



# **SOUTHERN ACIDS (M) BERHAD**



**38<sup>TH</sup> ANNUAL  
GENERAL MEETING  
30 AUGUST 2019**

**Replies to  
MSWG's Questions**



## Strategy/Financial Matters

### Question 1

On the Oleochemical segment, the current manufacturing plant in Kapar, Klang has been operating for more than thirty years. Given the age, your long-term focus is to upgrade the plant.

What is the current efficiency level of this plant? What is the plan for this plant? What is the estimated capital expenditure to upgrade the whole plant?

**Answer:** The plant is currently operating at an efficiency level ranging between 94% to 100%.

The plant utilisation for financial year ended 31 March 2019 was 83% and for the first quarter of financial year ending 31 March 2020 was about 86%.

What is the plan for this plant?

**Answer:** Our intention is to progressively upgrade our plant through modernisation of machineries and introduction of process automation.

What is the estimated capital expenditure to upgrade the whole plant? (page 12, Annual Report)

**Answer:** The capital expenditure to upgrade the whole plant is estimated to be RM250 million to RM350 million



## Strategy/Financial Matters

### Question 2

**Based on your Oleochemical segment Financial and Non-Financial Highlights, the segment reported a loss before tax of RM2.4 million and lower revenue figures for FY2019 compared to FY2018. Your key overseas sales which accounted for 77.0% declined by 23.4% from RM292.1 million in FY2018 to RM223.6 million in FY2019. (page 12, Annual Report)**

**What are the measures you intend to take to improve the overseas sales figures?**

**Answer: To note, the major drop in revenue is due to the drop in the commodity prices. The management has been exploring new overseas market to market our products.**



## Strategy/Financial Matters

### Question 3

The Milling & Estates segment is a net buyer of FFB for feedstock for the milling operations as the internal estates are only able to supply 20.4% of the required volume. In addition, fluctuations in CPO prices is also a key risk as this determines the selling price to the customers. The Group mitigates the risk by focusing on increasing the production from its internal estates. (page 17, Annual Report)

**What is the progress of this strategy to balance your reliance on external supply of FFB?**

**Answer:** At present moment the management is looking at securing a plasma replanting scheme with the local “masyarakat” which will guarantee the supply of FFB to our mills.

Longer term, we will continue to look for opportunity to acquire and expand our cultivation land bank, with consideration given to suitability of the land, pricing, logistics issues and proximity to our palm oil mills.

**What is your overall target for the production of FFB from your internal and external supply?**

**Answer:** Going forward, our intention is for our internal FFB production to account for at least 20% of our mill’s requirement.



## Strategy/Financial Matters

### Question 4

In the light of the global uncertainties and the decreased trade flows stemming from the US-China trade war, your key strategies are to increase production efficiency and cost rationalisation.

What are the key initiatives taken to achieve the desired results to-date? (page 17, Annual Report)

**Answer: Pertaining to the Oleochemical business, we have progressively spent on upgrading our plant and machineries to enhance our production efficiency. We intend to continue with this as a long term commitment to improve on our operational efficiency.**

**Modernising our machineries and introducing process automation would enable us to optimise our staff strength and ultimately lower our labor cost.**



**SOUTHERN ACIDS (M) BERHAD**



**Thank you!**