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# Sugar producers must diversify to ensure profitability: KTIS

TOP THAI FIRM SAYS  
SUPPLY OF CANE  
THIS YEAR LIKELY TO  
BE IMPACTED BY THE  
DROUGHT CRISIS

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THE WORLD'S largest sugar-cane producer, Kaset Thai International Sugar Corporation (KTIS), says Thai sugar companies must diversify into by-products to sustain profitability.

KTIS owns Kaset Thai Sugar Factory, Thai Identity Sugar Factory and Ruamphol Sugar Factory. Kaset Thai Sugar Factory is the world's largest, with a capacity of 55,000 tonnes of sugar-cane per day. Combined with Thai Identity's 18,000 tonnes and Ruamphol's 15,000 tonnes, KTIS has a total capacity of 88,000 tonnes of sugar cane per day.

Even though KTIS is a large company, it cannot avoid the effects from the decline in the sugar price, said chief financial officer Sirivuthi Siamphakdee.

Parphan Siriviriyakul, chief executive officer of KTIS Group, added that by-products of sugar cane would help the company manage costs, so the company must think about how use its raw materials to strengthen its existing businesses.

Last year, KTIS reported net profit of Bt730 million, down from Bt1.36 billion in 2014 because the global sugar price dropped.

Even though the price has improved to 14.26 US cents per pound from 10.5 cents in the fourth quarter of last year, the company acknowledges that the price will not be stable because the supply is high-



Parphan Siriviriyakul, left, CEO of KTIS, and Kittiphun Anutarasoti, right, KTIS head of wholesale banking.

er than demand and the price is determined by Brazil, the world's largest exporter.

Thailand exports 8 million tonnes of sugar a year, far behind Brazil's 35 million to 40 million tonnes. Global demand for sugar is 180 million tonnes per year.

Sirivuthi said the supply of sugar-cane this year would be lower than last year because the low rainfall and drought had affected the harvest, meaning the harvest season would finish by the end of this month, not the end of April, as usual.

Sugar-cane production this year is expected to be less than 100 million tonnes, lower than the target of

112 million to 115 million tonnes, because production so far has been only 85.6 million tonnes. However, based on the current sugar price of 14.26 cents a pound, KTIS's revenue this year will be better than in 2015 and net profit should be similar to what it made in 2014.

"We hope the sugar price this year will stay at 15-16 cents per pound, but if it is below 10 cents sugar operators will face losses," he said.

The company has to seek more income from sugar-cane by-product, which should be the new strategy of other sugar companies as well. Without adjusting, companies that rely only on sugar

# KTB sees bright future for its sugar-cane clients

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KRUNGTHAI BANK has the second-largest market share in the Thai sugar-cane industry, supporting 11 of its 23 family groups.

Kaset Thai International Sugar Corporation (KTIS) is KTB's largest client in the sector, for which the bank has set aside a credit line of Bt40 billion for cash flow for the cane-harvest season.

The sugar-cane season runs from December to April.

Kittiphun Anutarasoti, senior executive vice president and head of KTB's wholesale banking, said outstanding loans to the sugar-cane industry accounted for 13 per cent of the bank's wholesale-banking portfolio of Bt1.89 trillion.

Although sugar has been hit by the global decline in commodity prices, KTB foresees a bright outlook for this industry because by-products of sugar cane can be used for many businesses, including electricity generation. The government also encourages sugar-cane companies to diversify into power generation.

Five sugar-cane business operators have contacted KTB seeking financial support to construct power plants.

Kittiphun said that as in 2015, corporate clients this year were expected to require working capital more than term loans because the economic circumstances still do not encourage new investment.

KTB does not anticipate much loan growth this year but wants to increase other revenue sources, especially fee income, he said.

The bank is integrating the investment-banking business operated by its wholly owned subsidiary KTB Advisory into the bank itself to increase flexibility and efficiency in facilitating the business activities of corporate clients.

KTB's investment banking will focus more on two business activities, first mergers and acquisitions, and secondly, instruments such as real estate investment trusts and infrastructure funds.

will be disappointed, he said.

By-products of sugar cane are biomass, ethanol, fertiliser, biogas, electricity and bagasse pulp, and KTIS is already operating businesses based on these. However, by-products at present account for only 20 per cent of its revenue, and it wants to boost this proportion to 50 per cent, Sirivuthi said.

KTIS is constructing a plant to make bagasse-ware products from

sugar-cane fibres, an incentive that has been supported by the Board of Investment. Construction of the plant is expected to be completed in two or three months. Sirivuthi said the company was seeking partners in the venture.

Biomass is an alternative material to paper and plastic, and is expected to be in high demand in the future. Bagasse-ware products are already quite popular overseas.