

Steel industry consolidating

Regency Steel Asia's Gui Boon Sui talks to **CHEN HUIFEN** about the changing market dynamics and how his company is responding to it

THERE is potential for greater consolidation in the global steel industry, as strong profit growth and stiff competition drive companies to strengthen their positions in the world market, said an industry player.

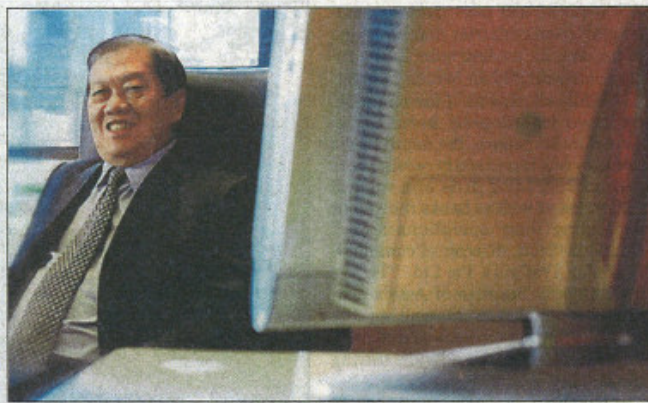
"Big players will become bigger, and strong companies will become stronger," said Regency Steel Asia chairman Gui Boon Sui. "Given strong profit growth over the last few years, the industry is moving towards consolidation and competing for bigger market share, so as to increase bargaining power."

Comparing the steel industry with the automobile sector, Mr Gui explained that the world's top three vehicle makers together command 70 per cent of the global car market. On the other hand, the top three steel mills together account for only 15 per cent of the world's steel industry.

"The only logic is to move towards consolidation to compete aggressively internationally," he added. "We will see more mergers and acquisitions (in the steel industry) taking place on a global scale, to either boost sales or to enhance their bargaining power."

Mr Gui should know, having been a veteran in the industry with more than 40 years of experience. He helped grow Regency Steel Asia, which started out as a homegrown, 14-man steel distribution business, to a mid-sized firm with 70 staff today. A recipient of this year's Global Trader Award, Regency Steel Asia was formed in 2004 following an acquisition of Hong Leong Asia's steel operations by Japan's Mitsui & Co. The company also operates a 600,000 sq ft yard in Kranji and a representative office in China.

"The steel industry is encountering rapid changes but the inner core of the change lies within Asia," said Mr Gui. "With the emergence of China as a global steel player, and now a net exporter of steel to the world, we ex-



FILE PHOTO

Mr Gui: 'Big players will become bigger, and strong companies will become stronger'

pect China to be a major cause of disruption, creating market volatility and uncertainties."

He noted that developments in the industry have led to traders going beyond the roles of middlemen.

"We are seeing more steel mills moving downstream and entering into the retail distribution channel to extend their market reach," he said, adding that Regency Steel Asia, too, is following that trend. According to a past media report, the company plans to invest US\$20 million over the next few years to establish a new warehouse and bring in other service-providing facilities and equipment.

Regency Steel Asia seems to be oiling its engines for the changing market dynamics. Touting itself as one of the largest steel distributors in the world, the company stocks and distributes a full range of steel products, including beams, plates, sheet piles, pipes and profiles. Its inventory consists of over 100,000 tonnes worth of products, according to information on its website.

With annual sales close to US\$200

million, Regency Steel Asia is looking at expanding its foothold in other countries.

"To expand our global reach, very soon, we are expecting offices and distribution centres in other strategic and high-growth countries, operating in a similar model like what we have done for Singapore," said Mr Gui.

Even as it expands, Singapore will remain its key distribution hub. It is strategic to Regency Steel Asia for its geographic accessibility to other high growth markets.

"Singapore, though small, has attracted some of the world's best steel traders and distributors to set up their operations here," said Mr Gui. "As a result, Singapore is a very competitive market due to the government's open market policy."

The main challenge he faces is a shortage of willing talent to be based overseas. As such, the company is considering hiring more overseas staff to be trained here, who will then be sent back to their native places where they will carry out the company's overseas expansion plans.