
Baosteel Angang and Wuhan to play lead roles in merger plans

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National Business Daily reported that some relevant industrial insiders disclosed that the Steel Industry Threshold and Guidelines for Promoting Steel Industry M&A is going to be put forward in a meeting held by China Ministry of Industry and Information Technology recently. While, some analysts believed that China's regional steel industrial M&A seems harder due to the polarized interests in local governments.

As per report, the new industrial thresholds would concentrate on a string of measurements like product quality, environmental protection, energy conservation and comprehensive resources utilization. And a list of qualified steel mills meeting up these criteria will be released in public.

Industrial experts held views that backward capacities elimination is to be listed as directional instead of compulsory. What can be clearly noticed is that China steel industry should wash out the blast furnaces below 400 cubic meter, converters and electrical stoves with the capacity of below 30 tonnes, 72 million tonnes iron smelting capacities and 25 million tonnes steel making capacities.

However, before this, the national industrial development policy required to phase out the blast furnaces below 300 cubic meters, converters and electrical stoves less than 20 tonnes, 100 million tonnes iron-smelting capacities and 55 million tonnes steel making capacities by the end of 2010. Otherwise, Energy saving Emission reduction may be another primary indicator for eliminating outdated capacities. And some other experts pointed out that the market is the best tester for cutting inefficient capacities. And in fact, most elimination task mainly concentrates on medium and small enterprises, while large sized steel mills have to rebuild or re establish new capacities as long as they can pass local government's approvals.

The meeting is aiming to cultivate three to five steel conglomerates that are able to compete in global market and provide support for nationwide steel industrial consolidation centered upon six to seven leading steel mills. And Baosteel, Anshan Steel, Wuhan Steel etc seven steel mills have attended the meeting recently.

The top five steel mills in domestic market account for 45% of the country's total steel making capacities and the steelmakers along the coast occupy higher than 40% capacities. But, the top ten steel makers cover 44.13% in total of the national steel output far below the levels in UN, US, Japan and Korea.

(Sourced from National Business Daily)

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