

December 2015 - January 2016 | Leading for over 100 years

Metal Bulletin

Magazine

Mario Longhi
on changing
US Steel

Middle East
steel review

Minor metals –
major markets

2016 Outlook



CONTINUALLY COMMITTED TO

يونيكويل
UNICOIL

PRODUCT TRANSPARENCY DECLARATION

Saudi Quality Mark "SASO" registered in the UNICOIL, KSA - Q. 40 mm 2.75 G524 Al-Haram - Jeddah
GI Actual Sample

UNICOIL Prints Company Name, Origin, and All Steel Sheet's Components on Every Linear Meter

Saudi Quality Mark - S R S O - السعودية - UNICOIL KSA Q. 40mm 2.75 G524 120x10110C
PPGI Actual Sample

HEALTH & ENVIRONMENT

- 100% Lead-Free Paints
- 100% Lead-Safe Limit in Zinc (Less Than 90 mg/kg)

MANUFACTURING RESPONSIBILITY

- Actual Thickness Close to Nominal
- Minimum Zinc Coating Mass 90 gm/m² with a capability to supply up to 350 gm/m²
- Paint Thickness Accuracy

SOCIAL AWARENESS

- Clarifies the Customers' Rights
- Educates Customers of Utilitarian Purchase

UNICOIL
is the Largest
Pre-Painted Steel Coils
Producer in the Middle
East & North Africa



Manufacture of Cold Rolled Steel, Metallic and Organic Coated Metal Sheets and Roll Forming Sheets



American Society for Testing and Materials



National Coil Coating Association



Galvanzers Association



Environmental Management System Standards & Occupational Health & Safety Management System Standards



منتجات سعودية نوعية من لفائف وصنائح الحديد المطبقة
Saudi Quality Coated Steel Coils & Sheets

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slab production fell 13.1% to 6.86 million tonnes, TÇÜD said.

Production at automotive manufacturers Tofas and Oyak Renault, both located at Bursa, stopped on May 14 as workers protested about their wages, and resumed on May 17. The Turkish Automotive Manufacturers Association (OSD) was expecting the 2015 production figure to be close to 2014 output of 1,170,445 vehicles. The country produced 1,106,801 vehicles in January-October 2015, up by 18% year-on-year from the 936,759 vehicles in the first ten months of 2014.

On January 28, Turkey started anti-dumping investigations into

hot-rolled coil (HRC) imports from seven countries, including China, France, Japan, Romania, Russia, Slovakia and Ukraine, after an application by domestic flat steel producers Erdemir, Tosçelik and Çolakoglu, while Isdemir and Habas also supported the move. Turkey has a 9% import duty on HRC imports, but European mills are exempt from it. Also, companies with an inward processing certificate also do not pay any import duty. The inward processing regime exempts end-users of flat steel from import duties, provided that they export their end-products.

Turkey imposed a temporary duty on HRC imports from

Slovakia, Russia, Japan, and China on August 28. The duties range from 2.22% to 35.15%, and will be in effect until the investigation ends. The end-users of HRC argue that these duties reduce the competitiveness of their sectors in export markets.

Turkey also started an anti-dumping investigation on Chinese cold-rolled and then galvanized or colour-coated coil ('pre-painted galvanized iron', or PPGI) on July 23. The application for the investigation was made by MMK Metahurji, and was supported by Tezcan Galvaniz with the claim that imports from China affect local production in Turkey. The product is already subject to 15% import duty.

Unicoil continues campaign for high-quality products

When *MB Magazine* interviewed Unicoil ceo Rayed Abdullah Al-Ajaji a year ago, the company was part way through a mission to explain to coated coil users in Saudi Arabia and the GCC region that it is worth paying a \$100-150/tonne premium for high-quality products made in the region, rather than buying cheaper imported pre-painted galvanized material that can fall well short of required coating weights and minimum paint thickness specifications, or may contain lead levels that are dozens of times higher than regulations allow.

The company's 'education programme' also targeted government departments, services and authorities responsible for applying trade regulations and standards for coated products to promote understanding of why and where they should be tightened and more vigorously applied.

One year later, Al-Ajaji says the message is getting through. More thorough inspection and testing of imported coils has been made at Saudi ports since July 2015, for example, and new specifications and regulations are clearer and more strictly enforced.

In occupying the 'high ground', Unicoil itself has continued to be scrupulous in controlling, tracking and identifying the content of its own products (labelled on every linear metre produced) to satisfy



Rayed Abdullah Al-Ajaji: further diversification of products is in the pipeline for 2016

their users that they meet or exceed requirements. "It is about transparency to make our quality clear by comparison with imports," Al-Ajaji summarises, adding that other industries in Saudi Arabia have now followed a similar strategic direction.

Al-Ajaji says that the Saudi standards authority is due to issue further updated standards for coated steel products soon. He adds that greater attention is now being paid by national and regional authorities to the application of WTO rules on trade with both Saudi Arabia and the GCC region. Unicoil itself has had direct input to the evolution of American standards for coated coils in addition to promoting them at both a producer and end-use level.

Since world production of continuously galvanized flat-rolled steel products exceeds 100 million

tpy now, Al-Ajaji sees the universal global application of internationally recognised standards as the basis of fair competition between producers. However, he points out that with both national and GCC authorities to persuade and agree on harmonised standards and regulations, progress in Unicoil's region takes time.

Market balance shifts

"It has been a challenging year for the Saudi, GCC and whole global steel sector," says Al-Ajaji.

