



Theta Edge's major shareholder Threadstone looking to invest in MSM Johor

By Kamarul Azhar / The Edge Malaysia

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THREADSTONE Capital Sdn Bhd, the second largest shareholder of Theta Edge Bhd (KL:THETA ) is looking to inject RM500 million into MSM Sugar Refinery (Johor) Sdn Bhd (MSM Johor), a wholly-owned subsidiary of MSM Malaysia Holdings Bhd (KL:MSM ) in return for a 49% stake in the unit, sources say.

Threadstone, the private investment vehicle of corporate personality Zainal Abidin Abdul Jalil, which holds a 13.56% stake in Theta, put in a bid when a tender was called early this year, say sources familiar with the matter. RHB Investment Bank is said to have managed the tender.

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KPF had 15.27% equity interest in MSM as at April 22, 2024, according to the sugar refiner's latest annual report. KPF is a cooperative whose members comprise FELDA settlers and staff.

This would mean that the bid for a stake in MSM Johor is now a two-horse race between Threadstone and Wilmar International Ltd. In March, The Edge reported that the Singapore-based trading giant was looking at buying a direct stake in either MSM or MSM Johor.

Questions sent to FGV Holdings Bhd (KL:[FGV](#) [ASK](#) [EDGE](#)), the largest shareholder of MSM, went unanswered as at press time. MSM says it has no information about Threadstone making an offer for a stake in MSM Johor.

According to the sources, Threadstone does not intend to hold the stake in MSM Johor for long. Thus, as part of its bid, Threadstone introduced a put option for MSM to buy back the 49% stake in MSM Johor after five years. However, the sources say Threadstone is also entitled to sell the stake to a third party.

If Threadstone manages to take over the stake in MSM Johor, it would be the third major government-linked company that it has entered into since 2016.

“Zainal has been interested in getting into troubled government-linked companies and trying to turn them around through injections of new assets or businesses, or restructuring the companies by bringing in new investors,” says a source.

Prior to emerging as a major shareholder of Theta through Threadstone, Zainal was a major shareholder of Dagang NeXchange Bhd (KL: **DNEX** **ASK** **EDGE**), between June 2016 and March 2022. He held on to the shares for slightly more than five years.

At DNeX, where he heads DNeX Energy Group, Zainal — formerly an ExxonMobil executive — spearheaded the acquisition of a stake in the Anasuria and Avalon oil and gas clusters in the UK from Summit Exploration and Production Ltd, a wholly-owned subsidiary of Sumitomo Corporation. He is also part of the team that worked on the acquisition of SilTerra Malaysia Sdn Bhd from Khazanah Nasional Bhd.

Zainal emerged as a major shareholder of Theta in March 2021 after acquiring 32.5 million shares or a 30.31% stake in the group from Lembaga Tabung Haji (TH). As at March 2024, Zainal, through Threadstone, owned a 13.56% stake in Theta, making him the second largest shareholder after TH.

Theta has been reported to be one of the leading candidates for two major government contracts — the National Integrated Immigration System (NIISe) and the Multi-Lane Free Flow (MLFF).

With Wilmar believed to have thrown its hat into the ring, it is deemed the leading candidate to acquire a stake in MSM or MSM Johor. The group is, after all, one of the largest trading houses in the world in various commodities, including sugar.

Wilmar operates sugar cane and sugar beet mills in Australia, India, Myanmar and China. The group has a global operation spanning 32 countries and distribution networks in China, India, Indonesia and 50 other countries and regions.

In contrast, FGV is present in seven countries across North America, Europe and Asia.

Observers say while Wilmar is perhaps the best suitor for MSM due to its market reach and expertise, the Malaysian government's sugar subsidies benefiting foreign investors may not go down well with certain quarters.

Since November 2023, the government has been paying RM1 per kg of certain types of sugar to incentivise sugar refiners. MSM's share of 24,000 tonnes of sugar is equivalent to RM24 million per month.

"If Wilmar gets to buy out FGV's stake in MSM, the government might need to rethink the subsidy. Local investors should benefit from the subsidy, not foreign investors," says an observer.

However, even if Wilmar buys into MSM and the government retains the incentive, the benefit will go to Malaysian consumers. MSM's profitability, and in return potential dividends to its shareholders, are not tied to whether the government provides subsidies.

MSM returned to the black after almost two years of losses. In the first quarter ended March 31, 2024 (1QFY2024), the group recorded a net profit of RM41.71 million, compared with a net loss of RM35.88 million in the previous corresponding quarter, after revenue jumped 54.08% year on year.

It was the second consecutive quarter of profit for MSM, following the net profit of RM42.87 million posted in 4QFY2023 ended Dec 31. Prior to that, MSM had been in the red since 4QFY2021.

One of the reasons for MSM's losses was the low utilisation of MSM Johor's refinery in Tanjung Langsat. The refinery, built at a cost of more than RM1 billion, was underutilised and faced operational challenges, which resulted in multiple shutdowns.

However, the operation is improving. MSM Johor's utilisation factor has hovered between 30% and 35% since November 2023 compared with 12% and 25% prior to that. A sustained improvement at MSM Johor is expected to lift MSM's fortunes.

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