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# Middle-East Steel Industry (Concerns and Solutions)

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**Al-Tuwairqi Group of Companies**

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# INDEX

- 1. Overview (Qtr.1 – Y 2008)**
- 2. Introduction of Al-Tuwairqi Group**
- 3. Steel Demand**
- 4. Concerns of Steel Industry**
- 5. Consolidation as one of the solution**
- 6. Vision of Al-Tuwairqi Group**
- 7. Conclusion**

# Middle-East Steel OVERVIEW (Q1-2008)

## Happenings

- Steel prices went up by almost 375 USD per ton during the last four months.
- Control on inflation remained a big challenge for the governments of developing countries.
- Oil prices crossed the mark of 100 USD per barrel .
- Oil demand increased by 9.55 % in China and 6.9% in India in the year 2007.
- World steel production and consumption continued to grow.
- Slow down of the US economy and declining dollar,
- Raw material prices increased by 80 to 100%

## Effects

- Some of the projects slowed down
- Steel producers initiated upstream expansion programs
- Slow down of the US economy could effect the economies of eastern Europe, part of America and Asia. Economies of Middle-East, India and China will be least effected. There will be almost no effect on the steel industry worldwide as the US contributes only 8% of the total world production
- Economic slow down in the US along with the declining dollar which resulted in high inflation rate would not have any serious effect on the overall world economy as the strong economies of China, India, Middle-East, Brazil & Russia would counter its negative effect to almost fully.

## Necessity

- Investment in the mining sector to Securing Raw Materials
- Invest in the shipping, logistics and local transport by rail/road
- Introduce Cost Control measures to become a low cost producer
- Take measures to keep inflation under control

# Al-Tuwairqi Group (History)

- 1. Trading - 1977**
- 2. Space Frame Construction & Erection - 1980**
- 3. Electrical Division - 1985**
- 4. Steel Manufacturing - 1989**

