

THE ASIAN IMPACT

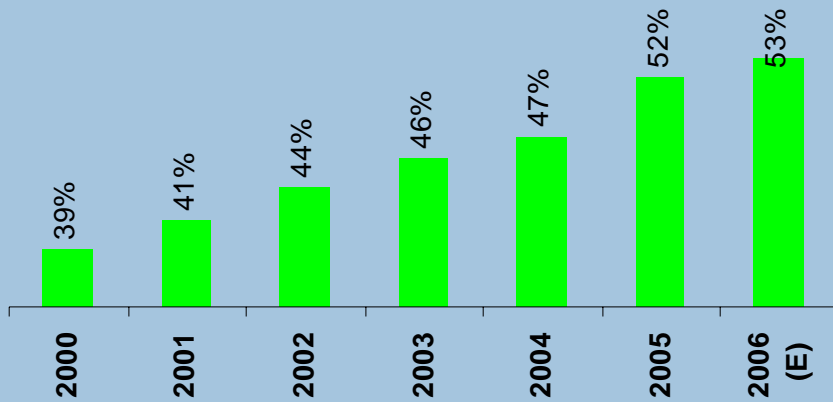
Steel Outlook 2007

By TV Narendran, Dy President (Operations), NatSteel Asia

Mega trends in the industry

The centre of gravity has shifted to Asia...

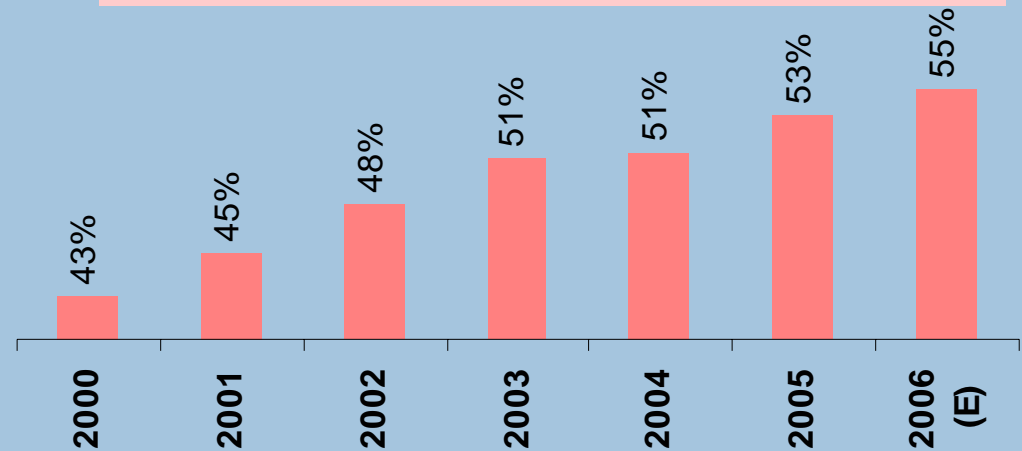
ASIA : %-GLOBAL SHARE – CRUDE STEEL PROD.



