Malaysian sugar refiner eyes China and Africa markets

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MSM executive director Datuk Khairil Anuar Aziz(inset pic) told StarBiz that establishing the company's presence in these countries was essential in view of the quality refined sugar produced by its Johor refinery. File picture shows raw sugar at the MSM factory in Prai.

PETALING JAYA: Top sugar refiner, MSM Malaysia Holdings Bhd

, plans to enter new markets and venture into the downstream business this year amid the tough environment in the domestic sugar market.

The commissioning of its sugar-refining plant in Tanjung Langsat, Johor this month would pave the way for the sugar refiner to penetrate the African and Chinese markets.

It is also eyeing selective markets for higher margins.

MSM executive director Datuk Khairil Anuar Aziz told *StarBiz* that establishing the company's presence in these countries was essential in view of the quality refined sugar produced by its Johor refinery.

"The new sugar refinery will have an initial capacity of 300,000 tonnes. The capacity growth will increase margins and revenue via our foreign market expansion and downstream venture.

"The refinery is potentially a game changer in the local sugar industry.

"It has the capability to reduce production cost upon reaching operational stability by 2020 and it will enhance MSM's competitiveness in regional markets," he added.

By 2020, the plant would have a full capacity of one million tonnes per year, he said.

At present, MSM's production capacity is up to 1.25 million tonnes of refined sugar per annum from its two refineries – MSM Prai and MSM Perlis.

MSM, a subsidiary of FGV Holdings Bhd, and Central Sugars Refinery Sdn Bhd, a unit of Tradewinds (M) Bhd, are the two major players dominating the domestic sugar market, with MSM commanding a 58% market share.

Profit margins of sugar refiners have been affected by intense competition from sugar importers with approved permits and sugar smuggling activities.

On exports, Khairil said it would be done directly or via a synergistic venture with a local partner the countries concerned.

Besides Africa and China, he said it would also expand into selective markets in the Asia-Pacific, South-East Asia, the Oceania region and Indonesia.

The company exports to more than 20 countries.

On the downstream business, he said this would be in relation to sugar-based blending businesses to cater to the condensed milk and chocolate makers, as well as the confectionery and F&B businesses.

This would be fuelled by the growing demand for sugar from the burgeoning middle-class in the Asian region.

Commenting on the importation of sugar and illicit smuggling of sugar into the country, Khairil said MSM lauded the government's efforts to abolish refined sugar import permits. He said the smuggling of sugar from neighbouring countries had affected the company's business.

Meanwhile, Affin Hwang Capital, which is maintaining its "hold" call on MSM, said the company did not expect the Pakatan Harapan government's review of monopolies to affect the company, as it was eyeing the foreign markets to reduce its reliance on domestic sales.

However, the research house remained cautious on the export markets due to intense competition and lower margins compared with the domestic market.

For the first quarter ended March 31, MSM made a turnaround and posted a net profit of RM15.8mil against a net loss of RM34.6mil a year ago due to lower raw sugar costs.

Analysts were bullish on MSM's earnings for financial year 2018 (FY18), attributing this to the near three-year low of raw sugar prices in view of a glut in the commodity.

Khairil expected a profitable year for FY18 as the market looked promising due to a global sugar surplus which led to a dip in global raw sugar prices.

As for the industrial segment, he said the demand for sugar has been volatile because of the approved import permits and smuggling of sugar into the country.

Nevertheless, he said MSM would continue to focus on operational excellence via rationalisation across the value chain to ensure a profitable and sustainable performance in FY18.

AGENCY	**:** KLSEScreener
NEWS LINK	**:** https://www.klsescreener.com/v2/news/view/407680/malaysian-sugar-refiner-