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PAHANG-CEMENT

PAHANG CEMENT TO CONTRIBUTE SIGNIFICANTLY TO YTL CEMENT

By: S. Durga Varma

BUKIT SAGU (KUANTAN), June 12 (Bernama) -- Pahang Cement Sdn Bhd, the first integrated cement plant of its kind to be commissioned in the Eastern Corridor, will contribute about RM200 million to the group turnover of YTL Cement Bhd this year, its executive director, Datuk Michael Yeoh Sock Siong, said today.

He said Pahang Cement, which has a maximum capacity to produce one million tonnes of portland cement annually under the brand name of "Cap Orang Kuat", would be a major contributor towards YTL Cement's turnover in years to come.

Speaking to newsmen after a media tour of the RM700 million plant, which is situated about 40 km from Kuantan, Yeoh said the demand for cement in the Eastern Corridor had not declined as drastically as it had been in the West Coast.

The plant, which would be officially opened by Prime Minister Datuk Seri Dr Mahathir Mohamad tomorrow, is a 50:50 joint venture between the Pahang state government and YTL Cement Bhd.

Yeoh said YTL Cement, which is one of the country's leading ready-mixed concrete producers and the largest consumers of cement in the country, looks upon its investment in Pahang Cement as complementing its other two investments in slag grinding and blending facilities in Westport, Selangor and Pasir Gudang, Johor.

He also said credit for the project was a milestone in infrastructure financing in Malaysia as it was the first time that a cement plant had obtained financing for a 15-year tenure at a fixed interest rate of nine percent.

While saying that the investment in the cement plant was long-term, he added that it would take the company about seven years before it can break even at an average return of 15 percent annually.

Explaining further, he said the plant was highly automated and employed only 100 people working on three shifts producing some 3,200 tonnes of cement daily.

Saying that YTL Cement viewed the cement industry with great prospects and felt that with the current economic downturn, which has affected demand by almost 25 percent in the first quarter of this year, cement producers should actually use the opportunity to lay the foundation for further expansion.

He also disclosed that Malaysia's demand for cement was expected to decline by 30 percent in 1998 to about 12 million tonnes from 1997's demand of 15.8 million tonnes.

"Last year, we had to import about three million tonnes," he added.

Referring to Pahang Cement's cash position, he said it has more than RM100 million while YTL Cement has some RM135 million placed in fixed deposits which is "untouched and unpledged."

"We are definitely all right, despite the downturn. In fact, I anticipate demand, especially in the Eastern Corridor, to remain stable judging from the fact that consumption since 1985, which stood at between 500,000 and 600,000 tonnes annually, was in fact growing," Yeoh said.

He also said that in the Eastern Corridor, the housing, infrastructure and industrial users of cement were still being maintained, but the drawback was being felt only in the commercial sector.

"Cement demand in the Eastern Corridor is quite buffered between

800,000 tonnes and one million tonnes and there are still opportunities to grow," he said, adding that Pahang Cement hoped to play an active role in the industrial development of states in the East Coast.

Yeoh also said during good times, YTL Cement was the biggest importer of cement, importing close to one million tonnes, but "now, we have to work harder to sell all that we produce."

All these while, cement was brought into the Eastern Corridor states from the West Coast to meet industrial demand. With the new integrated plant in Kuantan, Pahang Cement is optimistic that it can garner a market share of about 8.5 percent.

Saying that one bag of Malaysian-produced cement today fetched about US\$35, Yeoh said it was the cheapest right now although the price differed between the East and West Coast of Peninsular Malaysia.

He said cement manufacturers had "seen this cycle before" (the downturn) and knew how to adjust.

"At YTL, we are positioning ourselves and strengthening our market share in order to be prepared when big players enter the market. In a global market, we have to be prepared," he said, adding that one day would come when local cement manufacturers would have to merge to take advantage of the growing demand in China, India and Indonesia.

On plans to expand YTL's cement operations overseas, he said it was a possibility for the future and could be seriously looked into after the Asean Free Trade Area (Afta) was implemented in the year 2000.

Explaining further, he said, "If we are to enter the export market, we must be consistent with supply and build up brand loyalty. And this we can only do after the year 2003 when the cement industry of Asean is no more protected." -- BERNAMA

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