



Robert Kuok must navigate minefield if he seeks return to sugar business

Lee Min Keong - 13 Aug 2024, 09:30 AM

Sugar King's Singapore-based Wilmar said to be interested in acquiring a stake in MSM Malaysia's refinery in Johor.



Robert Kuok's PPB Group sold its subsidiary MSM to FGV Holdings Bhd for RM1.22 billion in 2009.

PETALING JAYA: Malaysia's richest tycoon Robert Kuok's purported bid to make a comeback to the sugar refining business in Malaysia, which he exited some 15 years ago, may prove to be one of his biggest challenges yet.

The centenarian's Singapore-based Wilmar International Ltd is said to be in a "two-horse race" with Threadstone Capital Sdn Bhd to acquire a stake in MSM Malaysia Holdings Bhd's (MSM) wholly owned MSM Sugar Refinery (Johor) Sdn Bhd (MSM Johor).

Plantations and agribusiness giant Wilmar, one of the biggest companies on the Singapore Exchange, was earlier reported to be eyeing a direct stake in either MSM or MSM Johor.



Zainal Abidin Jalil.

Threadstone, the private vehicle of businessman Zainal Abidin Jalil, is seeking to inject RM500 million into MSM Johor for a 49% stake, according to the latest issue of The Edge Weekly. Threadstone is also the second largest shareholder of IT group Theta Edge Bhd.

FGV Holdings Bhd holds a 51% stake in MSM, which controls 60% of Malaysia's sugar refining business. The only other major sugar refiner in the country is tycoon Syed Mokhtar Albukhary's Central Sugar Refinery.

Zainal is also the group CEO of DNex Energy Group and a former CEO of Syed Mokhtar-controlled Malakoff Corp Bhd. Interestingly, The Edge report, which quoted sources, said Threadstone does not intend to hold the stake "for long".

Comeback for Kuok?

It is not immediately clear why Wilmar is considering acquiring a stake in MSM or MSM Johor given that Kuok's PPB Group Bhd had sold its then wholly owned subsidiary MSM to FGV for RM1.22 billion cash in 2009.

By selling MSM, Kuok, who is also known as the "Sugar King", exited the sugar refining business some 45 years after he set up Malayan Sugar Manufacturing Co Bhd (MSM) and its sugar refinery in Prai, Penang.

He had earlier convinced the newly minted government under prime minister Tunku Abdul Rahman that the sugar business should be in the hands of a Malaysian company. Before that, Tate & Lyle, a world leader in the production of sugar, had monopolised the supply of sugar to Malaysia.

Following the disposal of MSM to government-owned FGV, senior PPB executives denied the Kuok Group had been pressured to sell MSM, according to news reports then.

While the tycoon may have exited the sugar business in Malaysia, he continued to maintain his interest in the sugar business via Wilmar, one of the world's top 10 raw sugar producers. Apart from cultivating sugarcane, Wilmar has 20 sugar refineries in Australia (eight mills), India (eight), China (two) and Myanmar (two).

This is not the first time that Wilmar is said to be looking to invest in MSM Johor, which has an underutilised refinery in Tanjung Langsat that was completed in 2018 at a cost of over RM1 billion.

The refinery has been plagued with low utilisation rates since its commissioning in 2019, and its high operating costs have been a financial millstone on the group. MSM said its utilisation rate improved to 52% from 49% a year earlier, but this is only about half its installed capacity of one million tonnes.

In 2021, there were reports that Wilmar was interested in acquiring a stake in the Johor refinery. Observers said such an arrangement could be a "win-win" situation for both companies.

They said MSM would be able to improve the utilisation rate at the plant while Wilmar could utilise MSM's sugar refinery for its massive sugar operations. However, no deal was ever struck.

Political hot potato

Given the state of Malaysia's politics, the sale of national assets such as MSM will come under intense scrutiny from various quarters. Though Kuok is a Malaysian, Wilmar is a foreign company and a Singapore-listed entity at that.

Any sale would come on the heels of the brouhaha over the proposed sale of a minority stake in Malaysia Airports Holdings Bhd (MAHB) to Global Infrastructure Partners (GIP), which is in the process of being acquired by US investment group BlackRock.

Perikatan Nasional MPs along with numerous groups have called for the deal to be put on hold over BlackRock's alleged links to Israel and its military.

However, BIMB Securities thinks otherwise, saying Wilmar is better suited as MSM's strategic partner, given its strong brand reputation and extensive expertise in sugar refining.

"Wilmar's involvement would benefit MSM, as it could tap on Wilmar's existing large customer base to boost export sales.

"We also think that no polemics should arise from the disposal of a stake in MSM Johor to a foreign company," BIMB said in a note yesterday.

However, one should not underestimate the zeal of politicians, or even high-ranking civil servants, who will have no qualms throwing a spanner into any corporate proposal to further their own agenda.

Nevertheless, the wily Kuok, who celebrated his 100th birthday last October, will likely be able to navigate through Malaysia's political minefields if he really wants to make a comeback.

Matching Threadstone's RM500 million bid is no big deal for Wilmar, but the key question is whether Kuok – with a net worth of US\$16.5 billion (RM73.3 billion) according to Bloomberg – thinks MSM Johor is worth the hassle of making a bid.

MSM's shares surged as much as 22% or 36 sen to RM2.01 yesterday morning but ended just 0.6% or 1 sen higher at RM1.66, valuing the group at RM1.17 billion.

HEADLINE	Robert Kuok must navigate minefield if he seeks return to sugar business
MEDIA	Free Malaysia Today - Online
DATE	13 August 2024 , 9:30am
BY	Lee Min Keong
LINK	https://www.freemalaysiatoday.com/category/nation/2024/08/13/robert-kuok-must-navigate-minefield-if-he-seeks-return-to-sugar-business/