

MSM to evaluate interest from any party on underused Johor refinery

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KUALA LUMPUR (July 19): MSM Malaysia Holdings Bhd said it will evaluate the interest in MSM Johor by any party with the prerequisite of an offtake guarantee.

The sugar refiner was responding to an article in the latest issue of *The Edge Malaysia* weekly that Singapore-based Wilmar International Ltd may be looking to invest in an underutilized refinery in Johor owned by the group.

MSM Johor's turnaround and improvement plans include growing its inherent export footprint for long-term sustainability, the group said, noting that it is already serving Vietnam, China, South Korea, Singapore and other countries in the region.

"Any material progress on exploring strategic partnership will be announced accordingly," it said in a filing with Bursa Malaysia.

"Should there be interest from any potential party into MSM Johor, it shall be evaluated with prerequisite of an offtake guarantee based on specific destination market(s) towards reinforcing business sustainability," it added.

The Edge Malaysia quoted sources as saying that Wilmar has expressed interest in acquiring a 15% stake in the 1.09 million-tonne capacity refinery for the price incurred to build the plant.

The offer, it said, also includes an option to increase its stake in the refinery to 49%, with the subsequent price for the additional equity based on the refinery's operations.

MSM had reportedly invested about RM1 billion in the massive refinery in 2015 on the back of Malaysia's growing sugar consumption needs.

Wilmar already owns 26 mills, comprising eight in Australia, seven each in India and Morocco, and two each in China and Myanmar.

CGS-CIMB Research in a note previously highlighted that the revenue growth of 1% year-on-year was because of the rise in the blended average selling price MSM's refined sugar to RM2,236 a tonne.

Nevertheless, it was partially offset by weaker domestic sales volumes, owing to movement restrictions.

"1Q2021 sales volumes for the domestic and industries segments fell 14% and 26% year-on-year respectively, suggesting that the re-imposition of the movement control order and rising sugar prices have negatively impacted local sugar consumption," it said.

Shares in MSM settled seven sen or 5.74% higher at RM1.29, giving the group a market capitalization of RM906.84 million. The stock has risen by 126.32% from mere 57 sen in January.

Edited by S Kanagaraju

AGENCY: The Edge Market

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