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Buriram Sugar banks on price rebound

PAWEE SIRIMAI

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SET-listed miller Buriram Sugar Plc (BRR) aims to raise crushing capacity by 50% to 3 million tonnes of sugar cane in the next two years, up from the current 2 million, in order to increase revenue at a time when global prices have started to rebound.

The company also plans to increase investment in the biomass business to convert sugar byproducts and enhance profit.

Managing director Anant Tangtongwechakit said the rise in crushing capacity would help increase annual sugar production to 340,000 tonnes from the current 255,000.

"This year we will crush about 2 million tonnes of sugar cane, which is slightly lower than last year's 2.3 million tonnes, as drought has cut production," he said.

The drought is also expected to bring the sugar-crushing season to an early end

as sugar-cane production falls nationwide.

"Right now, some 24 sugar factories have already stopped crushing," Mr Anant said, adding that just five mills stopped crushing in the comparable period last year, signalling a certain decline in production.

Thailand has 52 sugar factories nationwide, according to the Office of the Cane and Sugar Board, which oversees the country's sugar sector.

"We need a partner to help us increase production and add higher value to our products as well as brush up on marketing to penetrate niche markets," Mr Anant said.

Besides the sugar business, the company has diversified into the biomass power business. A third biomass power plant with a capacity of 9.9 megawatts is due to start operation this year, of which around 8MW of power generated from the plant will be consumed by its sugar refinery house.

Buriram Sugar has another two biomass

power plants with a combined power-generating capacity of 19.8MW, which it sells to the Provincial Electricity Authority.

Mr Anant said the company is also considering building a fourth biomass power plant to help consume additional bagasse from rising crushing capacity.

Sugar accounts for 71.57% of the company's revenue, fertiliser 15.36% and biomass power plants 9.95%, which is expected to increase.

The company plans to cancel the project for a new ethanol plant as falling oil prices are unlikely to help increase demand for the biofuel.

"We are looking into the yeast production business, which also uses molasses as a raw material," he said.

Buriram Sugar posted revenue of 4.29 billion baht in 2015, up 8.6% from 3.95 billion baht the year before.

The company also saw a 15.25% rise in

profit from 236 million in 2014 to 272 million last year on increased production and greater operational efficiency.

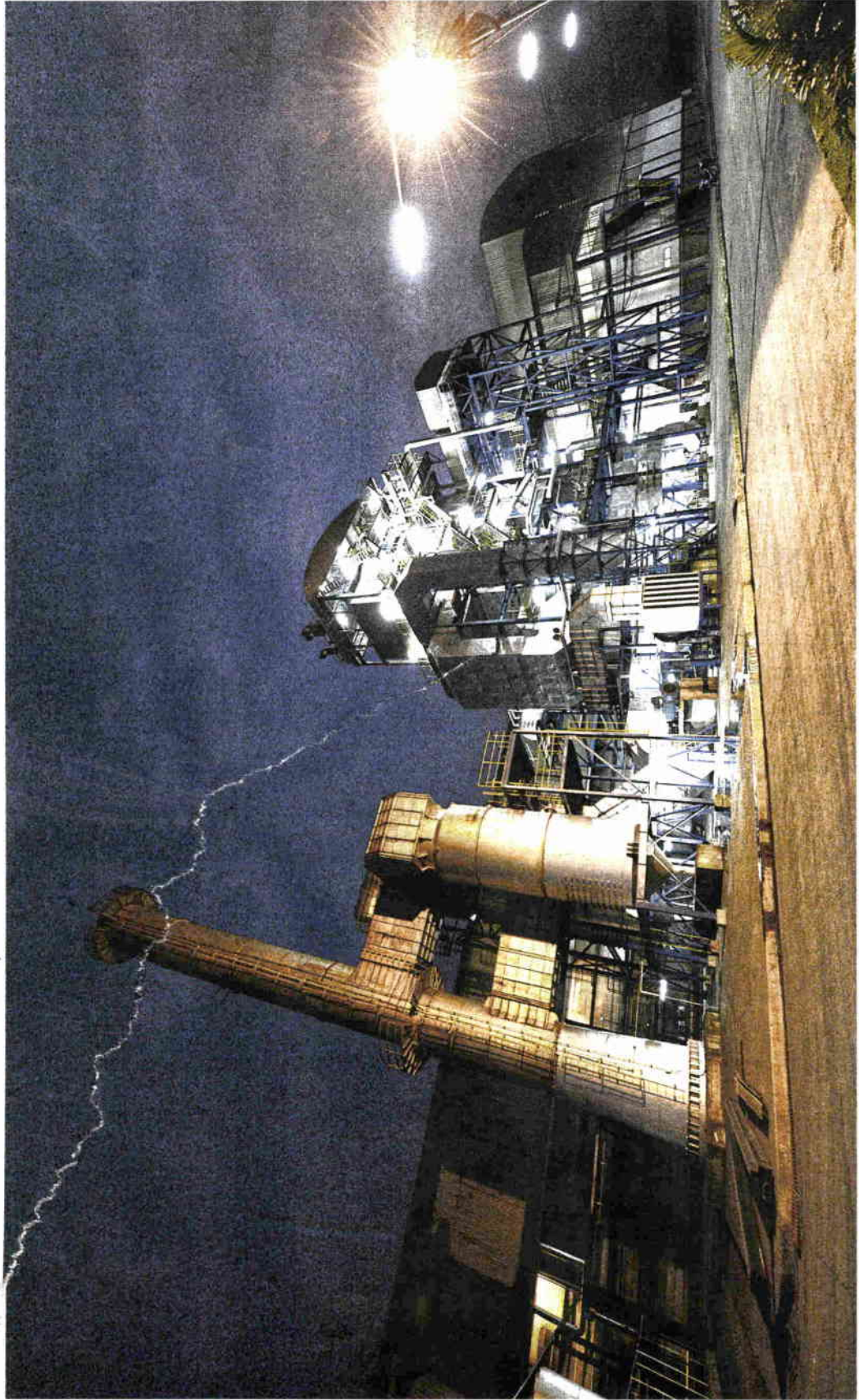
Mr Anant said due to increasing production and the higher price of sugar, revenue will continue to rise this year.

Global sugar prices have dropped substantially over the past few years from a record high of 36 US cents per pound in 2012 to as low as 11 cents late last year due to excessive supply at a time when the weak global economy cut demand.

But prices have rebounded since early this year to 12-14 cents per pound due to an expected fall in supplies from major sugar-producing countries.

The International Sugar Organisation has raised its global deficit forecast for 2015-16 to 5 million tonnes.

BRR shares closed yesterday on the Stock Exchange of Thailand at 13.40 baht, up 20 satang, in trade worth 8.35 million baht.



21 A biomass power plant in Buri Ram province. Buriram Sugar plans to increase investment in biomass to convert sugar byproducts.