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Crackdown on illegal steel imports opens up a can of worms

The Edge, Malaysia

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BY THE EDGE MALAYSIA

A major raid on smuggled steel imports at seven premises in the Klang Valley less than a fortnight ago has opened up a can of worms.

A press statement on the Royal Malaysia Police (PDRM) website last Wednesday confirmed that the raids carried out on Jan 17 by the Wildlife Crime Bureau/Special Investigation Intelligence, the Construction Industry Development Board (CIDB) and the Department of Environment (DoE) resulted in the arrest of six individuals comprising owners and managers of the factories as well as the confiscation of goods worth RM113.9 million from the premises, which process and supply iron and metal products to the construction sector.

"The [authorities] found iron goods categorised as 'end products' without certification of compliance by CIDB as well as iron and metal goods categorised as 'semi-finished products' believed to be imported illegally," Bukit Aman Internal Security and Public Order Department director Datuk Seri Azmi Abu Kassim said in a statement.

People in the know tell *The Edge* that the investigations are ongoing, and that the An-

ti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 (AMLA) investigation papers are expected to be opened in parallel for investigation under the Customs Act 1967. AMLA imposes money laundering and terrorism financing reporting obligations on reporting institutions as a counter-measure to prevent such activities.

"The CIDB has seized more than 8,000 tonnes of iron and steel from the premises, and notices of several offences have been issued to the factories, which have 30 days to respond to the authorities, failing which, the premises may be subject to a fine of RM50,000 to RM1 million or imprisonment not exceeding five years," says a source.

For context, an industry veteran who spoke to *The Edge* on condition of anonymity explains that the smuggling of cold-rolled coils (CRCs), a practice that has been ongoing for several years, escalated significantly during the Covid-19 pandemic.

"For decades, the Chinese economy was strong enough to sustain demand for its local steel production. But when the nation's economy slumped during the pandemic, it exported steel at cheap prices. The implications on the Malaysian steel sector have

been severe, as certain parties acquired the smuggled goods at a steal and profited off them, circumventing import levies and anti-dumping laws, and undermining the local market. It's time to make right this mess," says the industry veteran.

Numerous parties are seen to be commending the federal police force and relevant authorities for the successful curbing of the illegal operations.

Responding to *The Edge's* request for comment, Malaysian Iron & Steel Industry Federation (MISIF) president Roshan M Abdullah says, "MISIF's stance is clear: Smuggled steel has no place in our society. The federation and the iron and steel industry firmly condemn and will not tolerate the importation of undocumented, illegal steel. The growing cancer of smuggling must be eradicated entirely, as it is becoming increasingly ingrained in our society and economy.

"Moreover, smuggled steel bypasses vital testing and certification, such as the Certificate of Approval (COA) from SIRIM and CIDB, posing significant risks to industries such as construction and manufacturing. The use of substandard materials has catastrophic consequences, including structural collapses, injuries

and loss of life. [The parties'] actions deplete critical national revenue, destroy market value for local manufacturers, and jeopardise the survivability of hardworking industry players.

"We strongly urge PDRM, the Customs Department and other enforcement agencies to continue their efforts and ensure that all perpetrators are held accountable, no matter how deep-rooted or widespread these networks may be. This is not just about protecting an industry — it is about safeguarding Malaysia's economy, preserving public safety, and upholding the rule of law."

Implications of dumping on local players

The crackdown comes as something of a surprise, given that the government had lifted anti-dumping duties on flat-rolled plated steel imports from China and Vietnam last March, a move seen to have dealt a blow to the bottom lines of several local steel players. CSC Steel Holdings Bhd (KL:CSCSTEL) was considered one such player, as its net profit for the nine-month period ended Sept 30, 2024, nearly halved to RM22.81, on 0.85% lower revenue of RM1.17 billion from the year before.

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For the same reason, Mycron Steel Bhd (KL:MYCRON) fell into the red, with a net loss of RM2.3 million for the first quarter ended Sept 30, 2024 (1QFY2025), on 22% higher revenue of RM198.4 million.

In a filing with Bursa Malaysia, the Main Market steel accessories maker stated that the first financial quarter was one of the weakest it had seen in the past 12 months for the steel industry. The downturn was at-

tributed to factors such as the longest-running steel price decline since the pandemic, which hit a new low in September; intense competition and pricing pressure from imports, particularly from China; and cooling exports, as a result of narrowing price spreads between hot-rolled and cold-rolled coils, along with the sharp rise of the ringgit.

As Chinese and Vietnamese dumping weighed heavily on local players over the years, companies such as electro-galvanised

steel manufacturer Nippon EGalv Steel Sdn Bhd ceased operations in July 2020; and FIW Steel Sdn Bhd sold its zinc-coated steel coils and pre-painted zinc-coated steel sheets plant to Axis Real Estate Investment Trust for RM120 million in the following year.

Meanwhile, tycoon Tan Sri Quek Leng Chan — the patriarch of Hong Leong group, who currently owns close to 70% of Southern Steel Bhd (KL:SSTEEL) — ceded control of the steel company this month to Singa-

pore-based Green Estee Pte Ltd by way of the latter's proposed issuance of a 50.1% stake for RM315.86 million.



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