

The Steel gets serious about power



A worker unloads steel products imported from China. To avoid competition with cheap Chinese steel, The Steel Plc is branching into the power-generating sector. PATIPAT JANTHONG

The Steel Plc (THE), an SET-listed rolled steel maker, plans to diversify into power generation to ensure a long-term revenue stream as the steel industry struggles.

The company will acquire two gas-fired power plants via a subsidiary, The Siam Power, in which The Steel Plc owns 70% and other investors the rest, said chief executive Boonchai Jirapongtrakul.

The Siam Power has increased capital to 3 billion baht in order to acquire the two plants.

"The plan has also been approved by the board of directors and is about to be submitted for the approval of shareholders at the meeting to be held in February," Mr Boonchai said.

The first power plant has a power-generating capacity of 160 megawatts, of which 90MW will be sold to the Electricity Generating Authority of Thailand (Egat) via a power purchasing agreement (PPA) and the rest to an industrial estate.

"This power plant has been running for about five years, and after the acquisition we will continue to sell power to Egat for 20 years as set out in the PPA," Mr Boonchai said.

The second plant is a 90MW gas-fired power plant. Construction is due to start soon, with commercial operation set for July 2018.

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The Steel will continue to look for an opportunity to expand its power-generating business, which is viewed as a sector that can stabilize company revenue at a time that the core business is in the doldrums.

The company was founded in 1991 as a family business before listing on the Stock Exchange of Thailand in 2008.

The Steel is one of many companies suffering from falling global steel price, aggravated by China's continued dumping of cheap steel on the world market.

The weak global economic outlook and sluggish construction and investment at home have cut demand for steel significantly, forcing our company to produce at only 50% of our capacity, "Mr Boonchai said".

Demand at home is likely to recover in 2016, with the government revving up infrastructure megaprojects to help stimulate the domestic economy.

"We expect 2016 to be a better year for the steel industry, "Mr Boonchai said. "But the industry is unlikely to get 100% better. It will take time to recover fully."

He puts 2015 steel sales at 600,000 tonnes worth 10 billion baht in 2015, down from 900,000 tonnes worth 16 billion baht the previous year.

Sales are expected to bounce back to 1.2 million tonnes in 2016, generating 18 billion baht.

Mr Boonchai said that while the company has started investing in the power-generating business, steel should remain the focus.

“Steel business accounts for 80% of the total and the rest is power, and we will maintain this proportion to keep the steel business as our core business,” he said.

To continue its focus on the steel business. The Steel is involved in a joint venture with a Chinese company to start building another steel plant. The new facility will make steel for construction with a production capacity of 500,000 tonnes a year.

THE shares closed on the SET on Dec 30 at 10 baht, unchanged, in trade worth 5.31 million baht.

