



CORPORATE

BY DALILA ABU BAKAR



Malaysia to be Asia Pacific's Largest Sugar Hub in 2016

Malaysia's largest refined sugar manufacturer MSM Malaysia Holdings Bhd is in the midst of turning Malaysia into Asia Pacific's largest sugar hub.

MALAYSIA'S largest refined sugar manufacturer MSM Malaysia Holdings Bhd has charted an expansion plan, which will see the country becoming the largest sugar hub in Asia Pacific within the next two years.

MSM's expansion plan includes acquisitions and collaborations with other sugar producers in the region.

Last month, MSM Malaysia Holdings Bhd (MSM) inked a memorandum of understanding (MoU) with United Arab Emirates-based Al-Khaleej International Ltd to form a joint-venture firm to build a state-of-the-art sugar refinery with a production capacity of 2 million metric tonnes. The MoU is expected to materialise in six months.

MSM chief executive officer Datuk Dr Sheikh Awab Sheikh Abod says the partnership allows the firm to edge other sugar hubs such as Thailand and Singapore.

"We want to be a market leader in Asia Pacific. Malaysia will be the hub. I'm working towards this," says MSM President/Group Chief Executive Officer Datuk Dr. Sheikh Awab Sheikh Abod.

MSM's owns and operates two sugar refineries while its subsidiaries operate another two refineries, which are located in Perlis and Penang. The four refineries, which have a total production capacity of 1.25 million tonnes make up 57% shares

of the domestic sugar market.

Sheikh Awab says once the refinery is completed in 2016, the company's production capacity will rise to 3.25 million tonnes of refined sugar per year, from the current 1.25 million tonnes.

"Our four plants in Malaysia have already reached maximum capacity. That is why we needed to expand to Johor. Al-Khaleej is our technology partner and we will be leveraging on their expertise in mass and low-cost production," he says.

Meanwhile, the planned refinery, inclusive of a logistics complex and a vessel terminal, to be built in the Port of Tanjung Pelepas in Johor, will cost at between US\$250 million and US\$270 million.



Datuk Sheikh Awab Abod

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Datuk Sheikh Awab Abod exchanging the MoU document with Hassa Jamal Majid Al-Ghurair, owner and director of Al-Khaleej International witnessed by (from left) Director of MSM and Group President and Chief Executive Officer of Felda Global Ventures Holdings Bhd (FGV) Encik Mohd Emir Mavani Abdullah, Chairman of MSM Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad, Ambassador of UAE in Malaysia His Excellency Abdulla Matar Al Mazrouei and the promoter and Managing Director of Al-Khaleej Sugar Jamal Majid Al-Ghurair

MSM, which will be the controlling shareholder of the planned joint-venture firm, will own 51% stake while the other 49%, will be held by Al-Khaleej.

Al-Khaleej International is wholly owned by Hassa Jamal Majid Al-Ghurair, the daughter of Al-Khaleej Sugar's managing director Jamal Majid Al-Ghurair.

Al-Khaleej is the world's largest stand-alone sugar refinery with an annual 2.3 million-tonne capacity, churning out US\$1 billion (RM3.24 billion) revenue a year.

Al-Khaleej sugar output accounts for three per cent of the global market and its products are exported to over 50 countries. It sources raw sugar from Brazil, India, Australia and Thailand.

Sheikh Awab says the collaboration will be a fruitful venture for MSM as it will leverage on core competencies of both entities in creating greater competitive presence in Asia.

"We (MSM) have been wanting to set up another refinery, so this collaboration is timely. I had a word with Mr Jamal who intends to invest in any kind of collaboration. It will be a good venture if we can set up this refinery," says Sheikh Awab.

Sheikh Awab also says that MSM is eyeing for two joint ventures or acquisitions this year in sync with its aim to make Malaysia a sugar hub in the next two years.

"We are looking at one or two joint ventures or acquisitions this year. We hope Malaysia will become the sugar hub for Asia Pacific in two years," he adds.

Sheikh Awab, however, declined to elaborate on MSM's acquisition plans, only saying that the company is eyeing the Indian sugar market that is expected to grow from the current 26 million to 40 million tonnes by 2020 as well as China's refined sugar market, which is set to rise to 26 million tonnes from the current 15 million tonnes.

Meanwhile, according to recent news reports, tycoon Tan Tan Sri Syed Mokhtar Al-Bukhary plans to dispose his sugar refineries to Felda Global Venture Holdings Bhd, which holds 51% in MSM, for RM1.2 billion. Syed Mokhtar's Tradewinds Malaysia Bhd wholly owns Central Sugars Refinery Sdn Bhd and Gula Padang Terap Sdn Bhd.

Sheikh Awab notes that the partnership with Al-Khaleej could open up new opportunities for both parties to go upstream, which is capital-intensive.

According to him, the partnership with Al Khaleej may also undertake investments in the upstream segment of the industry in the future. According to him, a sugar fund will be set up which will be used to acquire plantation land outside Malaysia suitable

for sugar planting.

"For Malaysia to be a sugar hub, it is vital to have a complete value chain, including refineries, terminals and charters.

He also states that the collaboration with Al-Khaleej will enable MSM to become more competitive in sugar prices and reduce the cost of sugar by about 35 to 38 per cent, as the joint venture will be leverage on Al-Khaleej's expertise in mass and low-cost production.

With higher production capacity and lower prices, MSM will be able to compete with Thailand, which produces 11 million tonnes of refined sugar. Sheikh Awab notes that the subsidy removal on sugar which started in November last year has some indirect impact on the MSM's financial performance as it creates competition among the players in the industry.

Meanwhile, for Hassa Jamal Al Ghurair, the collaboration is in sync with Al-Khaleej's plan to explore new opportunities. "The fit is a perfect one, given the like-minded intention of growing our global footprint and our desire to explore new opportunities. With Malaysia's strong talent pool and coupled with its stable socio-economic conditions, we are confident that this venture will be a sweet one for both shareholders of our respective entities in the long run," she says. 