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MSM to build RM1.1bil sugar refinery

It is also planning to buy mills and a plantation

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KUALA LUMPUR: Sugar refiner MSM Malaysia Holdings Bhd has plans to expand its business with deals to build a RM1.1bil refinery in Tanjung Langsat, Johor, as well as acquire mills and a plantation from a state-owned Indonesian sugar producer.

Group chief executive officer Datuk Dr Sheikh Awab Sheikh Abod (*pic*) said MSM was confident of winning the tender for the Indonesian mill development project, despite there being four other parties bidding for the project.

He said this would build up the company's upstream business.

"We are proposing a built-operate-transfer model for the project. The sugar producer has five mills now, of which we plan to shut down three and focus only on two mills.

"We will bring in experts in agriculture to increase the yields of the sugar cane plantation and then refurbish the mills," said Awab on the sidelines after signing a deal with Sharkara International (FZC) to construct MSM's third sugar refinery in Tanjung Langsat, Johor.

FZC is an affliate of Thailand's Sutech Engineering Co Ltd.

Awab did not divulge further on the investment for the project, which is in the advanced stages of negotiations.

He said a mill with 500,000 tonnes capacity would cost about US$130mil.

An April report in Jakarta said MSM was eyeing Indonesia as part of its integral growth expansion plan in the next four to five years.

The company said its entry into Indonesia's sugar sector was a sound investment and strategic fit to grow its sugar operations internationally.

Awab pointed out that Indonesia's total consumption now stood at 5.8 million tonnes, but the country's production capacity only stood at 2.6 million tonnes.

"We will produce for domestic consumption as the margins are higher compared to the export market," he added.

On the refinery, Awab said it would be located on a 50.6-acre land with a production capacity of two million tonnes of refined sugar per year.

This will see MSM expand its annual production capacity to 3.25 million tonnes from the present 1.1 million tonnes.

Slated for operations in the third quarter of 2017, Awab said that MSM bought the land for RM90mi while that the RM1.1bil investment for the construction of the refinery and initial production would be funded by borrowings.

He said the new refinery could reduce its production cost by 50% and make it stay competitive in the export market.

"With the country's total consumption expected to grow to about 1.8 million tonnes in 2025, all the more we need a new refinery to meet the domestic demand, aside from reducing the total costs for the Malaysian market," he said.

It aimed to get full control of the Singapore market by 2018. Singapore's current consumption is about 450,000 tonnes, of which MSM have 20% of its market share.