

INTERVIEW: Unicoil Focuses on Quality to outsmart Competition

Facing growing competition from imports, Unicoil – a Saudi Arabian producer of galvanized and polymer-coated steel sheet and coils – is using quality and service levels to fight back, according to ceo Rayed Abdullah Al-Ajaji.

Data highlighted by Al-Ajaji for Saudi PPGI supply and demand tell the tale of a market under pressure: forecast 2014 demand, 255,000 tonnes; local production capacity, 380,000 tpy; imports from China, 164,000 tonnes.

These figures summarise a tough market in which imports are swamping local national production, which Al-Ajaji says is running at an average utilisation capacity of just 43% of the total.

"Dumping from the Far East is very significant," he said, adding that imports from China this year have been much higher than in 2013.

Producing coated products from two sites in Saudi Arabia – one in Jeddah on the Red Sea, and the other in Jubail, on the Gulf – Unicoil's own capacity of 210,000 tpy for PPGI is 55% of the national total.

Unicoil has suffered less of an impact, owing to its strategy to counter this onslaught of imports by taking the high ground.

While domestically produced coated steel products may sell for \$100-150 per tonne more than, theoretically equivalent, imported products, the quality of Unicoil's products is far superior, Al-Ajaji maintains. In addition, he said: "As local suppliers, Unicoil provides local support, delivers on time and is transparent about the contents of its products."

He certainly has some horror stories to tell about the results of tests made on some samples of imported products by independent laboratories in Eastern Province: a zinc coating with a recommended minimum coating weight of 90g/sq m, actually measured at 18g/sq m; some paint thickness set at a minimum standard of 30 micrometres, measured at 13 micrometres; and, perhaps most shocking of all, lead concentration in a paint sample, set by regulations at a maximum of 90mg/kg, recorded at 4,555mg/kg, or more than 50 times permitted levels.



Rayed Abdullah Al-Ajaji, Chief executive, Unicoil

"These products are used in applications with direct human contact," Al-Ajaji said. "Magnetic noticeboards, refrigerator handles and cold stores."

And unpainted galvanized steel sheet is used for water tanks, he said.

While GCC countries have yet to join the UN's campaign to minimise lead in the environment, Unicoil is active in pointing out the dangers and has contributed to work by American standards agencies to reduce the lead content in PPGI and galvanized steel.

Stressing the company's discipline and adherence to standards and regulations, he also said that the company prints the ingredients of its products on every linear metre and ensures that the specification details of products on its invoices match those of the products delivered.

To live up to its own production standards, Unicoil has installed plant from international suppliers, including: a 400,000 tpy push-pull pickling line, 340,000 tpy cold reversing mill and 250,000 tpy hot dip galvanizing line from Danieli; a 120,000 tpy colour coating line in Jubail, from Fata Hunter; and another, 90,000 tpy, colour coating line, in Jeddah, from Bronx.

Complemented by slitting lines, a cut-to-length line and roll forming lines, the collection of plant is used to produce galvanized coils and sheet, narrow coils, and contoured sheet for a wide range of PPGI-applicable products, including car ports (shades), refrigerated trailers, doors, hangars and warehouses, roofing, metal furniture and fittings and fixtures.

Unpainted galvanized sheet is delivered for the manufacture of fencing, cable trays, HVAC systems and units, and water pipes, tanks and heating or cooling equipment.

Saudi Arabia's capacity for galvanized sheet production is about 500,000 tpy – split equally between Sabic and Unicoil – while 2014 total consumption for the country is estimated to be 700,000 tonnes, according to Unicoil's data.

Al-Ajaji says that his company's strategy to supply the highest quality products is certainly paying off for the growing number of "landmark" government-funded projects, where ministries and their consultants specify materials to mandatory internationally accepted standards.

The company has already been accredited with the Saudi SASO Quality Mark, the Emirates ESMA Quality Mark, and is in the process of obtaining three more quality accreditations from other individual Arab nations.

Nearly all of Unicoil's output is sold in Saudi Arabia and the GCC region, with just 10% going to other Arab countries. Markets further afield are served by their own PPGI producers and are often similarly swamped by exports from the Far East, he said.

Al-Ajaji said that 50-60% of Unicoil's output is delivered to end-use clients using 'standard' 0.32-0.35mm gauge steel for the commercial segment of the market, including material for shades, car ports and hangars. Material is distributed via coil service centres, stockists and retail outlets. Other end-users need more customised products with different gauges, he added.

The commercial side of the market, beyond government contracts, is the more difficult part of the galvanized sheet and PPGI sector.

Here, a lack of commonly accepted building standards and codes, and an unwillingness by some contractors – competing with their peer group on price – to comply anyway, provides a market for cheaper, but as already

outlined sometimes substandard, imported products, said Al-Ajaji.

Unicoil has made it a mission to educate those end-users unfamiliar with the correct choice of materials for a particular application about making the right selection, and the differences between the range of products available.

"We are betting on the understanding of quality in the region. Our reputation and behaviour are well established."

Unicoil says it is manufacturing products to the same standards as can be found in the USA and Australia.

Customers need to be sufficiently discerning to understand the relationship between quality of finished product and price.

Al-Ajaji said some of Unicoil's customers have certainly had their "fingers burnt" when trying out substandard imported coated steel products.

"Many have returned to us after trying imported products from the Far East," he said.

Outlook

Unicoil itself purchases most of its 250,000 tpy requirement for hot rolled coil from the Far East due to a shortage of thinner HRC sizes supplied locally, and the balance locally.

"We have many suppliers, but they all provide good quality coils," he said.

Al-Ajaji confirmed that prices for HRC imported to Saudi Arabia have been under pressure, but that, since Unicoil makes continuous procurement of coils throughout the year, the extent to which that price can be fed through to the sales price of its coated products is a matter of timing and customer contracts.

He believes that the prices of hot rolled coil now, and into 2015, have stabilised.

Having completed some intensive R&D and installed some new manufacturing modules, Unicoil intends to launch an expanded PPGI product range early in 2015, but Al-Ajaji declined to be more specific.

The company has already introduced fast-drying paint systems and made some recent investments in its auxiliary processing equipment, such as its slitting and cutting lines through to banding and packaging, to enable "best practice".

The company is also on track to dramatically reduce its lead times for the delivery of PPGI products – from three-to-four weeks to as little as one week, said Al-Ajaji.

He is optimistic that the Saudi government will introduce and police tougher standards for the country's construction sector and is also hopeful that it will heed calls, being made by steel producers across the Middle East, to introduce market protection measures to stem the flow of imports.

"We have unfair dumping from the Far East, which is causing damage to the local industry," he said.

Al-Ajaji wants to see WTO rules more rigorously applied, with co-operation between customs agencies and the Ministry of Industry to enforce both trade rules and product standards.

Overall he hopes that "by the end of 2015 the market will be more mature in terms of regulations".

He said that Unicoil has done its best to give a "wake-up call" to government agencies.

"We want our vision to come to reality and to see the right outcomes," he added.

By Richard Barrett

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COMPANY PROFILES

- Universal Metal Coating Co Ltd (Unicoil)
- Roll Forming Corp

