

12 DEC 1996

PERWAJA TO REALISE NET PROFIT OF RM100 MLN BY 1998

KEMAMAN, Dec 12 (Bernama) -- Financially-troubled Perwaja Steel Sdn Bhd is set to chalk up a net profit of RM100 million by the year 1998 which is expected to double to RM200 million by 2000, says its chief executive officer, Abu Talib Mohamed.

These are the business plans which Equal Concept Sdn Bhd, the interim manager for Perwaja, has for the steel firm, he said at a press conference after a visit to the steel complex here by Prime Minister Datuk Seri Dr. Mahathir Mohamad, here today.

Abu Talib said that in less than six months since Equal Concept took over in July, Perwaja has seen a near 20 percent reduction in costs, adding that it was making operational profits since October this year.

Besides this, the company has reduced production costs by RM200 per tonne since then and plans are afoot to reduce the costs by a further RM200 per tonne.

This would be done through increasing productivity rectifying faulty equipment and enhancing their capacities and capabilities, he added.

It would also require retraining of workers, said Abu Talib, adding that 900 workers of the group's workers were targetted to be trained per year.

He also said that costs were brought down as Perwaja has taken steps to produce high value items at its factory workshop, thus reversing the previous way of doing things, which was buying high value items and producing small value items, especially in the manufacture of spare parts.

On its rescue-cum privatisation package proposal, now being considered by the Economic Planning Unit, Abu Talib said it touched on financial reengineering which covers various options such as government guaranteed loans.

The proposal left the issue of equity in the company to the government, adding that any changes in the company's shareholding would not have any bearing on the financial packaging proposal.

To a question, he said he expects to see strong demand for steel products up to the year 2000 and any possibility of demand softening due to the cyclical nature of the industry.

This would depend on Perwaja's ability to diversify into downstream and value-added activities which the company has begun to undertake.

"In October, Perwaja rolled out its first special steel grade known as "grade S45C," a forged steel used for making automotive accessories produced at the Perwaja Gurun Complex in Kedah,

"Buyers were happy with it and have indicated they want 20,000-25,000 tonnes per year," he said, adding that the S45C would fetch 20-25 percent higher prices than ordinary steel.

He also said Perwaja would be rolling out a new stainless steel grade early 1998 as part of its move to have a wider product range to combat any cyclical difficulties characteristic of the steel industry.

In addition, Perwaja will diversify into the fabrication of fabricated steel structures which he expects to be well received.

On Perwaja's debts, he said the proposal did not specify the period by which it could be repaid as it depended on which of its reengineering options the government wished to adopt. -- BERNAMA

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