

Market Dynamics - MENA region.

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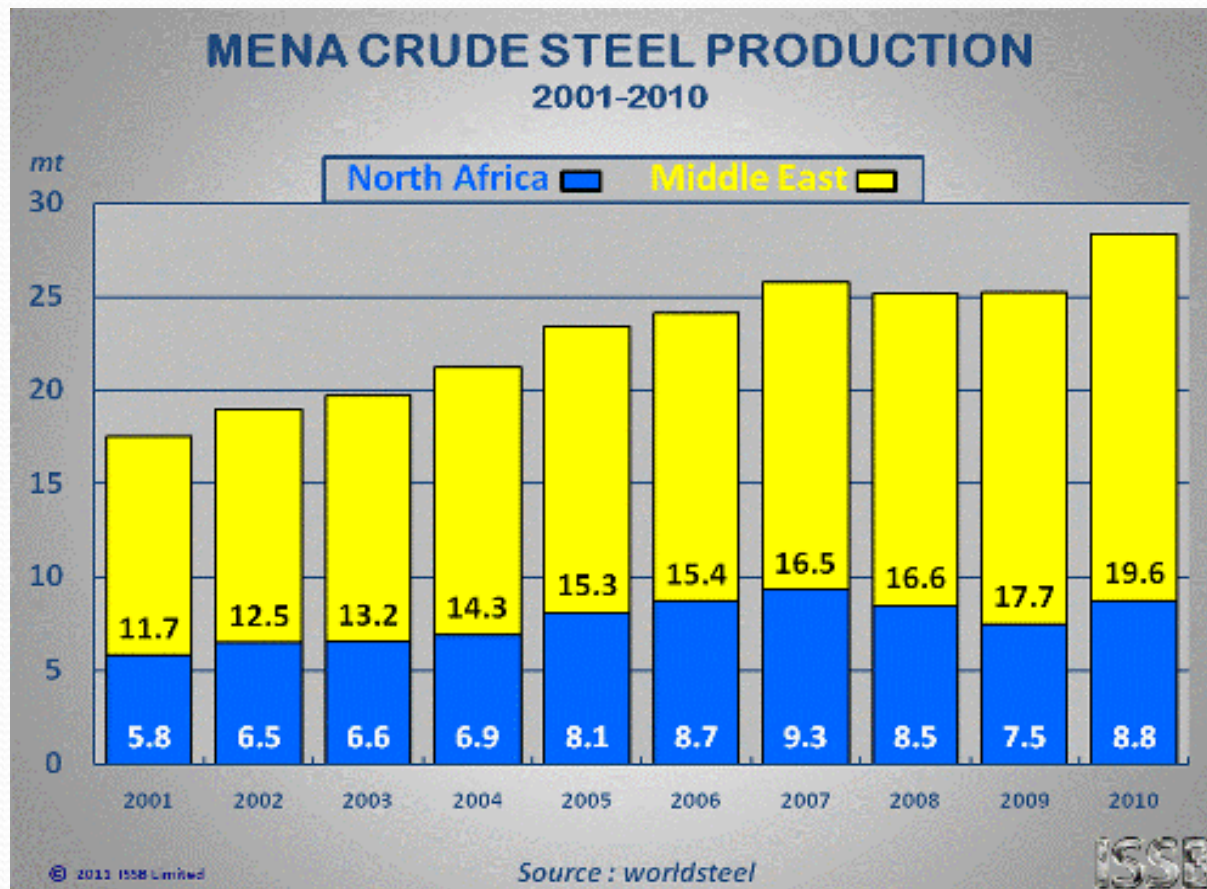


Agenda

- MENA Region Steel Market
- The “Rise & Fall” Of Steel Markets
- Response to Market Dynamics
- Conclusion

MENA Region – Supply & Demand

- Steel Production is Far below the demand in this region, hence it is “KEY TARGET MARKET” for worldwide steel makers.



