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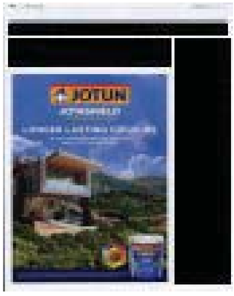
MediaTitle	The Edge
Date	29 Oct 2018
Language	English
Section	Corporate
Color	Full Color
Page No	30,54



CRC players losing patience with government inaction

BY **JOSE BARROCK**

Local cold rolled coil (CRC) producers Mycron Steel Bhd, YKGI Holdings Bhd and CSC Steel Holdings Bhd seem to be losing patience with the Pakatan Harapan government's delay in addressing issues plaguing the sector.

Their main grouse is that measures to protect them, such as the imposition of duties, have yet to be implemented, in contrast to what other countries did.

"When the US and European Union sensed that their steel markets were vulnerable and threatened by the dumping of cheap steel by China and Vietnam, they immediately swung into action.

"The key word here is 'sensed'. Their response was immediate, swift and aggressive. To safeguard their domestic markets, they imposed an additional 25% tariff. Other countries such as Thailand and Indonesia followed suit, imposing tariffs and non-tariff barriers to protect their producers from the dumped steel. Why are we always so slow to react?" Mycron Steel Bhd executive chairman Tengku Datuk Yaacob Khyra says in a brief conversation.

Yaacob is talking about the US' imposition of a 25% tariff on steel imports in March under Section 232 of the Trade Expansion Act 1962. Similarly under the Provisional Safeguard Measures, the European Commission imposed a 25% tariff on steel imports in mid-July.

At home, *The Edge* understands that some of the meetings scheduled thus far to discuss protection for the local CRC players have not involved the key decision-makers despite Yaacob having written to the relevant government agencies since July.

"Abandoned? Preoccupied? An oversight? Whatever the reason may be, CRC producers, which form the midstream sector of the flat steel value chain — a sector that is crucial to the development of the flat steel ecosystem in Malaysia — have continuously been neglected," he says.

"We have been trying to explain the problem to our government in the hope that it will act swiftly to stop the surge in CRC imports, but there hasn't been any significant action. In fact, more and more duty exemptions are being given to selected importers, some of whom are not even involved in manufacturing."

Last year, 1.07 million tonnes of CRC were imported, twice the quantity produced by local CRC players. In 2010, the ratio of imported CRC to domestic production was 1:1.

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'We urge the government to stop issuing duty exemptions for CRC imports'

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"In the span of just eight years, imports have doubled. All these are happening at the expense of the domestic CRC producers. The producers feel victimised and unfairly treated as CRC is the only product in the flat steel value chain that saw a significantly higher tonnage of imports compared with that produced by local manufacturers. We have been setting alarm bells ringing for almost two years now. It is crucial that something is done, and quickly," says Yaacob.

In the meantime, the three public-listed CRC producers are bleeding red ink.

Last week, YKGI released its financials for the nine months ended Sept 30. It suffered a net loss of RM10.64 million from RM250.19 million in revenue. A year ago, its net loss was 23.78% higher while revenue was 11.85% lower.

YKGI managing director Victor Hii Lu Thian says, "We request the authorities to immediately tighten and reform the CRC duty exemption procedure and stop the 7225 AP (approved permit) issuance (which covers the import of CRC) to ensure a level playing field across the flat steel value chain. This is important for the sustainability and well-being of the Malaysian flat steel ecosystem. They must advocate the use of Malaysian-made steel products."

It is worth noting that YKGI is in talks to sell its plant in Klang, Selangor to NS BlueScope Malaysia Sdn Bhd, a wholly-owned subsidiary of NS BlueScope Lysaght Singapore Pte Ltd.

If this sale goes through, Mycron will be the only large-scale Malaysian-controlled CRC player.

YKGI is 26.75%-controlled by Marubeni-Itochu Steel Inc. Yung Kong Co Bhd, the vehicle of the Hii family, owns 15.32% equity interest in the company while Datuk Soh Thian Lai, who is the company's executive deputy chairman, holds 6.88%.

Mycron is 71.26%-controlled by Melewar Industrial Group Bhd, which, in turn, is 36.53%-owned by Yaacob.

CSC Steel Holdings is 46.30%-controlled by China Steel Asia Pacific Holdings Pte Ltd.

"Domestic CRC steel manufacturers have sufficient production capacity and capability to meet local CRC users' quality requirements. At present, we are operating at less than 50% of our capacity due to the surge in cheap imported CRC. We urge the government to stop issuing duty exemptions for CRC imports immediately and encourage users to purchase locally made CRC," a senior CSC Steel Holdings official tells *The Edge*.

Both CSC Steel Holdings and Micron's earnings have been bolstered by other segments but their respective CRC arms are bleeding.

In its six months ended June 30, CSC Steel Holdings registered a net profit of RM20.99 million on revenue of RM690.25 million.

The company says, "The domestic steel market has returned to its normal operation after the Hari Raya festivities. However, the local galvanised steel manufacturers' market share is facing a threat from the influx of low-priced steel imports. The Ministry of International Trade and Industry has been made aware of the situation and is now taking appropriate actions, including initiating an anti-dumping investigation into the import of galvanised steel from China and Vietnam."

Mycron, meanwhile, recorded a net profit of RM16.1 million from RM793.37 million in sales in its financial year ended June 30.

On its prospects, the company says the local steel market has turned bearish due to the spillover effect of antitrade measures, the halting of various mega projects and the soft property and construction sector.

It adds that local steel manufacturers are facing a severe margin and volume squeeze because of underpriced regional imports, particularly CRC, spurred on by robust raw steel prices and possibly capacity diversion due to the restricted US and EU markets.