

MSM sells Perlis land to F&N at 18% discount as it generates negligible revenues, saps finances

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KUALA LUMPUR (Oct 8): Refined sugar producer MSM Malaysia Holdings Bhd, a 51% subsidiary of FGV Holdings Bhd, is selling a 4,453.92ha land in Chuping, Perlis, to Fraser & Neave Holdings Bhd (F&N) for RM156 million.

The selling price is an 18% discount on the market value of the land, said MSM.

"(However, we) believe that the disposal is in the best interest of the group as the land generates negligible revenues but requires unsustainable financial commitments due to the high operating costs of maintaining the plantation activities," it added in a statement today.

MSM said it will use proceeds from the disposal to repay bank borrowings and for working capital.

A sale and purchase agreement (SPA) was signed between MSM and F&N's wholly-owned subsidiary F&N Agrivalley Sdn Bhd for the proposed disposal today.

"This disposal of the land, which is directly owned by MSM's wholly-owned subsidiary MSM Perlis Sdn Bhd, is in line with the group's plans to rationalise its assets and to focus on its core businesses. It will also strengthen the group's balance sheet as debt will be reduced," it added.

"We are focused on creating and delivering value in our core areas of expertise. To achieve this, we will continue to dispose of our non-core assets to unlock value and to ensure that management and financial resources are committed to our core business," said MSM group CEO Datuk Khairil Anuar Aziz.

The disposal was effected via an open tender process, which commenced in January.

"The entire process was conducted in a transparent manner. We were clear from the outset that the disposal should bring benefits not just to MSM, but also to the state of Perlis and the communities that live in the area, to balance commercial and social values," said Khairil Anuar.

The land is currently used for the cultivation of rubber, oil palm and mangoes.

In a separate statement, F&N said it intends to utilise the land for dairy cattle farming to support existing downstream production and distribution of fresh milk products.

F&N CEO Lim Yew Hoe said the vertical integration model for Ladang Chuping will enable F&N to be less dependent on imported milk while promoting the local agricultural industry in line with the nation's ambition to be more self-sufficient.

"This investment reflects the potential we see in filling the gap of local dairy sector, and the huge opportunity to increase fresh milk consumption in Malaysia in our journey towards a healthier society," he added.

Lim said F&N is currently studying various options for the integrated model and more details will be provided in due course.

The proposed disposal is expected to be completed by the second quarter of 2020.

MSM shares closed up 9.5 sen or 9.95% at RM1.05 today, bringing a market capitalisation of RM738.13 million. F&N shares, meanwhile, closed 24 sen or 0.71% higher at RM34.26, valuing it at RM12.57 billion.

AGENCY: The Edge Market

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