

Salzgitter Mannesmann Stainless Tubes reinforces its management

As a leading manufacturer of seamless stainless steel and nickel based alloy tubes and pipes Salzgitter Mannesmann Stainless Tubes (SMST) has a familiar and highly respected presence in the global market. Headquartered in Germany, the company continues to expand its wealth of knowledge and technical excellence in producing tubular products for a wide range of demanding applications. The company maintains a high ethical standard of business practice and an uncompromising focus on quality. Stainless Steel World travelled to the company's headquarters in Germany to speak with Michael Bellinghausen, Member of the MRW Executive Board & CEO of SMST, and Christophe Le Rigoleur, Managing Director, about the company's strategy and recent developments.

By Joanne McIntyre

"Several years ago we defined a clear strategy for the company and it has proven to be very successful with very positive financial results in the recent years," begins Mr. Bellinghausen. "Following a review of the

strategy last year we decided to formalize the company's core values to ensure everybody involved, from the shop floor to the top management, has a real sense of who we are, what we believe in and what our goals are."

The vision

"Our vision is to be the reference in service for the seamless stainless tubes market for commodity products; and a solution provider for demanding project



Boiler tubes.

business,” explains Mr. Bellinghausen. “These two points are the cornerstones of SMST’s strategy. We believe it is essential to distinguish ourselves from the low-cost commodity manufacturers and keep our identity. A key part of this is nurturing and retaining all of our skilled workers. Throughout the crisis years we did not let a single one of our permanent staff go and it proved to be the right decision; if another crisis started tomorrow we would do exactly the same. It means that we have retained all of our in-house knowledge and experience which is at the heart of our production and performance. This is what distinguishes us from new or so-called low cost producers: our core asset is the technical, commercial and logistical experience of our people.”



A detail of part of a boiler.

The mission

Mr. Bellinghausen continues: “Our mission is to serve high profile and specialized distributors and end users with our seamless tubes. We strive to distinguish ourselves in order to make commodity products available with perfect service to our customers, with whom we work very closely. For premium goods we provide a complete service, consulting with the customers to really identify what they need both in terms of product and also the service around that product. This is managed by Key Account Managers who are specialized in identifying the needs of the customer groups whether they are technical, administrative, logistical, etc.”

The culture

“SMST operates to a very high ethical standard; we are very careful with our business,” adds Mr. Le Rigoleur. “For instance there some countries in which we consider it ethically problematic to do business so we have chosen not to; it’s a clear yes/no decision which is driven from the top, so everybody from the sales team to the production team understands and adheres to the decision. Other key factors of our business culture are the innovation, quality, and service we provide. Part of the strategy has been to integrate our R&D department into the organization, controlling all R&D directly from headquarters and coordinating it with market intelligence. We have a strong collaboration with Salzgitter Group R&D which has a full range of state-of-the-art

equipment for testing and expertise.

In the past four years there has been a significant increase in the amount invested in the R&D budget. This has led to very interesting developments and positive results for the benefit of our customers.” “Normally in this business some companies try to maximize their short term financial results because they are on the stock exchange and driven by shareholders. SMST is in the comfortable position of not having to do that. Our very stable and positive results allow us to focus on long term relationships which we are 100% sure will pay off. This culture is not only in effect with our suppliers and customers but also with our employees. We have a long term partnership with each employee which means trusting each other, having open communication, and also relying on each other. This one of the core culture values which we have formalized.”

New faces at the top

In every company there is a normal process of succession planning and within the SMST group there have been several changes at the top management level due to the retirement of managers. In the Houston plant, Managing Director Paul Burdette will retire at the end of 2013, and his position will be filled by Tony Thurman who has been training for the role since 2012 and has worked in tubing his entire career.

In Costo Volpino, Italy, Managing Director Gian Carlo Rizzi retired earlier this year and he is succeeded by Sergio Frattini,



The Costa Volpino plant in Italy.

who has also worked his entire career in tubes and took over management of the plant in February.

Finally, in Montbard, France, the Managing Director Michel Zahrai left the company on 1 July, and has been succeeded by the very experienced Frédéric Mattei.

"In our experience we have found that it is best to fill key management positions with top qualified engineers which is why we have chosen to put technical people in these positions," explains Mr. Bellinghausen. "We have also allowed

a long time to work these new people into their new roles to ensure a perfectly smooth transition. We are very pleased with the new Managing Directors and are excited to see how they will continue to drive ahead success for the company in the years to come."

Focus on distribution activities

While SMST produces seamless tubes and pipes, the distribution of these products forms an important aspect of their business. "It's important to us that distribution is executed with a high level of service," explains Mr. Bellinghausen. "A few years ago during the economic boom there was a tendency for there to be a strong focus on the very large

projects with distributors feeling a little left out. We heard that message loud and clear and now part of our strategy is to always serve distribution needs: whatever the activity or project status, we will always retain capacity for our loyal and long term partnership distributors. To achieve this we have complemented our distribution service with a special logistics program to make sure that all customers, regardless of the market situation, always have product available with excellent service from a central inventory. This is our message to customers; you don't have to worry, even when activity is high that there will never be a lack of material for our loyal customers. We guarantee this service and achieve this through holding extra inventory, streamlining logistics...whatever it takes."

