



# Centravis' bold transformation strategy lifts its fortunes at a time of economic crisis

The last year has been a mediocre one for many industrial sectors, including stainless steel. But one company in Ukraine has been defying the gloom and doom, rapidly expanding and boldly outlining a strategy that will allow it to become a leading player in the global market place. This company is the recently formed Centravis, a specialised manufacturer of seamless stainless steel tubes and pipes. Stainless Steel World describes Centravis' recent success and examines the thinking behind its transformation into a global company.

*By James Chater*

## A new company is born

In September 2007 a company called Uvis, based in the city of Nikopol in Ukraine's Dnipropetrovsk district, made a historic announcement. Its manufacturing, service and trading assets were to be merged into a single integrated structure, the international holding Centravis Ltd. Uvis had developed from NSTM (Nikopol Stainless Tube Mill), a family business formed in the 1990s during the post-Communist privatization phase. The new Centravis holding included a stainless steel pipe mill at Nikopol and an extensive

network of trade companies and agents in Western Europe, USA, and the CIS countries. Its owners, the Atanasov family, immediately embarked on a plan to transform their company, already a regional leader, into an international company capable of being a player on the global stage. The name "Centravis" was chosen as it incorporates the Latin words for "centre" ("centrum") and "power" ("vis"). But the rebranding did not stop at a name change. Focus groups, interviews with clients, experts and top managers were consulted over a period of two

years. The company became more transparent, with a clear, understandable system of ownership. Sales offices all over the world were renamed to reflect the connection with the production plant and holding company. In short, there emerged a specialist producer and trader of quality seamless pipes with an explicitly European, western business culture.

## East and west

In keeping with the transition from the old Soviet command system to a market-





oriented one, CentraVis has wholeheartedly embraced western management principles: open and transparent communication and discussion, an inspiring working atmosphere based on trust, pride and individual responsibility. At the same time the company draws strength from its location at the heart of Ukraine's historic steel-making region. It aims to take advantage of its position midway between Europe and the CIS countries and to combine the best of both east and west. Yuriy Atanasov, CentraVis' CEO, could not have put it more strongly: "Today the industry of seamless stainless steel tubes lacks players that can provide high-quality solutions at competitive prices and with a high level of service. I am convinced that the future belongs to the companies that will unite the technology and quality of western players with the innovation characteristic of Eastern players." Japanese inventiveness allied with

European quality and an American service level: an unbeatable combination!

### Transformation

CentraVis' vision and fine words are amply backed by its actions so far. The company did and continues to do what every company has to do to be successful: modernise. Starting in 2007, it renewed the new extrusion line in its hot shop with a 44 MN extrusion press, new induction furnaces and NDT testing equipment. In the cold shop, a new continuous finishing line was installed, including a LOI bright annealing furnace, two cold pilger machines, a tube drawing bench, a vacuum degreaser and a U-bending line and an NDT multiple testing machine. In 2010 the capacity of the cold pilger mills will be increased. The investments will cost a total of USD 150 million.

The investments have borne immediate fruit. In the last five years the Nikopol mill has increased its production volume to 18,000 tons, an annual growth rate of about 20%. The company had a bumper year in 2007, with turnover increasing by USD 90 million to 250 million. In 2008, in spite of the financial crisis, turnover increased to USD 257 million. At the same time the company has burst its traditional east European and CIS confines and has started to export to the USA, Australia and European countries such as Austria, Denmark, Finland and Switzerland. Today CentraVis is a major exporter to the EU, while its CIS share remains unchanged



*Yuriy Atanasov, CEO CentraVis.*

(Table 1). It now exports to 70 countries world-wide, and has gained a 4% world market share in seamless stainless steel tubes, with a particularly strong showing in heat exchanger tubing.

While the EU and CIS remain CentraVis' main markets, plans are afoot to extend its presence in the NAFTA region and the rest of the world (ROW), starting from 2010. This will be achieved by offering new products for the power generation, oil and gas extraction and chemical processing industries. This push will be supported by new equipment, certifications of major end users and by



*SMS Eumuco extrusion press line.*



extending the agent network. A sign of CentraVis' success in breaking into the US market is its collaboration with Handy & Harman Tube Co. In July 2008 the companies agreed that CentraVis would supply mother tubes to the Camden-based producer of hi-tech products. The two companies will collaborate and jointly develop new product.

Table 1. Current geographical distribution of CentraVis exports.

EU	48%
CIS	45%
NAFTA	4%
Rest of world	3%

### Lowering costs

Despite the company's success in 2007, CentraVis recognised that in order to compete globally it had to lower its production costs. The company therefore issued an international tender and chose Czipin Consulting (Austria) to carry out consulting services in five areas: business management, production costs, complex quality management, industrial development and project management. An assessment was carried out of the performance of department heads and of the efficiency of control systems. A series of 25 interviews with heads of departments and technical support staff was carried out, and production over a period of 30 hours was observed and



SMS Meer pilger machines KPW 25LC.

analysed. In October 2008 Czipin's preliminary analysis revealed weaknesses in yield coefficient, productivity and efficiency of equipment. From 19 January 2009 CentraVis and Czipin have been investigating how production costs can be lowered. The results will be fully known only in March 2010, but already the company is confident that, thanks to this consultation exercise, its cold shop productivity will have increased by 20%.