Unicoil points out that, at 154,560 tonnes during the first nine months of this year, imports of organic-coated steel and coils (PPGI) products from China to Saudi Arabia were 19% higher than the 130,020 tonnes imported during the same period last year. Unicoil expects its own PPGI sales in 2015 to be 17% lower than last year, but it expects sales of its galvanized products this year to be up by the same percentage over 2014 sales.

Although PPGI imports from China have climbed, Unicoil believes its own efforts to encourage purchasers to take quality as well as cost into account have significantly limited that growth. Without its campaign, Unicoil believes that exports of Chinese PPGI to Saudi Arabia might have been 40% higher than last year.

'It is about transparency to make our quality clear by comparison with imports'

Meanwhile, Canada set anti-dumping and countervailing margins of up to 41% for imports of rebar from Turkey, South Korea and China in December 2014, but the Turkish Steel Exporters Association's (CIB) requests for a review were successful in April. The investigation is still continuing as this article goes to press.

Market participants in Turkey are expecting 2016 to be broadly similar to 2015 in terms of steel demand and profitability, with China expected to keep exporting large volumes at low prices and with the uncertainties in global markets expected to continue. Protectionism is expected to

increase as countries try to battle against low priced imports.

United Arab Emirates

The UAE steel market has also been among those notably affected by low-priced Chinese exports, especially for billet, as well as flat steel products. Production costs increased in the country in 2015, to add to the problems of competing with imports. The UAE produced 2.494 million tonnes of crude steel in January-October, an increase of 28.6% from 1.939 million tonnes in 2014, according to worldsteel.

In April 2015, the UAE's biggest steel producer Emirates Steel Industries warned of the damaging

impact of low-cost Chinese and Turkish steel on the UAE market, and called for protective action to be taken by the government. "If proper measures are not adopted, many producers in the UAE would be at risk of losing capacity, putting the country at risk of losing impetus in diversifying [the] economy away from [its] dependence on oil as the major source of income," ceo Saeed Al Romaithi said.

Imports of billet to the UAE from China increased by almost 300% in 2014 compared with the previous year, and for wire rod by nearly 112%. In January 2015, imports to the UAE from China increased by 186% compared with January

"The excessive imports of PPGI from China is still threatening Saudi and regional producers. That is why Unicoil had to compensate for the decline in its market share of pre-painted steel PPGI by increasing its market share of galvanized steel sheet and coils," says the company.

Unicoil's total capacity for producing galvanized coils is 250,000 tonnes. The company uses part of its output to produce pre-painted coil and sheets (PPGI) and the balance is sold as unpainted galvanized sheet and coils (GI). While the company's PPGI output is expected to have fallen from 108,000 tonnes last year to about 94,000 tonnes this year, its GI output is expected to rise to 96,000 tonnes in 2015, by comparison with 82,000 tonnes last year.

"In 2015, weak demand and excessive import traffic from China pressured the local producers in terms of production, prices and market shares," Unicoil stresses.

Saudi demand for PPGI in 2014 was 255,000 tonnes. Unicoil says that demand is at the same level this year and that imports of PPGI from China for the whole of 2014 reached 220,000 tonnes. Local national production capacity for PPGI is 380,000 tpy – a supply-demand imbalance that has resulted in an average local national capacity utilisation for PPGI of 43%, notes the company.

Unicoil's production capacities

Plant	Capacity
Push-pull pickling line	400,000 tpy
Cold reversing mill	340,000 tpy
Hot-dip galvanizing line	250,000 tpy
Colour coating line in Jubail	120,000 tpy
Colour coating line in Jeddah	90,000 tpy
Corrugated pre-painted sheet	18 million linear metres

'Demand for thicker product has been good'

Marks of quality

Unicoil already had the Emirates ESMA Quality Mark and the Saudi SASO Quality Mark last year. It has received similar approval from Jordan since then and is expected to get equivalent Kuwaiti recognition very soon – at which point it will be the only company operating in the GCC region to hold all four, stresses Al-Ajaji.

Unicoil has also extended its thickness range for hot-dip galvanized hot-rolled coil from 1.5 mm to a maximum of 2 mm. Al-Ajaji says that demand for thicker product has been good. Another improvement has been achieved in reducing the lead time for delivery of customised (non-standard) PPGI colours from 3-4 weeks to just one week, by having the ability to mix paint on site to a very wide palette of colours on demand. Coated coils in a range of half-a-dozen standard colours can be delivered from stock in just two days. Al-Ajaji says that further product diversification is in the pipeline for 2016.

Transparency continues

Two years have passed since Unicoil started its transparency and education campaign. The latest step in its continuation has been to redesign its website substantially. In addition to information about its own product lines, services and processes, it provides an extensive set of technical data, environmental and safety information, as well as specifications and applications for all participants in the supply chain downstream of its coating lines. Distributors, consultants, contractors, manufacturers and final end-users are amongst them.

Designed as a resource for both local and international viewers, content now ranges from more general studies, reports and articles to detailed testing and laboratory procedures.

Al-Ajaji explains that, now that Unicoil's two-year campaign is mature, the company has recently been focusing its attention on winning business to supply Saudi Arabian 'landmark' projects, for which it has seen success in 15 over the past year. He adds that to win that business in Saudi Arabia, as well as particularly competitive commercial project orders in the country and the GCC region, the company's multiple quality marks have been fundamentally important.