

# FOULATH

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# HEART OF STEEL

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*Investment holding company Foulath is one of the most comprehensive steel producers in the Middle East, and has developed a unique business model that it is now transferring to Egypt and Oman. Ben Sansom reports*

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Foulath aims to develop the steel sector in GCC countries

When the Gulf United Steel Holding Company, Foulath, was formed in Bahrain in June 2008 its aim was to strengthen and develop the steel industry in the Gulf Cooperation Council (GCC) countries and to create stability and security of supply of steel products to the construction industry.

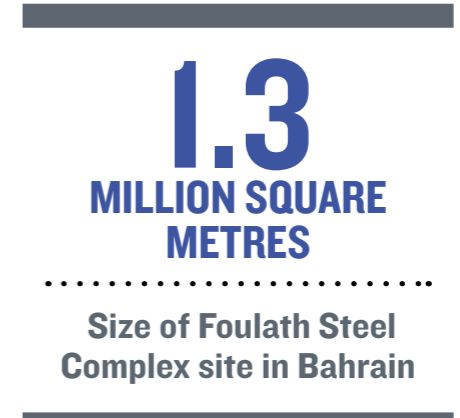
According to chairman Hisham A Al-Razzuqi: “The importance and necessity of steel in the ongoing development of the region cannot be overemphasised and among the primary aims of Foulath, as an investment vehicle and holding company for the regional steel sector, is to ensure that the industry develops so as to achieve greater independence from outside sources and enhance the stability of steel supplies to the Middle East markets where infrastructure, construction and industrial applications and projects all require adequate and uninterrupted access to steel if they are to continue their dynamic growth unabated.”

The region is undergoing rapid expansion and development across all markets, from infrastructure construction through to commercial, industrial and residential property development. To ensure security of supply to this market, Foulath has invested across the entire steel value chain, from the primary raw material processing through to the manufacture of finished product in what

it describes as ‘mine to metal’. All these capabilities have been co-located on the Foulath Steel Complex in Bahrain, which is not only one of the Middle East’s largest state-of-the-art industrial facilities, but also the world’s first fully integrated steel complex.

Occupying a 1.3 million square metre site in the Hidd Industrial Area, the complex is not only home to Foulath’s three main subsidiaries, but it also houses a range of other utilities and facilities, making it almost self sufficient. These include power generation and water desalination units that provide 40 per cent of the power and water required for the complex, and a jetty and stockyards that provide port and storage facilities for the import and export of raw material and products.

Gulf Industrial Investment Company (GIIC) is the most mature of the Foulath subsidiaries on the site. With a pedigree dating back to 1984, GIIC is wholly owned by Foulath and operates two iron ore pelletizing plants capable of producing 11 million tonnes of iron oxide pellets per year. One of only three merchant pelletizing plants in the world, the Bahrain facilities largely produce direct reduction-grade pellets for customers in the Middle East, India, the Far East and South East Asia. However, when required, they can also produce





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The second wholly owned subsidiary located on the steel complex is USCO (United Stainless Steel Company). USCO began commercial operations in the fourth quarter of 2008 and is the first plant of its type in the Middle East, capable of producing 100,000 tons of cold rolled stainless steel per year in wide and slit coil or sheet form. The primary product is 304 stainless steel. Used across a wide range of construction applications, it has good corrosion and thermal resistance, good

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Quality inspection at United Stainless Steel Company

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mechanical properties and strength at low temperatures. However the plant also produces 316 stainless steel, which contains molybdenum and has superior corrosion and pitting resistance, and high temperature strength.

The final company located on the Foulath Steel Complex is SULB (United Steel Company), a joint venture between Foulath, with a 51 per cent share of the company, and Yamato Kogyo—a world-leading beams and structural sections producer from Japan with a 49 per cent shareholding. Currently at an advanced stage of construction, the SULB facilities are scheduled to go into commercial production during the second half of 2012 and comprise a direct reduced iron (DRI) plant capable of producing 1.8 million tons DRI per year, and a melt shop

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THE REGION”



Steel is used across a wide range of applications



and medium and heavy section rolling mill capable of producing 850,000 tons per year of medium and heavy beams and sections. Once up and running it will be the first fully integrated facility of this nature in the region, and will be able to supply approximately 14 per cent of the medium and heavy beams and structural sections that are currently imported into the Middle East.

“Having made the decision to strategically locate the three companies together,” said vice chairman and managing director Khalid Al Qadeeri, “Foulath has given its investee companies a unique competitive cost advantage. Through the use of state-of-the-art technologies, strategic planning and the synergies achieved at the Foulath Complex we are on our way to securing Foulath’s long-term profitability.”

In September last year, SULB acquired the United Gulf Steel Mill Company (UGS), based in Saudi Arabia (now Saudi SULB). Commenting on the deal, Al-Razzuqi said: “UGS being part of Foulath will benefit from the integration by securing raw material (billets) from SULB on a continuous basis at a very competitive price, enabling it to penetrate the market, ensuring its sustained profitability.”

The last three years have been a sharp

growth curve for Foulath. But the success of the Bahrain Steel Complex initiative has resulted in a rich pool of knowledge and experience, and the company is now working to replicate this business model in other areas of the Middle East and North Africa. “We are currently developing new large scale projects in Egypt and Oman,” said Al Razzuqi. “This transfer of technical know-how and expertise within the region is one of the most important

contributions Foulath is making.”

At the Steel Complex in Bahrain, one of the primary focuses has been on supporting the economic and social advancement of the communities in which it operates. All three subsidiaries are actively involved in initiatives in key areas such as health, education, and environment. Meanwhile, a considerable investment is being made into skills-based development and training. Of the 450 people currently employed at GIIC, 70 per cent are Bahraini nationals and at USCO the figure is even higher, standing at 85 per cent of the 125-strong workforce. SULB is likely to follow suit.

From the environmental perspective,

A worker at United Stainless Steel Company

the company and its subsidiaries have invested in excess of \$20 million to date on environmental technologies, projects and procedures to preserve the surrounding air, land and waterways.

“We are effectively deploying new technologies with long-term benefits, training and developing local talent and, importantly, supporting the further strengthening of the region’s industrial base and diversification,” Al Razzuqi concluded. **BE**

“WE ARE CURRENTLY DEVELOPING NEW LARGE SCALE PROJECTS IN EGYPT AND OMAN”

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