



**MSM plans acquisition to boost sugar production:** Malaysia's top sugar producer MSM Malaysia Holdings Bhd says it will likely make a major acquisition this year as part of its design to make Malaysia the Asia-Pacific hub for sugar production.

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# MSM plans acquisition to boost sugar production

*Sugar producer targets Malaysia as hub for sugar production in Asia Pacific*

by **AZLI JAMIL**

**MALAYSIA'S** top sugar producer MSM Malaysia Holdings Bhd says it will likely make a major acquisition this year as part of its design to make Malaysia the Asia-Pacific hub for sugar production.

MSM CEO Datuk Sheikh Awab Sheikh Abod said the merger and acquisition will be accomplished this year but did not specify whether it will be with a local or foreign company.

The company is flushed with cash, having raised about RM796 million from its listing in June 2011. It had stated that 75% of the proceeds, or RM320 million, was targeted for capital expenditure (capex) to be spent within two years but the company had not spent the money yet.

Sheikh Awab said that upstream acquisition is not of high priority as it requires a lot of capex.

"We used to have sugarcane plantations in Malaysia but those lands have been replanted with rubber," said Sheikh Awab.

As part of its expansion plan, MSM yesterday inked a non-binding memorandum of

understanding (MoU) with United Arab Emirates-based Al-Khaleej International Ltd to form a joint-venture (JV) company to develop a sugar refinery in Tanjung Pelepas, Johor.

The plant is expected to cost between US\$250 million and US\$270 million (RM874.8 million). MSM has 51% of the JV with Al-Khaleej taking up the remaining 49% of the project which includes a logistic complex and a vessel terminal.

MSM's share in the project will be about RM400 million of which Sheikh Awab said it will be internally generated.

Nonetheless, Sheikh Awab declined to provide further details as the MoU is for six months which he said they target to complete details of the JV within three months.

"When the time comes, we will give you the details of the venture," said Sheikh Awab.

He said the company's refined sugar production capacity will be boosted to 3.5 million tonnes from the current capacity of 1.5 million tonnes.

"We have been waiting to set up another refinery and with this partnership with Al-Kha-

leej, we will be able to produce sugar at 35% lower than the current cost of production," said Sheikh Awab.

MSM produced about 57% of sugar production in Malaysia of which 70% is for domestic market with the remaining 30% for export.

Sheikh Awab said sugar producers from Thailand remains the main competition especially as the Thai companies are able to produce and sell sugar at lower price.

Nonetheless, MSM plans to expand to both China and India in the future as these two markets present big growth opportunity for the company to expand especially since MSM is expected to produce sugar at lower costs with the completion of the JV plant.

"India uses 26 metric tonne (MT) of sugar annually while China uses 15MT. In 2020, India is expected to use 40MT while China is expected to use 26MT of sugar annually," said Sheikh Awab.

The subsidiary of Felda Global Ventures Holding Bhd ended yesterday's trading unchanged at RM4.88 per share with 36,400 shares traded.

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*Pic by Hafzi Mohamed*

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