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## Jiugang mulling over steel overall listing plan

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It is reported that Jiuquan Iron and Steel Co Ltd is preparing the steel overall listing work. Some analysts believed that the production scale would be further enlarged with the doubling steel outputs after the company comes into the market.

As per report, however, the company's performances mostly depend on the domestic steel market. The authoritative sources unveiled that Jiugang has achieved profits while the whole steel industry lost nearly CNY 30 billion in December 2008 one of the domestic steelmakers which survived from the economic slowdown.

### 1. Steel outputs expects to be doubled

As learned, Gansu Jiu Steel Group Hongxing Iron & Steel Co Ltd, a listed arm of Jiuquang Steel Group has owned the production capacity of 6 million tonnes of pig iron, 8 million tonnes crude steel and 3.8 million tonnes steel products per year which is equivalent to 50% of the Group's production scale.

As per the statistics from CISA, the 2008 steel products output has reached 67.99 million tonnes down by 3% compared with the 7 million tonnes in 2007, ranking the 14th at home. The volume of crude steel records at some 7 million tonnes down by 5% YoY and ranks the 15th in the domestic steel market.

The company would gain more if they get the success on carrying out the overall listing plan. Despite the rich iron ore, coal resources and power plants, the group company owns 1 million tonnes of furnace coils, 2 million tonnes CSP, 0.6 million tonnes stainless steel etc. Moreover, its 1 million tonnes common carbon CR steel production line is predicted to start production in H2 of 2009.

### 2. Be skeptical on iron ore infusion

In 2008, the international purchase price of iron ore has reached CNY 1,800 per tonne with 300% mining gross profit rate. The market still held a suspicious attitude towards the iron ore resources infusion into the listing company.

The analysts noted that the cooperation between Jiugang and IMR would provide stable pellets and iron concentrates for the company. Impacted by the price fluctuation of iron ore it is difficult to tell the future operation of the JV Company.

(Source: China Securities Journal)

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