
Kinsteel expects to sustain profit and sales

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It is reported that, although steel prices have faced downward pressure over the past months, Kinsteel Bhd is confident that products such as H beams and I beams will sustain the company's sales and profit levels going forward.

Mr Tan Sri Pheng Yin Huah MD of Kinsteel said that margins for these products are higher and there is also higher demand for them. He added that "With that in mind, the company plans to increase the production capacity of these products by 1.6 million tonnes at its under utilized Gurun plant in Kedah."

However, an analyst with a foreign brokerage pointed out that the company's earnings was expected to peak in the financial year ending December 31st 2008 due to high steel prices which lasted from the end of last year until July 2008.

An Aseambankers analyst said that its 2009 to 2010 forecast net earnings had been lowered by 19% to 22% given Kinsteel's revised assumption of steel selling prices. Scrap prices had been revised from USD 620 to USD 630 per tonne currently to a price range of between USD 450 and USD 500 per tonne from 2009 to 2010.

He said that Kinsteel's net earnings are projected at MYR 230 million for 2009 and MYR 266 million for 2010. He added that "Our forecast, however, has yet to incorporate Kinsteel's plans for a new mini blast furnace for its midstream segment, which would start contributing from end of 2010."

Meanwhile, OSK Research and industry players expect the correction of steel prices to be temporary. It said that although, there was some weakening in the US and EU economies, demand for steel should remain resilient due to the dynamism of emerging markets.

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