

# Steel Demand Set to Grow



## - BHARAT BHATIA

**B**harat Bhatia is the founder and CEO of Conares, the only privately owned steel manufacturer in the UAE. With over three decades of experience in the steel industry, Mr Bhatia has transformed Conares from its origin as a traditional single proprietor-trading outlet to a steel manufacturer with investments exceeding US\$ 250 million.

Hailing from India, Mr. Bhatia landed in Dubai in 1983 and worked with a firm for a few years. Determined to create his own identity, Mr. Bhatia, in 1988, set up a trading firm of his own. Since then, there has no looking back -- his growth as an entrepreneur has been phenomenal. He established Abu Abdullah Trading that evolved to Mech-Weld Trading, and then to United Metal Supply, which was later renamed Conares Metal Supply and now Conares. Having built extensive partnerships with leading steel plants across the world, Mr. Bhatia brought global standard competencies to the region. In 2013, the company revamped its brand identity as Conares, reflecting its strength and stability while sharpening its focus on steel manufacturing.

Conares is a strategic steel manufacturer, which has evolved to deliver 1 million tons of steel annually. With manufacturing facilities spread across 1.5 million sq. ft., the company produces rebars and pipes, employs about 500 people, and has almost 3 decades years of experience.

Besides steel manufacturing, Mr. Bhatia has also business interests in food & beverage and real estate sectors. He is an active member of Indian Business and Professional Council (IBPC).

Mr Bhatia is an active golfer and a lover of theatre arts.

“Despite the fluctuating construction sector, the demand for steel products has been on a growing trend. Over the past few years, the UAE’s steel industry has witnessed a growth in the range of 5 to 15 percent every year” says **Bharat Bhatia, CEO - Conares** in the conversation with **Steelworld**. Excerpts

### What is the present status of Iron & Steel industry in Gulf region?

- In terms of the total volume of steel industry in the UAE, the total UAE demand for steel rebar is estimated to be about close to 3 million tons per year. Conares currently supply close to 12-15% of this demand.

Even though we are active stakeholders in the construction industry, our engagement with end-users or project promoters is minimal. There have been instances like promoters rescheduling their payments but their volumes are negligible.

Despite the fluctuating construction sector, the demand for steel products has been on a growing trend. Over the past few years, the UAE’s steel industry has witnessed a growth in the range of 5 to 15 per cent every year. With the existing developments for EXPO 2020 and the Vision 2021, projects will be on track to be completed before 2020. This anticipates a growth in the industry by 30 per cent until the end of this decade, which will help local steel manufacturers cater the odd 3 to 4 million metric tonnes rebar demands for all these projects.

The increased steel demand will surface from 2016 which

will have an additional growth of 10 per cent on a yearly basis from 2017. From the steel industry standpoint, local manufacturers will be in a strong position to cater to each of the upcoming projects. Aside from this, we expect a lot of job opportunities from Q1 of 2016.

**What factors are contributed to the present demand stagnation ?**

- The recent slump in steel prices the price of rebar has dropped by 14 per cent in the UAE in 2015, has actually been good for its business as falling prices have left stockists nervous of ordering from China months in advance at a price that could subsequently plummet by the time deliveries are made.

Steel Rebar is a key construction commodity, which has sailed through price corrections. From a commodity perspective, these corrections have no significant impact on the stability of overall project costs as there are several factors involved.

The main factor that influences the price and demand in the UAE is inventory, if traders stock more. Then the selling prices come under pressure. If the traders only consider buying from local producers, they will be able to maintain the prices. The demand for steel products is quite stable in the UAE for the last couple of years.

We need to be cautious on jumping into conclusions. There's no doubt that certain adjustments need to be made either in the macro level or in the micro levels of the

economy. And trickle effects of a recessionary trend, which normally has certain gestation period. These are the measures to deal with the change that at times needs to be drastic or implemented drastically.

Infrastructure development may succumb to some recessionary trends, but as long as the fundamentals of an economy is stable and direction of the developments is planned out, these effects and challenges may be ridden of and may present good opportunities.

**What is your take on 'China Factor' in this region ?**

- Some buyers are still trying to use China as a price barometer to push for lower prices. There has only been one rebar lot of 5,000-7,000 tonnes imported from China into the UAE in 2014, despite Chinese material being more attractive in terms of pricing. But as far as rebar quality is concerned, Chinese material is not accepted well by customers.

Amid declining imports, local producers are expected to increase their share in the UAE market. Of Conares' rebar output, some 70% is being sold in the UAE, with the remainder going to other GCC countries.

