors of FGV were to be paid a total of RM5.7mil, with its non-executive chairman Datuk Wira Azhar Abdul Hamid taking around RM1.95mil of the total sum which included his salary, chairman’s fee, benefits and annual fees from subsidiaries.

FGV's minority shareholder, the Employees Provident Fund, also raised concerns about the high remuneration package of directors, especially the high payout to Azhar.

Going forward, Haris expected CPO prices to trade in the range of RM2,000 to RM2,200 per tonne for the next six months despite positive catalysts such as the better export outlook and an increase in the demand for biodiesel.

"We are looking at market prices which are quite conservative due to the expected import taxes by India that may impact future prices."

Earlier this week, India's Trade Ministry recommended raising its import tax on refined palm oil from Malaysia to 50% from 45% for six months to curb cheaper imports of the commodity.

AGENCY: The Star (Online)

LINK: https://www.thestar.com.my/business/business-news/2019/08/29/fgv-in-no-hurry-to-sell-stake-in-msm