

Felcra revamp plan stays intact

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Felcra CEO Mohd Nazrul Izam Nazrul told StarBiz that "The Covid-19 pandemic is another new challenge for us, which came at a time when Felcra is in the midst of its transformation journey."

PETALING JAYA: The ongoing transformation exercise to rebuild Felcra Bhd's financial liquidity and re-strategising its core businesses will still remain intact, despite the recent resignation of its board of directors.

Last Friday, six independent board members tendered their resignation to make way for the Perikatan Nasional government to appoint their successors. This amicable move is also seen as assurance for the key stakeholders, primarily the Participants of Felcra and its customers, that it is Business-As-Usual for the group and part of a normal process during changes in Government. Felcra's going concern continues without disruption, in order to ensure the livelihood and wellbeing of its Participants remain paramount.

Felcra, which started its restructuring exercise in late-2018, will continue ongoing improvisation efforts under the stewardship of its key management team led by its chief executive officer, Mohd Nazrul Izam Mansor.

The transformation involves addressing operational challenges in the group's oil palm estates, financial liquidity issues, strategising impactful efforts to ensure sustainable businesses, as well as, capitalising on new growth opportunities.

When contacted, Nazrul told StarBiz that "The Covid-19 pandemic is another new challenge for us, which came at a time when Felcra is in the midst of its transformation journey.

"The economic crisis arising from the pandemic is unprecedented and the impact may be different from the past two economic crises."

Felcra, which was corporatised in 1997, is involved in oil palm, rubber, paddy, fertiliser, property, livestock and agrifood-related businesses. The GLC is wholly-owned by MoF Inc.

Nazrul also stressed that "We had to take immediate measures to address the pressing issues resulting from this pandemic.

"Our plantation business continues to be operational amidst the movement control order (MCO) as it is one of the exempted industries. However, ensuring the health and wellbeing of our workers remain paramount".

However, the group's property business has not been operational in order to comply with the MCO.

"As such, there could be potential delays in the completion of projects undertaken," he said adding that Felcra is also assessing the impact of the MCO on the group's other businesses and are proactively addressing them.

Nazrul also maintained that rebuilding Felcra is a long-term initiative, which will help to ensure the group can sustain its businesses in the long run.

On the operational front, he said the capital expenditure (capex) for the current financial year 2020 is projected to be 33% or RM31.7mil higher at RM127.64mil compared with RM95.87mil in FY2019.

Of the total capex, about RM34.72mil will be focused on enhancing its mills operation, and circa RM32.15mil being allocated for the application of Felcra Holdings' land ownership.

"The source of funding for the above capital expenditure financing is to be derived from both internal funds and external loans," explained Nazrul.

On rebuilding the group's cash position, he said that there were initiatives being undertaken such as identifying non-core assets for disposal, merging some of its overlapped common businesses, as well as, monetising its land bank for crops that can provide yield in the short term.

"Although these initiatives will take time to show results, we nevertheless would monitor the implementation of these initiatives to improve our cash position as part of our transformation

journey," he added.

Simultaneously, Felcra will focus on establishing new ventures that will bring positive impact to the nation from the perspectives of food security, job creation and lowering the nation's import bill.

Felcra is one of the government's conduits in championing the National Food Security Agenda. Given its deep involvement in palm oil, paddy, livestock and cash crops, the agency will continue to be part of the national agenda.

Citing Felcra's recent dairy farming venture with Qatar-based Baladna Group, Nazrul said "We are taking a detailed project assessment. The Covid-19 crisis has deferred our timeline slightly, but we are confident that things will move very quickly once the crisis is over," he said.

While it is business as usual for oil palm plantation being one of the MCO-exempted industries, Nazrul noted that the group has strict procedures for workers to adhere to during this crisis.

He pointed out that the crude palm oil (CPO) prices were impacted as a result of the Covid-19 outbreak and may affect its participants' income if the price of the commodity continues to drop further.

Currently, CPO prices have decreased by almost 25% compared with the prices in January.

Felcra currently manages land owned by 112,337 individuals known as "Peserta" or Participants nationwide, of which 90% are categorised under the B40 Group, and some 61% are above the age of 60.

Hence, the continuation of Felcra's operations is critical to ensure that income must be continuously generated.

Due to the Covid-19 pandemic and the Movement Control Order, some of Felcra's Participants have had to bear with impact to their livelihoods and income. However, they will be able to breathe a sigh of relief, as Felcra will be distributing RM64.75 million in final dividend payment for 2019 to 64,397 eligible Participants nationwide in stages, beginning April 13. The final dividend pay-out for 2019 will see a 72 percent increase, or RM46.7 million, from the RM18.04 million pay-out recorded for the same period in 2018.

Nazrul shared that the pay-out would complete the annual profit distribution for the year, after the first interim dividend was paid in August 2019, followed by the second interim dividend in December 2019 and the final dividend on April 2020 immediately after closing of the project account.

"Consolidation and rehabilitation projects recorded distributable profits for Felcra amounting to RM154.27 million, of which the first interim pay out saw RM22.42 million being distributed, and RM49.14 million in the second interim. The profit distribution is derived from the net profits of estates of participants which are developed by FELCRA, involving 924 projects,"

"RM17.94 million in total have also been distributed on an additional monthly basis," he added.

Nazrul stated that the increase in the 2019 dividend was due to FELCRA's good management practice, as well as, strategic postponement of the estate development debt repayment, that enabled the crediting of additional dividend payments to the participants. He also shared that better average fresh fruit bunches (FFB) prices also contributed to the increase.

"The average FFB price recorded for the September to December period is RM442 per tonne compared with RM365 per tonne for the same period in 2018," he said.

Nazrul also expressed his hope that once the Covid-19 crisis is over, East Asia will be among the first regions to bounce back due to its resilient economic fundamentals and growth potential.

"By then, we shall see the return of investors who will see the real potential in this region with Malaysia included.

"Felcra, given its vast land bank with a pool of expertise in plantation and agriculture, will also stand to benefit," he added.

As part of the group's growth strategy, Nazrul said the group will continue to identify and participate in opportunities, especially in agri-technologies and food businesses.

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