

Malaysian steel industry heads for consolidation

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MALAYSIA's steel industry is headed for a shake-up, with the Government seen stepping in to make management changes in debt-hit firms and compelling them to merge, according to industry officials.

The first evidence of consolidation is the recent takeover of state-owned Antara Steel by Amsteel Mills, one of the bigger and more efficient local firms in the business.

Amsteel is to begin production by end of April of billets and angle bars at Antara's mill, located in Johor. The firm swapped assets worth US\$28.5 million (US\$1 = RM3.80) with Antara's owner

Johor Corp for a 100 per cent stake in the mill.

"It was a request from the PM," an Amsteel executive said, referring to Prime Minister Datuk Seri Dr Mahathir Mohamad, when asked what prompted the acquisition.

He said Antara was losing money and NatSteel Ltd in Singapore was keen on buying it. "But the PM didn't want the company to go to foreigners."

Industry officials said Amsteel might perform a similar turn for Perwaja Steel, which has run up losses of more than US\$760 million and is under investigation for allegedly corrupt deals.

The Metal Bulletin magazine said in February a study of the domestic steel sector had suggested a restructuring of Antara, Perwaja and another ailing state concern, Gunawan Iron & Steel.

Malaysian steel companies saw good times when the country's construction sector boomed during a decade of spectacular economic growth between the late 1980s and mid-1990s.

But the Asian crisis of 1997-1998 damaged the construction business and, along with it, the demand for steel. It has yet to recover.

Industry officials said the country's four big producers — Amsteel, Southern Steel, Perwaja and Malayawata — were running at around two-thirds of capacity.

Estimates put the four companies' combined billet capacity at about four million tonnes a year, with rolling capacity at some 3.5 million tonnes.

Malayawata is in better financial shape than the other three after a takeover by Ann Joo Resources last year.

Southern is a unit of Ca-

merlin Group, which is part of Renong. Amsteel is owned by Lion.

Dr Mahathir courted Amsteel after the recession to take over Perwaja. But Amsteel's parent Lion was mired in debts of more than RM10 billion.

Lion is expected by May to resolve a complex restructuring plan, aided by the Government, which will help

it overhaul RM5.9 billion of borrowings and divest non-core assets. Its businesses include timber and automotive interests.

"This business needs mergers to create fewer and stronger players and also government help in the form of money," said Raj Ganesan, a sales executive at a steel works company.

A senior executive of a lo-

cal steel firm said the industry's problem was bad decisions, not bad people.

"Amsteel, on its own, isn't bleeding and is helping to pay the Lion Group's salaries," he said. "The problem is with Lion, which went into too many things, including shoe-making."

But a change in attitude seems to be developing.

Steel mill proprietors, who

bothered little about operational details during the good times, are on production floors these days, running the show with other menial workers.

"Men who never dirtied their hands and preferred to play the stock market in their free time, are monitoring the scrap metal we are buying," said a mill hand. — Reuters