



Tubacex Group: thriving on projects and innov


As the world's second largest producer of seamless stainless steel tubing, Tubacex Group is riding high in the buoyant oil, gas, chemical and energy markets. Healthy profits combined with well defined strategies are allowing the company to rapidly expand their range of high-performance alloys and specialist grades of stainless. Intent on increasing in terms of quality and not just quantity, value added products and services are cornerstones of the company's future plans. *Stainless Steel World* talked to the Tubacex team to find out what lies ahead for this dynamic Spanish group.

By Joanne McIntyre

Tubacex Group is the world's second largest producer of seamless stainless steel tubing and pipes. Mr Alvaro Videgain, President and CEO, outlined how the company intends to maintain - or even improve on - this position. "Tubacex has a well defined strategic plan to increase the production levels in all of our plants. Our main objective is to achieve organic growth by developing new products and services, increasing production and boosting our market presence globally. The current

market boom is allowing us to achieve almost all of our goals well ahead of schedule, providing opportunities to further expand our plans for the years ahead. The high oil price has spurred many of our customers to become involved in large projects, which in turn is a powerful driver for growth for us."

Tubacex's main markets are the oil, gas and petrochemical industries, chemical plants and energy. "This entire sector is enjoying a period of increased revenues; 2006



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was another record year for Tubacex with net profit growing 21.7% to 30.9 million euros, on a 25.2% increase in revenues to 538.8 million euros. These are certainly healthy figures!" smiles Mr Videgain. "Our global position today is even stronger than that of a year ago in terms of our backlog and the enhancement of our industrial facilities."

New developments

Despite having fulfilled many of its goals ahead of time, the company is not letting the grass grow under its feet. Mr Videgain continues: "Although the market situation has led to many of our economic and financial goals being achieved more rapidly than anticipated, from the industrial and commercial perspectives we still have big plans for the future. These include steadily increasing our production of special grades. Over the past five years Tubacex has focused on developing more added value products and a wider range of stainless types including superaustenitics, duplex, superduplex and high nickel alloys. Our portfolio is growing strongly, and today over 30% of our turnover is related to added value products."

"An important factor in our strategy is to become even more customer-focused. This means we are not content

to simply supply tubing, we're also looking to expand the ways in which we can do more for our customers by adding value and providing excellent service. Our company is particularly effective in delivering products linked to the project market and we are working very hard to expand on this, improving our quality, service and delivery times for project customers."

The company is also improving internal processing and logistics. "Today the integration between our Austrian and Spanish facilities is better than ever. We feel that due to the flourishing external market and our increased competitiveness we are in a strong position. The thriving oil and gas project business will prevail for many years, plus we can assume that in the coming years nuclear technology will be developed in many countries. In addition the growth in Asia - particularly China - and the probable growth in CIS, Eastern European countries and Brazil will be ongoing. All these factors indicate that in the coming years the position of the Tubacex group will grow from strength to strength." Mr Guillermo Ruiz-Longarte (Chief Operations Officer) takes up the story to further explain the new developments that Tubacex is undergoing. "We are making two significant enhancements in our portfolio. Firstly we're expanding our presence in the market for value added stainless steel products for the oil and gas, petrochemical and electric power generation markets. Today the conditions encountered in oil and gas recovery are much more severe than they used to be, with equipment being subjected to greater depths, pressures, temperatures and degrees of corrosiveness. This is propelling the move towards substituting carbon and lower performance alloys with high performance materials. Therefore we are developing several alloys to tap into this high value sector of the business in close cooperation with our customers, EPC and end users. Our idea is not to be a high volume player but rather to be the preferred choice for the value added niche products. We are currently redesigning all of our cold finishing facilities to meet this target."

"In the medium term we will study acquisitions in emerging countries to further increase productivity."

"The second driving factor for growth is our entry into the umbilical market. We are very carefully analysing the market as we plan to enter at the high-end to add value to our portfolio. This means we will be developing high performance alloys for umbilicals, instrumentation and tubing, special tubing for the nuclear industry and rare grades if necessary. A year ago we were developing one grade a year; now we are developing three new grades each year in order to accommodate this trend. We are well positioned to take advantage of this

growth cycle in the oil and gas and power generation industries."

Mr Ruiz-Longarte explained the Tubacex commercial strategy to Stainless Steel World. "There are two main factors that are driving the changes we want to make to our commercial strategy. First of all there are our traditional customers, the independent distributors. We consider many of them to be more like partners than clients, so we want to enhance these relationships by providing support to help them to achieve greater efficiencies in ways that are also beneficial for our business."

