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KUALA LUMPUR: MSM Malaysia Holdings Bhd, which is moving into the upstream market as it strategises to be an integrated sugar producer by next year, is looking to “control” the entire Singapore midstream sugar market — and most of the same segment in Malaysia — by 2018, with the completion of its refinery in Tanjung Langsat, Johor.

MSM’s (fundamental: 2.8; valuation: 2) Singapore midstream market share currently stands at about 18% to 20%.



"The refinery will be fully operational by mid-2017. Our aim is to control the entire Singapore and majority of the Malaysian market by that year, if not all," said MSM president and group chief executive officer Datuk Dr Sheikh Awab Sheikh Abod in a press briefing after the group's annual general meeting yesterday.

At the same time, Sheikh Awab said MSM, which is a listed subsidiary of Felda Global Ventures Holdings Bhd, is in "advanced" negotiations to acquire two Indonesia-based firms operating in the upstream market.

"The plan for MSM ... [we feel] 2015 and 2016 are growth years. We plan to diversify the income stream. Definitely, we do not want to rest on our laurels," he said.

He said the diversification and expansion will mitigate risks on its profitability that may come from any volatility in global raw sugar prices and in foreign exchange.

Moving forward, Sheikh Awab said MSM is targeting both its upstream and downstream segments to contribute 30% each to the firm's profitability, with the remaining 40% to come from its midstream segment.

He said MSM is also exploring opportunities to form strategic alliances or undergo mergers and acquisitions (M&A) with listed firms in the Asean region.

However, he declined to reveal who these are, only saying that the firm is looking at opportunities in highly populated countries such as Indonesia, Thailand, China and India.

Sheikh Awab said MSM will hold a majority equity stake if it chooses to acquire another firm. It also did not rule out the possibility of forming strategic alliances on a "win-win" basis.

"They can be our competitors now, but it doesn't mean that they cannot be our partners. So, [in] areas that we can partner together we will do, [but in] areas that we have to compete [against each other] we will compete," he said.

Meanwhile, Sheikh Awab said MSM will invest in capital expenditure amounting to RM192 million this year, which will involve upgrade works on machinery to improve efficiency.

By 2017, MSM plans to enlarge its total production capacity to 3.25 million tonnes of refined sugar per year at three of its refineries.

This will include its upcoming Johor refinery, which is scheduled to come on stream in mid-2017. Construction of the refinery will begin in the third quarter of this year.

MSM closed five sen or 0.9% up to RM5.40 yesterday, giving it a market capitalisation of RM3.8 billion.

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