

General view of one of the most advanced cold finishing shops in the world.

Tubacex invests in becoming the world's reference

The Tubacex Group says that it is the world's second largest producer of seamless stainless steel tubing and piping, and has developed a global strategic plan to reinforce and expand its market presence. A fully vertically integrated group with facilities across the globe, Tubacex is well positioned to make that aim a reality. Stainless Steel World talked to key members of the company at their headquarters close to Bilbao in northern Spain to find out how they plan to achieve this and how the international seamless tubing and piping market is developing.

By John Butterfield & Joanne McIntyre

"Tubacex is a vertically integrated group with steel milling facilities in Spain, Austria and the USA," explains General Manager Mr. Guillermo Ruiz-Longarte. "We've been focused on seamless stainless steel tubes and pipes since the 1990s, and today our worldwide commercial network covers most of the globe with a strong commercial presence. In addition to our traditional markets of oil & gas, power generation, petro-chem and refining we are in the process of increasing our portfolio with heavy investments and strategic alliances with global partners." While Tubacex is well-positioned in the traditional markets for seamless stainless

steel products, the Group will soon be playing a leading role in new areas. "These include umbilical tubing for offshore applications, OCTG (oil country tubular goods) in corrosion-resistant alloys, and advanced grades for supercritical boilers. We have a strong strategic alliance with the Vallourec & Mannesmann Group (V&M) which reinforces our global strategic plans. While 2009 was a tough year we have maintained all of our investment plans and these are becoming reality in 2010."

Significant investments

Tubacex has continued on track with its intensive investment plans, including a

new state-of-the-art plant in Austria. "Our Austrian mill, Schoeller Bleckmann Edelstahlrohr, is one of the most traditional and reputable producers of precision and instrumentation tubing," continues Mr. Ruiz-Longarte. "We are in the process of launching a brand new umbilical plant in that area, which is now ready for production. In addition, we are also constructing a new extrusion press at the Austrian facility which will be finished by the end of December 2010. This investment complements our umbilical tube production activities, producing hollows for the installation as well as value-added tubes in high nickel-alloys. The umbilical plant and the



new extrusion press combined represent an investment of over EUR 50 million.”

The company has also invested in its OCTG corrosion resistant alloys operations in Spain. “We are currently producing OCTG using our industrial capabilities in Spain, recently reinforced with new cold finishing equipment. Nowadays we are in the process of an important refurbish of the finishing areas in our Spanish plant which will deliver a massive increase in our quality and processing capabilities,” continues Mr. Ruiz-Longarte. “Significant investments have also been made in non-destructive testing facilities at the Spanish plant which means we are now fully capable of producing higher nickel-alloys with more extreme tolerances. At the same time we are looking forward to developing a strong global presence in

the boiler and nuclear markets.”

In addition to these significant investments, the Tubacex Group is working hard on its strategic position. “In terms of organic growth the Group has, for the most part, reached maturity. We are totally committed to not only being one of the most important players in terms of volume portfolio and investment; we also want to be a technological reference in the development of new grades, technical possibilities, quality and service in seamless stainless steel tubes.”

Global operations

In February 2009 Tubacex established a special agreement with Vallourec & Mannesmann Tubes (V&M) to commercialize tubes in the domain of powergen and oil & gas worldwide. The comprehensive relationship also includes joint R&D to develop new speciality products or optimize the existing ones. “Both organizations are extremely pleased with this co-operative arrangement,” explains Mr. Fernández-Muiños, Vice-President of the Tubacex Group. “The synergies are excellent; we produce stainless steel products which are complementary to the V&M range and this is a good basis to develop a strong relationship together, the sky is the limit.”

“Commercially the Tubacex Group attains the No. 2 position in the world as a producer of seamless stainless steel tubes and pipes” continues Mr.

Fernández-Muiños. “We sell to about eighty different countries with our main markets being Europe, followed by NAFTA then the rest of the world. Our clients are both stockists as well as project engineering companies and major contractors.