"The second major factor is the project business. At Tubacex we thrive on complex projects and we want to build stronger relationship with our main clients in both the project and distribution businesses. The bulk of this business involves dealing directly with engineering companies and contractors on location, which is closely related to the value added niches that we feel we can fulfil. We want to provide excellent service in the commodity grades of materials, plus we want to develop our flexibility and production capabilities in value added products. It's also important to us that people realise that we are absolutely respectful of the independent distributors in the main countries; this is a major strength of the Tubacex group in markets like the US and Europe."

Tubacex has a very solid commercial organisation.

"Although we have different brands, from the strategic point of view our commercial structure is unique in the product production and management among all of our plants is fully integrated" says Mr Ruiz-Longarte.

Global coverage

The Tubacex commercial network now covers every part of the world with 15 commercial offices around the globe and factories located in Spain, Austria and the US. The company has gained approval from almost all of the main end users vendor lists in the seamless stainless steel tubing market, and is ISO-9001 and 14001 certified. Furthermore, Tubacex commitment with its customers, suppliers and workforce has helped the organization to be one of the first Spanish iron and steel sector company to get the OS-HAS 18.001 approval.

"Our brand is a major asset for the group, and we want to have as many people on the ground as possible to maintain close contact with our clients" says Mr Manuel Fernández-Muñoz (sales Vice-President). "We recently reinforced our position in China with an office in Shanghai. Our new Sao Paulo office is servicing the Brazilian and South American markets. We've opened new premises in Dubai because we feel that there will be enormous development in Dubai and the Middle East area in the coming years. We're also considering doing serious business in the CIS and covering all the Eastern European countries, given the potential growth in the CIS oil and gas business and the effects of Eastern countries entering the European Union. There will be tremendous opportunities for market growth in the coming years."

Tubacex has a very strong position in the European market while its presence in the NAFTA countries is growing steadily, particularly in the United States and Canada.

"We're working hard to achieve growth in Asia - this has always been our intention but rapid market developments in some Asian countries have allowed us to pursue this aim far more aggressively."



The integration between Austrian and Spanish facilities is better than ever.



Tubacex is investing heavily to increase new product developments.

Looking to the future

"In my twenty-five years in this company I have never experienced such a booming market situation" says Mr. Videgain. "The entire sector is pleased with the opportunities we have these days. We believe that petrochemical and refining activities will remain strong in the coming years, giving us a very positive outlook for the future. Another important factor is that given the high price of oil the world will have to look for alternative sources of energy for the future. Nuclear energy is a real alternative as it is cheaper, produces less CO₂, and is a clean energy now that the waste problems are more or less resolved. The only thing holding this sector back to a certain degree is the price of the raw materials. In 2008-2009 Mr Videgain believes that the market will aim towards increased specialisation, and Tubacex is positioning itself well to take advantage of this trend. "By improving our productivity and increasing the size of our portfolio the company's strategic position will be even stronger. In the medium term we will study acquisitions in emerging countries to further increase productivity. We have screened many companies around the world and because cash flow is very high we have the opportunity to make the moves we want. However the philosophy of this group is not to simply introduce tonnage. We hope to achieve organic growth of 10-15% each year but this will be in value added and speciality grades, not in commodity grades. At the same time we will be revamping all of our internal operations in relation to client service to create new possibilities for stronger relationships with distributors and projects, to bring us closer to end users and distributors in the project and distribution businesses. We will continue expanding our commercial network and reinforcing our commercial structure. Essentially we are in the process of fine tuning our strategy."

Tubacex is also investing heavily to increase new product developments. "We have reinforced our innovation departments in each plant which are under constant development. Our concept is to be fully oriented to the customer, so the innovation departments work very closely with customers to drive product innovation and also to improve logistics and client services. Day by day we are adding new people to the team, and we have in-

produced specialised human resources in our main offices."

"What makes Tubacex special wherever we are in the world are the people involved" concludes Mr Videgain. "They are the ones who conduct business in the Tubacex style with our customers, suppliers and everybody linked to the company. Our people have helped us to reach the number two position in the world. Our relationship with clients is also special. We are very flexible, sensitive and client-oriented; if a problem arises in a plan, or if a client has a special requirement regarding delivery, we move everything in the plan to accommodate that. It's not just about profitability; our intention is to establish long-term relationships not just with commercial people but also with our clients' logistics, financial, and production staff. At Tubacex our aim is to always serve our clients and preserve our relationship with them. We feel certain that this attitude is our best protection for the years ahead."



Facts & Figures

Name: Tubacex S.A.
 Founded: 1963
 Headquarters: Llodio (Alava), Spain
 Products: Seamless stainless steel pipes and tubes, hollow bars, steel, fittings.
 Dim. Pipes & Tubes: 6-250 mm
 Key markets: Oil and gas, petrochemical, chemical and energy industries.
 Employees: 1,776
 Turnover: 538.8 million euros (2006)
 Web page: www.tubacex.com