



## MSM on short-term cost optimisation, bullish from 2015 onwards

**KUALA LUMPUR:** MSM Malaysia Holdings Bhd (MSM) is focusing on cost optimisation this year, its President and Group Chief Executive Officer Datuk Sheikh Awab Abod said.

“Our current focus is to strengthen the management of our supply chain via cost optimisation measures, driven by strategic increases in our production volume.

“We are increasing our efforts to target the hospitality and retail industries while maintaining our position in the household sector,” he told a media briefing after the company’s annual general meeting here on Wednesday.

Sheikh Awab said he foresees MSM maintaining its profit performance for financial year 2014 despite challenges that have affected revenue.

The abolishment of the 34 sen per kg sugar subsidy by the government (in Budget 2014) and permission for refined sugar imports at zero duty for other local companies affected MSM’s local sales volume, he said. MSM controls 57 per cent of local production of fine granulated sugar, he said, and to maintain market share it is obliged to cut its margins.

According to the company’s latest annual report, both MSM’s refin-

eries in Seberang Prai and Perlis are increasing production capacity to 87 per cent and 95 per cent respectively, enabling MSM to raise annual production capacity from 1.1 million tonnes to 1.2 million tonnes by end-2014.

The company foresees demand for sugar from 2015 onwards to outstrip supply, and sugar prices to rise, and plans to build a fourth warehouse at its Seberang Prai refinery to raise raw sugar storage capacity.

The cost optimisation also involves rationalisation of MSM’s local distribution channels, Sheikh Awab said, adding the initiatives could save the company US\$7 to US\$8 per metric tonne.

On the collaboration with UAE-based Al-Khaleej International Ltd, Sheikh Awab said he expects the joint venture (JV) agreement to be signed in August.

The JV company will develop a new state-of-the-art sugar refinery, inclusive of a logistics complex and vessel terminal, at the Port of Tanjung Pelepas, Johor, with an investment of between US\$250 million and US\$270 million with target completion in 2016, he said. - Bernama