# Al-Tuwairqi Group of Companies

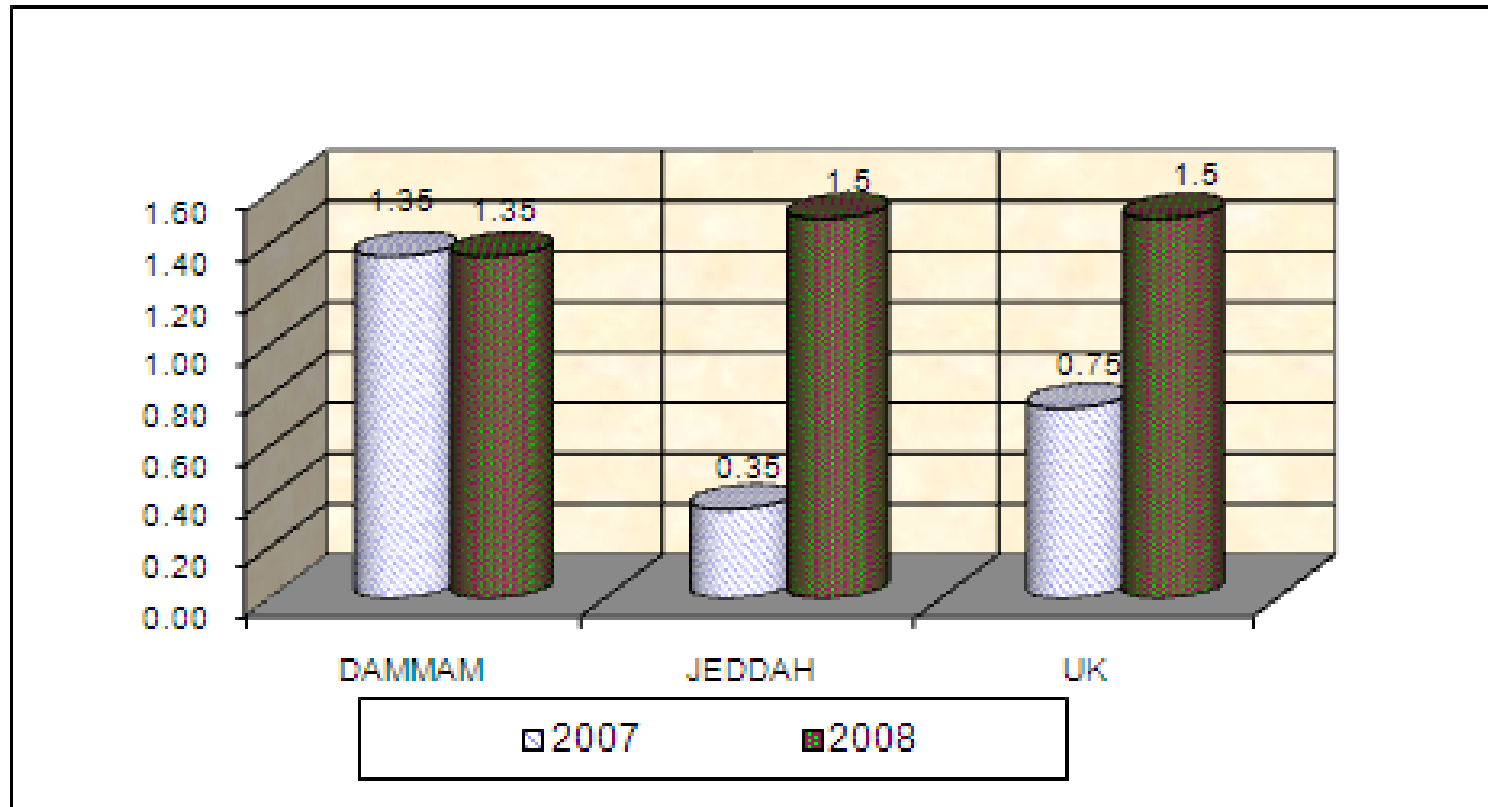
## An Introduction

- The group has production facilities in the Middle East and UK.
- Projects in UAE, Bahrain, Egypt & Pakistan are active. Some M&A are under negotiations. The group plans to achieve crude steel production of 6 million tons per year by 2011.

**The Group is now Diversifying to the following with total investment of 2.0 billion US\$ in the first phase and 1.0 billion in the second phase:**

