



MSM 4Q net profit falls 35% to RM25.94m

by **Levina Lim**

KUALA LUMPUR: MSM Malaysia Holdings Bhd's (MSM) net profit dipped 35% to RM25.94 million, or 3.69 sen per share, for the fourth quarter ended Dec 31, 2013 from RM39.87 million, or 5.67 sen per share, in the previous corresponding quarter.

The sugar refiner's revenue dropped 12.3% to RM537.3 million against RM612.5 million.

In a filing with Bursa Malaysia, MSM attributed lower domestic and export sales as the cause for the poor performance.

MSM is 51% owned by the Felda Group and 20% owned by Koperasi Permodalan Felda, ac-

ording to *Bloomberg* data.

The government had in Budget 2014 announced the removal of the sugar subsidy, raising the price of sugar by 34 sen per kg to RM2.84.

For the financial year ended Dec 31, 2013, MSM's annual profit, however, rose 26% to RM254.68 million from RM202.03 million a year ago despite lower revenue of RM2.2 billion, down 4.3% from RM2.3 billion.

MSM's results vindicated analysts' expectations on the company's performance when the sugar subsidy removal was first announced.

"In the past, sugar was a relatively inelastic commodity but this seems to be changing. In 2012, when the government removed the

sugar subsidy by 20 sen per kg, domestic volume contracted by 7%.

"Although selling price was higher at RM2.50, an increase of 8.7% in 2012, revenue for MSM only increased by 0.07%, indicating that demand had fallen," said Mandy Teh, equity analyst at Affin Investment Bank Bhd when contacted.

"The 34 sen per kg price hike will certainly have a worse impact on MSM than the 20 sen per kg sugar subsidy removal last year," she said.

MSM's quarterly results showed that sugar subsidy transactions between subsidiaries and the Ministry of Domestic Trade, Cooperatives and Consumerism for the year had halved to RM146.20 million from RM274.48 million as at Dec 31, 2012.