Source :- www.issb.co.uk

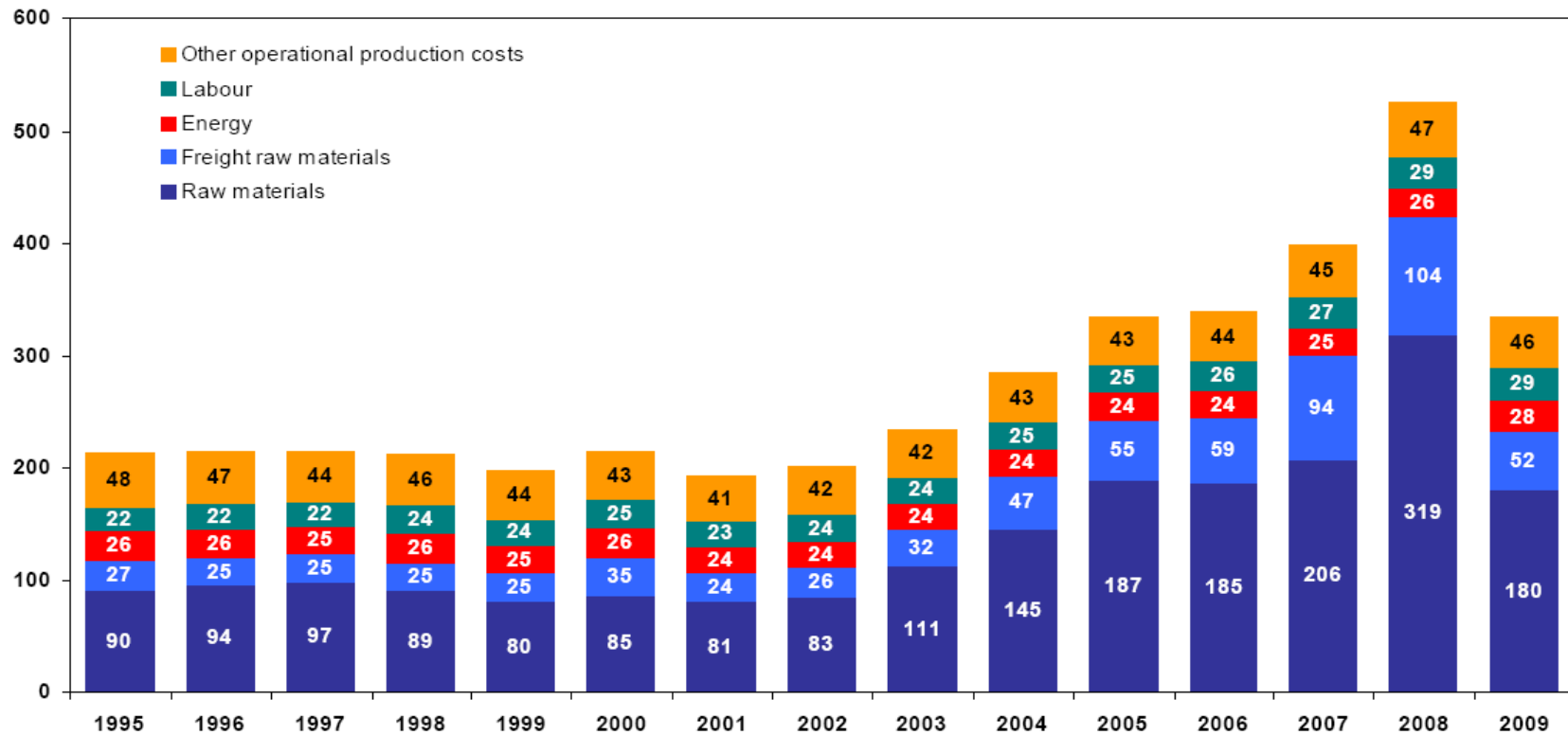
MENA Region – Supply & Demand

- ◎ Overall contribution to world steel production :-
2%
- ◎ World Steel production increased by 15% in '10/'09
 - > Whereas MENA steel production increased by 12.7% in '10/'09
 - > Increases were noticed in
 - Iran :- increase by 10% to total of 12 million tonnes
 - Egypt :- increase by 20% to total of 6.7 million tonnes
 - Qatar :- increase by 36% to total of 2 million tonnes
 - Algeria :- increase by 85% to total of 715 tonnes
 - Saudi Arabia :- increase by 7% to total of 5 million tonnes
 - > Libya :- fall by 10% to total of 825 thousand tonnes.