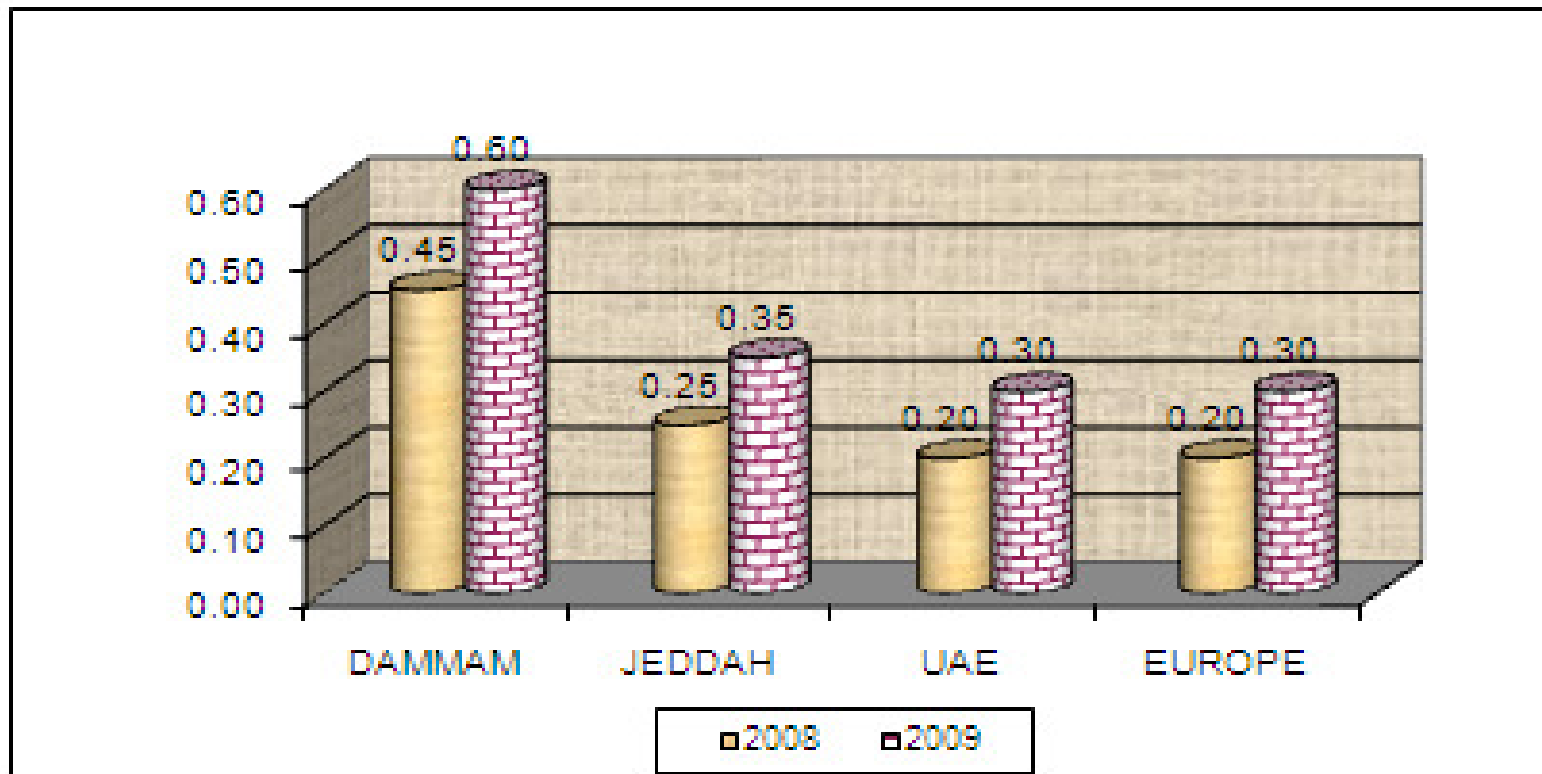
- Flat Products (HRC, CRC, Galvanizing & Colour Coating)
- Production of Special Steels
- Production of Iron Pellets
- Production of Heavy Beams & Rails
- Production of Seamless Pipes