%-CAGR GROWTH

ASIA @ 12% v/s 6% FOR WORLD

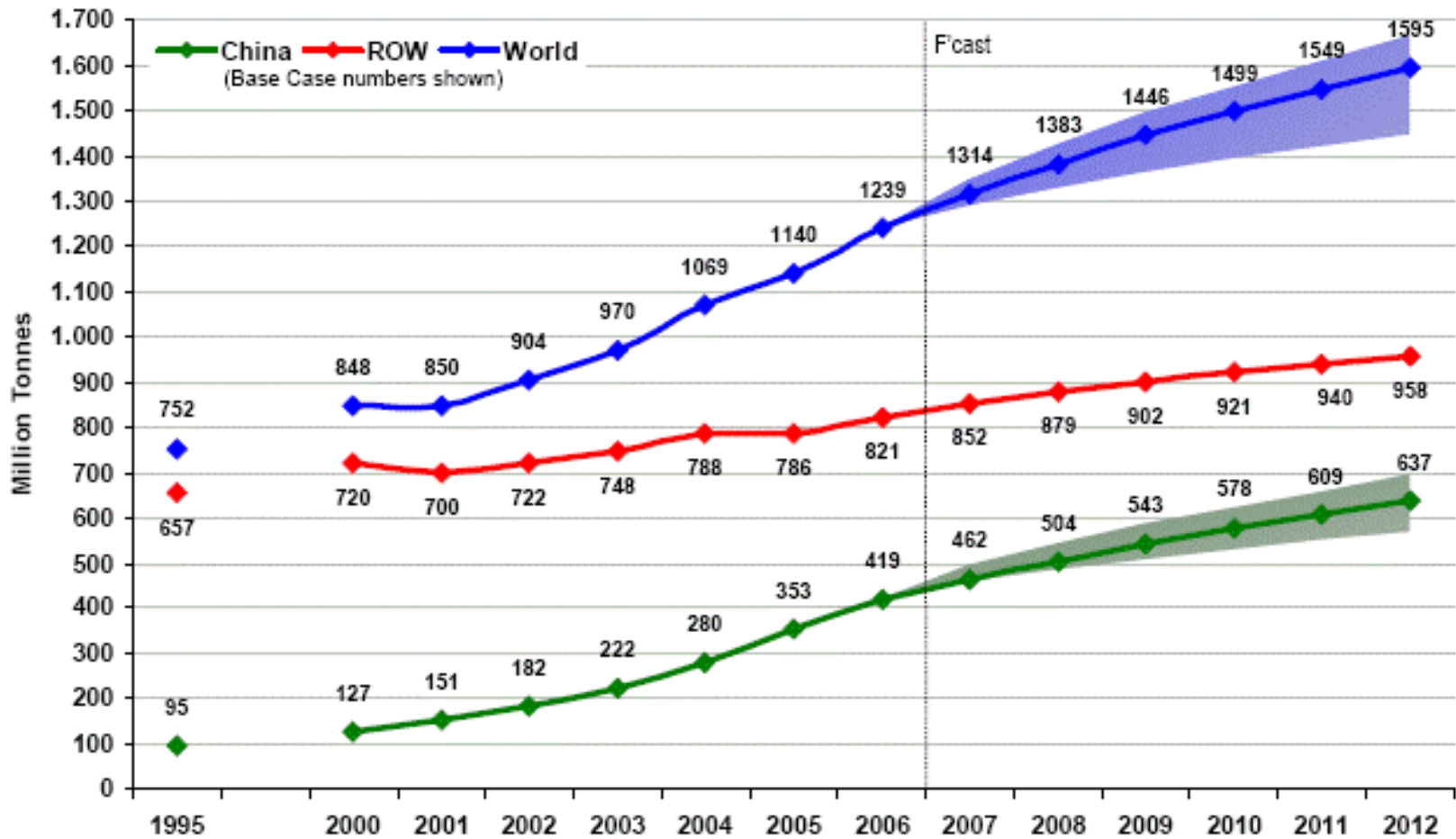
ASIA : %-GLOBAL SHARE – APP. FIN. STEEL CONSUMP.