MENA Region – Supply & Demand

○ COST OF STEEL PRODUCTION IN GCC

Operational production cost/t billet, GCC* DRI/EAF based mill, US\$/t



Source: SteelConsult analysis

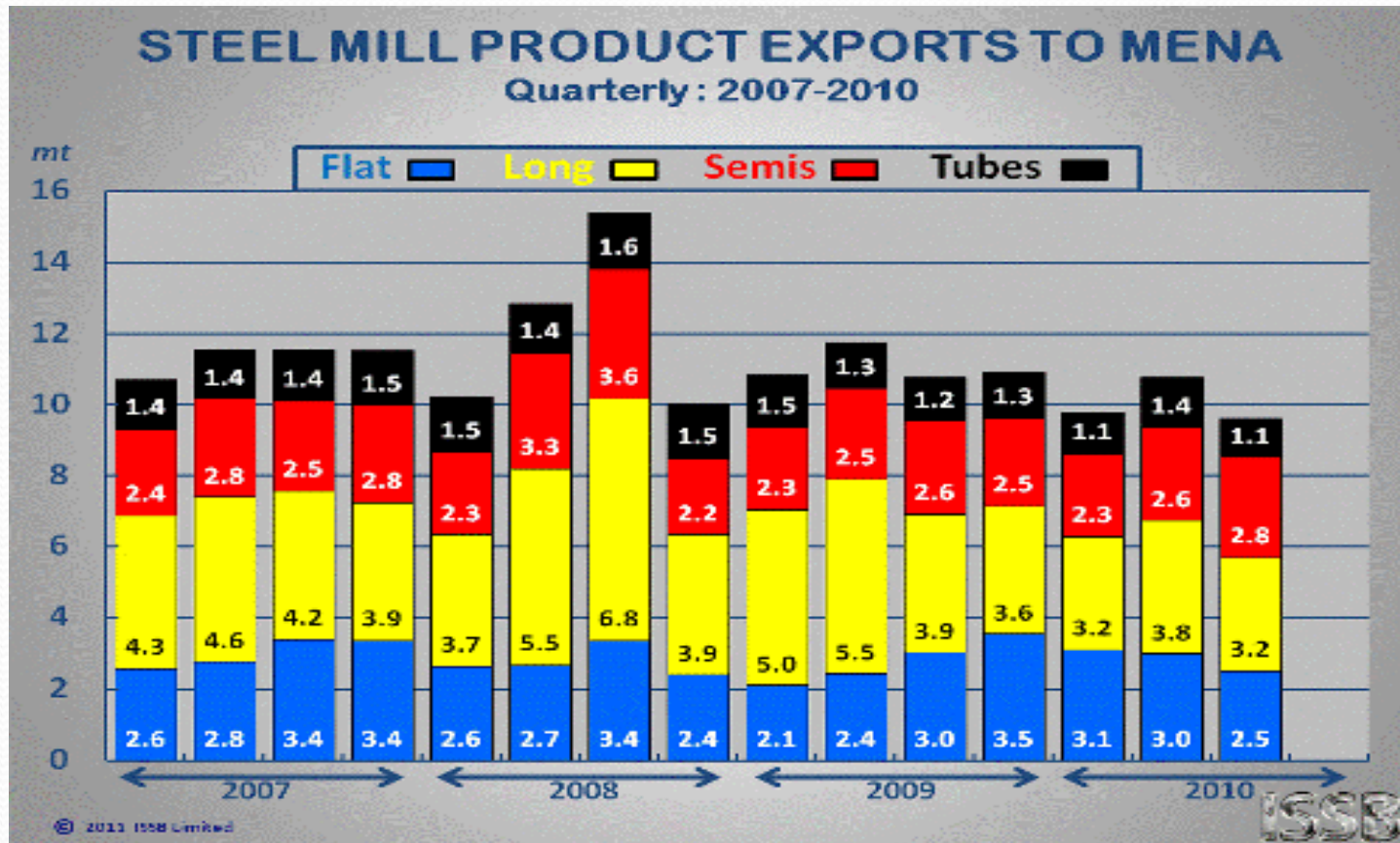
Note: *Weighed average of main steel mills incl. partial hot DRI charge from 2007

Source :- SteelConsult

MENA Region – Supply & Demand

- MENA mills are competing with the price of coking coal in Ukraine, Russia and China and the price of scrap delivered to Turkey.
- Shipping distances for DR quality iron ore to the Gulf are long and vessel size is restricted.
- Distances to ship billet (or rebar) from Ukraine and Turkey to the Gulf are also relatively modest.
- Low Energy Cost is one of the essentials for MENA mills to offset it's disadvantages in high freight and labor cost.