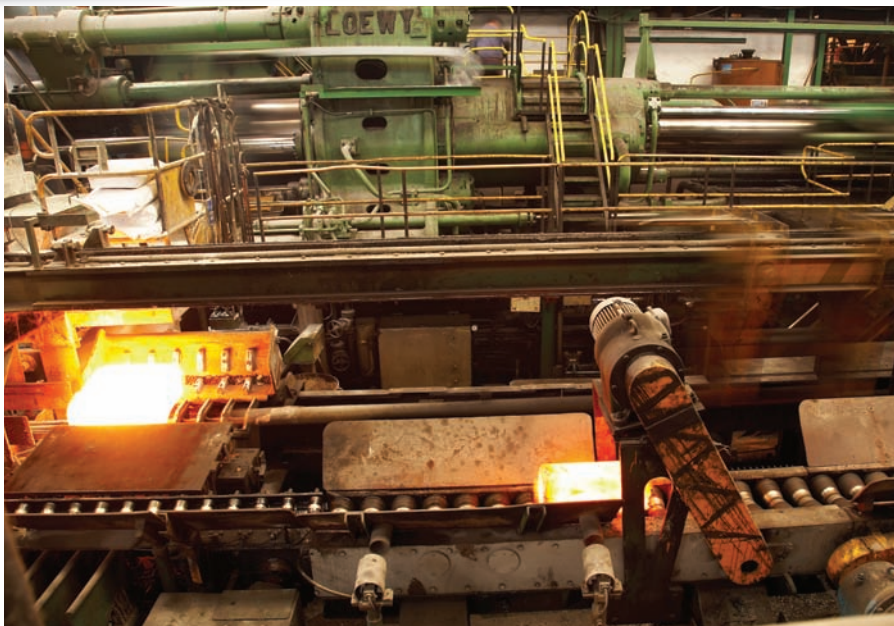
The Group maintains a large inventory of seamless tubes at facilities in Spain, Austria, France, the United States (Houston), Shanghai and Indonesia.

“This stock is only for providing the best service to our current customers. This means that if one of our stockists runs out of a particular product we are able to deliver stock to them immediately – it’s a quick and convenient solution. The Tubacex Group is formed of nine different companies, one of them being a distribution company that buys from the tubing mills on the basis that they serve only customers of the group. It is a simple, clear but very efficient way to keep the customers well-served.”

As part of the company’s commitment to being as close as possible to its customers, new offices or stocks of inventory are regularly opened. “Two years ago we opened offices in Moscow and Dubai, while last year we opened a new office with stock in Brazil,” continues Mr. Fernández-Muiños. “It’s part of our strategy to continuously adapt our structure to the needs of the market and the customer. For instance when we opened our first office in Brazil three years ago we soon realized that



Tubacex is a vertically integrated group with its own steel melting shop.



Extrusion press in Tubacex Spanish mill.

we could be of better service to our customers if we could offer a complete package, not just tubes. So we came to an arrangement with a strategic ally that is highly specialized in package compilement. At the end, we worked hard to design the perfect combination of our mill capabilities, the package compiling specialization and the local knowledge and relationships in order to provide the best possible service to Brazilian customers.”

“We focus on providing customers with the best possible service. We sincerely believe in personal contact to understand what our customers need and to provide that to them in the best possible and expeditious way. It’s a simple philosophy!”

Powerful innovation strategy

Some time ago the Group identified innovation as being of major importance in developing its strategy. Mr. Diego Herrero, Innovation Manager, explains: “We believe we need to be more innovative than our competitors. So over the past four years we have carried out a major restructuring of the Group’s internal processes to increase efficiency – these include changes in project engineering, metallurgical and quality systems.”

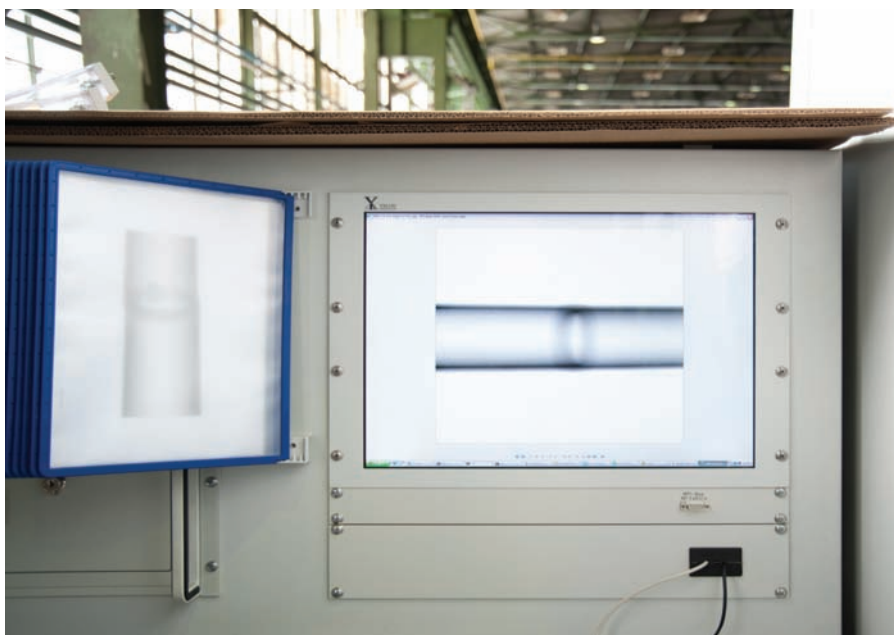
“An Innovation Committee made up of top managers was created with the sole purpose of dealing with new and innovative issues. We have also created a business unit called Tubacex Innovation, which is tasked with