### Strategy unveiled

Meanwhile the company unveiled its official strategy on 25 September 2009. (In fact the strategy had already introduced in late 2008 and is to last for five years.) Its three priorities were: (1)

development of high-technology manufacturing for project business; (2) reduction of costs through modernization of production processes; and (3) promoting a relation of trust with clients in order to satisfy their individual needs. Behind this strategy lay a conscious choice. CentraVis could either compete with Asian manufacturers on cost, which meant concentrating on making products as cheaply as possible, or opt for making more complex products on a higher technological level. Not surprisingly, in accordance with its west-leaning business ethos, CentraVis chose the second option. Above all this meant working more closely with customers in order to meet their exacting demands in any given project and providing a higher level of tailor-made service. For example, CentraVis has improved its service level by establishing an online status tracking system so that customers can check the delivery status of their order in real time. The strategy also included modernising production facilities and reducing production prime costs, including reduction of expense for tooling, improvement of yield loss and conversion costs in the hot and cold shops, and decreasing raw material costs.

### Bearing fruit

CentraVis considers that the strategy has already been bearing fruit since 2009. Project order intake has increased, and certification has been obtained from major suppliers in the power generation (Alstom



The new KPW-25 cold-rolling mill with 350 meters per hour efficiency of the German producer SMS MEER.

## Centravis: basic facts

<b>Year founded</b>	Centravis – 2007; UVIS – 1991.
<b>Number of employees</b>	2.004 ( as of 1 January 2010)
<b>Product range</b>	Seamless stainless steel tubes and pipes: heat-exchanger, boiler tubes, general tubes and pipes, hollow bar, instrumentation tubes, furnace tubes, Ni-alloy tubes. Over 1000 standard-size tubes in 100 grades of corrosion- and heat-resistant steel grades.
<b>Grades</b>	Austenitic: 304, 304H, 304L, 316, 316L, 317, 321, 321H, TP 310H, 1.4828, 1.4821 Super-austenitic: 904L, 6 MOLY Ferritic/martensitic: 405, 410, 430 Duplex: S31803 Super-duplex: UNS 32750, UNS 32760 Ni alloys: 600, 625, 800, 825, 020 etc.
<b>Dimensions</b>	Hot finished: OD 38 to 250mm with wall thickness of 3.5 to 35mm. Cold finished: OD 4 to 114.3mm with wall thickness from 0.2 to 12mm.
<b>Mill capacity</b>	34,000 tonnes per annum.
<b>Certification</b>	Quality confirmed by international certificate EN ISO 9001-2000, EN ISO 14001, PED 97/23/EC, AD 2000-Merkblatt WO, Lloyds Register
<b>Standards</b>	Products manufactured according to American ASTM, German DIN, French NF, Italian UNI and Russian GOST and TU standards.
<b>Customers</b>	Alstom Power, Bayer, Belleli Energy, ExxonMobil, BASF, GEA, KOCH Industries; Atomstroyexport, Atomenergomash, Gazprom, Krasny Kotelshchik, Lukoil and ZIO-Podolsk.

Power, Forster Wheeler, Sabic, Technip) and oil and gas industries (Saudi Aramco, Repsol, Petrofac, Exxon Mobil). Support of a different sort has come in the form of a financial package worth €58 million provided by the European Reconstruction and Development Bank. The package, announced on 26 October 2009, comprises an equity investment of €10 million and a loan of €48 million that will allow the company to introduce international environmental and social standards. Centravis was the only Ukrainian company that received this support, which can be regarded as endorsement of the company's strategy to transform itself into a more efficient, cost-effective company.

### Product range

So what kind of company is Centravis – and what kind of company does it want to become? It currently employs about 2000 people, 90 % of the workforce being concentrated at Nikopol. Its principle speciality, ever since the 1990s, has been seamless stainless steel tubes and pipes, and its principle market is heat exchangers. But it also produces boiler tubes (for the power-generation, heating and ventilation industries), general tubes

and pipes (offshore and chemical), hollow bar, instrumentation tubes (aerospace, oil & gas, semiconductors, medical and auto), furnace tubes (oil refining, petrochemical and chemical) and Ni-alloy tubes (nuclear, power generation, chemical, petrochemical and aerospace). Today Centravis' complex tubes business amounts to 45%, the remaining 55% being standard products.



Seamless stainless steel pipes – Centravis products

The stainless steel grades offered range from the general-purpose austenitic, ferritic and martensitic grades to super-austenitic 904L, Ni alloys, duplex grade S31803 (2205) and super-duplex grades.

### Future developments

Not content to rest on its laurels, Centravis works closely with scientists and customers to develop the alloys of tomorrow through its R&D facility at Dnipropetrovsk. Centravis plans to increase its offering of high-corrosion grades (6 Moly and super-duplex) and is developing low-Ni and Ni-free alloys in order to reduce its material costs. Centravis has patented several low-Ni grades for the power generation, chemical and petrochemical industries.

### Conclusion

Centravis has been taking all the correct measures to ensure its future success. In accordance with its culture of openness, it has been honest about its weaknesses and has put in place measures to eradicate them. There are encouraging signs that Centravis's strategy is paying off in terms of increased confidence among clients and the financial community. By combining the best of European, eastern and American qualities, it is surely on the way to achieving success as a major player on the world stage.