

Headline	Mycron says the worst yet to come if steel dumping not curbed
MediaTitle	The Edge Financial Daily
Date	03 Dec 2018
Language	English
Section	Home Business
Color	Full Color
Page No	1,7



7 HOME BUSINESS

Mycron says the worst yet to come if steel dumping not curbed

Mycron says the worst yet to come if steel dumping not curbed

Imposition of tariffs by the US and Europe on steel imports exacerbated matters — chairman

BY AHMAD NAQIB IDRIS

Steel players

KUALA LUMPUR: Lack of measures to protect the Malaysian steel industry, as foreign producers continue to dump cheap products into the market, has resulted in margin pressures on local cold-rolled coil (CRC) players such as Mycron Steel Bhd, which saw its net profit plunge 75% in the latest quarter ended Sept 30, 2018.

The company's quarterly net profit slumped to RM1.45 million from RM5.81 million in the previous year's corresponding quarter, despite a 9% rise in revenue to RM196.71 million from RM179.75 million.

The influx of cheap CRC imports into Malaysia has resulted in a price war that eats into the margins of local suppliers, given that foreign suppliers are dumping their supplies at prices lower than even those of raw materials used in making CRC: hot-rolled coils.

While the issue of cheap CRC imports is not new, Mycron executive chairman Tunku Datuk Yaacob Khyra said the imposition of tariffs by the US and Europe on steel imports, which came into effect earlier this year, exacerbated matters.

And the import of CRC from China is particularly cheap, as the Chinese government subsidises imports to other countries via an export tax rebate of up to 16%.

Imported CRCs now account for about 70% of total CRC consumption in Malaysia, while domestic CRCs make up only 30%, said Tunku Yaacob. As a result, domestic production is suffering, with companies operating not even at half of their full capacity.

In March, the US government imposed a global tariff of 25% on all imports of steel into the country, in line with the protectionist stance it has taken since Donald

COMPANY	NET PROFIT (RM MIL)			REVENUE (RM MIL)			YTD SHARE PRICE CHANGE (%)
	QUARTER ENDED SEPT 30, 2018	QUARTER ENDED SEPT 30, 2017	CHANGE (%)	QUARTER ENDED SEPT 30, 2018	QUARTER ENDED SEPT 30, 2017	CHANGE (%)	
Mycron Steel	1.45	5.81	-75	196.71	179.75	9	-37
YKGI Holdings	-6.93	-3.53	NA	86.81	101.72	-15	-21
CSC Steel Holdings	2.98	14.04	-79	336.59	325.68	3	-33

Trump was elected president.

The tariff caused trade diversion, which the European Union (EU) said might result in serious harm to its steel industry, as manufacturers that supplied steel to the US would be looking to get rid of their extra capacity elsewhere.

Consequently, the EU initiated an investigation into the possible imposition of safeguard measures on steel in the same month, with a 25% duty on imports that took effect in July. The provisional safeguard is temporary and could be in place for up to 200 days, while the EU comes up with its final decision by early 2019.

"Due to the tariffs, all the steel supply that was intended for the US and EU have been diverted to Southeast Asia.

"The governments of Indonesia, the Philippines, Thailand and Vietnam have already put in place protection measures against cheap steel imports that are being dumped into their countries. Malaysia, however, has been very slow in reacting," Tunku Yaacob told *The Edge Financial Daily*.

While the Malaysian government had taken notice of the issue and announced last month it was coming up with a white paper on the way forward for the domestic steel industry, it will likely take some time before potential policies can be effected.

The ministry of international trade and industry has said it is working on a solution, but no defi-

nite timeline has been given on when one has to be reached.

Frustrated by the government's slow response, Mycron and other CRC producers are looking at initiating their own safeguard investigation into the importation of CRCs into Malaysia, independent of the government, said Mycron chief executive officer Roshan Abdullah.

"We are actually engaging trade lawyers and the Malaysia Steel Institute to file a petition within the next month to start proceedings of a provisional safeguard, followed by a permanent safeguard for CRC imports into the country.

"Other governments around the world have all taken action, whether by putting in place tariff or non-tariff barriers and Malaysia is still lagging. Every month that passes by without action will injure local players," he said.

Tunku Yaacob highlighted that Mycron is currently selling its CRCs below manufacturing costs of US\$75 (RM313.50) per tonne — that is 37.5% below the US\$120 it costs to manufacture each tonne of CRCs — in order to compete with cheap imports and generate the cash flow required to cover its overheads.

"Basically, CRC is being brought

into Malaysia at almost the same price as hot-rolled coils, which is the raw material required to make CRC. It's impossible for us to compete as China subsidises the imports. Malaysia must impose a provisional safeguard while it continues to assess the situation. Do exactly what the EU did — we don't have to reinvent the wheel," he said.

"Time is of the essence and we cannot wait for another year before the controls are put in place," he stressed.

He warned that Mycron's results, along with other players, will get worse without the government's intervention as the company will not be able to sustain operations with low to negative margins.

"This will affect our results moving forward and the trade diversion and the dumping of cheap steel is increasing. As soon as the provisional safeguard duty comes up, Mycron can improve its operations as the imports will slow down," he said.



Tunku Yaacob: The governments of Indonesia, the Philippines, Thailand and Vietnam have already put in place protection measures against cheap steel imports that are being dumped into their countries. Malaysia, however, has been very slow in reacting. The Edge file photo