

17 February 2015

Ms Candy Caballero  
Director Operations  
Anti-Dumping Commission  
Ground Floor Customs House  
1010 Latrobe Street  
Docklands, VIC 3008

**For Public File**

Dear Ms Caballero,

**Investigation into Rod In Coil exported from Indonesia, Taiwan and Turkey – Exports from Indonesia**

I refer to OneSteel Manufacturing Pty Ltd's ("OneSteel") submission dated 3 February 2015 concerning the recent findings of the Indonesian Safeguards Committee in respect of "bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel, or of other alloy steel".

These goods are commonly referred to as rod in coil ("RIC").

OneSteel's submission drew to the attention of the Anti-Dumping Commission ("the Commission") that RIC sold in Indonesia during 2013 was sold at "significant" losses.

OneSteel understands that PT Ispat Indo ("Ispat") is the dominant producer and supplier on the Indonesian market. Ispat has wire rod production capability of approximately 650,000 tonnes per annum, whereas the next largest wire rod producer PT Krakatau Steel Tbk ("Krakatau") has a production capacity of 450,000 tonnes per annum (please refer to attached news article extracts for Ispat and Krakatau).

Ispat is therefore the largest player and is therefore exposed to injurious imports into Indonesia to a far greater extent than Krakatau. The Safeguards inquiry in Indonesia has confirmed that the injurious exports from P R China, Japan and Malaysia have had a significant impact on the Indonesian steel industry's financial performance:

*"During the period of investigation, the Applicant suffered financial losses with a trend of 36.0%, particularly in 2013 where the applicant experienced a huge financial loss in 2013 of 315.6 point index."*

The commentary confirms that the Indonesian industry manufacturing RIC experienced a "huge" financial loss in 2013. As the largest producer and supplier on the domestic market, Ispat would have been severely impacted by the injurious imports into Indonesia. This finding indicates that the domestic producers in Indonesia will have sold like goods (i.e. RIC) at a loss in 2013. The Safeguards Committee finding confirms OneSteel's assessment that RIC sold in Indonesia during the 2013 period (i.e. the investigation period in inquiry No. 240) was at a loss and normal values therefore cannot be determined under s.269TAC(1).

OneSteel urges the Commission to take full consideration of the Safeguard Committee's recent finding in relation to the goods under consideration as sold in Indonesia in 2013. The findings relate directly to the assessment of normal values for Indonesian producers of RIC exported to Australia during the 2013 investigation period.

If you have any questions concerning this letter please do not hesitate to contact OneSteel's representative Mr John O'Connor on (07) 3342 1921 or Mr Matt Condon of OneSteel on (02) 8424 9880.

Yours sincerely



Matt Condon  
Manager – Trade Development  
OneSteel Manufacturing Pty Ltd



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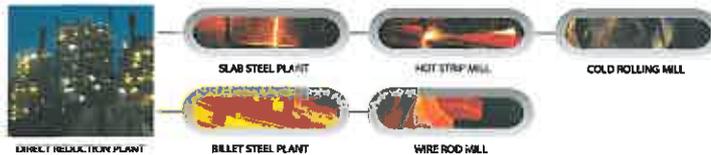
Krakatau Steel has 6 (six) production plants making the company as the only integrated steel plant in the country. These plants produce many kinds of downstream products from upstream raw materials.

Production processes of steel products in Krakatau Steel starts from **Direct Reduction Plant**. This plant processes iron ore pellets into irons using natural gas and water.

The irons are then fed into electric arc furnaces in **Slab Steel Plant** and **Billet Steel Plant**. In these furnaces, the irons are mixed with scrap, hot bricket iron, and other additional materials to produce two kinds of steels, namely slab steels and billet steels.

Slab steels are then reheated and rolled in **Hot Strip Mill** becoming hot rolled coils and plates. The outcomes of this mill are widely used for ship buildings, pipes, buildings, general structures, and other applications. Furthermore, hot rolled coils could be processed, re-rolled, and chemically treated in **Cold Rolling Mill** becoming cold rolled coils and sheets. The results are generally used to manufacture car bodies, cans, cooking wares, and other applications.

Billet steels are rolled in **Wire Rod Mill** to fabricate wire rods which are commonly used for piano wires, bolts and nuts, steel cords, springs, and other applications.



