
Eco World eyes Q1 date

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MSM records marginal growth in Q2

By **SHARIDAN M. ALI**
sharidan@thestar.com.my

KUALA LUMPUR: MSM Malaysia Holdings Bhd, the country's largest refined sugar producer, recorded marginal earnings growth to RM79.1mil in its second quarter ended June 30 from a year ago despite facing headwinds in the form of a stronger greenback; a contributing factor as it procures raw sugar in US dollars.

But according to group chief executive officer Datuk Dr Sheikh Awab Sheikh Abod, the foreign-exchange loss was buffered to a certain extent by low raw sugar prices and its hedging strategy that should last until September. MSM, which controls 64% of the country's sugar supply, only saw a 0.5% increase in earnings on the back of lower revenue that fell by 1.2% to RM588.3mil.

This is because its cost-saving initiatives and optimisation contributed to a better profit margin by 4% to RM149.9mil for the quarter.

Earnings per share was at 11.26 sen compared with 11.30 sen previously.

However, its first-half financial performance still looked good, supported by a stronger earnings growth of 26.1% in the first quarter to RM71mil due to a 13% rise in demand for refined sugar for the months leading to the Hari Raya festive period.

For the first-half, net profit increased 11.20% to RM150.16mil from RM135.04mil in the previous corresponding period. However, revenue rose at a slower pace of just 0.3% to RM1.096bil from RM1.093bil.

Interestingly, its cash balance had shrunk to RM178.9mil as at June 30 from RM642.8mil a year ago. Its results' notes showed that this was due to increased working of capital, dividends paid and the acquisition of property, plant or equipment.

On its outlook, the group expects to be able to sustain its "satisfactory performance", notwithstanding the volatility of commodity prices and the US dollar.

"We are hopeful our financial performance this year is going to be better, but it all depends on the US dollar trending down and the prices of refined sugar being maintained.

"As far as raw sugar is concerned, we are covered until September. The impact of a stronger US dollar - if it maintains the momentum - is not that detrimental for the last quarter," he told reporters at a results briefing yesterday.

Clearing the air on the perception of low raw sugar prices translating into lower refined sugar prices, Sheikh Awab explained that that was counter-balanced by an increasing US dollar that reflected higher operating costs.

"Our facility is operating at 100% capacity now in a saturated domestic market. To go regional in exporting, the margin is too thin and it all now depends on cost optimisation, which has its limits too.

"People must bear in mind that we must consider the sustainability of our operations to supply sugar for the country because if anything happens to the facilities that are operating at full capacity now, our competitor would not be able to cover the local demand," he said.

Nevertheless, Sheikh Awab said MSM had in the pipeline plans to acquire another refining facility outside the country, which was at a "serious discussion" stage.

"This will have a direct positive impact on MSM. Additionally, we should ground break our almost RM1bil one-stop sugar refinery hub in Tanjung Langsat, Johor, in October, pending approval from the International Trade and Industry Ministry and the Malaysian Investment Development Authority. It then would take 22 months to complete," he said.

As MSM's four refinery plants in the country are already operating at maximum capacity, the development of the new plant is crucial to the company's expansion. The four refineries have a total annual production capacity of 1.25 million tonnes. MSM closed higher by 1.2% or six sen at RM5.05 yesterday.