%-CAGR GROWTH

ASIA @ 11% v/s 7% FOR WORLD

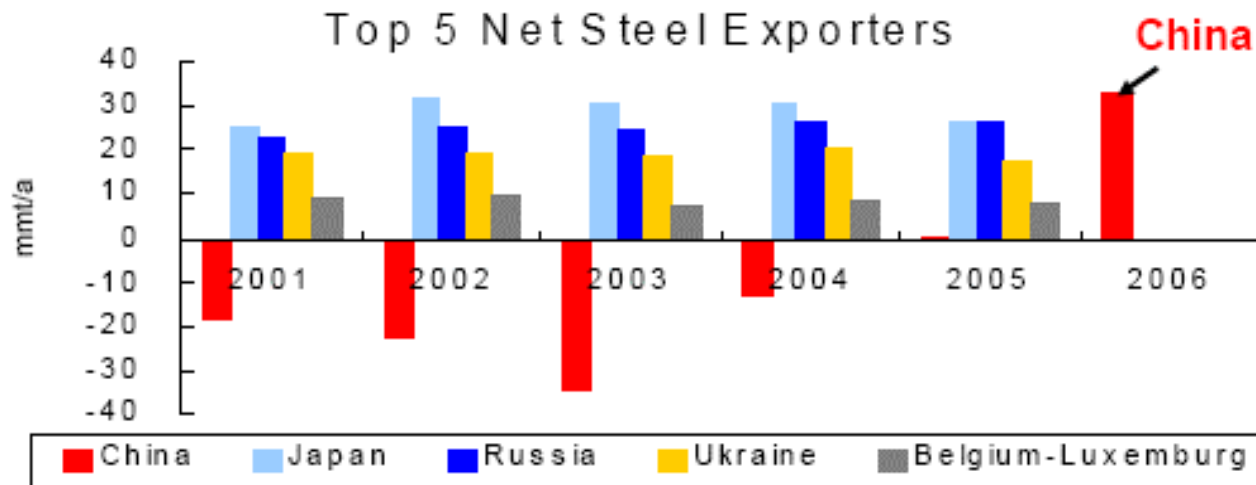
And more specifically to China...