**DIRECT REDUCTION PLANT**

This gas based direct reduction plant applies a Mexican origin HYL Technology. Today our direct reduction plant enjoys a support of two plant units, namely HY I which started operation in 1979 and HYL III which began operation in 1994. HYL I operates with 4-module batch process, each having 2 reactors with a production capacity of 1,000,000 tons of sponge iron per year. HYL III operates using continuous process with 2 shaft reactors with a capacity of 1,350,000 tons of sponge iron per year. HYL III has undergone an internal modification and is now capable of operating exceeding its original design, using the partial combustion.

**SLAB STEEL PLANT**

The slab steel plant is equipped with 2 plants, namely SSP I (started operating in 1983) using German MAN GHH technology and boasts a production capacity of 1,000,000 tons per year and SSP II (started operating in 1993) using Austrian Voest Alpine technology with a production capacity of 2,400,000 tons per year. The two plants have 6 electric furnaces (EAF) and 3 CCMs, along with a ladle furnace and RH Vacuum degassing.

**BILLET STEEL PLANT**

Started operating in 1979, the billet steel plant adopted German MAN GHH technology. The plant has a capacity of 675,000 tons per year. That plant is backed up by 4 electric furnaces (EAF) and two four-strand CCMs, with Ladle Turret and Ladle Furnace.

**HOT STRIP MILL**

Our hot strip mill began operating in 1983 using German SMS technology. Revitalization of the Hot Strip Mill completed in April 2011 and is currently working at full production capacity of 2,400,000 tons per year. The mill's production facility configuration is as follows :

- Two units of Reheating Furnace
- One unit of Roughing Stand
- Six units of Finishing Stand
- Two units of Down Coiler
- Sizing Press.

**COLD ROLLING MILL**

This cold rolling mill became one of PT Krakatau Steel's production units in 1991. This mill is equipped with French CLECM technology with current production capacity of 850,000 tons per year. The cold rolling mill is equipped with the following production lines :

- One CPL unit
- One CTCM unit
- One ECL unit
- One CAL unit
- One BAF unit

ANNOUNCEMENT

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- One TPM unit
- One PRP unit
- One REC unit
- One SHR unit

**WIRE ROD MILL**

The wire rod mill started operating in 1979 with a production capacity of 200,000 tons per year. The mill is supported by the following facilities :

- One Reheating Furnace unit
- One Roughing Mill unit
- One Intermediate Stand unit
- One Finishing Strand unit

Mill modernization was undertaken in 1992 and 1995 to elevate production capacity to 300,000 tons per year. In 1999, the mill procured another strand, and with the existence of two strands plus additional facility modification, this mill is now capable of producing 450,000 tons of wire rods per year.

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## Ispatindo group.

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### Backgrounds

The Ispatindo Group is a major player in the steel industry in Indonesia especially in steel bar such as wire rod industry. The company, located in Sidoarjo, East Java, started operation in 1976 with an annual production capacity of only 60,000 tons but now the capacity has reached 700,000 tons of billet a year and has become the largest producer of wire rod for which it has a production capacity of 650,000 tons a year.

Apart from billet and wire rod, Ispatindo is a holding company for a number of subsidiaries operating in downstream sector such as in wire, concrete reinforcing iron, and nail industries.

A number of major steel makers plan to expand their production capacity to meet growing demand. Ispatindo through a subsidiary will start the operation of a new factory producing round bars in Gresik, East Java.

Ispatindo was founded by Lakshmi Mittal. The Mittal family from India acquired Acelor, one of the world's largest steel makers and merged it with its company group. Arcelor Mittal is the name of the holding company owned by the Mittal family. It was a merger of Ispat International and Mittal Steel. The name of Arcelor Mittal is used after the family acquired the Luxemburg-based Acelor, a steel giant from its old owners the governments of France, Belgium and Spain. The world's largest conglomerate owns steel factories in around 60 countries and has a 10% share of the world's market.

In April 2008, CEO of Arcelor Mittal Lakshmi Mittal and his son Aditya Mittal, which serves as Chief Financial Officer met President Susilo Bambang Yudhoyono. Arcelor Mittal offered to invest US\$3 billion in cooperation with state-owned steel maker PT Krakatau Steel. Arcelor Mittal also offered to cooperate with PT. Aneka Tambang to invest in iron ore, nickel and manganese mining. Arcelor Mittal also offered to buy up to 40% of PT Krakatau Steel (KS) and pledged to invest up to US\$10 billion if its was allowed to have a stake in the country's largest steel producer.