MENA Region – Supply & Demand



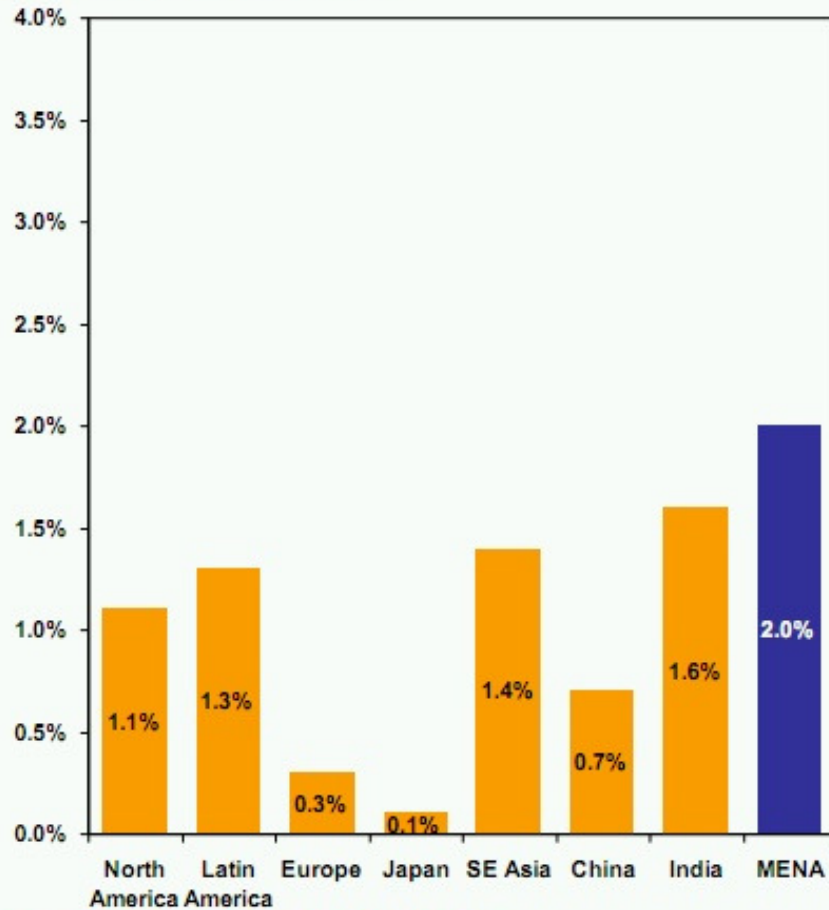
Source :- www.issb.co.uk

MENA Region – Supply & Demand

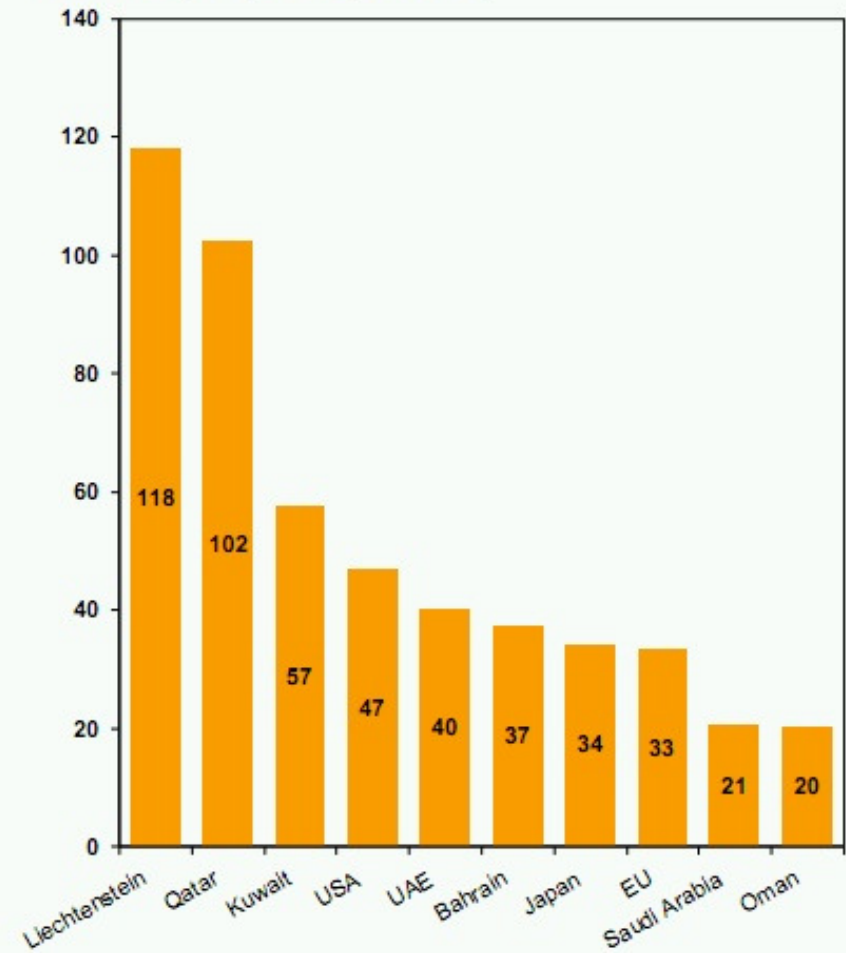
- Rapidly Growing Market with Increased Dependency on Imported Steel (which has increased by 15% in past 5 years)
- 45 % of Steel is just supplied by 4 foreign countries names Turkey, Russia, Ukraine & china
- There is an increasing gap between demand for value add steel and value addition generation facility in Middle east area.
