



SEPCO SA

East meets West

The market for stainless steel pipes and tubes today seems pretty much divided up between a number of well-known manufacturers. However, about two years ago a few individuals in the established stainless steel business thought it time to take on a new challenge. They decided to take their knowledge and use it to start up their own company, SEPCO SA. SEPCO is geared to bringing eastern European steel products to the Western markets and for stainless steel pipes and tubes it does so exclusively for one Ukrainian manufacturer, NSTM: Nikopol Stainless Tube Mill, a mill of the Uvis group, owned and operated by the Atanasov family. Stainless Steel World went to Lugano, Switzerland, to speak to SEPCO's Managing Director Oreste Labò, Director of Sales for Stainless Pipes Roberto Segale and Mr Sergey Atanasov, director of UVIS to learn more about their collaboration.

Scepticism is probably one of the emotions that Mr Labò and Mr Segale run into the most when they explain their professional activities to the outside world. Setting up a sales organisation for a Ukrainian steel manufacturer relatively unknown in Western markets, and aiming to become one of the major suppliers of stainless steel pipes and tubes world-wide is ambitious to say the least, so the management of SEPCO often has a lot of explaining to do. But two things became quite clear early in the interview: these gentlemen are setting up a serious, respected business and they are here to stay. Before we get into the actual organisation, however, we first have to look at how SEPCO came about.

ADVENTURE

Both Mr Segale and Mr Labò have earned their stripes in the steel pipes business. They have both gained years of experience with a number of renowned companies in the industry and their knowledge of the steel pipes business is second to none. After working for these large companies for a number of years, they both felt like taking on the challenge of something new. They wanted to be able to set

their own course, to make a difference. In the course of their respective careers Mr Segale and Mr Labò always had their eyes on the eastern European markets because of its promising business potential. By the end of 1999 they had joined forces, focusing their energy exclusively on this region. They consequently got in touch with management from Uvis and Mr. Alexander Novak, Chairman of the Board for ALLIED STEEL, the holding company of which SEPCO forms a part. Mr Labò explains the organisational structure of SEPCO: "SEPCO is part of ALLIED STEEL SA, which administers to three operating companies. One is STEELEX, which markets products such as billets, wire rods and plates, the second is KIW WHEELCO, which focuses on steel wheels for railways, trams etc., and the third is SEPCO. Our company specializes in marketing tubular products. It has two divisions, one for carbon steel and one for stainless steel. Three Ukrainian steel mills and one Belarus mill manufacture the majority of the carbon steel products that we sell. They produce the full range of seamless and welded carbon pipes. The stainless steel pipes and tubes are manufactured by one Ukrainian mill, NSTM, Nikopol Stainless Tube Mill, a mill of the UVIS group. The reason for dealing principally with Ukrainian companies is that we think they have a tremendous market and production

"I believe that in the future we will be classed among the top players in stainless steel tubes and pipes."

potential that needs to be developed. That's the challenge we have put before ourselves. The industry is basically sound but it lacks some expertise for Western markets: a good command of English, sales skills, and a wider knowledge of the Western business environment and its financial infrastructure. What we did is create an organisational structure that has that knowledge, aimed at bringing UVIS up to Western standards. Our added appeal lies in the fact that we have a great deal of marketing experience and commercial knowledge, as well as credibility in the market.

After setting up SEPCO, we first focused on carbon steel products, but by the end of 2000 we integrated our product range with stainless steel pipes and tubes from Uvis/NSTM.

We have realized an agreement with them which gives us exclusive world-wide distribution, except in the former Soviet states, which are all serviced by Uvis directly.”

TEAM

The drive to embark on this adventure was fuelled by the firm belief that a Ukrainian stainless steel pipe producer has the potential to be competitive on a world scale and that there is still room for another manufacturer in the market. That one manufacturer, Uvis/NSTM, is a company that has undergone the arduous transformation from a business structure operating within a command economy to one geared towards a market economy. How was this achieved? Mr Atanasov, director of Uvis, explains: “I must first emphasise that we operate as a team. SEPCO is integrated into our activities to such an extent that it can be considered an integral part of our company, and as one team our goal is to improve our production facilities and at the same time increase our sales. However, to be able to reach the requirements of international markets a lot needed to be changed. Uvis/NSTM first divested its carbon steel division in order to fully focus on stainless steel products. Then a number of Western industry experts

were invited to the plant in Nikopol to analyse the company’s weak and strong points. On the basis of their findings, an extensive programme was developed to execute the appropriate measures, to enter the closed circle of pipe manufacturers.” That programme was set up three years ago, Mr Atanasov said, and today Uvis/NSTM is continuously increasing its production, quarter after quarter. New machines are currently being introduced to increase product range and product sizes. For the present new NDT equipment from such world-renowned manufacturers as Foerster and Nukem has already been installed to better control the quality. A new bright annealing furnace is to be installed by 2003, which will significantly increase NSTM’s production range. Between 2003 and 2007 Uvis plans to invest more than 35 million US dollars into updating and expanding its production facilities. “Furthermore, soon we will be able to manufacture heat exchanger tubes of up to 24 meters.

