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MSM seeks strategic tie-ups with global sugar producers

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KUALA LUMPUR: Sugar manufacturer MSM Malaysia Holdings Bhd, which imports 100% of its raw materials, said it is open to "strategic alliances" with global producers as it seeks to expand its international business and keep margins at healthy levels.

"We are a margin player," CEO Chua Say Sin told reporters after the group's AGM here yesterday.

"Cheaper sugar prices in the international markets are not necessarily good for us because production cost is still high and we have to cope with rising competition."

CIMB Research in a recent report said domestic sugar sales volume continued to drop in the first three months of this year, extending a decline for eight consecutive quarters. It suggested that beverage producers may have imported refined sugar direct from overseas to take advantage of lower prices.

Chua said MSM is targeting to increase its sugar refining capacity by 36% to 1.5 million tonnes a year by 2016, up from the current 1.1 million tonnes a year. The group sold 751,668 tonnes of refined sugar in the domestic market last year, while exports expanded 3.5% to 159,409 tonnes.

"The overseas market is an important segment for us," MSM executive director Tan

Sri Sabri Ahmad said. He projected that exports will account for 20% of its annual production this year, up from 15% currently.

He added that the group's strategy to expand production and storage capacity will enable it to pursue a more "aggressive" export target.

Sabri said lower sugar prices presented an opportunity for the group to explore "the entire value chain" of the sugar business for mergers and acquisitions.

He said with sugar prices now at "below the production cost," the group could use this opportunity to secure longer term supply from producers. "This is an area where we are open to strategic alliances," he added.

The benchmark raw sugar price in the international market had fallen to around US\$0.16 (48 sen) a pound - the lowest in about three years - due to strong harvest in major sugar producing countries such as Brazil.

But falling raw sugar prices made little impact on MSM's local business as domestic sugar price is controlled by the government. MSM controls about 57% of the domestic sugar market.

MSM is 51% owned by Felda Global Ventures Holdings Bhd, one of the biggest oil palm plantation companies in the world.

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From left: CFO Raja Faridah Raja Ahmad, Sabri and Chua at the press conference after MSM Malaysia Holdings' AGM yesterday.