

MSM may diversify into sugar substitute products

Move is due to challenging environment impacting margins

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KUALA LUMPUR: MSM Malaysia Holdings Bhd, the country's largest sugar refiner by volume, may diversify into various sugar-based and sugar substitute products.

"This is the first time for MSM to go into sugar substitute, in light of the growing demand for healthy products.

"We are exploring other revenue streams including various sugar-based products such as sugar premix, liquid sugar, as well as other value-added and healthy sweetener products," chairman Datuk Wira Azhar Abdul Hamid (*pic*) said after the company's annual shareholders meeting yesterday.

He added that the diversification was due to the challenging environment impacting its margins stemming from the weakening of the ringgit against the US dollar, high raw material cost prices and the liberalisation of the local sugar industry.

Earlier this month, the government had granted sugar import permits



Azhar said the APs are exposing the local sugar refiners to an oversupply situation as, for example, there is an excess of 12 million tonnes from Thailand.

"We have invested billions of ringgit for a new refinery and now we have adequate capacity to cater for the whole Malaysian domestic market.

"We are not burdening the government or asking it to subsidise our business. We are seeking some understanding on the issuance of APs and support from our own domestic market," he said.

Azhar said sugar prices in Thailand are lower as the country produced raw sugar. Thailand is the world's second biggest sugar exporter after Brazil.

In MSM's 2018 annual report, the company said raw sugar constituted 88% of its production costs for refined sugar.

"We are just refiners and we only can manage the 20% to 30% of our production cost, the remaining we can't control," he said.

MSM's shares closed unchanged at RM1.43 yesterday.

(APs) to eight Sarawak-based food and beverage companies as part of the government's efforts to break the monopoly in several sectors.

Following the decision, both MSM and Central Sugar Refinery Sdn Bhd (CSR) have written to the government, asking for a review of the issuance of new APs.

MSM reckoned that the company's performance for 2019 may be "severely impacted" by the issuance of more APs for sugar.

It is worth noting that MSM has recently invested RM1.1bil in a new sugar refinery plant in Johor, which is currently running at a utilisation rate of 30%.

Azhar said MSM has a total installed production capacity of 2.25 million tonnes a year and that the company and CSR are supplying to the domestic demand of about 1.6 million tonnes annually.