

Mardec plans SEA expansion

It allocates RM150m for local and overseas investments

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KUALA LUMPUR: Rubber processor Mardec Bhd plans to expand its overseas investments via new rubber processing plants and acquisition of rubber plantations in South-East Asia, said chief executive officer Khalid Bahsoon.

He said the group targeted to open two processing plants in the next two years. "Later, perhaps through a link with Tradewinds Plantations and, Mardec might even own rubber plantations abroad."

Currently, almost half of Mardec's operations are overseas. It has four rubber processing plants in India, three plants in Indonesia and one in Vietnam with a combined total production of about 100,000 tonnes annually.

Mardec is the country's third largest rubber processor after Lee Rubber and Felda Group.

Khalid was brought into Mardec early this year after Tradewinds Plantations proposed a takeover of Mardec for RM150mil in October last year. He was previously chief executive officer of Renewable Energy Sdn Bhd, a unit of MMC group.

The takeover, which is pending approvals from the Finance Ministry and the Economic Planning Unit, is slated for completion by the year-end.

Khalid told *StarBiz* that Mardec had allocated a capital expenditure of about RM150mil for its investments in Malaysia and overseas in the next five years.

He pointed out that the dwindling local natural rubber (NR) supply was making it more difficult for Mardec



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to secure consistent supply of raw materials for its Standard Malaysian Rubber (SMR) and rubber concentrate plants in Malaysia.

With the country's NR production

projected to drop to about 800,000 tonnes this year compared with one million tonnes last year, he said Mardec, apart from depending on local smallholders, had to source

elsewhere for consistent supply of NR.

"One of our strategies is to have rubber processing facilities where the raw materials are easily sourced in major rubber growing countries like Indonesia and Thailand.

"Most of our SMR grade products in the overseas facilities are for export," he added.

On the local front, Khalid said Mardec would also undertake some restructuring activities to position the group as the number one rubber processor in Malaysia in five years.

"There will be some consolidation of our existing plants and a new plant is also coming up as a result of the restructuring," he added.

Mardec presently has five SMR plants and two rubber concentrate plants in Malaysia.

For this year, Khalid said: "We are targeting to produce a total of 150,000 tonnes from our local plants and 100,000 tonnes from the overseas plants."

On the group's 2010 performance, Khalid said he expected Mardec to perform better or at least maintain last year's achievement.

He said Mardec was able to return to the black after registering a net profit of RM5mil on revenue of RM1bil for the financial year ended Sept 30, 2009 (FY09). The group posted a net loss of RM20mil on revenue of RM1.51bil in FY08.

Khalid also expected rubber prices to remain stable this year following rising demand particularly for tyre-grade SMR 20.

Last Friday, the Malaysian Rubber Board's unofficial closing price for SMR 20 was up six sen at RM9.18 per kg while latex-in-bulk gained four sen to RM6.96 per kg.