When it comes to the correlation between oil and steel prices, today we are more worried about China and Russia, which are influencing global price trends. There are concerns over further iron ore price declines in China, which is making exports more liable for producers.

The continuous inflow of imported materials creates an imbalanced excess of supply in the UAE market, which basically leads to price pressures. And this is a dangerous trend leading to an overtrading practice. In order to achieve lower prices, the traders are bringing in unnecessary volume which in turns pressures them to drop the prices to allow the circulation of their funds.

The issues faced by key economies of the world have affected the rebar price over past few years. For example, the 'BRIC' countries, which were the prime moving economies, have encountered their own respective challenges affecting the overall growth of other economies. China is a main factor here. After almost a period of seven years, China's growing consumption of steel, which was in double figures, has dropped to single digits in the year 2014. The pressures of having an oversupply also affect the steel market, and this is expected to continue over the current year.

**What are the Short term & Long term prospects of Iron & Steel industry in the Middle- East region ?**

- The rapidly growing demand for the construction material including iron and steel opens huge opportunities not only in the UAE but the entire region. The number of upcoming projects has increased. For 2016, our market intelligence forecasts a growth in the number of tenders, supporting the Expo 2020 movement.

The number of infrastructure projects needed to be completed before Dubai's Expo





2020 would mean that demand could grow from 2016 onwards, with a growth rate of at least 10 per cent a year from 2017.

**Tell us something about present facilities & future plan of Conares Steels.**

- Conares is the region's second-largest manufacturer of steel pipes and rebars, the only private manufacturer in the UAE and is among the three major steel rebar mills continuously operating in the country. The company earmarked AED 200 million investments at its facility in Jebel Ali Free Zone (Jafza), in the next five years, in line to be a 1 million ton steel manufacturer.

Conares is undertaking a US\$25 million expansion of its factory in Jebel Ali. Our current production capacity has been 500,000 tonnes of steel rebar and 250,000 tonnes of steel pipes and tubes of diameters between 0.5 inches and 4 inches. With the beginning of this year, we are adding a new mill capable of producing larger steel pipes and tubes of up to 12 inches.

With the lined expansions, the responsibility has always been to deliver. With the new Pipe Mill, we plan to deliver towards the end of Q1, this year. This would help us achieve maximum utilization of our production capacities. The total new investment we have committed is around \$25m. Our previous

investments have been to the tune of \$200m to \$220m. So all in all, it will be \$250m assets for us invested in the UAE.

The state-of-the-art steel plants of Conares, spread in an area of over 1.5 million sq.ft. in Jafza, currently manufactures steel pipes and rebars. The rebars represent about 20 per cent the UAE market share and the pipes cater to 25 per cent of the total market demand in the region.

Being a global product for us, the percentage of our pipes export stands at 40 per cent. Rebars, being a regional product, 75 per cent of our production is allotted to the local market and remaining is spread within GCC. We intend to maintain same strategy for the coming year.

Currently Conares concentrating the supply of its steel rebar in the UAE. There is enough demand in the country and as a local supplier. Our main focus is to respond to the local demand and to participate in contributing to the continuous growth of the country.

Conares rebar products is widely accepted throughout the UAE. Conares produces steel rebar in conformity to BS 4449:2005 B500B under the certifications scheme of UK CARES and DCL. No rebar steel product can be supplied in any project in UAE unless it is certified by at least one of these product conformity schemes.

But as a reference some of the on-going prestigious projects which we are currently supplying to mention a few are Al Zohra Developments, Mudon, Burj Vista, Delta Emirates, Priv by Damac, Dubai Canal, Atria, Duja Tower and The 8.

The new mill would open up more markets in Australia and Europe for Conares, as well as allowing it to produce pipes for infrastructure projects as opposed to primarily supplying oil and gas projects. In the 0.5 inch to 4 inch segment, we felt it was already becoming too crowded. But when you go up to 12 inches, it puts us in the slot that allows us to cater to a bigger segment.

Conares steel rebar business has grown by about 15% for the previous year. The steel pipe business has been stable with a slight increase from previous year of about 10%.

Conares' total volumes produced had increased by 35 per cent last year, and its revenue had increased by 18 per cent. Our turnover could grow to Dh1.5 billion to Dh1.7bn in 2016 on the back of its expanded facilities and a growing market.

Once the process of plant expansion is completed to produce more than 1 million tons of steel, we intend to diversify our product portfolio, which is backed by future expansions.