Sources: Various & IISI RAMCO Expert Group

With significant impact to global steel trade

From Largest Net Importer to Net Exporter

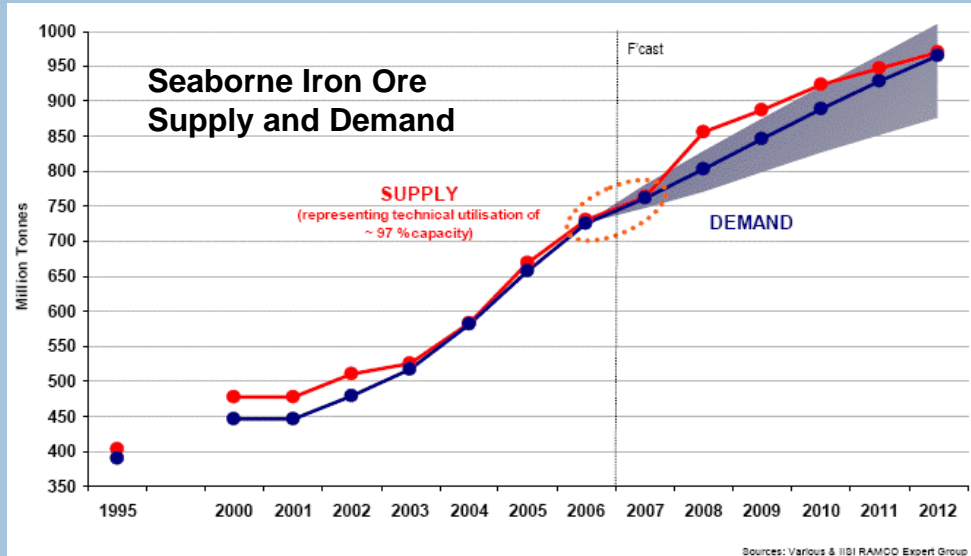


China's Share in World Steel Trade

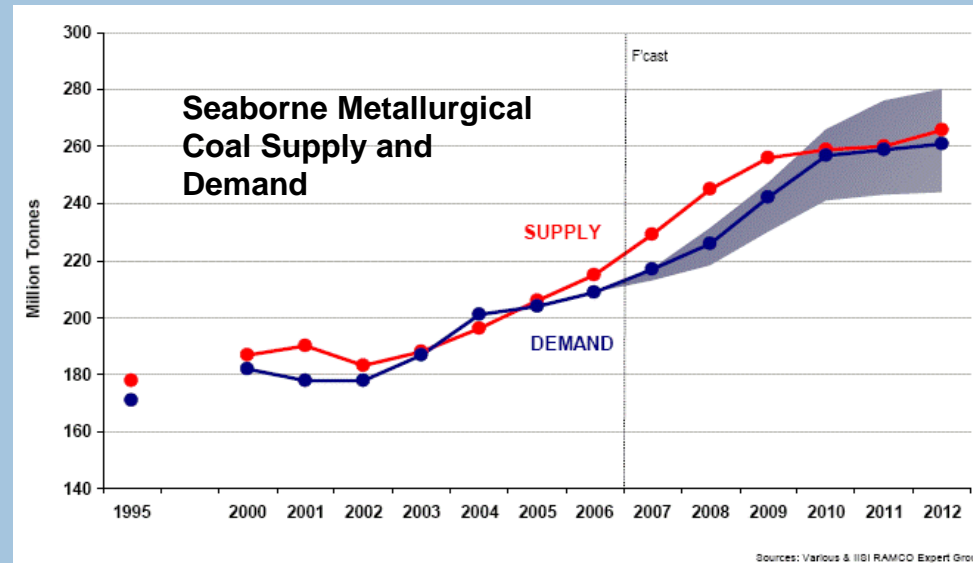
	2001	2005
Import	8.74%	7.54%
Export	2.42%	7.46%

Source: IISI

All these Lead to Supply Side Pressures in Key Cost Drivers (1)

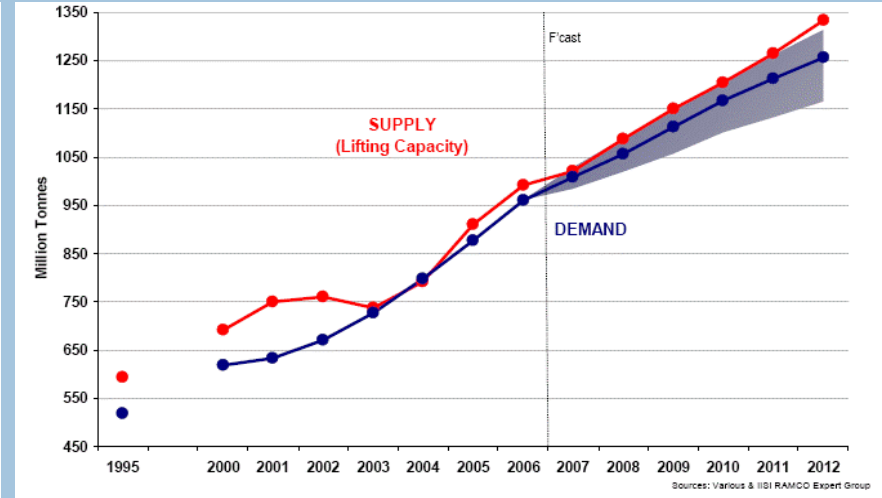
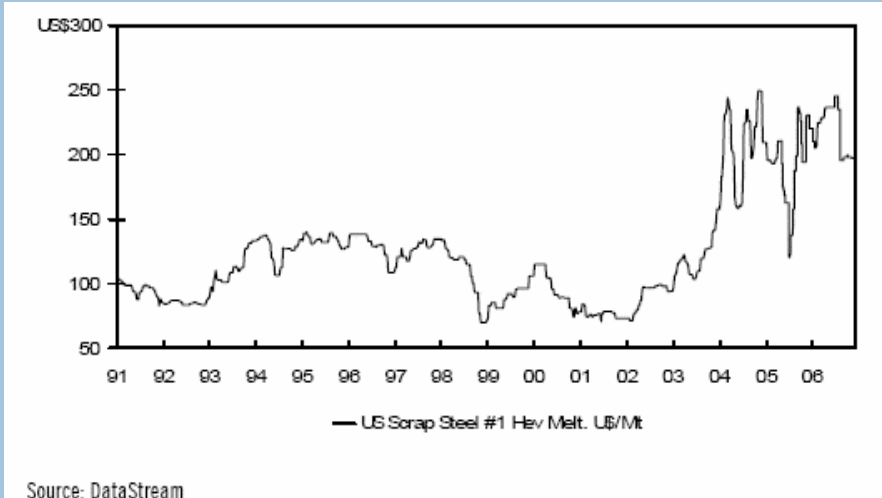


