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More sugar import licences issued?

BY **JOSE BARROCK**

The government is understood to have issued refined sugar import licences to a handful of individuals, which could impact the duopoly of MSM Malaysia Holdings Bhd and Tradewinds Corp Bhd, sources familiar with the matter tell *The Edge*.

MSM is a 51% unit of publicly traded Felda Global Ventures Holdings Bhd (FGV), which, in turn, is a third controlled by the Federal Land Development Authority (FELDA).

Tradewinds is a wholly-owned unit of businessman Tan Sri Syed Mokhtar Albukhary.

MSM controls MSM Prai Bhd — which operates a sugar refinery in Prai, Penang — MSM Perlis Sdn Bhd and MSM Sugar Refinery (Johor) Sdn Bhd, whose new plant in Tanjung Langsat, Johor, is scheduled for completion next year.

Tradewinds' sugar business is held under Central Sugars Refinery Sdn Bhd and Gula Padang Terap Sdn Bhd.

"As far as I know, at least three licences have been issued. However, some say there are three new licences for Peninsular Malaysia and two for Sabah and Sarawak," a source says.

However, some high-ranking executives of FGV and MSM were surprised by the news.

Another source close to MSM says the new licences were awarded by the Ministry of Domestic Trade, Co-operatives and Consumerism.

"We (MSM) can't stop it, but we can protest. I heard they (the new importers) are not allowed (to import in) big quantities," he says.

Some officials were surprised as MSM has just spent some RM1.1 billion on the Tanjung Langsat refinery and is acquiring plantations and mills in Indonesia. The new refinery is expected to increase MSM's total refining capacity from 1.25 million tonnes per annum to 2.25 million tonnes.

Considering the 14th general election, which must be held next year, it seems unlikely for any issuing of licences or approvals that may adversely impact MSM and FGV. FELDA has 33.67% equity interest in plantation giant FGV, and FELDA settlers make up the bulk of voters of as many as 54 constituencies.

ABDUL GHANI ISMAIL/THE EDGE

The sugar refining business in Malaysia has seen much volatility, and margins have come under pressure as a result of several changes in the operating landscape

As it is, there has been much volatility in the sugar refining business locally, and margins have come under pressure as a result of several changes in the operating landscape, which include the scrapping of approved permits to import sugar, the implementation of special price quotas and the withdrawal of sugar subsidies.

Malaysia's refined sugar is the second cheapest in Asean, only more expensive than Thailand, which has resulted in smuggling activities.

In-flight caterer Brahim's Holdings Bhd's 60%-owned subsidiary Admuda Sdn Bhd was given the green light in 2013 to build a RM150 million sugar refinery in Demak Laut Industrial Park, Kuching, Sarawak, but opted out of it.

Brahim's is now in court over the nonpayment of progress claims and in talks to exit the venture.

Despite having a 60% share of the sugar market, MSM has definitely seen better days.

In its nine months ended Sept 30, the company suffered a net loss of RM45.66 million on revenue of RM2.01 billion. As at end-September, it had cash and cash equivalents of RM134.01 million and short-term debt commitments of RM1.02 billion.

According to the notes accompanying its financials, MSM's losses were due to higher production costs, increased raw material cost and a weaker ringgit.

MSM says its performance is expected to improve in the near to medium term as a direct result of lower raw sugar prices and an improvement in operation costs.

CIMB Research, in a note last month, has forecast MSM raking in a net profit of RM15.9 million on revenue of RM2.77 billion for the year ending December 2017.

However, the research house has a "reduce" call on MSM's stock "due to poor earnings and potential losses from its new sugar refinery due to weak domestic demand for sugar".

Tradewinds suffered an after-tax loss of RM112.31 million from RM505.53 million in revenue in its financial year ended December 2015. However, the company has several other businesses under its belt, such as plantations, property and hotels. E

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SUMMARIES

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The government is understood to have issued r e f i n e d sugar i m p o r t licences to a h a n d f u l of i n d i v i d u a l s , w h i ch could impact t h e duopoly of MSM Malaysia Holdings Bhd andTradewinds Corp Bhd, s o u r c e s f a m i l i a r w i t h t h e m a t t er tell The Edge.MSM is a 51% u n i t of publicly t r a d ed Felda Global Ventures Holdings Bhd (FGV), w h i c h , i n t u r n , is a t h i r d controlled by t h e Fede...