"The boom in Middle - East steel industry will continue for many years"

Guest of the Month

Raman Madhok

Raman Madhok is the CEO of Tradeline L.L.C Dubai and is responsible for setting up Al Ghurair Iron & Steel L.L.C at Abu Dhabi. Before joining Tradeline in November 2005, Mr. Madhok was the Joint Managing Director and CEO of JSW Steel Ltd., India - a 3.8 million tonnes per year integrated steel manufacturer.

During the decade he spent with the Jindal Group, he was associated with their steel, power and publishing businesses. Mr. Madhok's industry experience spans across Processes, Engineering, Pharmaceuticals, FMCG and Hotels.

Raman Madhok received his M.S. degree from the Indian Institute of Technology, Delhi and a Post Graduate Diploma in Management from XLRI, Jamshedpur. He also has a Diploma in Training & Development from the Indian Society for Training & Development

In the year 2000, Raman Madhok received the Chevening Scholarship awarded by the Foreign and Commonwealth Office, UK and in 2004 he was awarded the prestigious Fellowship by the Eisenhower Fellowships, Philadelphia, U.S.A. Here is an exclusive interview with STEELWORLD.

1. What is the status of iron & Steel industry in the gulf region?

The Middle East steel industry is booming and will continue to do so for many years to come. The estimated US$ 1 trillion worth of projects, underway or planned, are leading to consistently high demand projections.

The supply side is responding as expected by upgrading existing projects and announcing new ones to meet the unceasing hunger of the market for steel. Steel manufacturers with access to cheap Middle East gas will have a lasting competitive advantage.

2. Considering the construction boom in the region, do you think it is sustainable? For how many years?

The current boom in the mid-east construction sector is sustainable as well as lasting. According to a report by Standard & Poor's, project financing in the GCC last year was about $45 billion. Analysts estimate the total infrastructure projects expenditure this year to exceed $360 billion. The surge in the infrastructure funding is prompting various classes of investors ranging from conventional, Islamic and investment banks as well as private equity players including buy-out firms to compete for a slice of the funding opportunities in the region.

In October 2006 Moody's Investor Service upgraded the long term government bond (both foreign and domestic currency) ratings of six Gulf countries to reflect the significant strengthening of the public and external finances of GCC nations. Analysts expect that the positive sovereign ratings will also help in boosting investor confidence in most private equity funds that are targeting Gulf infrastructure sector.

The other noteworthy aspect is that the boom the construction sector is witnessing currently is the result of an extremely active public sector and the governmental commitment to develop and enhance infrastructure.

3. Many greenfield and brownfield projects are coming up in the gulf region, do you think they are viable?

In order to fairly reply to this question I would like to quote from the recent Metal Bulletin Research titled "A Strategic Outlook for the Middle East and North African (MENA) Steel Markets to 2010. Total crude steel output in MENA region has grown from 28.4m tonnes in 1997 to 41.6m tonnes in 2004 and will grow to 66.7m tonnes by 2010.

Finished steel output in MENA is higher than crude steel production due to semi finished imported material and will grow from 20.1m tonnes in 2004 to 32.6m tonnes in 2010. Long product output will continue to be around 70% of the total and rebar will be the dominant product. DRI will retain its place as the key metallic input accounting for over 60% of Fe units. Virtually all of the expansion in Iran will be fed by DRI and output will increase from 5.3m tonnes in 2004 to 13.5m tonnes by 2010.

MENA will remain dependent on imports despite rising output because of the increase in steel consumption fuelled by oil revenues and impetus on infrastructure. The deficit in steel consumption and production will be maintained around 20m tonnes between now and 2010 as consumption growth only matches demand growth, In view of the above I see enough appetite for output for both greenfield and brownfield projects with extremely viable results.

4. Tell us something about the initiatives of Al Ghurair Group in the iron & steel sector.

Tradeline, the promoting company of Al Ghurair Iron & Steel has always been an active player in the steel sector, in the beginning as a bulk commodity trader, later as a stock and sell operator and from 2006 onwards we have made major strides in contributing towards the steel sector development as a manufacturer.

In May 2006, we set the ball rolling for perhaps the most important greenfield steel project in the UAE with the groundbreaking of a AED 300 million Cold Rolling and Galvanising Complex. This is the first facility of its kind in the UAE and would consume 350,000 tonnes of Hot Rolled Coils - 50,000 tonnes would be saleable as Cold Rolled Full Hard steel and 200,000 tonnes as galvanised material and the balance as HRPO in phase 1.

The first coil is projected to roll out in September 2007. In our efforts to achieve this production target, we have drawn a very fine and well defined road-map with the help of participating agencies to meet the tough schedules. The phase II of the project slated to be completed by 2nd qtr 2009 will see the production going up to half a million tonne of finished goods. We have decided to set up a 55% Al-Zn coating line to produce superior, corrosion resistant hot dip coated product that benefits consumers and producers alike. Alu-Zinc provides an opportunity of lower production costs plus the potential for greater revenue per tonne because of Aluminium and Zinc prices. To producers this means higher profits and more attractive return on investment. To consumers it provides an opportunity to obtain a product that is many times more durable than galvanised steel. It provides up to two to six times longer service life.

This project, besides being of strategic importance to UAE's industrial development, would also leverage the industrial growth of upstream and downstream manufacturing facilities aligned to the segment and will usher in an era of rapid investment opportunities in manufacturing. Tradeline with this will be moving towards providing a total solution to the steel consumers in the region focusing on delivery through its effective distribution, networking, branding and manufacturing activities.

5. How can Indian companies take advantage of the boom in the Gulf region?

There are many advantages for the Indian companies to cash on. For the last two years the Gulf region has had record oil revenues. Coupled with the changes in the property ownership laws, there has been diversification in a primarily oil based economy to construction of industrial parks, hotels for tourists and shopping malls and other infrastructure. Developers are engaged in an intense reshaping of the urban landscape. The two things that set the building industry in the Gulf region apart from most parts of the world are There are no constraints on the architectural vision the artist is encouraged to dream the impossible and is free to create Secondly there is no place in the world where construction moves as fast as in UAE. The exponential timescale is the most impressive feature of the phenomenal development here.

Many well managed Indian companies through joint ventures are already participating in this boom. Indian minds and bodies are working alongside others to create a place where sun and sand can coexist with snow.

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