Ore



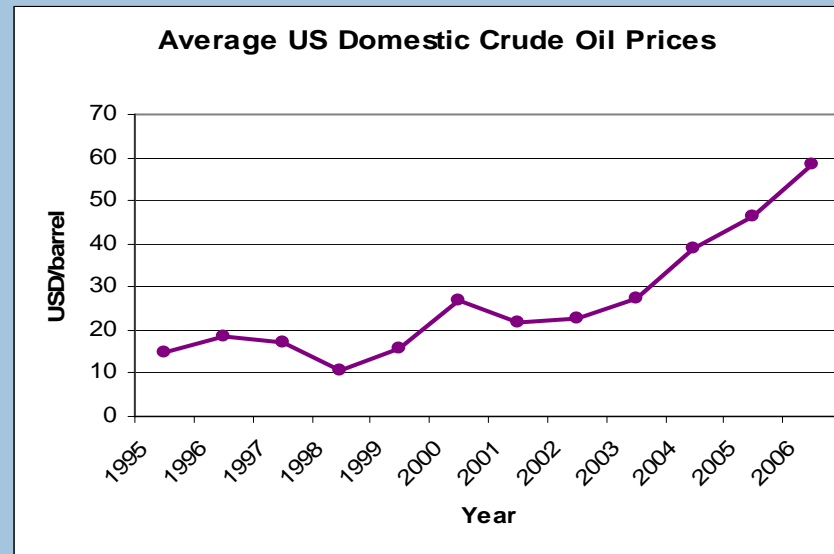
Metallurgical
Coal

All these Lead to Supply Side Pressures in Key Cost Drivers (2)