# ATG Rolling Mill Production Capacities



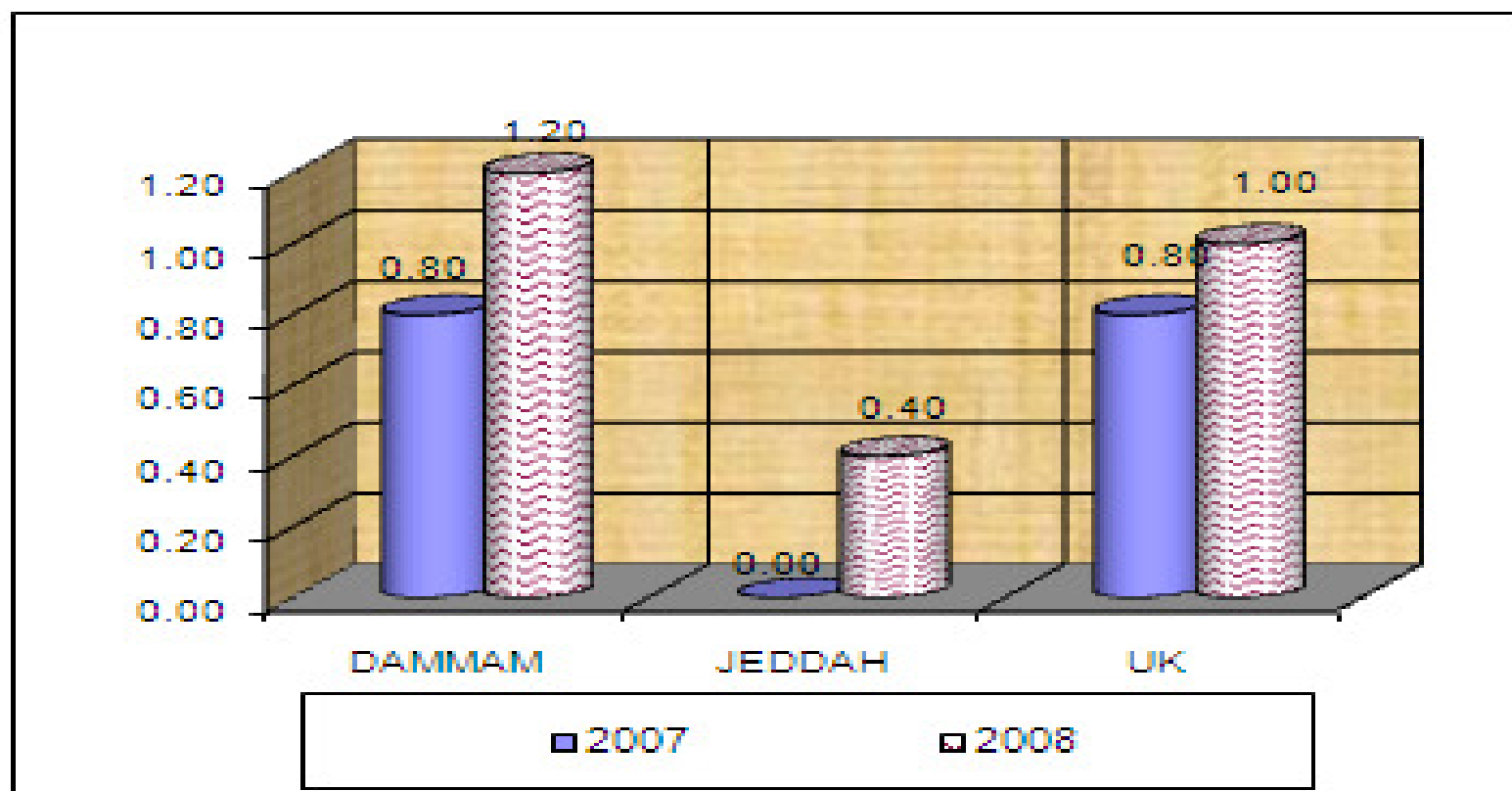
MILN T/YR	DAMMAM	JEDDAH	UK
2008	1.35	1.7	0.75
2009	1.35	1.7	1.5

