

ONLINE MEDIA

ONLINE MEDIA : The Edge Markets (Online)	DATE : 18 March 2020
COMPANY : Mycron Steel Bhd	SECTION/PAGE : Article
LINK: https://www.theedgemarkets.com/article/flat-steel-players-awaiting-miti-appointment	

Flat steel players awaiting Miti appointment

FLAT steel players are waiting for the new Cabinet line-up, especially the appointment of the minister of international trade and industry, in the hope of expressing their concerns to the new government.

Market talk has it that Datuk Seri Mustapa Mohamed, the former Miti minister, may make a comeback (if he does not get appointed as minister of finance) or that the top job at Miti could go to former human resources minister Datuk Seri Richard Riot. However, there was no announcement on the Cabinet line-up at press time.

Basically, flat steel products include hot-rolled coils (HRC) and cold-rolled coils (CRC), which are processed from the former. They are used to make motor vehicles, electrical appliances and other such items, as opposed to long steel products, which are used in construction.

"We need to do something. This time last year, we were preparing our White Paper, and we gave it to the government (in April) but nothing has changed; we are still in limbo," laments one player who spoke on condition of anonymity.

In its 2018 report, Miti had asked the iron and steel industry to come up with a White Paper to address issues at every level of the value chain. The White Paper was intended to "form the basis for a more holistic iron and steel policy towards developing a more resilient, competitive and sustainable industry", it said.

According to reports, the steel industry submitted the White Paper at end-April 2019. It contained 68 recommendations under seven transformation drivers and was a collaborative effort between stakeholders in the steel industry and various associations, including the Malaysian Iron and Steel Industry Federation (Misif).

At end-October last year, it was reported that former Miti deputy minister Ong Kian Ming had said, "On the White Paper, Miti has developed a framework of actions where some short-term measures will be instituted to ease the uncertainties faced by the industry while undertaking due diligence in line with both the 12th Malaysia Plan and the new Industrial Masterplan under Miti." However, nothing has happened since.

While there are several flat steel players, there are only two large publicly traded local producers, namely Mycron Steel Bhd and CSC Steel Holdings Bhd.

Until April last year, YKGI Holdings Bhd was a relatively large CRC player but it sold its plant in Klang, Selangor, for RM125 million cash to Japanese outfit NS Bluescope Malaysia Sdn Bhd.

Meanwhile, Megasteel Sdn Bhd, which, for the longest time, was the only HRC maker in the country, sold its assets to sister company Lion Industries Corp Bhd. Lion Industries has big plans, which include the building of a blast furnace and other investments that could cost billions.

Megasteel's last recorded financial performance — for the year ended June 2018 — showed the company suffering an after-tax loss of RM1.88 billion with no revenue generated as operations had ceased. For the year ended June 2017, Megasteel suffered an after-tax loss of RM446.67 million without any revenue generated as well.

For the year ended June 2018, Megasteel had total liabilities of RM5.19 billion and only RM558.78 million in total assets. It is noteworthy that current liabilities as at end-June 2018 stood at RM5 billion.

To put things in perspective, as at end-June 2018, Megasteel had accumulated losses of RM5.31 billion, up from RM3.43 billion at end-June 2017.

According to some industry players, Mycron may be the last sizeable local CRC player — the others have been taken over by foreign companies as most did not have the scale to operate locally.

The local CRC players' main complaint over the past few years has been that no measures, such as the imposition of duties on foreign imports, had been implemented to protect them.

This is in stark contrast to other countries such as Indonesia, which last August levied anti-dumping duties on hot-rolled plates from China and steel products from Singapore and Ukraine at 10.47%, 12.5% and 12.33% respectively.

In March last year, Indonesia slapped anti-dumping import duties of up to 20% on a number of flat-rolled iron and steel products from seven countries, including China, Russia and India.

Indonesia has been imposing import duties on flat steel since 2013.

Thailand, meanwhile, in December last year extended the imposition of anti-dumping duties on CRC from China, Vietnam and Taiwan for an additional five years after the initial levy, ranging from 4.22% to 20.11%, that was introduced in 2014 expired.

Many of the large regional players are backed by foreign giants, for instance, Formosa Ha Tinh Steel Corp of Vietnam by Taiwanese giant conglomerate Formosa Plastics Group and PT Krakatau Posco of Indonesia by South Korean giant Posco International Corp, which is based in Pohang.

Under the Asean Free Trade Area, there are no restrictions on HRC being brought into Malaysia from these countries.

Mycron is 74.13%-controlled by Melewar Industrial Group Bhd, which, in turn, is 45.84%-owned by businessman Tunku Datuk Yaacob Khyra.

For the six months ended December last year, Mycron suffered a net loss of RM2.68 million on revenue of RM357.94 million. In the previous period, it incurred a loss of RM2.38 million on sales of RM385.08 million.

For the year ended December 2019, CSC Steel chalked up a net profit of RM34.8 million on revenue of RM1.36 billion. It has stayed profitable because it is a 46.3% unit of China Steel Asia Pacific Holdings Pte Ltd, which gives it scale.

CSC Steel is operating at less than 50% of its production capacity because of the surge in the volume of cheap CRC dumped on the Malaysian market. CSC Steel's CRC operations are running at a loss but its galvanised iron and pre-painted galvanised iron businesses are keeping the company afloat.