

Tradewinds may take unit private

It may also sell major asset to cut debt burden

KUALA LUMPUR: Tradewinds Corp Bhd may be looking at taking subsidiary Tradewinds (M) Bhd private and selling a major asset to cut its debt burden.

"The idea behind taking Tradewinds Malaysia private is for the cashflow. The sugar-refining business is a steady, cash-generating business," said a source.

The main business of Tradewinds Malaysia is its sugar-refining operations through Central Sugars Refinery, which is the second largest sugar refinery in the country.

Central Sugars Refinery, together with Tradewinds Malaysia unit Gula Padang Terap Sdn Bhd, has a 40% share of the Malaysian sugar market and exports to other countries in the region.

Tradewinds Malaysia reported a net profit of RM47.4mil, or 15.99 sen a share, for its financial year ended Dec 31, 2006.

The manufacturing and trading business of the company, which is primarily its sugar operations, posted a revenue of RM702.5mil with a pre-tax profit of RM48.1mil.

The potential purchase of Trade-

winds Malaysia would see the shareholding structure of the group streamlined.

Currently, Tradewinds Corp owns 52% of Tradewinds Malaysia, which in turn owns nearly 70% of Tradewinds Plantations Bhd.

Apart from the possibility of privatising Tradewinds Malaysia, Tradewinds Corp has to settle a RM100mil debt due next year.

"They will have to sell assets to repay that debt," said the source.

In the pipeline for that is the sale of its Intercontinental Westlake Hotel in Hanoi, which will be

completed in August. The source said there was an offer on the table from foreign investors.

"There are buyers for the hotel and the company can easily get US\$100mil for it," said the source.

Cash from that transaction will come in useful for the group which, at the holding company level, has debt of about RM1bil.

Interest payments at Tradewinds Corp last year were RM110mil and any reduction of that would go straight into the bottomline, said the source.

Apart from the sale of its Vietnam

hotel, the source said Tradewinds Corp was riding a rebound from its hotel business.

"Its hotels are doing better this year on higher room rates and occupancy levels," said the source.

The higher profit makes it unlikely that the group would be willing to part with any other of its prized domestic property assets just yet.

Menara Tun Razak and Kompleks Antarabangsa are fetching good rental rates at the moment and occupancy levels are around 90%.

"Now the only problem is how to reduce gearing," said the source.