# ATG Down Stream Production Capacities



MLN TYR	DAMMAM	JEDDAH	UAE	EUROPE
2008	0.45	0.25	0.20	0.20
2009	0.60	0.35	0.30	0.30

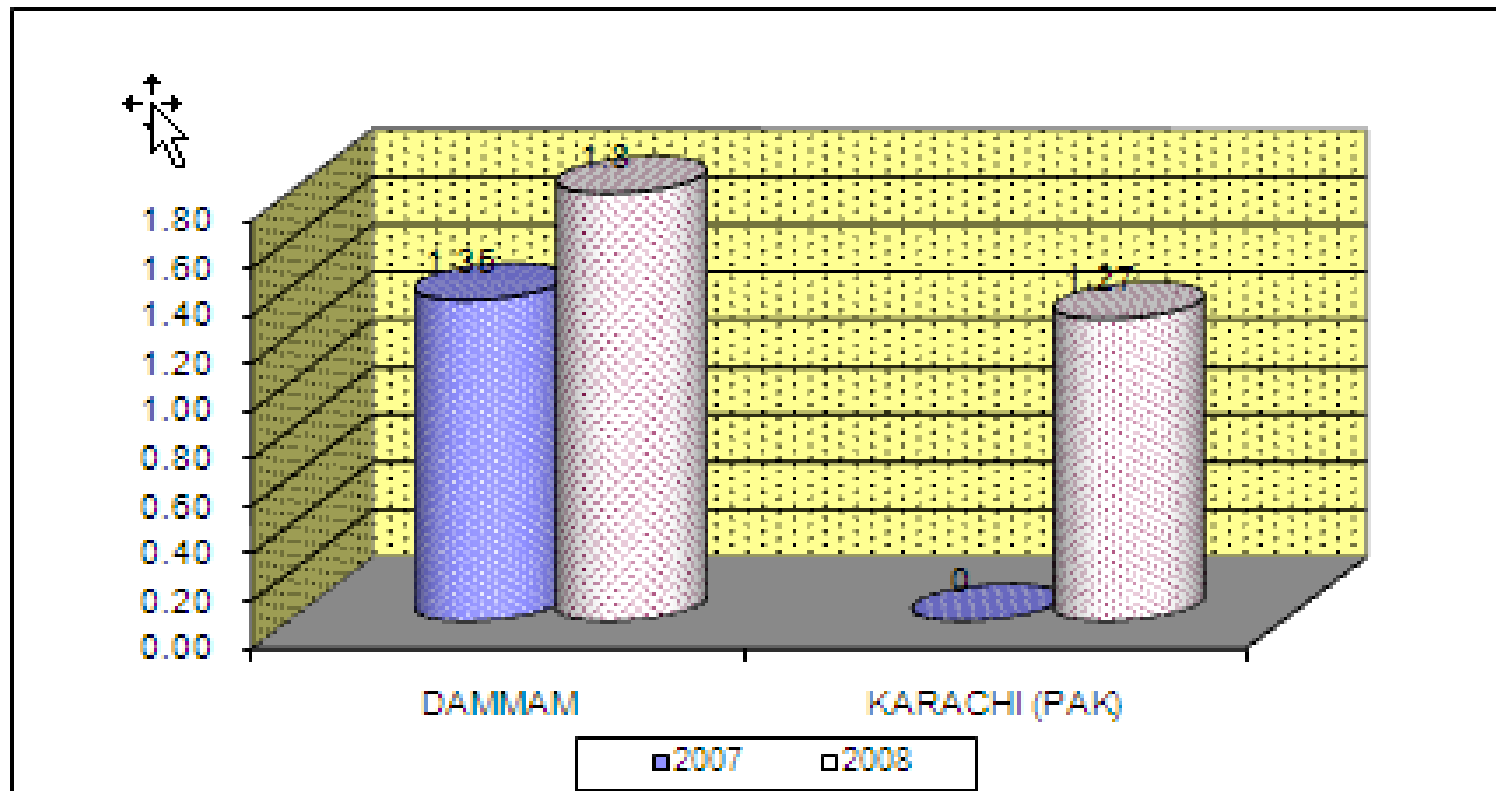
# ATG Melt Shop Production Capacities



MILN T/YR	DAMMAM	JEDDAH	UK
2008	1.00	0.00	0.80
2009	1.60	0.40	1.00

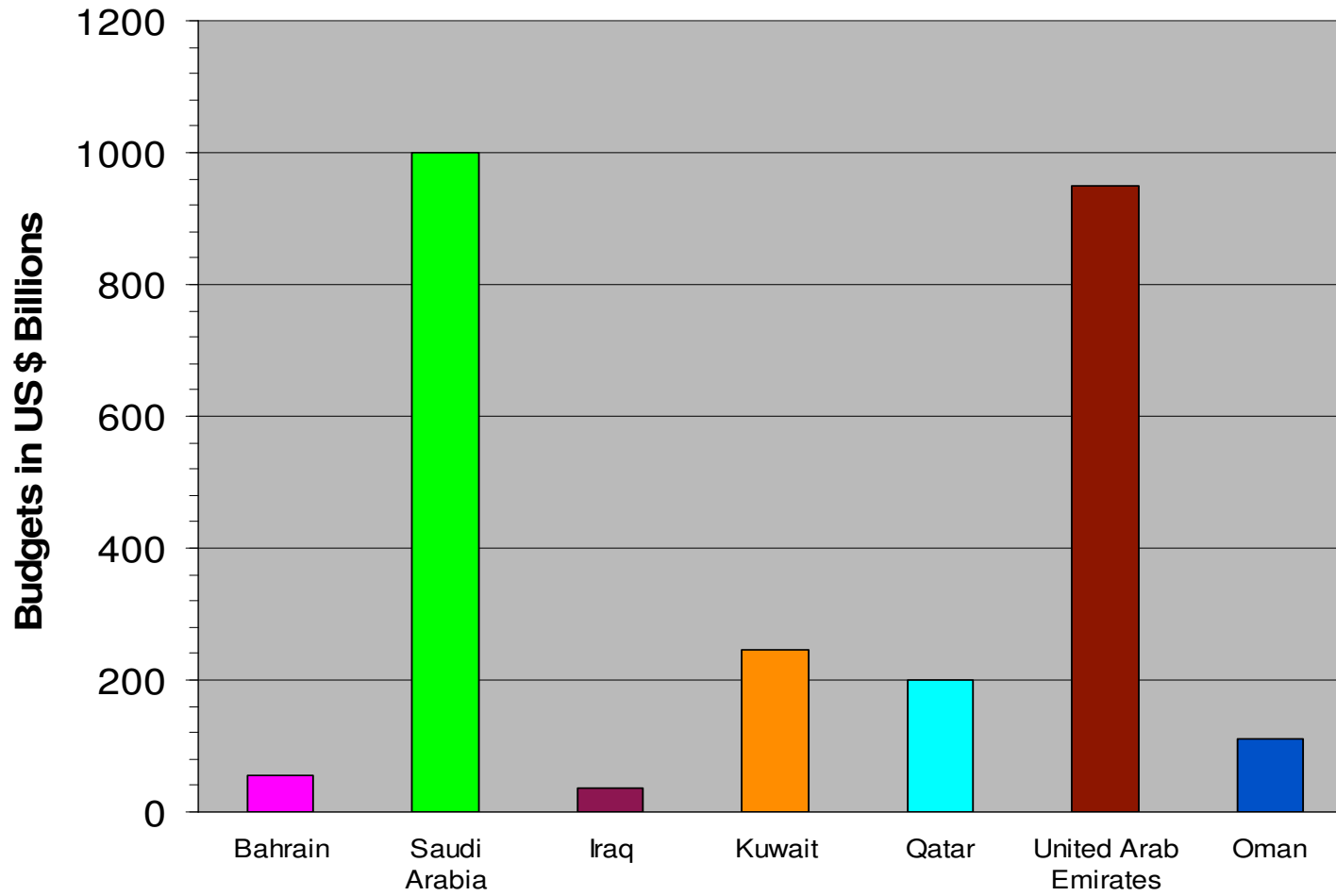


# ATG DRI Production Capacities



MILN T/YR	DAMMAM	KARACHI (PAK)
2008	1.5	0
2009	1.7	1.27

## TOTAL VALUE OF ACTIVE PROJECTS BY COUNTRY



## PER CAPITA STEEL CONSUMPTION IN MENA COUNTRIES

YEAR	PUPULATION IN MILLIONS	TOTAL STEEL CONSUMPTION IN MLN.TONS	PER CAPITA STEEL CONSUMPTION IN KGS.
<b>2008</b>	<i>450</i>	<i>65.9</i>	<i>146</i>
<b>2012</b>	<i>510</i>	<i>110</i>	<i>216</i>