Market drivers: Oil & Gas, Power gen

The two main market drivers for the company's business are the Oil and Gas industry and Power generation.

"SMST produces the full range of oil and gas products for Upstream, Midstream, Downstream applications onshore and offshore also including OCTG and umbilical," explains Mr. Le Rigoleur.

"One of our specialties is manufacturing products for the most demanding and specific of applications. SMST has put a lot of research into understanding the market needs paired with consequent investment in our factories to satisfy the end users. From the market it was clear that on the supplier side there was a

Asia

In terms of production SMST is firmly based in Europe and America and has no immediate plans to change this, although it would like to enlarge its presence in Southeast Asia.

Mr. Le Rigoleur explains: "Europe is struggling to recover to its pre-crisis activity levels and it's possible that there has been a structural decrease in demand in Europe. We plan to strengthen our presence in Southeast Asia/ Australia and are looking for a partner in the region to build on our success in that part of the world. We are not planning to build a new mill: a commercial partnership with perhaps some value-adding finishing activity would be ideal. Our top priority is to have closer contact with customers in this area."



Oil & Gas tubes awaiting quality inspection.

bottleneck in non-destructive testing (NDT) capacity. Subsequently we have invested heavily in NDT equipment so that we not only fulfill but surpass the requirements of the market. This has included the purchase of testing equipment such as heat treatment, ultrasonic testing, etc. That was an important step to continue to provide competitive lead times even with a high level of testing involved in the routing of the material."

"Our power generation activities are divided into conventional and nuclear power. We have been heavily involved in supercritical coal-fired power plants and have gained a huge amount of experience over the past 5-6 years, especially in China. SMST is now moving ahead to the next generation, advanced supercritical coal-fired plants. For the past 2-3 years we have been developing new material grades to meet the demands of this application. Essentially, these are a new nickel family of grades: DMV 617 MOD and DMV 263. It has taken a lot of R&D to monitor the very complex production processes, and now we are ready to go and are looking forward to the first ultra-critical plant being built. So far there are only test loops in existing power plants, with the ultimate goal of having a power plant with efficiency of over 50%. These new grades will be working at temperature around 700°C and pressures up to 350 bar so it is a challenge."

Diverse nuclear activities

For nuclear power generation SMST has achieved three qualifications: ASME III, RCC-M (as "Label Fournisseur Areva"), and HAF 604 for both hot and cold finished tubes, meaning it can supply all nuclear power markets around the globe (except for steam generator tubes). The company is currently busy supplying the Barakah site in the United Arab Emirates, the first nuclear power plants to be built in the Middle East.

"In the past two years we have also worked with some reactor designers to address technical issues for which they wanted to find solutions. One example is improving the quality of the tubes used for the primary loop, with a particular focus on cleanliness. We also have contracts for nuclear power plant maintenance in India, France, and the US, while in the UK we are involved in the upcoming Hinkley



The company maintains a high ethical standard of business practice and an uncompromising focus on quality.

Point C project where four Areva EPR reactor units are planned."

In parallel the company has ventured into the area of high level waste storage which requires very special tubing with unique material requirements. Fuel reprocessing is another new and challenging nuclear branch. Spent fuel is treated in a solvent extraction process using boiling nitric acid to dissolve the fuel and extract the uranium and plutonium which is re-used for fuel fabrication. This is an extremely aggressive environment using highly concentrated acid at very high temperatures, so the tubes and pipes used have unique corrosion requirements.

While the US nuclear market remains important for maintenance and life extension projects, the development of Small Modular Reactor (SMR) technology

has provided the impetus for a new development into the SMST plant in Houston. Mr. Le Rigoleur explains: "The first SMRs will be totally indigenous to the US, so we knew our Houston mill had to be ready; by the time construction of the first SMR starts the mill will have been in operation for at least 18 months and we are working closely with Westinghouse to develop the tubing they require. We are already in the process of gaining NCA 3800 certification at Houston to expand the plants' capabilities."

In summary SMST is facing a bright future, built on the foundation of a successful strategic plan implemented in the past few years. As it continues to operate with a strong focus on its mission, vision and culture, the company is set to flourish in both its traditional and exciting new fields of expertise.

Facts & Figures

Name:	Salzgitter Mannesmann Stainless Tubes GmbH; part of Salzgitter Group.
Founded:	1994, dating back to Mannesmann brothers in the 1890s.
Headquarters:	Mülheim an der Ruhr, Germany.
Key markets:	Nuclear tubing, oil & gas applications, OCTG, steel tube umbilicals, boiler tubing.
Main products:	Seamless stainless steel and nickel alloy tubes and pipes.
Employees:	1,050 worldwide.
Production facilities:	Montbard, France; Costa Volpino, Italy; Remscheid, Germany; Houston, USA.
Sales:	EURO 361 million (year 2012).