

BUSINESS EFFICIENCY GRADUALLY IMPROVED OUTPUT GROWTH TO BE VIGILANT

June 29, the second quarter of the steel industry economic forum held in Beijing. Association leadership party secretary Steel Association Secretary-General Liu Zhenjiang, vice president Qu Xiuli and other departments as well as the main person in charge of the meeting and heard representatives of local steel companies and industry associations to report on the production and operation of the first half.

Feedback from the business situation, **the first half of the main steel business gradually improved operating efficiency**, significantly better than the fourth quarter, most of the enterprises to achieve profitability or reduced losses year on year. Currently, resolve excess capacity and personnel-related work shunt placement to proceed forward, urgent national policy and financial support in place. In addition, financing difficulties and other problems in Utah, "cut back" and "one size fits all" phenomenon exist, restricting the production and operation.

AN IMPROVED EFFICIENCY OF THE SECTOR PROFITABILITY

In the first half of this year, steel prices rebound, rising faster in April, May and rapid fall. Delegates said that due to rising steel prices, coupled with the pre-purchase of low-cost mines, iron and steel enterprises have profit margins in the first half, the monthly benefit improvement.

According to **CISA statistics**, from January to May, member steel enterprises realized profits of **8.736 billion yuan break even, an increase of 7.38 times**; a loss of 28.28%, down 13.13 percent; sales profit rate of 0.83%. From each month, the March to achieve profitability, profit 2.745 billion yuan; April profit of 8.383 billion yuan; profit 8.522 billion yuan in May.

Liu Zhenjiang noted that in the first half, the whole industry as a whole are rational than in the past, this is the reason for improved efficiency:

1. **First production controls more rational**. According to CISA statistics, in May, members of steel prices of pig iron, crude steel production was 53,249,500 tons, 54.486 million tons, 53.232 million tons, **down 1.43%**, respectively, down 0.68%, an increase of 0.3%. January to May, members of steel prices of pig iron, crude steel production was 250.872 million tons, 254,717,500 tons, 246,715,500 tons, down 2.91%, respectively, 2.64%, 2.31%, a decline greater than the national average decline. Yield control member companies better.
2. Second, **calmly deal with prices, positive price stability**, vicious price reduction.
3. Third, enterprises are more rational **inventory control**. From ten days of statistical data in the first half, the steel business inventories were lower than a year ago, and the basic year on year decline of 10% to 20%, the overall level is low. In early June, China Steel Association member steel enterprises steel stocks was 14.2 million tons, growth of 1.7%, down 12.93 percent.

Liu Zhenjiang pointed out: in the first half of the companies judged the market and rapid response capability strengthened. However, companies are still gaps in this regard, the decision-making mechanism and operation mechanism of the timeliness is not the same. Shagang market rapid response system worth learning.

From the first half corporate earnings, the earnings gap widened between enterprises have a tendency to benefit significantly differentiated. "Differentiation of corporate efficiency, in fact, is the ability of a business contest." Liu Zhenjiang representation.

At the meeting, Baosteel "all costs Jieke drop" concept as a guide, increasing the cost assessment efforts; Anshan Iron and strictly controls the asset-liability ratio, "phased implementation" Who is who bears the cost of cash, who bears the responsibility; Wuhan Iron and Steel Compression management level, does not meet the strategic arrangements and losses hopeless enterprise bankruptcy liquidation; Hegang promote the full focus on the market, the product concerned to accelerate user-centric marketing paradigm shift; TISCO establish efficient manufacturing control system, service marketing management system, multi-industry authorized management mechanism; Shagang strengthen market judged strengthen cost accounting and profit and loss analysis, and promote cost reduction and savings, tapping the potential synergies to work; Magang promotion group classification control, in order to maintain cash flow at the core, the implementation of authorizing the cabinet, competition for employment; Valin project system as the starting point, carry out all of the standard potential, promote the transformation and upgrading products; Benxi carry out all-round, full-bore down costs and strengthen the whole process of production and operation management, enhanced production and

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marketing linkage; security direct proportion to the direct supply of steel, high proportion of orders as a breakthrough, and improve agent control mechanisms, product pricing mechanism; Shaanxi rigid steel to take the assessment, afterwards management, downsizing slimming, revitalize the stock of government deficit and other measures Chuangxiao; Baotou conduct electricity multilateral trading, optimization of transport, marketing system reform, the implementation of integrated production and marketing research division system; Jianlong from the financial statements to determine the research direction, lowering the efficiency of the main line to build, improve or not the financial statements as a basis for evaluation, etc. interaction situation.

Iron and steel enterprises financing difficulties, heavy historical burden, shunt placement of surplus staff and other issues are still under pressure unresolved. Enterprises generally reflects the current financing will not be faced with the incremental, Xudai difficulties, rising interest rates, pumping loans, bonds and other issues hindered shrinkage ratio of bank lending to 10% or 20%. Further, the bank financing for the iron and steel enterprises, "one size fits all" and "cut back" the phenomenon of coexistence, even if it is difficult to obtain high-quality corporate funds from banking channels, fund shortage situation is particularly serious.

In addition, with resolve excess capacity to carry out work on many practical problems faced by the reflection.

"Compared with 2015, in 2016 the industry's most prominent problem is the problem of benefit." Liu Zhenjiang pointed out that "the second half, stability and efficiency is a prerequisite for all work carried out smoothly."

For the second half of the trend, delegates considered, better than the first half optimistic, do not be too pessimistic, to strengthen self-discipline, control production. Therefore, the second half, steel companies still have to practice early unswervingly expand Steel Association Council will put forward "of production capacity, production control, security and efficiency" approach, a good grasp of the rhythm of production, strengthen market judged, but also for smooth profit, earnestly implement the work to resolve the overcapacity. (Sun Ning, meson report)