2007

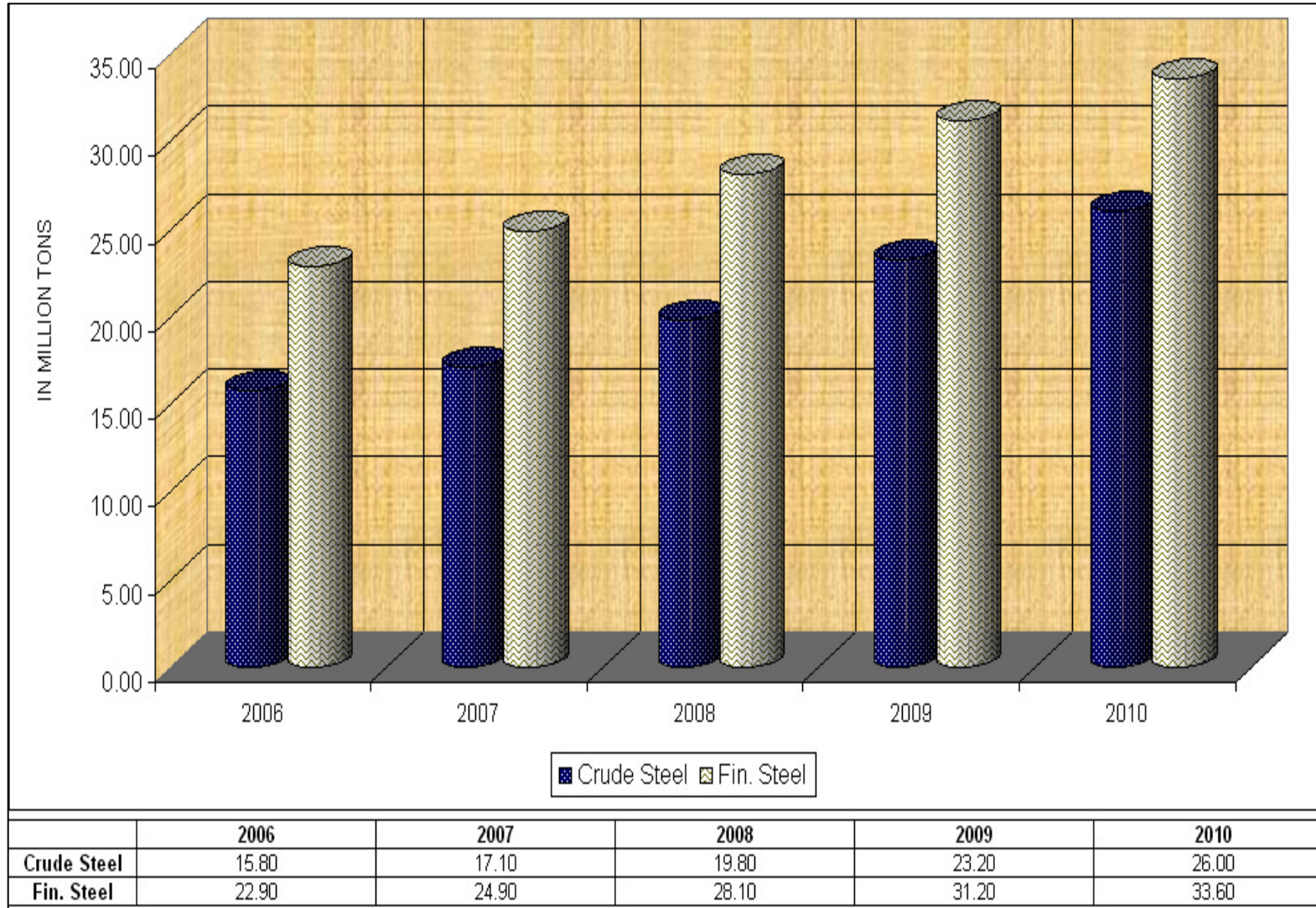
CHINA -- 365 Kg  
 WORLD -- 210 Kg

## NET IMPORT - MENA COUNTRIES (INCLUDING IRAN & TURKEY)





PRODUCT YEAR		2007	2012
<b>FLATS</b>	HR COIL	2,171	4,102
	CR COIL	388	406
	GALVANIZED	569	526
	PLATE	1,867	2,830
<b>LONG PROD.</b>	REBAR	8,280	5,560
	WIRE ROD	1,262	1,130
	OTHERS	2,426	1,730
<b>SEMIS</b>	BILLETS	7,868	8,422
	SLABS	395	415
<b>TOTAL</b>		<b>25,226</b>	<b>25,121</b>

