

# TUBACEX: 100% stainless, 100% seamless

A lot has happened to Tubacex SA since we visited the company in 1999. After a far-reaching restructuring programme this integrated manufacturer of seamless stainless steel pipes and tubes, headquartered in northern Spain, has continued to strengthen its world-wide market position by focussing attention on the customer and to expand through a series of carefully selected acquisitions. *Stainless Steel World* investigates what lies behind the company's recent success.

For Tubacex's Chairman and CEO Mr Alvaro Videgain and Vice President Mr Fernandez Muiños the secret of success of the company with its production companies in Spain, Austria and USA is clear: the customer. The Tubacex Group sees the customer as the company's most important asset. The clear and single focus on customer satisfaction has brought the company from near bankruptcy some ten years ago to being the second largest and most profitable player in the world-wide market for seamless stainless steel pipes

and tubes. Mr Videgain: "Our mission statement highlights the importance of the customer. We need to provide the customer with optimal quality and service. Everyone within the Group is fully aware of this. From the shop floor to the commercial, marketing and technical personnel, all are trained to respond positively and proactively to customers' needs and requests. We are very much aware of the fact that without the customer there would be no Tubacex. In fact, for Tubacex the customer is the reason for being." Tubacex is convinced that it has found

the right business formula to attain optimal customer service and to live up to its mission statement. Even so, the Tubacex Group is constantly striving to further improve the company's capabilities in order to respond to customers' increasing requirements. Mr Fernandez Muiños explains: "We constantly listen to what the customer wants, and one of the signals we picked up was that many customers felt they needed a supplier close by, both physically and "virtually": we are definitively sure that also e-business will allow us to strengthen our relationship with our

TTI's extrusion press. Tubacex SA is the only integrated producer solely dedicated to seamless stainless steel tubes and pipes in the world.

customers. Therefore we are now involved in developing our "e-capabilities", starting with a brand new IT system, and considering the possibilities of developing this area of business. At the same time there was the request from our shareholders for further growth. Therefore, as we mentioned in the last cover story on our company (March 1999 - ed.), we developed a growth strategy some years ago with a clear focus on acquisitions, as we still feel that there is no real need for extra capacity in the market today. There is a good balance between supply and de-

mand and therefore we will try to follow the growth of the market and add no extra capacity. With the acquisition of Schoeller-Bleckmann Edelstahlrohr (SBER) in Austria and the reestablishment of Altx in the United States we have realised these goals. Today we have improved our market share and are the second largest integrated supplier of stainless steel pipes and tubes solely dedicated to seamless product forms. But even more important for us is the fact that we have increased our capabilities to service the customer."

