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BAT keen to expand cigarette manufacturing in M'sia

BY SAMANTHA HO

KUALA LUMPUR: Three years after shutting down its iconic factory in Petaling Jaya, British American Tobacco (Malaysia) Bhd (BAT) says it will consider expanding its cigarette manufacturing in Malaysia again.

BAT managing director Erik Stoel said the group opened its new manufacturing facility in Johor Baru last October, which has the capacity to produce some 150 million sticks of cigarettes

“We have very consciously done that because we want to retain that manufacturing licence. If we withdraw completely, there is a risk we could lose (the licence),” he told reporters yesterday.

“Pending the evolution of the market, we could consider whether or not, on the longer term, it could be interesting to produce and manufacture [more] cigarettes in Malaysia again,” Stoel added.

“At the moment, our investments are primarily in people, capabilities and our brands. Over time, hopefully with a lot of action by the government, we can evaluate the situation [to see if] we would start opening a bigger factory. But at the moment, that’s not our [main] consideration,” he said.

Presently, some 98% of the group’s products in Malaysia are imported, Stoel said.

In 2016, BAT announced it was closing its factory in Petaling Jaya and selling it

for RM218 million, affecting 230 employees in the process. A key factor to shuttering the plant was the surge in market share of illicit cigarettes following an increase in excise duties, which subsequently eroded profit margins of legal players.

It is a problem that continues to plague BAT, which saw its 2018 financial year net profit fall 4.89% to RM468.53 million from RM492.64 million a year ago. Revenue for the year slid 3.2% to RM2.83 billion from RM2.92 billion.

“We see the right intent (by the Royal Malaysian Customs Department and other authorities) against illicit cigarettes. But we need more intensity of action,” Stoel said.