Our U-bend facilities will be able to take on these kinds of lengths, which makes us quite distinctive,”



Mr Atanasov added. Education and certification too have become an important part of the investment program-

me. Mr Atanasov: “As our company is going through all these changes, our employees are learning on the job, they are building up their knowledge of both markets and production procedures. But that’s not all. Two times a year a number of our employees are sent to Germany to participate in TÜV seminars. It’s all part of our quality improvement program and our preparation to achieve certain certifications such as the ISO 9001 edition 2000 (currently NSTM uses edition 1994) and ISO 14000 and QS 1800. We also implemented independent quality assurance teams within the company. They oversee product quality and have the power to intervene and even stop production in



order to maintain a high quality level.” And all these efforts have not been in vain, as became clear from Mr Atanasov’s words.

Today, Uvis/NSTM’s products are certified for use in nuclear power stations and the company is even involved in the prestigious Sea Launch project, a multi-billion-dollar joint venture between Norway, the USA and Ukraine to launch satellites from a platform

in the sea. Ukraine will supply missiles and satellites for the project, while NSTM will supply pipes and tubes. The company has furthermore built up a steady customer base, Mr Atanasov said, and customers are returning to the company to place repeat orders. They also confirm that the quality of Uvis/NSTM’s products is equal to that of its competitors, illustrating the fact that the company is on the right track. Mr Segale added that right now customers are serviced mainly through distributors and stockists but that the company is determined to supply end-users directly as well. “In the long run we want to strike a balance between supplying to stockists and end-users directly. To accomplish this we need to achieve a quality certification from a number of international bodies and we need our customers to actually see our mills in order to boost their enthusiasm for our products.”

BATTLE

And that’s where Mr Segale points out one of the most difficult aspects of selling Ukrainian steel products in Western markets: image. As said before, there is a lot of scepticism in the Western world towards Eastern Euro-

About Uvis

Uvis Ltd. was established in 1991 and is the largest supplier of stainless steel tubes within the Ukraine and the former Soviet Union. Its management incorporates all manufacturing stages from furnace charge purchases to smelting billets and finishing rolling operations, ensuring a high-quality product (each tube lot is certified) and prompt execution of orders. Uvis/NSTM's monthly production volume is around 1000 tons, and they continually hold in reserve over 2000 tons of ready stock to different standards such as ASTM, DIN, and GOST etc., which can be delivered within 2-4 weeks. The company supplies to the chemical machine building industry, chemical and petroleum chemical facilities and leading coke-producing and ferro-alloy plants within Ukraine, the former USSR and eastern European countries. Together with these companies Uvis continuously develops new products for various applications. It is able to supply large and small quantities of any kind of product, thus serving both small and large customers.



pean products which sometimes makes doing business quite a battle. But Mr Segale and Mr Labò have cleverly turned an apparent weakness into strength. In relative silence, undetected by market watchers and strong competitors, they have been able to refashion NSTM into a respectable manufacturer that is now able to compete with the established market players on a world scale. Mr Labò says: "Uvis/NSTM has gone through a tremendous transformation, both physically and mentally: physically, in the sense that they have installed and will keep installing new machines in order to continuously increase production range and product sizes; mentally in the manner that the company's employees have had to change their way of thinking in order to achieve a commercial, customer-oriented focus. Uvis/NSTM now have independent quality assurance teams, which have been TÜV certified and are currently working hard on getting the necessary certifications from Lloyds and other international certification bodies. Everything the company encompasses has been changed by its new focus. Our job now is to convince our customers that we are just as good as anybody else, offering the same range of quality products and more at competitive prices while offering a high level of customer service. Fortunately we can already see the market changing. Customers used to come to us because they knew us personally, but now they deal with SEPCO because they are satisfied with our products and services. I believe that in the future we will be classed among the top players in stainless steel tubes and pipes."

FACTS & FIGURES

Name:	SEPCO SA
Founded:	July 1999
Location:	Lugano, Switzerland, with subsidiary offices in Milan and Houston and a representative office in Dnepropetrovsk, Ukraine.
Employees:	30
Total turnover 2001:	USD 50 million
Sales volume 2001:	127,500 metric tons

SEPCO is the marketing, distribution and export sales organisation of the following Ukrainian tube and pipe producers.

Stainless:

- NSTM, Nikopol Stainless Tube Mill, a mill of the Uvis group, Ukraine

Carbon:

- Nizhnedneprovsky Tube Rolling Plant, a mill of the Interpipe Group, Ukraine
- Novomoskovsk Pipe Producing Plant, a mill of the Interpipe Group, Ukraine
- NikoTube, A mill of the Interpipe Group, Ukraine
- Mogilev Metallurgical Works, Belarus

The company's product list covers a broad range of industrial and commercial solutions for all applications, including seamless hot and cold finished pipes, welded steel pipes, line pipes, OCTG pipes, seamless casing pipes, seamless tubing pipes, stainless seamless hot and cold finished tubes. All products are produced in accordance with industry standards.