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MSM back in the red after two consecutive quarters of profits

By Emir Zainul / theedgemalaysia.com 22 Aug 2024, 08:14 pm

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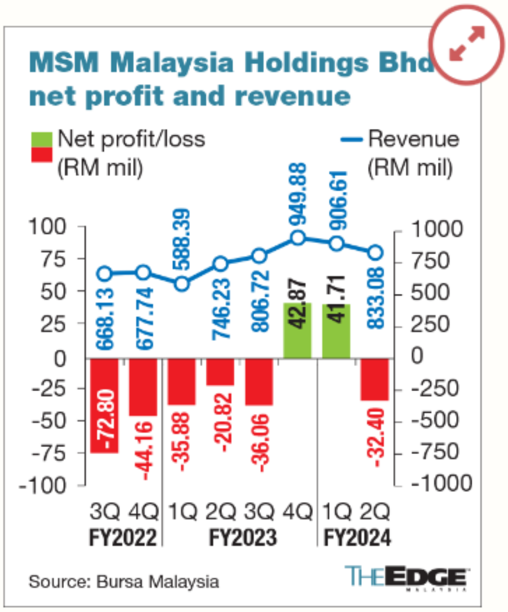
KUALA LUMPUR (Aug 22): Following two consecutive quarters of net profit, MSM Malaysia Holdings Bhd (KL:MSM ASK EDGE) was in the red in the second quarter ended June 30, 2024 (2QFY2024).

The sugar refiner incurred a net loss of RM32.40 million, 55.6% higher compared with RM20.82 million a year ago, according to MSM in a bourse filing, as government incentives received were offset by higher raw sugar prices and higher operating cost. Furthermore, it booked lower non-operational gains in 2QFY2024.

Quarterly revenue grew 11.6% to RM833.08 million from RM746.23 million in the previou corresponding quarter. MSM said the increase in revenue was due to higher average selling prices (ASPs) and incentives received for certain packed sugar sold in the domestic market despite lower sales volume.

MSM did not declare any dividend for the quarter under review.

For the first half ended June 30, 2024 (1HFY2024), the producer of refined sugar brand "Gula Prai" posted a net profit of RM9.32 million, compared to a net loss of RM56.69 million in the previous year. The profit is attributable to improved margins from ASPs and better capacity utilisation.



Revenue for 1HFY2024 was also up by 30.4% at RM1.74 billion, from RM1.33 billion in the previous year.

MSM group chief executive officer Syed Feizal Syed Mohammad highlighted that the sugar industry will continue to face elevated input costs, driven by persistently high global freight and natural gas prices. Moreover, he said raw sugar prices are volatile, mainly due to fluctuating global production volume.

"Amid these challenges, the group remains committed to strengthening our domestic sales while also enhancing our efforts in export markets to date to 20 countries," he said in a separate statement.

To meet the demand in the Asean region, MSM said its subsidiary MSM Johor is aiming to expand its internal storage capacity, install an additional coarse grain sugar packing line, and ultimately reduce reliance on external warehouse rentals.

"The group remains cautious about the risks posed by escalating geopolitical tensions, which could impact input costs and financial performance. The joint sugar industry continues to engage with the government to finalise a sustainable pricing mechanism for the domestic retail segment, and to regulate imported refined sugar to avoid dumping practices, aiming to ensure food security and the long-term sustainability of the industry," MSM added.

At market close on Thursday, shares in MSM settled five sen or 3.27% lower at RM1.48, valuing the company at RM1.04 billion. Year to date, the stock has dropped 19 sen, or 11.4%.

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Edited By Kathy Fong

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MEDIA	The Edge - Online
DATE	22 August 2024, 08:14 pm
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LINK	https://theedgemalaysia.com/node/725580