- Long & Semi-Finished Steel exports are predominant over Flat Steel in the MENA Region.
 - Longs Global vs MENA :- 22% vs 33%
 - Flats Global vs MENA :- 47% vs 25%
 - Semis Global vs MENA :- 20% vs 29%

MENA Region – Outlook

Population, CAGR 1995-2008



GDP/head (PPP), 2008 (1,000 US\$)



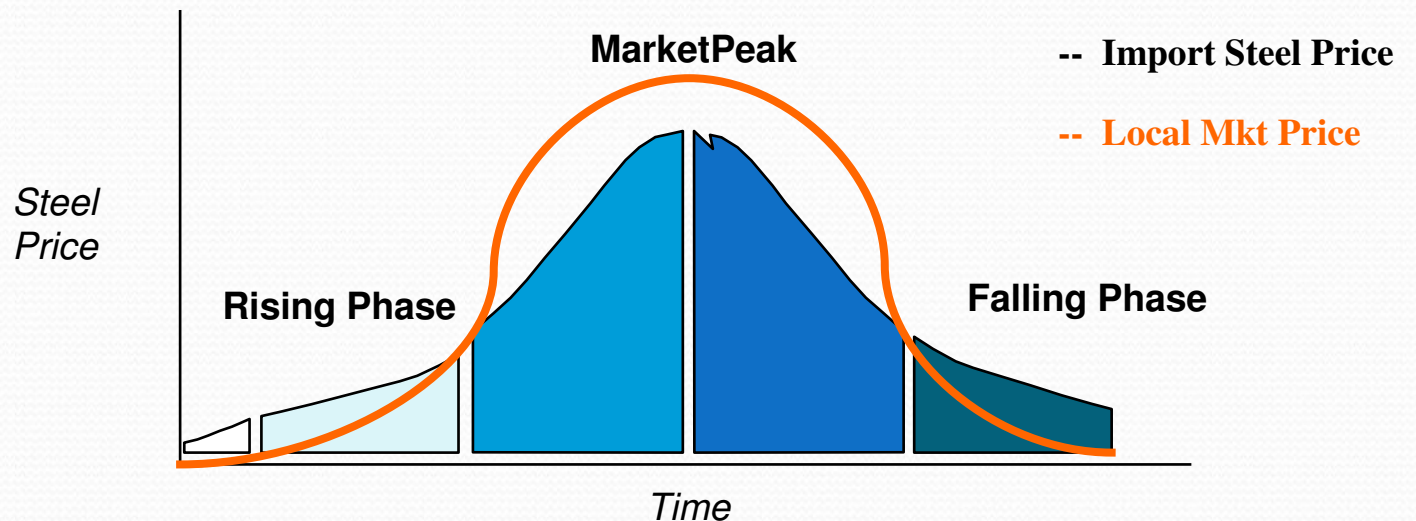
Source: UN Population Statistics, CIA World Fact Book