# Middle East Crude & Finished Steel Production

## 2006 - 2010



# Apparent Steel Consumptions In The World *(2007)*

<b>NAFTA COUNTRIES</b>	<b>3.1 %</b>	
<b>EU 27</b>	<b>1.5 %</b>	
<b>Asia</b>	<b>9.5 %</b>	
<b>Middle-East</b>	<b>9.5 %</b>	

# Concerns Of the Middle-East Steel Industry

- **Raw Materials**
- **Competition**
- **Skills (Competition, Young Population, Technology)**
- **Environment Protection**
- **Infrastructure**
- **Transport**

# For Developing Sustainable Steel Industry in the Region

- Consolidation
- Define the technology
- **Provide necessary funding to support upstream investments**
- Production of high end grade steels to reduce imports
- Rationalize the product mix redundancies on commodity steels
- Align regional capacity and demand  
(foster export of extra capacity)



# FORMATION OF ALLIANCES

## BENEFITS

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### **The Producers:**

- **Minimizes risk**
- **Lowers Operational Cost**
- **Improves Quality**
- **Access to a Bigger Market**
- **Tax Savings**

### **The Consumers:**

- **Bring Price Stability**
- **Improved Product Quality**
- **Timely Delivery**

## **The Contractors:**

- **Job Continuity**
- **Better Planning**
- **Better Profits**

## **The Society:**

- **Faster Infrastructure Development**
- **Strong Steel industry could be more committed to its Corporate Social Responsibility**

# Vision Of Al-Tuwairqi Group

In view of growing demand of Steel, Al-Tuwairqi Group would like to participate in the development of steel industry in the MENA region through:

- **Installation of New Plants**
- **Latest technology implementation in the steel making and shaping processes.**
- **Increasing capacities by acquiring and expediting the brown field projects**

**Cont'd....**

# Vision Of Al-Tuwairqi Group

Cont'd

- ➔ To minimize the production cost of steel products, Al-Tuwairqi Group believes in the formation of alliances. It is a well known fact that survival of inefficient plants will be impossible in the near future. These plants would require modernization and consolidation. Al-Tuwairqi Group is interested to assist such plants as a partner with technology and investment.
- ➔ Al-Tuwairqi group has developed very strong in house EPC capabilities (engineering, procurement and construction) which led to the expansion of our steel business on a fast track.

# Vision Of Al-Tuwairqi Group

Cont'd

- ➔ The Chairman of Al-Tuwairqi Group announced in the Arab Steel Conference held in March 2008, the formation of Arab Steel Company to produce 30 Million Tons per year of Liquid Steel in six companies of capacity 5 Million tons each. These companies will be located at suitable locations in the MENA region. This announcement is in line with the vision of Al-Tuwairqi Group to form alliances for healthy and sustainable future steel industry. Major Steel producers of the region were invited to participate in this mission.
- ➔ The availability of cheap power & natural gas consolidates the idea of formation of Alliances for production of steel in the region.

# Conclusion

- We can Conclude that MENA countries need to increase the production of crude steel and semis.
- Steel demand will continue to grow in the region at reasonable pace.
- This is the right time to develop iron ore mines in the region. There is need to invest in the mining sector. For healthy steel industry of the region securing raw materials would be the key. Al-Tuwairqi Group is interested to participate, at national and international level, in the development of mines through investment & technical and management support.

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# Thank you

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**Al-Tuwairqi Group of Companies**