

A new strong team at DMV

Markets may not be exactly buoyant, but there is still plenty of opportunity for companies with an entrepreneurial spirit. DMV, for example, is pushing ahead with investment programmes designed to streamline production, shave operating costs and develop new product/market combinations. Renewing our acquaintance with this producer of seamless tubes and pipes, Stainless Steel World received a warm welcome from DMV's new enlarged management team.

By David Sear



DMV's headoffice in Paris is familiar territory to the editors of Stainless Steel World magazine. On several occasions we have had the pleasure of hearing DMV's management discuss trends in the tube and pipe markets. These meetings are typically very candid, with DMV's managers pulling no punches about areas within the company needing improvement. Our recent visit was to prove equally forthright, with discussions on the evolving shape of DMV. There was one change to the regular setting, though. Mr Marc Hartmann was a new face at the table, albeit one with an excellent understanding of the steel business. His presence formed a tangible reminder of DMV's powerful and committed owners. The origins are as follows. At the start of 2002, Mannesmannröhren-Werke AG became the majority shareholder of DMV, taking over one third of DMV so far held by Dalmine and therefore rising its participation to two thirds, with Vallourec accounting for the other third. As part of this new arrangement, Mr Hartmann transferred from Salzgitter (the owner of Mannesmannröhren-Werke AG) to take up the post of Managing Director and CFO of DMV. His expertise in finance, controlling, logistics, EDP, etc, has helped shape a new strong team at DMV. Mr Hartmann: "As a part of Mannesmann

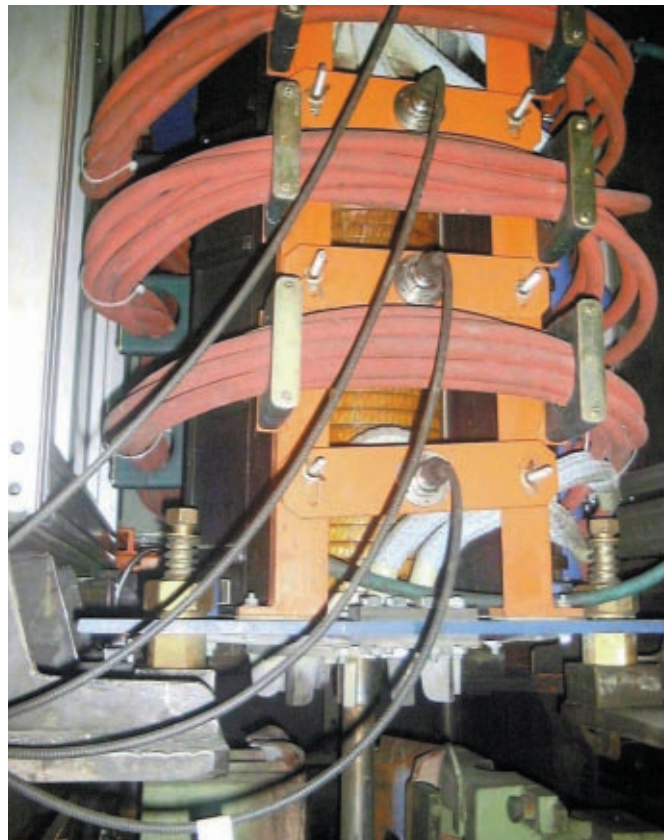
and Vallourec, DMV belongs to the biggest tube and pipe organisation world-wide. The combined capacity for seamless products in this group, from carbon steel through to exotics, is unparalleled. However, while there are opportunities for the joint promotion of certain product/market combinations, DMV will continue to operate fully independently and focus on stainless steel and nickel alloys." Having one dominating shareholder certainly brings advantages, emphasised Mr Hartmann. "Decisions can be reached much more easily. When, for example, we restructured our cold product line in 2002, we received immediate backing for our re-defined strategy. So the new ownership constellation is working very well for DMV and its shareholders."