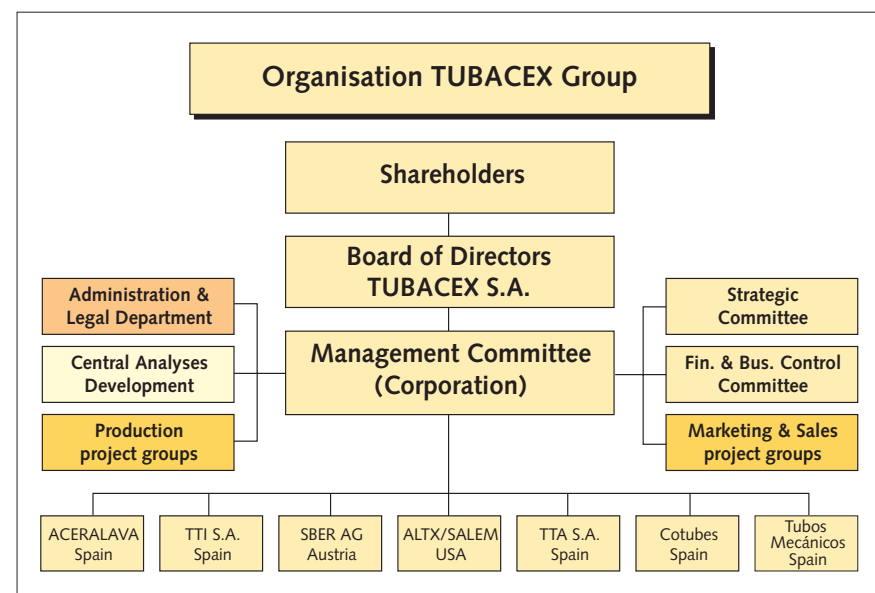
## SCHOELLER-BLECKMANN EDELSTAHLROHR

Tubacex acquired SBER, located in Ternitz/Austria, in September 1999. "It is a very important acquisition for Tubacex for a number of reasons," says Mr Videgain. "The company is well established and has a first-rate reputation for quality as well as service and professionalism. Furthermore, SBER is performing fantastically from an economic point of view."

One of the most important advantages of the acquisition, he continues, is that SBER's product portfolio is clearly complimentary to that of the rest of the Group. SBER is especially well known for its small-diameter tubing, a range of products that was not covered by Tubacex's other companies. As a result the Tubacex group can now cover the complete range of stainless-steel pipes and tubes from 3mm to 250mm OD in a wide range of grades.

Another interesting aspect of the acquisition is the widening of Tubacex's distribution network. This has resulted in a large number of commercial offices and organisations within the Group's distribution network. SBER has traditionally been strong in Central and Eastern European countries and knows its way around in this parts of the world where Tubacex activities to a certain extent have been limited until the acquisition.

At the same time SBER clearly benefits from the rest of the Group. The Austrian company now has got access to Tubacex's steel mill Aceralava. In fact the Group is currently investing some USD 10 million in order to adapt production at the melting shop Aceralava to make it capable of delivering peeled bars according to SBER's needs. Up to now Aceralava has produced only square bars, which were needed for



Group structure/organisation-chart

Tubacex Tubos Inoxidables, S.A. the Spanish daughter company producing seamless stainless steel pipes and tubes, and to supply third parties. Furthermore a forging press and various machinery for peeling and polishing are being installed right now. At the same time, however, SBER will continue to source raw material on the open market, as this has contributed to competitiveness in the past.

All in all there is more to the incorporation of SBER within the Tubacex Group than just the advantages mentioned above. The company believes it is now in a position to make use of synergetic effects that were not available before and that this will strengthen the whole group. This is best reflected by the fact that Mr Rainer Trebsche, one of the former owners of SBER continues as Managing Director and became one of the Directors of the Board of the Tubacex Group.

**ALTX**

The reestablishment of Altx in Albany, USA, is a completely different story. With Salem Tube Tubacex already owned a tube mill in the US but the capacity of this facility was limited to cold-drawn tubes only. As the North American market at present is importing around 80% of its demand in seamless stainless steel pipes and tubes Tubacex is convinced that there is a need for a high-quality domestic producer.

Mr Fernandez Muiños: "Making Altx a success is one of the challenges of our

group right now. In September 1999 we bought the assets of the former Altech. Unfortunately I must say it was not in a first-class state. Therefore we have put much effort into forming a first-class team capable of establishing a top-of-the-line facility. They have rebuilt the plant to a large extent and it has been operational for one year now. We still have to fine-tune production further here and there, but I am con-



With the acquisition of Schoeller-Bleckmann Edelstahlrohr Tubacex strengthened its market position, enlarged its product portfolio and is now in a position to make optimal use of synergetic effects between the companies within the group.

vinced the project is going to be a success. The team is excellent and they have done an incredible good job supported by all of us here at Tubacex. We feel that, although the success of Altx is the direct result of the US-team's work, it truly is a group-wide effort. Especially the expertise and knowledge

made available by Tubacex Tubos Inoxidables and Schoeller-Bleckmann Edelstahlrohr pipe mills have been a great support to Altx. I am convinced that Altx will become one of the major players from a quality and service point of view that we envisaged it to be. We have the resources, and what is more important, we have the people to make it happen."

