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MSM turnaround is FGV's biggest earnings upside



KUALA LUMPUR: The biggest upside to FGV Holdings Bhd's earnings could come from the turnaround of its sugar arm MSM Malaysia Holdings Bhd's earnings, RHB Research said.

This would be imminent if MSM was able to negotiate higher selling prices for its refined sugar in Malaysia, the firm said after meeting with FGV's management recently.

Additionally, the disposal of its plantation assets in Indonesia under Trurich Resources Sdn Bhd by end-March would be an added bonus to FGV's bottomline, RHB Research added.

"We understand FGV is not urgently trying to sell its stake in the Johor sugar refinery now, since it has restructured its debts, its long-term raw sugar contract has been run down, and raw sugar prices are on the way up.

"This will enable MSM to negotiate for higher selling prices for its retail market as well as the wholesale market."

RHB Research said MSM would like to go back to the government-gazetted prices for retail and wholesale sugar, which could imply an increase in prices of 20 sen-25 sen per kg.

This, if implemented, would have a significant positive impact on earnings, as every 10 sen per kg change in selling prices would raise FGV's earnings by 20-30 per cent per annum, the firm added.

AGENCY: New Straits Times

LINK: <https://www.nst.com.my/business/2020/02/564491/msm-turnaround-fgvs-biggest-earnings-upside>