

Metinvest Holding: Developing a product mix that meets international standards and our customers' technical requirements is one of our priorities

Maxim Zhuravlyov, head of the Operational Marketing and Price Control Department at Metinvest Holding



This year, Metinvest Holding is focused on retaining its positions in the global steel market amid rising protectionism. According to Maxim Zhuravlyov, head of the Holding's Operational Marketing and Price Control Department, this goal will be achieved by further developing a distribution network in Europe and opening new service metal centres in key regions of the EU. Other plans include launching 23 new products in the segment of flats and slabs during the year. This will become possible partly due to several capacity upgrades.

– Mr Zhuravlyov, how does Metinvest view the performance of the Holding's enterprises in the segment of slabs and flats in the first quarter of 2019?

– In general, we are happy with the results in this segment. Slab production rose by 47% quarter-on-quarter to 398 thousand tonnes in the first quarter of 2019. This trend is attributable to greater steel production at Azovstal and the commissioning of the new continuous casting machine no. 4 at Ilyich Steel.

The production of flats grew by 11% quarter-on-quarter to 1.27 million tonnes, mainly due to higher production at Ilyich Steel, where production volumes were lower during the previous quarter as a result of an annual shutdown for a major overhaul.

– At the beginning of the year, the Holding had problems with coke supply. Did this have any effect on production volumes?

– In the first quarter of 2019, coke supply to steelmaking plants was irregular indeed. The situation started to improve in the second half of March. There are currently no problems with coke supply to production facilities and there are no plans to update the annual production program to account for the shortage of coke.

– How do you expect the development of production on continuous casting machine no. 4 and the reconstruction of the 1700 hot strip mill at Ilyich Steel to impact performance this year?

– The new continuous casting machine no. 4 will help to increase Ilyich Steel's steelmaking and casting capacity by nearly 40%. Commissioning the machine will make it possible for Ilyich Steel to produce around 2.5 million tonnes of continuously cast slabs with a size of 170-250 x 900-1,550 millimetres a year.

The reconstruction of the 1700 hot strip mill (phase 1) that was completed at Ilyich Steel in 2018 included commissioning reheat furnace no. 1 and installing a high-capacity downcoiler. The plant can now produce hot-rolled coils of up to 16.5 tonnes in weight, seamless hot-rolled pickled coils of up to 15 tonnes in weight, and

seamless cold-rolled coils of 14.0-14.5 tonnes in weight.

In addition, the reconstruction of the roughing train, installation of the coilbox and reinforcement of the finishing train are in progress at the 1700 hot strip mill, which will help to expand our production capabilities for thin-gauge products, improve coil geometry and further increase the weight of finished products to 27 tonnes. The higher quality of hot-rolled coils will also have a positive effect on the properties of cold-rolled steel.

– Will the Holding continue to develop the slabs and flat product mix in 2019? What are you planning to work on?

Developing the range of sizes and steel grades to meet international standards and the technical requirements of key accounts is one of our priorities. To that end, in 2019, we plan to master the production of four new sizes of slabs in the semis segment and 19 new products in the flats segment.

Commercial production of some new products has already begun. Azovstal has begun producing slabs with thickness of 300 millimetres to meet the requirements of customers from Europe and Asia. It has also mastered the production of 11 types of plates at its 3600 plate mill. Ilyich Steel has mastered the production of cold-rolled coils made from the HC260LA steel grade in new sizes – 0.6 millimetres in thickness – for European consumers.

This steel grade is in high demand, mainly in the machine building sector.

In August 2018, Unisteel, LLC joined Metinvest Group. Located in the city of Kryvyi Rih, Ukraine, it produces galvanised steel from 0.3 millimetres to 2.0 millimetres in thickness with a coating of 80-275 grams per square metre. Unisteel has a modern hot-dip galvanising line supplied by South Korea's Dongbu Machinery Company with a design capacity of 100 thousand tonnes a year. In 2019, Unisteel plans to continue to develop the galvanised steel product mix for the construction sector. It will focus on structural steel products made of S320GD and S350GD grades that are widely used to produce formed sections for light steel thin-walled structures. In late April, Unisteel's technical specialists produced a trial lot of rolled steel made of S350GD and zinc coating Z275.

– How do you view the demand for flat products on the domestic market in the first quarter of 2019?

– According to our information, capacity on the market for flat products decreased by 8-9% in the first quarter of 2019. However, consumption of hot-rolled steel remained practically unchanged. Plates, cold-rolled steel and galvanised steel accounted for most of the decline in market capacity.

– What are the reasons for this decline?

– The decrease in demand during the first quarter of 2019 was partly caused by a high-base effect: in the same period last year, the main trade networks started to replenish their stock earlier than the traditional start of the season in anticipation of higher prices. Prices were stable this year, so there was no need to do so.

The ban imposed at the end of 2018 on the supply of some products from Ukraine to Russia also had a significant effect on the market: some machine builders and agricultural machinery manufacturers who exported their products to Russia suffered.

Moreover, the Ukrainian market responded to the ongoing pre-election campaign: some investors postponed their planned projects until the end of this campaign.

– Will demand trends observed at the beginning of the year have an impact on the consumption of flats in Ukraine in 2019?

– It is difficult to say now whether we will see an increase in consumption at the end of 2019, and what it will be. At this stage, maintaining the consumption of flats at last year's level looks realistic.

– What changes do you expect in consumers' product preferences this year? In which industries?

– Machine builders and contractors involved in large infrastructure construction projects will remain the primary consumers of plates.

We do not expect any changes in the sales structure for this product.

The negative effect of restrictions imposed on the supply of rolled pipes to the EU and Russia will persist during the year. Therefore, pipe makers that consume the majority of hot-rolled, thin-gauge steel will most likely take a back seat to wagon builders and metal processing plants. By the end of the year, the share of sales to pipe makers may go down from 40% to 35%, while the share of wagon builders and metal processing plants may go up from the current 22% to 27%.

The consumption and sales structure for cold-rolled steel are unlikely to undergo any significant changes.

– What prospects do you see in the sales of flats to external markets this year?

– Europe continues to be a key export market for Metinvest. In 2018, Ukraine exported more than 840 thousand tonnes of plates and more than 140 thousand tonnes of cold-rolled steel.

However, duties are still applied to hot-rolled coils, as are quotas on the supply of other products from overseas in the rolled steel market of Europe. Trade barriers imposed on various products differ. Therefore, they have varying impacts on our export volumes. In 2019, we plan to maintain the volume of plates supplied to Europe; however, it will be difficult to increase the supply of cold-rolled steel.

At the same time, Metinvest continues to invest in service improvements to maintain and strengthen its market positions in terms of cold-rolled steel and plates. We are actively developing our European distribution network and working to open new service metal centres in our key regions of the EU. In addition, we will be implementing key account management programs this year, enhancing customer technical support and promoting express delivery services for the regions of Central and Eastern Europe and Southeast Europe.

– In the segment of thin-gauge rolled steel, significant growth was observed in supplies to Turkey and the Middle East last year. What do you expect from these markets in 2019?

– The Middle East is a promising market for Metinvest. In 2019, the situation in this market will be more complicated than during the previous year due to fiercer competition and protectionist sentiment against Ukrainian products. In general, we expect sales to remain at the level of 2018 and the supply of hot-rolled coils to Turkey to increase. This will become possible after the reconstruction of the 1700 hot strip mill at Ilych Steel and the launch of production of hot-rolled coils with a thickness of 1.2-2.0 millimetres, more stringent dimensional tolerances and a weight of 27 tonnes.

| Metal Expert

<https://metinvestholding.com/pl/media/news/207334>