MENA Region – Outlook

- Robust Growth with increasing dependence on imported steel.
- North African market is increasing gradually.
- A market of around 370 million potential customers.
- Energy Fuels Growth :- The main driver of economic development and demand for steel in the region, the price of oil, is forecast to recover to levels above \$100/bl.
- New Trends :- Value-added steel, Aluzinc
- Market Sentiment would be “Cautious”

The “Rise & Fall” of Steel Markets

- Dynamics as a Stockist / Coil Service Center.
 - Higher Risk & Exposure to Price Fluctuations.
 - Market Responds Quickly to Import Price Volatility.
 - Inventory Valuation – Frequent Change.



The “Rising” Phase

- Competition feels “GOOD”.
- Banks say “YES”.
- Customers “LISTEN”.
- Suppliers are “KING”.
- Asset worth “INCREASES”.
- Anticipatory “BUYING”.



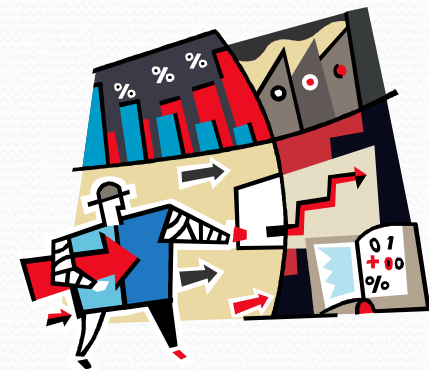
The “Falling” Phase

- Competition “KILLS”.
- Banks say “NO”.
- Customer becomes “KING”.
- Asset worth “DECREASES”
- Panic “Selling/Offloading”.



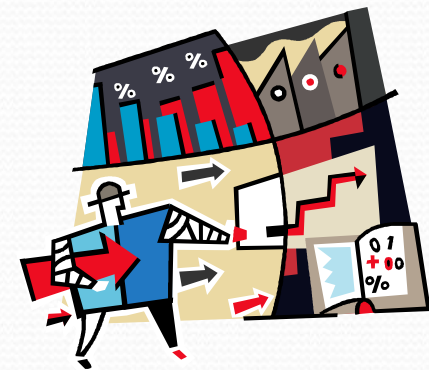
The “Rise & Fall” of Steel Markets

- Frequent Assessment of Market
 - Asses inventory.
 - Analyze orders in hand.
 - Analyze incoming imports.
 - Take “actual” control of finances.
 - Know where u stand.



The “Rise & Fall” of Steel Markets

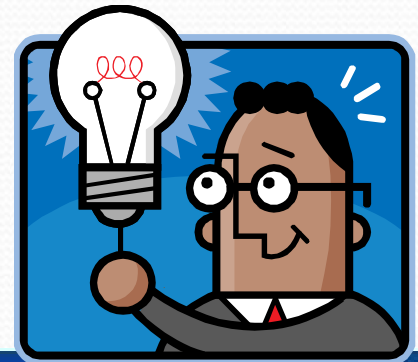
- Adjust to Market Dynamics.
 - Price adjustments – “the customer is right”.
 - Secure Payment terms - control credit.
 - Be flexible – 10 mt or 1000 mt [just do it].
 - Keep your Stakeholders informed.



The “Rise & Fall” of Steel Markets

- Identify Opportunities
 - Explore alternative markets – balance risk
 - “Value” Addition – The True Savior.
 - Forward Integration.
 - Tolling/Job-work.
 - Put existing infrastructure to alternative use.

Strategic Measures



The “Rise & Fall” of Steel Markets

- Learn from the experience
 - Cautious “ Buying & Selling”.
 - Maintain Customer Relationships.
 - Control of Consumer Credit.
 - “VALUE”ADD.
 - Control Discretionary expenses.



Conclusion

“It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change.”

-Charles Darwin

Thank you

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