

COMMODITIES

Buriram Sugar sweetens revenue growth estimate

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SET-listed miller Buriram Sugar Plc (BRR) is revising up its revenue growth projection, amid higher sugar prices and optimism over a power purchase agreement (PPA) with a power authority for its third biomass power plant.

Managing director Anant Tangtongwechkit said global sugar prices are expected to stay at an average 22 US cents an ounce this year compared with 16 cents an ounce last year, driven mainly by lower supply from drought-hit India, one of the world's major sugar exporters.

Global sugar prices have dropped substantially over the past several years from a record high of 36 US cents an ounce in 2012 to as low as 11 cents late last year, as the weak global economy hit demand at a time when supply was higher.

The price of benchmark New York raw sugar, which sets the global trend, has risen nearly 50% from a record low to around 13.92 cents at present, as demand has started to recover.

According to Mr Anant, due to higher sugar price prospects, the company's revenues are expected to outstrip the 30% increase from 4.67 billion baht last year projected earlier.

He said the company is also eligible to earn more revenue if its third biomass power plant in Buri Ram province wins the PPA with the Provincial Electricity Authority.

Last year, sugar contributed around 70% of the company's total revenues, with electricity making up about 8%. This year, the

sugar business is estimated to contribute around 75% due to higher sugar prices.

In a related development, Buriram Sugar yesterday announced a placement of BRR infrastructure fund (BRRGIF) investment units in a price range of 9.90 and 10.40 baht, with the subscription scheduled for July 11-24. The fund is expected to be listed on the Stock Exchange of Thailand next month.

According to Mr Anant, proceeds worth about 3.6 billion baht available from the fund will be used to invest in two new projects: an ethanol plant with a production capacity of 150,000 tonnes a year worth 1 billion baht and a refinery worth 1.5 billion baht.

A final investment decision on the projects will be made early next year.

The firm has sugar producing capacity of 340,000 tonnes. It is expected to produce 230,000-270,000 tonnes of sugar this year as the drought has cut Thailand's cane supply, reducing output for sugar millers across the country.

Thailand, the world's second-biggest sugar exporter after Brazil, is forecast to produce 9.1-9.2 million tonnes of sugar in the current 2016/17 crop, down from 9.4 million tonnes in the previous crop.

Normally, of Buriram Sugar's total production, around 50% is raw sugar exported to major consumers such as Indonesia and Japan, while the remainder is white sugar, used for food and beverage industries and for export.

BRR's shares closed yesterday on the SET at 11.60 baht, down 10 satang, in trade worth 6.40 million baht.



Buriram Sugar's biomass power plant in Buri Ram, which hopes to win a PPA.