ON-GOING INVESTMENT

The shareholders fully support DMV's continued investment in production facilities. Montbard in France is now the leading producer of hot finished products and hollow bars and is perfectly geared to serving the project business. Additional services, for added value, are also being introduced. Following the addition of three more pilger mills Costa Volpino in Italy is the centre of excellence for all DMV's cold finished products. This plant's reputation for

special materials is set to be enhanced when orbital welding and coiling stations are commissioned before the year-end. With the Houston, Texas, USA, plant enjoying success with the manufacture of cold finished tubes as well as the import of hot finished products from Europe, attention has recently turned to DMV's Remscheid facility. President and CEO Fritz Boschitsch: "The Remscheid facility has a long history but needed modernisation. Hot finished products often required an extra pilger operation to meet customer specifications. We have therefore invested in a new tooling system, rebuilt the expansion press and fitted an ultra-modern induction heating system." In fact, DMV's new heating system is among the most sophisticated in the world. The standard single induction coil has been replaced by multiple, computer-controlled coils. This enables sections of the billet to be heated with pinpoint accuracy, eliminating unwanted temperature gradients and so boosting the quality of the finished tube at lower cost.

This technological breakthrough will be complemented during the summer months with a totally revamped hydraulic system for absolute speed control on the press. Again, a measure designed to further guarantee dimensional accuracy. Mr Boschitsch: "One thing is for certain, we at DMV are making more hot finished products than ever before. Yet Remscheid is the cradle of the cold pilgering technology originally developed by Mannesmann. We have almost reached our capacity limit at Montbard, running eighteen shifts per week. Output there can be raised slightly by de-bottlenecking the finishing line, but the investments at Remscheid are a logical step. Hot finishing has an economic advantage, provided you have proper control over



DMV's new induction heating system at the Remscheid mill is among the most sophisticated in the world.

factors such as tooling, heating, lubrication, speed, etc. Today you can hardly tell the difference between our hot or

cold finished tubes and indeed customers tell us they do not mind which process we use. Provided, of course, that the tolerances and surface finishes are to the required specifications."

PRODUCT MANAGEMENT

The investment and restructuring programmes within its production locations underpin DMV's policy of tracking demand for seamless products, continued Mr Boschitsch. "Last year, when our new shareholder structure became functional, we started to review and then fine-tune our strategy and to identify market segments of particular interest. This is not a



By establishing a company-wide logistics programme, DMV aims to realise a transparent supply chain enabling orders to be monitored through all of its plants.

homogeneous business, so concentration on specific markets is essential. To support this we have, where appropriate, initiated product management organisations. For example for oilfield and boiler tubes, which are typically bought by the OEMs (Original Equipment Manufacturers) on a project basis. Our product managers have a solid grasp of metallurgy and engineering, understand clients' needs and have even been known to assist them in writing the materials specifications."

Senior Vice President, Sales & Marketing, Dieter Schwarz emphasised that the new product management structure was complementing, not undermining, DMV's established network of stocking distributors. "Product management makes sense for those areas where the distributor is not present. Distribution and projects are two essentially separate business segments, with the distributors tending to focus on the day-to-day markets. Stocking distributors are, incidentally, still our largest customer base."

Mr Hartmann added that the nature of distribution is changing and placed this in the broader context of supply chain management. "Distributors are consolidating and those that are left are reducing stock levels. As this buffer decreases we are increasingly working with them to forecast demand to ensure continued product availability. This trend, and also our increasing product management business, means we are liaising more with the final customer. This challenges our ability as a mill to provide expertise and deliver the required products and services, often at short notice. That's why we have invested in our mills and looked at logistics flows." He

continued by saying that DMV had also analysed its raw material flows and now works closely with just a few preferred steel mills. Mr Hartmann: "We see it as an advantage to have independent sources. This model, with closely allied distributors and suppliers, has proven its worth over time. It avoids the need to tie up capital whilst offering the benefits of coherent and effective supply chain management. Each one of the parties doing what they are best at."

Mr Boschitsch elaborated on this statement. "We are constantly refining our forecasting models to predict customer demand. That

data can then be taken into account when planning our own production. Often we can start production to have semi-finished products on hand which can be quickly finished more or less on request. We have taken this concept even further with our own suppliers. They may keep consignment stocks for us, according to our predicted usage, for quick processing and delivery. Better market awareness means more effective planning for all parties in the supply chain and the knowledge that the end user will receive his products on time."

As part of its streamlining of material flows, DMV has started to organise logistics as a single chain covering all its production locations. "The concept is to realise a transparent supply chain, enabling orders to be monitored through every plant," commented Mr Boschitsch. "Then DMV will be able to set up connections with suppliers and key account customers, so that they too can track their own orders and check stock levels. I wouldn't like to say that our logistics systems are 100% perfect quite yet but we have a good framework which we can build on. This will be a big step forward in our service abilities."

