

Mordashov Says Severstal to Expand Customer Base Rather Than Holdings

By [The Moscow Times](#)

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Mordashov speaking at a ceremony to celebrate upgrades at the steel mill in Dearborn, Michigan, late last week. **Rebecca Cook**

DEARBORN, Michigan — Severstal will focus on expanding the customer base for its current plants in the United States rather than buying other factories in the country, chief executive Alexei Mordashov said.

That means it has no plans to buy the former Severstal plant in Maryland currently owned by bankrupt RG Steel or an Alabama facility that Germany's ThyssenKrupp is looking to sell, Mordashov said in an interview.

Dismal market conditions combined with despair about the eurozone's mounting debt crisis have almost brought the mergers and acquisitions market to a standstill, just as five major steel assets in Brazil and the United States have been put on the block.

“We don’t have any plans [to buy new plants] for the moment, just because we have to harvest the results of our investments first. We are in a ramp-up period,” he said, referring to Severstal’s recent investment in its two existing U.S. steel plants, in Dearborn, Michigan, and Columbus, Mississippi.

He said that even if the RG Steel or ThyssenKrupp plants were offered at bargain prices, Severstal would need to make sure its existing facilities were well-established before considering expansion.

“It’s not our primary goal to be the biggest, anywhere,” Mordashov said. “We appreciate size but only if it is robust growth. Just to be big is not a target.”

The wave of divestments sweeping the industry comes as producers try to align capacity with slowing demand growth. The global industry invested heavily in expansion projects in the past decade, betting on China’s voracious appetite for raw materials to feed its growing economy.

But while producers in developed economies expanded at a meteoric rate, so did China, becoming the world’s largest producer and consumer of steel.

Mordashov spoke from the Dearborn plant, celebrating the opening of two new lines capable of producing lightweight steel for U.S. automakers — a \$450 million pickle line tandem cold mill and a \$285 million hot-dip galvanizing line.

Severstal has so far invested \$1.4 billion in upgrading the facility, opened nearly a century ago by Ford Motor founder Henry Ford and situated near one of Ford’s largest auto assembly plants. It paid \$285.5 million in 2003 to buy the plant from bankrupt Rouge Industries.

In all, Severstal has spent about \$3 billion at the two plants, an investment that Mordashov said he is confident will be fruitful for Russia’s No. 2 steelmaker.

A Severstal spokeswoman added that the firm had applied for a \$320 million advanced-technology-vehicles-manufacturing loan from the U.S. Department of Energy to build a continuous annealing line at the Dearborn plant.

The move comes after the Obama administration in January decided against granting Severstal a \$730 million loan for the same purpose, following close scrutiny of a loan the Energy Department made to a solar company.

Mordashov, who owns 82 percent of Severstal and is No. 45 on the Forbes list of the world’s richest people, said that while the company has a low debt profile, the continuous annealing line would be built using low-interest financing. He said the firm was looking at several options for this.

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