
S&P TEST

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SEVERSTAL SWOT & PESTLE ANALYSIS

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Company Name : Severstal

Company Sector : Steel

Operating Geography : Russia, Europe, Global

About the Company : Severstal is a Russian company mainly operating in the steel and mining industry. It is headquartered in Cherepovets, Russia and was founded on August 24, 1955. The company is majority-owned and controlled by billionaire Alexey Mordashov. The company is a leading Russian steel producer, with a broad product mix, self-sufficiency in raw materials, and an extensive distribution network. It focuses on high value-added flat steel products and the production of long products for construction and downstream sales. Its downstream assets include the production of large diameter pipes and metal ware for machinery, as well as service centers and stamping facilities for exposed automotive parts. The division has high value-added products. The flagship of Cherepovets Steel Mill is one of the lowest-cost steel mills in the world. It is primarily located in north-west Russia, the division's steel operations enjoy convenient rail access to the Company's mining operations and low-cost direct river access to the Baltic ports. The Company is also well-positioned to serve the industrial hubs around Saint-Petersburg and Moscow. The Company comprises two major operational divisions: Severstal Resources and Severstal Russian Steel. Both have been ranked as the 16th best of 92 oil, gas, and mining companies on indigenous rights and resource extraction in the Arctic. Being one of the world's largest vertically integrated mining and steel companies, the company has received the highest platinum award in the SAP Value Award 2020 in the New Horizons category. Severstal is recognized for the implementation of the iDeaL project, which aims to manage the lifecycle of ideas and initiatives. It provides for the use of several SAP products – SAP Innovation Management, SAP Analytics Cloud, and SAPS /4HANA Project System.

Severstal's unique selling proposition or USP lies in it being Russia's largest mining industry producing about 17% of total crude production in Russia. Severstal's mission statement reads "Our mission is to be the leader in value creation. At every stage of our vertically integrated

operations we aim to create value at a faster rate than our competitors, from the mining of raw materials right through to the manufacture of high value-added products.” Severstal’s vision statement reads “Our vision is for Severstal to be the leader of the steel industry of the future and the first choice for its customers, employees and partners.”

Revenue :

US\$ 6,870 million - FY ending 31st December 2020 (y-o-y decline 15.8%)

US\$ 8,157 million - FY ending 31st December 2019 (y-o-y decline 5%)

US\$ 8,580 million - FY ending 31st December 2018 ?

SWOT Analysis :

The SWOT Analysis for Severstal is given below:

Strengths	Weaknesses
<ul style="list-style-type: none"> 1.Emphasis on cost reduction in steel production 2.Improving presence among customers through strong online outreach 3.Vertically integrated production boosting self sufficiency 4.Business with breakthrough margins 5.Key collaborations to boost downstream business 	<ul style="list-style-type: none"> 1.No plans in recycling of iron 2.High dependency on Russian demand for sales
Opportunities	Threats
<ul style="list-style-type: none"> 1.Technology accumulation through Severstal Ventures 2.Finding newer markets to offset low demand in existing markets 	<ul style="list-style-type: none"> 1.Shrinking global economy hurting steel demands 2.Barriers of iron and steel industry due to contribution in considerable pollution 3.Other materials replacing steel

PESTLE Analysis :

The PESTLE Analysis for Severstal is given below:

<p style="text-align: center;">Political</p> <ol style="list-style-type: none"> 1.Introduction of carbon border tariffs in Europe and its affects 2.Annexation of Crimea by Russia creating troubles for business 3.US imposing tariffs on imported steel and steel derivatives 	<p style="text-align: center;">Economical</p> <ol style="list-style-type: none"> 1.Economic downturn due to Covid-19 affecting business 2.Down trends in Russian economy hurting business demands
<p style="text-align: center;">Social</p> <ol style="list-style-type: none"> 1.Urbanization being a key driver of the steel industry 2.The risky nature of job in iron and steel industry 3.Decreasing human capital turning to be a source of slump in Russian economy 4.High preference of iron and steel derivatives as raw material for cookware 	<p style="text-align: center;">Technological</p> <ol style="list-style-type: none"> 1.Implementing AI to boost productivity 2.Investing on automation driven production 3.Physical and chemical properties of steel boosting its long-term usability
<p style="text-align: center;">Legal</p> <ol style="list-style-type: none"> 1.Compliance to UK Governance Code for GDR in London Stock Exchange 2.Convertted into PAO as per amended Russian Civil Code in 2014 	<p style="text-align: center;">Environmental</p> <ol style="list-style-type: none"> 1.Using innovation and technology to reduce the emission of GHG 2.Developing technology to use hydrogen instead of coking coal to offset pollution

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