However, Mittal's ambition to have a stake in PT Krakatau Steel (KS) was strongly opposed by the management of PT KS saying Mittal could easily take control of KS if it is allowed to become its strategic partners. The management of PT KS wants the process of privatizing the company through initial public offering.

### PT. Ispatindo

PT Ispatindo is a foreign investment PMA) company established in Sidoarjo, East Java, in 1976. The company operates an integrated factory producing steel billet in the upstream sector and wires in the downstream sector. Ispatindo has a mill with a rolling capacity of 700,000 tons of billet a year and an annual production capacity of 650,000 tons of wire rod. Ispatindo is the largest producer of wire rod. With that production capacity Ispatindo dominates the market of wire rod in Indonesia. PT Krakatau Steel has only a production capacity of 275,000 tons of wire rod a year In addition, Ispatindo produce concrete reinforcing iron with a production capacity of 200,000 tons a year.

Ispatindo produces billet of low and high carbon grade, wire rods and bars using scrap and DRI/Pig Iron as basic materials respectively making up 65% and 35%. Ispatindo operates modern steel making facility using electric arc furnace with slag free eccentric bottom tapping, secondary metallurgy and continuous casting to clean steel.

Its types of products include High Steel Wire Rod, Low Carbon Steel Wire Rod, Cold Heading Quality Steel Wire Rod, Welding Electrode Graded Steel Wire Rod, Straight Bars for concrete reinforcement.

Currently around 70% of its production is disposed of on the domestic market and the rest is exported production mainly to Asia Pacific countries.

#### PT. Ispat Wire Products

PT Ispat Wire Product (IWP) was established in 1991, wholly owned by PT. Ispatindo. IWP operates in downstream industry producing wire rods including wires, nails, straight bar and other products from wire rod. Its factory is located in Sidoarjo, East Java, with a production capacity of 36,000 tons of wires and nails and 75,000 tons of straight bars.

Its products include nails for domestic market and nails with export specifications, stick electrode grade and wire gauges. Some of its products have received registration by Japan Industrial Standard such as its Low Carbon Wire Rod (JIS G 3505), High Carbon Wire Rod (JIS G 3506), Stick Electrode Grade (JIS G 3503) and Steel Bar (JIS G 3503).

IWP has also been granted the certificate of ISO 9001:2000 from LRQA. It was the first certificate for billet, bars and wire rod given to an Indonesian producer.

The company has exported part of its production to the United States, Australia, New Zealand, South Africa, Papua New Guinea and Myanmar.

#### PT. Ispat Bukit Baja

The company was established in 1994. PT. Ispat Bukit Baja (IBB) operates in steel industry producing steel bars. The products of its factory in Bekasi include angle bars, steel channel, round bar and steel strips.

All of its products have received certificates including Equal Angle Bar (SII 0163, JIS G 3101 and 3192, Flat Bars (JIS G 3191 SS 44) and U Channel (SII 0233-1979, JIS G-3101 and JIS G 3192)

#### PT. Ispat Panca Putera

Ispat Panca Putra (IPP) operates in round bar steel industry with a production capacity of 300,000 tons a year. The factory of the company is located in the Gresik Industrial Estate. It started operation only in June, 2008.

The types of its product include round bar and deformed bar measuring 12mm 45 mm and shafting bar measuring 12 mm-45 mm. It uses billet as basic material measuring 140/140mm and 150-150 mm x 4 m long

Members of the group :

1. Ispat Indo, PT (Billet and Wire Rod Industry)
2. Ispat Wire Product, PT (Wire Rod Industry)
3. Ispat Bukit Baja, PT (Long Product Industry)
4. Ispat Panca Putera, PT (Round Bar Industry)

Tabel--Ispat Indo Group

Parent company PT. Ispat Indo

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City Sidoarjo 61257, East Java

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Website [www.ispatindo.com](http://www.ispatindo.com)

Number of companies 4 Companies

Lines of business --Billet indust

--Wire Rod indust

--Lon product Indust

--Round Bar Industry

Source : Ispat Indo

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