



MSM eyes two M&As

Refined sugar producer hopes to sign deals by June

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KUALA LUMPUR: Financially strong MSM Malaysia Holdings Bhd, the country's largest refined sugar producer, is hoping to ink at least two merger and acquisition (M&A) exercises not later than the first half of this year, said president and group chief executive officer Datuk Dr Sheikh Awab Sheikh Abod.

While declining to name the potential deals, Sheikh Awab said the potential M&As would be related to the group's overseas expansion.

"The year 2015 would be a growth year for MSM. We are looking to upgrade our existing refinery plants, two potential M&As not later than the first half of the year and looking to diversify our revenue stream into sugar-related downstream activities," he said after MSM's fourth-quarter results briefing.

MSM has RM470mil in cash balances and is zero gearing.

It has been reported that MSM is already in talks to acquire an Asian upstream company and also in discussions with a foreign partner to buy a sugar plantation company in the region.

The company hopes to control the entire sugar market in Malaysia and Singapore by 2018.

"We are looking to expand in countries such as China, Indonesia and India because of growing consumption in these countries," Sheikh Awab said.

He also revealed that MSM would commence its trading office in Dubai next month.

MSM commanded about 64% of Malaysia's total sugar market in 2014, up from 57% in 2013. About 81% of its production is for the domestic market while the remaining 19% is for export.

Currently, MSM owns and operates two sugar refineries while its subsidiaries operate another two, located in Perlis and Penang. The four refineries have a total production capacity of 1.25 million tonnes.

Sheikh Awab noted that the company expected to increase its total production by an additional one million tonnes by mid-2017 in Tanjung Langsat, Johor.

He said the company was expected to spend about US\$245mil (RM886.16mil) to build a sugar refinery, a logistics complex and a vessel terminal in Johor.

"We plan to raise the capital for the refinery via debts and internally generated funds," he said.

MSM's net profit soared 189% to RM75mil in the fourth quarter ended Dec 31, 2014 from RM25.9mil a year earlier on the back of higher sales, lower raw sugar cost and cost-cutting initiatives.

Its revenue for the quarter rose to RM628mil from RM537mil previously.

For the full year, MSM posted an increase in net profit to RM257mil from RM254.68mil a year earlier. Revenue for the period was up to RM2.28bil from RM2.2bil previously.

Sheikh Awab said the company was able to save about RM27mil from its cost-cutting initiatives that included improvements in its supply chain network and an energy-saving programme in fuel and electricity usage.

He noted that there would be no changes in sugar price produced by MSM despite lower raw sugar prices globally.

He explained that while the lower raw sugar prices were a boon, the weaker ringgit compared to the US dollar was against it.

"We will maintain the selling price of sugar as for now. This is because the US dollar is strengthening and we (MSM) pay for our raw materials in US dollars," he elaborated.

He noted that Malaysia's refined sugar price of RM2.84 per kg at present was the third cheapest in the region after Thailand and Vietnam.