Baosteel Puts Shanghai Krupp Stainless 55% Stake on the Block

China's Baosteel Group has put a 40 percent stake in a Shanghai-based stainless steel joint venture up for sale, with a price tag of CNY 1.93 billion (USD 298 million).

The planned stake sale was reported, after Baosteel announced it on the exchange on Dec. 11.

The decision follows the sale of a 55 percent stake in the venture, Shanghai Krupp Stainless (SKS), by Finland's Outokumpu in October, as Europe's largest stainless steel company looked to reduce debt.

SKS has an annual capacity of 290,000 tonnes of cold-rolled stainless steel, state-owned China Securities Journal reported. Outokumpu retained a 5 percent stake in the company.

Shanghai-based SKS lost 1.29 billion yuan in 2014 and 97.2 million yuan in 2013, according to a statement published on the Shanghai United Assets and Equities Exchange.

Chinese Officials Proposed more Steel Usage in Consumption

Senior Chinese officials are pushing for regulations to boost the amount of steel used in new housing as a way to absorb excess supply exacerbated by a slowdown in the world's second-biggest economy.

In a closed-door gathering of more than 300 Communist Party leaders in Beijing in October, Chongqing Mayor Huang Qifan proposed tripling the amount of steel used in construction, according to a person with knowledge of the matter. He argued that using 150 kilograms (330 pounds) of steel per square meter, compared to about 50 kilograms now, would ease overcapacity and improve housing quality, said the person, who asked not to be named because the discussions were private.

The proposal, which the person said came during top-level discussions to finalize China's development blueprint for the next five years, was notable because of Huang'srising profile among President Xi Jinping's economic advisers. The former coking plant manager was named to the panel that drafted Xi's signature economic plan in 2013 and he was among a half dozen regional leaders who joined the president on a state visit to the U.S. in September.

While the government hasn't said if Huang's proposal is being considered, the discussion at the party's Fifth Plenum suggests a degree of broader support. In the weeks since the meeting, Huang and others have publicly promoted more steel-framed construction. The Chongqing municipal government didn't respond to e-mailed and faxed requests for comment.

Huang was quoted official Chongqing media on Dec. 1 urging local steelmakers and property developers to team up to use more steel in buildings and infrastructure to mop up supply. The municipality should promote

greater use of the metal in its local five-year plan, he said. Zhejiang Governor Li Qiang issued his own public call for more steel-framed construction on Nov. 30, according to a report.

Steel usage in urban buildings averages just more 70 kilograms a square meter, a rate that might not vary much by country, said Paul Butterworth, a Beijing-based research manager at CRU Group, a commodities consultancy. Requiring a higher steel intensity in buildings would be unusual by global standards.

"Simply saying a building must be made out of steel rather than concrete would have little impact on overall usage, although the types of steel would change," Butterworth said. "There is no design need for a higher level of steel and it would add little to the performance of the building, but would add significantly to cost."

While China's builders have tended to favor cheaper reinforced concrete, they would be expected to shift to more durable steel-framed construction as the economy develops. The government has been discussing ways promote use of the metal since at least 2013.

China's economic slowdown has added to the urgency, with planners trying to meet Xi's goal of 6.5 percent annual growth through 2020 to make China a "moderately prosperous society." The five-year plan currently being drafted by policy makers is expected to be approved by the National People's Congress in the early part of next year.

At the same time, the Communist Party is overhauling state-run industries in an effort to purge overcapacity and excess labor. Chinese mills, which produce half of the world's steel, have been hit particular hard amid a drop in demand in that has rattled global commodities markets.

This section is a compilation from various company press releases, business dailies & trade publications.