Scrap

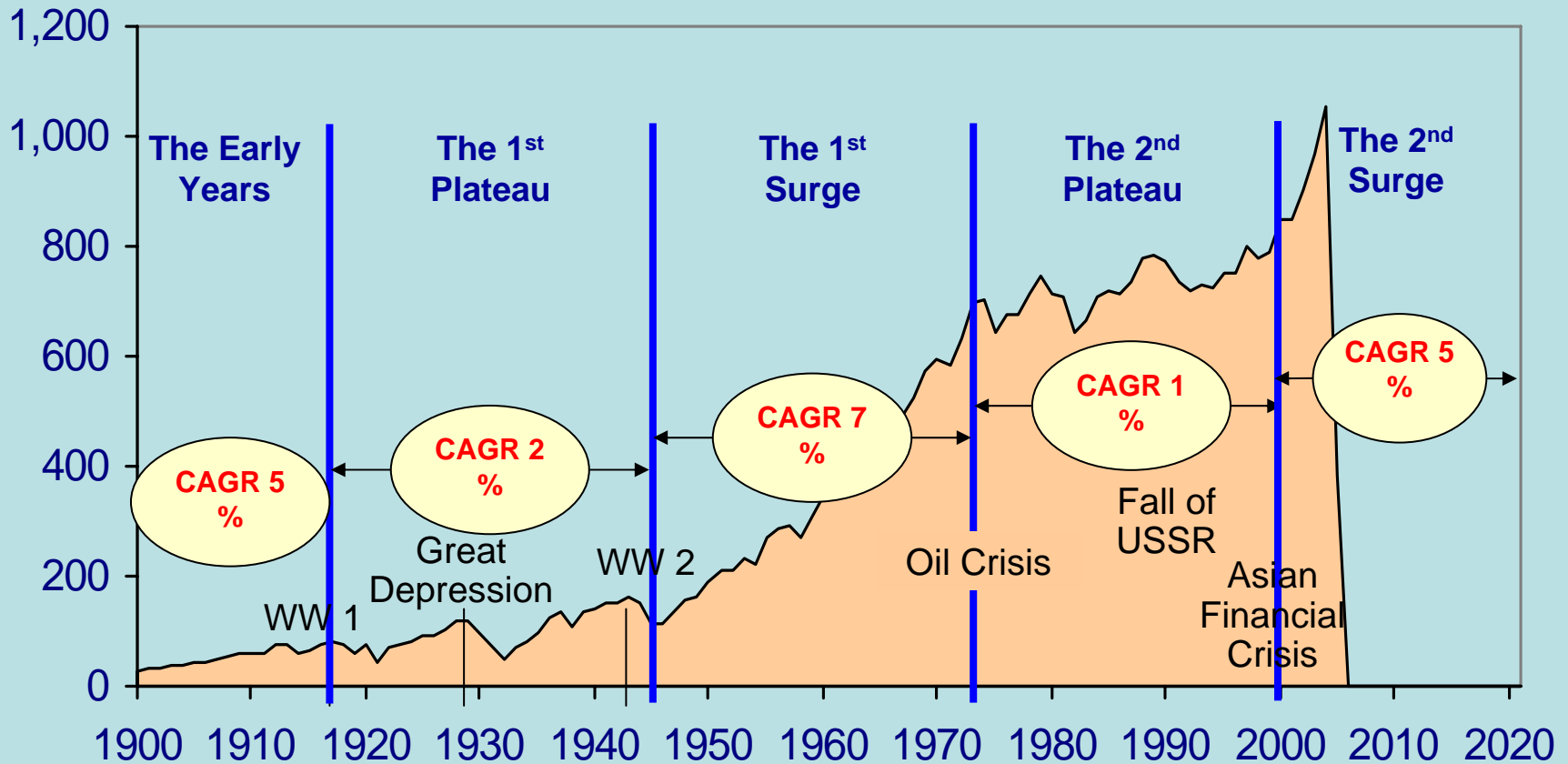
Freight



Oil

However, we believe that we are going to see an extended period of growth

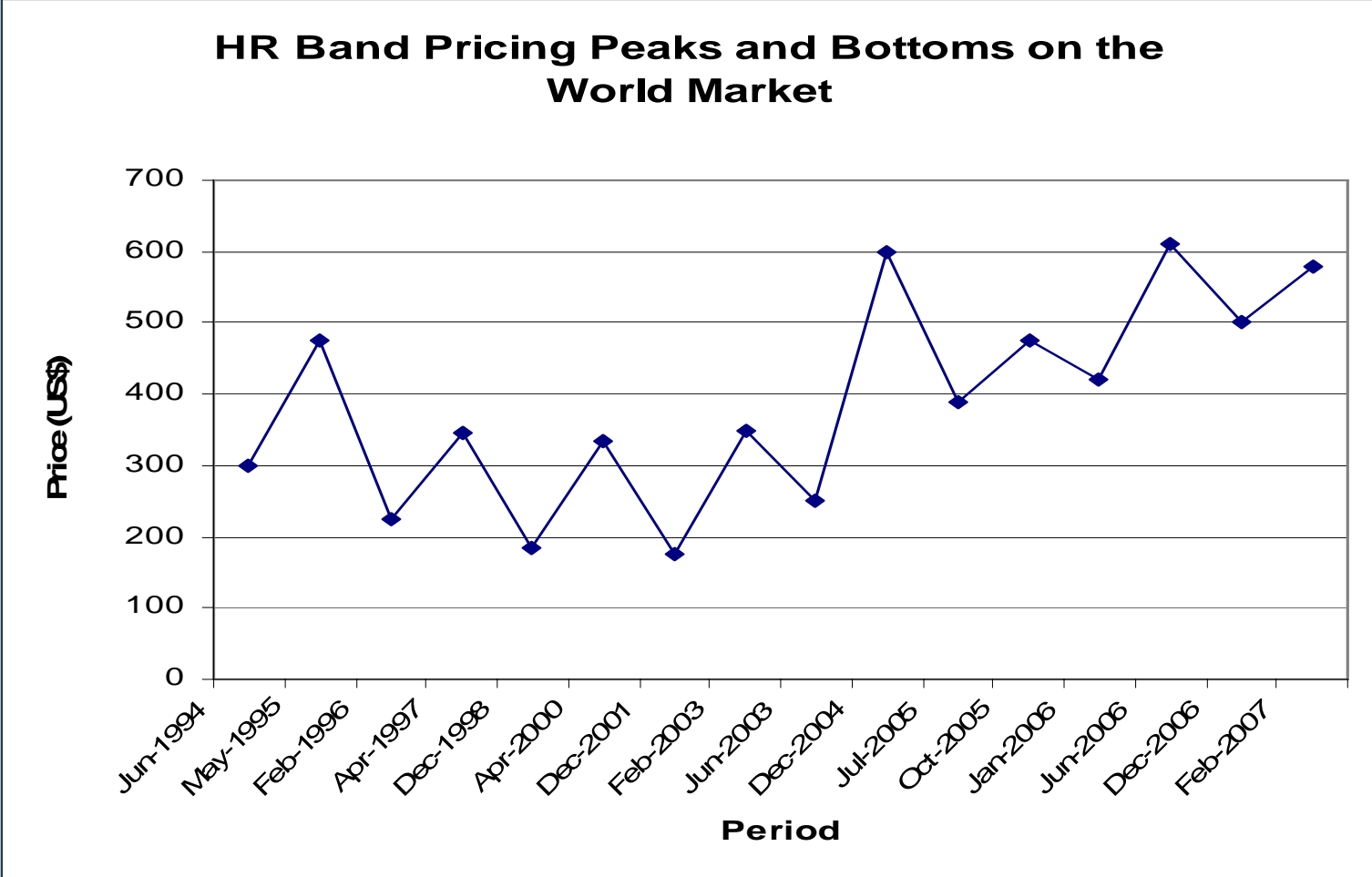
Crude Steel Production (Million Tonnes)



The industry has also witnessed some fundamental changes in ownership structure

- ❖ **20 years ago, governments controlled about 65% of world steel production**
 - **Today, they make up only about 20%**
 - **Outside of China, it is about 5%**
- ❖ **10 years ago, top 10 producers controlled 18% of production**
 - **Today, they control about 30%**
 - **Outside of China, it is about 42% (compared to 20% in 1996)**