managing the innovation process. We don’t see innovation as simply R&D but as a full-change process starting from idea generation up to the deployment of new products, services or processes. The new organization is more horizontal because to accelerate our development we have to create teams for managing projects whether they are far away or in the same time zone. Another task of this unit is to hold the specific R&D resources of the group: When we set up a project, a team of people sourced from the whole organization will dedicate their time and effort throughout the project.”

Mr. Ruiz-Longarte points out: “Tubacex Innovation works as a task-force to manage the whole organization’s involvement in different projects. To achieve this we are utilizing people from our quality, process-engineering and metallurgical departments and have created special groups to deal with and follow up the project from start to finish. By co-ordinating this platform we are combining the know-how from our whole organization in Austrian, Spanish and U.S. mills together with that from V&M. Projects like this enable us to connect with clients and develop a close relationship, and we are completely flexible in defining our specifications to meet the clients’ needs. We believe in this strategy and that it will grow from an exponential point of view throughout our entire organization. It’s about flexibility of



New coiling equipment.



State of the art inspection technologies to ensure the maximum quality.

service, being prepared to invest and engaging in innovation to the maximum of our abilities. This is the strategic principle for the whole organization, from the board of directors to the shop floor.”

Mr Herrero adds: “While the organisational change is one of the main drivers in our innovation process the other is that we recognize that we need to tailor our market approach to specific markets. We are targeting speciality niches which are extremely demanding from both the service and technical points of view. For instance our agreement with V&M means a new approach to the market; for the powergen business we are building together a platform able to deliver the full range of tubular products to a power plant; and doing that we are moving from delivering products to solving our customers’ problems. It’s one of the many ideas behind our strategy: it’s easy to say but hard to do, although we are well on the way.”

“In addition to improve our market approach, we want to further develop our R&D and technical capabilities. Our business is very technology related as our customers are technology-driven so if we want to solve problems we must



Tubacex's agreement with V&M covers powergen and oil & gas worldwide.

be able to speak at the same technical level in order to find solutions together. The solution for developing our R&D lies in not only utilizing our own resources, allocating new people and investing more, but also in making alliances and collaborating with research centres in Europe and eventually, worldwide.”

“We want to be a quality and service reference in the seamless stainless steel tube market, solving our customer increasing needs.”



Schoeller Bleckmann Edelstahlrohr hosts over 50 million EUR of new investment.

Looking to the future

“In the coming year we expect to develop significant market share in the oil & gas, power generation and nuclear industries – these are the three strongest segments,” says Mr. Ruiz-Longarte.

Mr. Fernandez adds: “The increasing scarcity of oil reserves in the future is a fact; oil recovering will take place in ever-more challenging environments and require stronger materials for equipment, so the potential market for our products will continue to increase.” “Actually we have great expectations for the seamless stainless steel market in general, including applications such as chemical, petrochemical and fertilizers. Although there is more competition today than ever before, the market is still growing. While the economic slow down over the past 18 months was unfortunate, from time to time it’s good to understand that it’s not always plain sailing as this helps us to better prepare ourselves. The Tubacex Group has attained the main certifications regarding quality and environmental issues. In addition we have gained approval from almost all of the main end user vendor lists, and these are the companies who are driving the seamless stainless steel tubing project market. We feel confident in the long run that seamless stainless steel tubes have a bright future.”

Facts & Figures

Name: Tubacex Group

Founded: 1963

Headquarters: Llodio (Alava) Spain

Commercial offices: 16 worldwide

Main products: Seamless stainless steel tubes and pipes, hollow bars, steel, fittings

Key markets: Oil, petrochemical, chemical, power producing, machining, car manufacturing, food producing, aircraft, nuclear and capital goods industries.

Turnover: €372 million (2009)

Employees: 1,797