**THE GROUP**

Today, with the acquisition of SBER and the reestablishment of Altx, Tubacex SA has become an extremely impressive industrial group. All the subsidiaries are operating autonomously with full responsibility for their results, and report back to Tubacex SA. The most prominent subsidiary is Tubacex Tubos Inoxidables SA (TTI) which performs as SBER does the main activity of the group, namely the production of seamless stainless steel pipes and tubes. Acería de Álava SA is Tubacex SA's melting shop and is responsible for the actual production of the different steel grades. It's main purpose is to act as a supplier of raw material to TTI, SBER and ALTX but it also produces rolled and forged stainless steel products that are sold directly to the external

markets. Tubacex Taylor Accesorios SA manufactures stainless steel elbows and Salem Tube Inc. manufactures cold-drawn stainless and high nickel alloy tubes, mainly for the US and Canadian market. Furthermore, the Group has an impressive commercial network around the world, and only recently another

office was opened in South Korea." From a Group-wide point of view Tubacex's efforts to implement a total-quality management system and to make effective use of the synergetic effect within the company are of particular interest. Throughout the whole Group project teams have been formed in order to improve the quality of all processes, benefiting from each others' experiences in different fields; such as for example in the environmental issues, that will mean the immediate achievement of the ISO 14000 certificate.

**WORLD MARKET**

Being the only integrated producer of stainless steel pipes and tubes solely dedicated to seamless products, Tubacex is a global company, and this feature will become even more prominent in the future. Mr Videgain explains: "Since only 4% of the European total demand for seamless stainless steel pipes is sold to the Spanish market Tubacex clearly continues to look for markets abroad. Today, the Tubacex Group is operating world-wide and we see the whole globe as our marketplace. We export some 90% to over 60 countries in the world and expect this to grow even further in the future. Trade is concentrated in those areas where industrial activity is strong, and these are Europe, with 40% of world consumption, followed by the US and Canada, with 21%, while the Far East



With one of the largest stocks of stainless steel tubes and pipes Cotubes acts as Tubacex's master distributor to provide an improved service to the customers.

promises to be an interesting market for the future." Talking about the Far East Mr Fernandez Muiños continues that it is important to understand the cultural differences in order to be successful. "Looking at the organisation as it is right now we feel that our next focal points should be developing those markets that we have not tackled yet. Especially the Far East is promising and therefore

we are constantly on the look-out for partners with whom we can build up long-lasting joint ventures, as we feel that the cultural differences are too great for a successful direct business in the area. If you want to service a region properly and be sure the customer is satisfied it is important to understand him and to know his needs inside out. Therefore we want to overcome cultural differences with local support and to service the customer to full satisfaction."

All in all the future looks bright for Tubacex. Mr Videgain: "Stainless definitely is the material of the new millennium. People looking for a material that can solve their problem in the long run and this is the decisive competitive advantage for stainless products. Furthermore Tubacex has become one of the leading players in the market for seamless stainless steel tubes and pipes, and the most profitable one in the industry. Two years ago I mentioned that Tubacex was in a position to face the future full of confidence and this holds more than ever. We are not finished though and still have many things to do to further develop the company. The drive to further improve our products and service will never stop in order to achieve our most important goal: service to the customer."

**FACTS & FIGURES**

Name:	Tubacex SA Industrial companies within the group include Acería de Álava SA (steelmill), Tubacex Tubos Inoxidables SA (seamless stainless steel pipes and tubes), Schoeller-Bleckmann Edelstahlrohr AG (seamless stainless steel pipes and tubes), Salem Tube Inc. (seamless stainless steel pipes and tubes), Altx Inc (seamless stainless steel pipes tubes, and shapes) and Tubacex Taylor Accesorios SA (butt-welded fittings manufacturer). Furthermore Tubacex has a large number of commercial companies throughout the world.
Products:	hot-finished and cold-drawn seamless stainless tubes and pipes from 3mm to 250mm OD. Hollow bar from 32mm up to 250mm OD. Butt-welded fittings from 1/2" to 10". Square billets and round bars from 80mm to 450mm. A wide range of shapes and profiles.
Applications:	oil & gas, chemical, petrochemical, energy, aerospace, food, medical, mechanical industry, electronics.
Turnover consolidated:	approximately USD 280 million of which 90% is realised outside of Spain.
Workforce:	1400.