Leading to shorter cycles with prices trending upwards



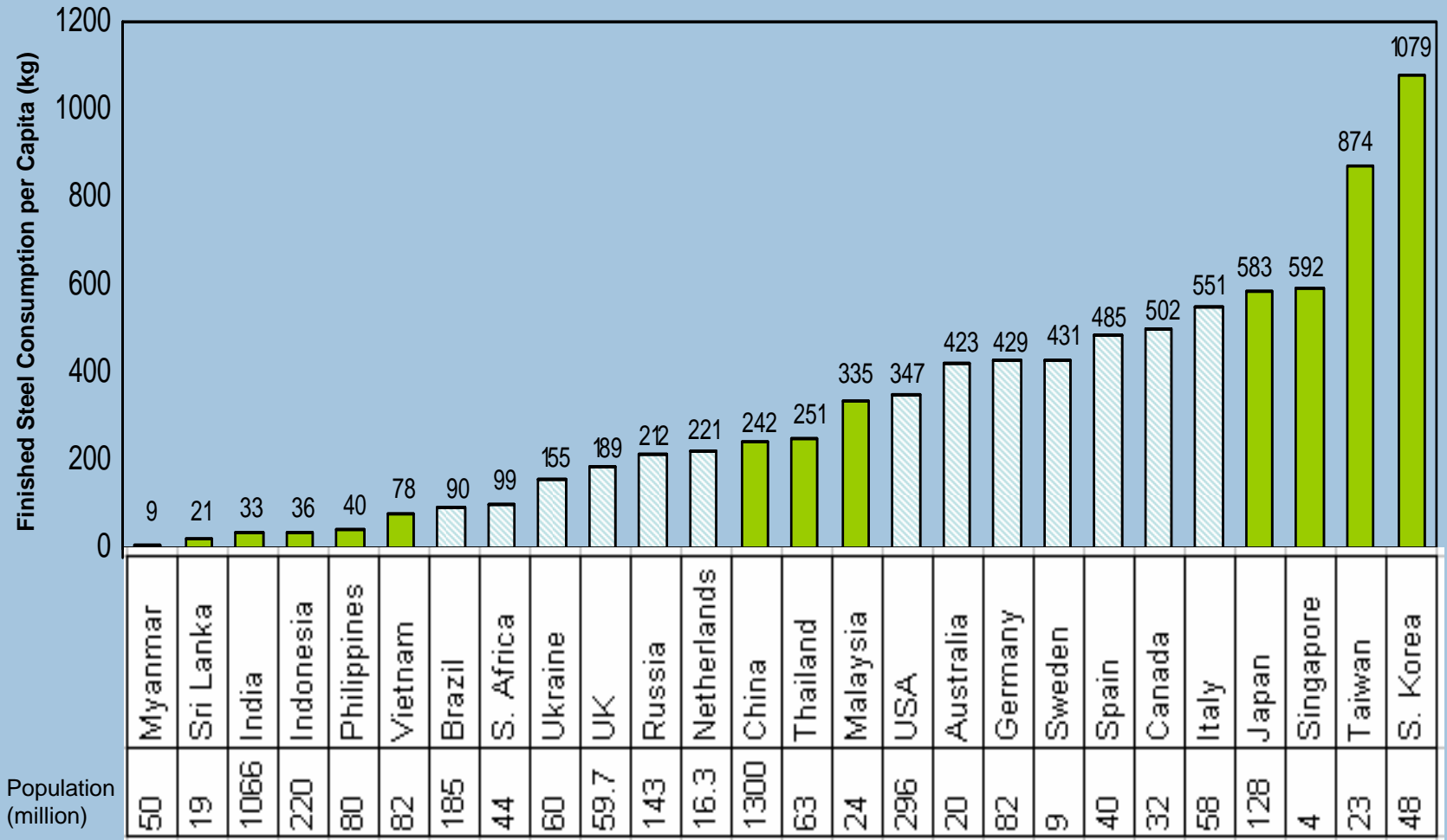
Source: World Steel Dynamics

**What does this mean for the
Asean steel industry?**

The Asean steel industry is vulnerable

- ❖ **Highly fragmented**
- ❖ **State-owned/quasi-protected in some of the economies**
- ❖ **Highly dependent on imports of raw materials and semi-finished materials**
- ❖ **Can be swamped by exports from China**

But there is a huge potential for growth in demand



**So the industry needs to reinvent itself –
not only to survive but to have
sustainable GROWTH**

Some possible strategies going forward include

- ❖ **Grow horizontally across borders**
- ❖ **Grow vertically across borders**
- ❖ **Invest in customer relationships**
- ❖ **Build brands in B2C markets**
- ❖ **Migrate from products to services and solutions**
- ❖ **Develop the consumption of steel**

Some new realities

- ❖ **Steel companies are getting bigger**
- ❖ **A borderless industry is emerging**
- ❖ **Shorter cycles – greater volatility**
- ❖ **Government interest is shifting from the steel industry to the raw material industry**
- ❖ **A de-integrated value chain is emerging**

Thank You