PRODUCT/MARKET COMBINATIONS

At the end of the interview attention turned to DMV's product portfolio, which reflects the increasingly diverse and specialised markets for seamless tubes and pipes. Mr Boschitsch: "As mentioned earlier demand for hot finished products is growing faster than cold, but there are other trends to become apparent. For example, looking at CRA



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(Corrosion Resistant Alloys) OCTG applications (Oil Country Tubular Goods) we can say that the production of natural gas is set to double by 2015 and so will the demand for our product in that segment. Our Remscheid plant is ideally placed to meet the volume and technology demands of this sector.” In the area of cold-finished tubes DMV has also identified some other exciting opportunities. Mr Schwarz: “Market research shows that umbilical tubing will be the biggest single growth sector for seamless tubes. That’s why the Costa Volpino plant will have its own facilities for orbital welding and coiling tubes from the fourth quarter of this year. The market has responded very favourably to our plans. Clients respect our metal-processing expertise as umbilical tubing needs to meet the most stringent quality requirements. For example, to avoid issues associated with sigma formation.” Mr Hartmann added that welding and coiling tubes is more complex than might first appear. However, he said that DMV were up to the challenge and again benefited from the financial backing and fast decision-making of the majority shareholder. “This is a new approach in an industry where straight tubes are currently the norm,” he said.

Discussing DMV’s geographical strategy, Mr Hartmann noted that three key areas had been identified: Asia, the Americas and Europe. For each area DMV has a unique concept. Mr Hartmann: “Everyone knows that the Chinese market has the highest growth rate. Our strategy reflects that. In the Americas we are hampered by the current exchange rate levels. So we have plans to strengthen our production capacities in that region. In all our markets, we want to understand the local needs and develop an adequate presence.” Mr Boschitsch summed up DMV’s marketing position by reiterating the business concept of putting the customer first. “Our plant investments, logistics improvements, product management programmes, all these issues have been done with a purpose, namely to better serve our customers. Firstly by providing competent advice and then by delivering the products you order, in time and

to your specifications. We don’t claim to be perfect and yes we do sometimes regrettably make mistakes. But if something should go amiss, then we at DMV will do our utmost to find a solution. So our message to all our clients is simple: ‘WE WANT TO MAKE LIFE EASIER FOR YOU’.” ◀

FACTS & FIGURES

Name: DMV
 Products: Seamless stainless steel and nickel alloy tubes and pipes
 Sizes: 6 mm OD (0.5 mm WT) to 1100 mm OD
 HQ / International sales: Paris (France)
 Production facilities and regional sales offices:

- Montbard (France) - hot-finished stainless steel and nickel alloy tube (32-250 mm OD). Also hollow bar / mechanical tubing
- Costa Volpino (Italy) - cold-pilgered / drawn tubes (up to 89 mm). Specialty tubing – additional butt welding / coiling services available
- Remscheid (Germany) - hot extruded pipes (up to 250 mm), OCTG /CRA (up to 7”), cold-pilgered / drawn tubes (size range above 89 mm OD).
- Houston (USA) - cold-pilgered and cold-drawn tubing (12.7 to 114.3 mm OD)

Main markets: Petro-chemicals, fertilisers, power generation, oil & gas, OCTG, machinery industry, vehicle construction, general/civil engineering
 Workforce: approx. 1000
 Output: 30,000 tons (tubes/pipes/hollow bars)
 Turnover: EUR 210 million
 Shareholders: Mannesmannröhren-Werke AG (2/3), Vallourec (1/3)

DMV’s HIC policy

HIC - short for Honesty, Integrity and Credibility - is an important policy at DMV in all its dealings with customers, employees, suppliers, etc. That means any problems which arise are resolved, not ignored, said Mr Schwarz. “DMV does not pretend to be the perfect company but we do take stakeholder satisfaction very seriously.” Recently, for example, DMV sent out a questionnaire to clients in accordance with ISO guidelines to help monitor performance. The response rate (95%) and the results proved most encouraging, vindicating DMV’s overall business plan. Mr Schwarz: “The feedback generally mirrors our thoughts about our strengths and weaknesses. We acknowledge these points and will work on putting them right where necessary. Interestingly, one finding is that our customers’ prime concern is not price, but rather service.

In the same vein, DMV has gained ISO 9001-2000 status for all its plants and is rigorously applying ISO 14001, which broadly covers environmental issues. Mr Schwarz: “ISO 14001 is not yet a statutory requirement but we feel morally bound by its objectives. This is also sound business sense: if you pollute, you can expect comebacks later on. Our view is to prevent such problems in the first place.”