

KTIS eyes B400m to upgrade machinery as sugar prices sag

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Amid a decline in global sugar prices, SET-listed Kaset Thai International Sugar Corporation Plc (KTIS) is spending 400 million baht to upgrade its machinery.

The company also plans to expand its renewable energy business.

Chief executive Parphan Siriviriyakul said the 400 million baht would go to converting sugar-crushing machines from a steam turbine system to an electronic motor system provided by Siemens, a leading supplier of industrial gear.

"The new machines will increase production capacity to 55,000 tonnes of sugar cane a day and help cut power costs by 30%," Mr Parphan said.

The upgrade will make KTIS's main sugar plant the largest in the world by crushing capacity, bringing total capacity

at the company to 88,000 tonnes a day.

The power saved will be sold to the Electricity Generating Authority of Thailand to earn additional revenue for the company to offset falling sugar prices.

World sugar prices have tumbled by more than half from their record high of 36 US cents a pound to the current 13 cents, largely due to a substantial global sugar surplus over the past several years.

"We must say that revenue from sugar has not been favourable. That's why we have diversified our business into using cane byproducts to produce other valued-added products, including renewable energy," Mr Parphan said.

The company is now running a 60-mega-watt power plant from cane residue and plans to invest in two additional renewable power plants.

"They will be two plants of 50 MW each,"

Mr Parphan said. "The first one is due to start operating by the second quarter of this year, while the second one may start by the final quarter of this year."

Total power-generating capacity at KTIS would then reach 160 MW by the end of 2015.

The company also operates an ethanol plant using biofuel from molasses, a sugar byproduct.

Given the uncertainty surrounding sugar prices, KTIS plans to adjust the proportion of its sugar and renewable energy business from 78:32 to 60:40 over the next three years.

Despite falling sugar prices, the company expects full-year revenue growth of 10% from 18 billion baht last year.

Shares of KTIS closed yesterday on the Stock Exchange of Thailand at 9.75 baht, down 25 satang, in trade worth 9.54 million baht.