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MSM incurs RM300mil net loss in FY19



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By **Azanis Shahila Aman** - February 25, 2020 @ 7:19pm

KUALA LUMPUR: MSM Malaysia Holdings Bhd's (MSM) net loss widened more than threefold to RM40.27 million in the fourth quarter (4Q) ended December 31, 2019 (FY19) from a net loss of RM10.35 million recorded previously.

MSM, the country's leading refined sugar producer, said in a Bursa Malaysia filing today that it had posted a revenue of RM516.04 million during the quarter.

This was a three per cent reduction from the RM530.85 million revenue a year ago, amid continuous depletion of its average selling price (ASP) and decline in the export volume throughout the year.

"The negative margin arising from lower white premium has reduced export volume by 27per cent. Meanwhile, the intense price competition has resulted in reduction of 8 per cent and 1 per cent for Wholesale and Industry segments respectively," it said.

However, MSM said the total of ASP demonstrated a slight improvement compared to third quarter 2019 attributable to a six per cent increase of the ASP in wholesale segment following the implementation of new wholesale pricing structure which started in October last year.

Consequently, the increased selling price resulted in lower volume for wholesale segment and higher volume for industry segment.

For the full-year, MSM recorded a net loss of RM299.77 million compared to a net profit of RM35.61 million in the previous year.

This was largely affected by a combination of factors that include loan modification impact and repercussion of RM90 million as a result of high NY#11 and freight premium from the previously locked in raw sugar purchase.

In addition, provision of RM140.55 million for an impairment of certain assets further strained the financial performance.

Group chief executive officer Datuk Khairil Anuar Aziz said the massive impairment that MSM had incurred was in relation to the assessment that the group had carried out as part of its synergistic plan to enhance operational capabilities.

"On the other hand, the previous raw sugar contract which has expired in December 2019 will benefit us in terms of strategic raw sugar procurement that potentially reduce our cash outflows and ensuring a sustainable supply of best quality raw sugar stocks for all MSM's refineries," said Khairil.

He said the decline in performance was a result of certain extraneous factors such as weakening ringgit as well as stiff competition in the local and export markets.

"However, some of these set-backs turn out to be a strongpoint for MSM to kick-start a turnaround journey for 2020," he added.

Highlighting prospect and strategy for 2020, MSM said it would prioritise and tighten its focus on restructuring business towards stabilising and turnaround of the company.

"The sustainable growth strategies will include rationalising our production capacity, downstream product diversification, research and development (R&D) on food and non-food sugar related products, initiating cost savings energy projects and strengthening our selling price with better margin," it added.

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