



Tubacex Group: A leading seamless tube manufacturer expands

Tubacex, a leading seamless tube manufacturer, has grown to offer the widest portfolio in the stainless steel tubular industry. With an integrated production process, the Tubacex Group is able to provide a wide range of stainless steel and high nickel alloy tubular solutions, starting from steel manufacturing (with its own steel melting shop) through a wide range of technologies (extrusion, cold rolling, trepanning, etc). The past 12 months have been very good for the Spanish company with increased profits, reduced debt, and some exciting acquisitions boosting both its portfolio and global footprint. Stainless Steel World spoke to CEO Mr. Jesús Esmorís, Innovation Director Mr. Diego Herrero and VP Marketing & Sales Mr. Antón Azlor about the company's success and where its renewed focus on innovation will lead Tubacex in the years ahead.

By Joanne McIntyre

"There is no denying that the current market situation remains tough for the stainless steel tube industry," begins CEO Jesús Esmorís. "However we are pleased to be able to say that despite this, we've had a very good performance so far at Tubacex."

Indeed figures released by the company show that Tubacex nearly doubled its pre-tax profits and reduced debt by 22% in 2014; while in the first quarter of 2015 pre-tax profits rose by 22.8%. "Over the past couple of years Tubacex has grown to become a world leader in

seamless stainless tubular solutions and we now serve a premium market within the tubular industry," continues Mr. Esmorís. "We've achieved this position through both strong organic growth in value added products and services, and through relevant acquisitions in recent



months. The current market situation is clearly affected by the depressed oil price which is impacting demand, particularly in the oil & gas upstream industry. However we are still supplying orders to the main industry players both in this market and in other segments such as power generation, where demand remains strong.”

Diversification has allowed the company to maintain a good position in the market and it is now ready to move into the next stage of development once the market normalizes. In 2013 the company put in place a five year plan aimed in its first phase at increasing cash generation and reducing debt.

“A wide range of actions were undertaken to achieve this goal and we were very successful. This success, combined with a satisfactory order book, allowed us to accelerate to the next step of the plan: acquisitions.”

Targeted acquisitions

This year has seen the successful integration of two new companies into the Tubacex Group: IBF in Italy and the seamless stainless steel division of Prakash Steelage in India.

In January the Italian company IBF, a specialist in value added products and special components, was acquired. The acquisition strongly reinforced the Tubacex portfolio to reach the widest possible range of seamless stainless tubes and fittings in the industry. With a workforce of 300 and sales above EUR 135 million in 2014, IBF is well recognized and respected in the industry.

“The acquisition of IBF means that our maximum tube diameter has increased from 8 inches up to 42 inches,” explains Mr. Esmorís. “This provides us with many opportunities in the market for upstream, downstream, power generation...the possibilities are enormous. We’re very happy with the move and our customers are delighted that IBF have joined our group.”

This was followed in February by the purchase of the seamless stainless steel tube division of Prakash in India. The company has 250 employees and a turnover of EUR 25 million, and has traditionally manufactured tubes for the oil & gas and petrochemical sectors. “This move improves our position in the fastest growing markets, with a particular emphasis on Asia, where the Tubacex Group is increasing its commercial presence by strengthening its sales team. The purchase will help us to be even more competitive in markets such as Brazil, Mexico, South East of Asia, etc. The goal was to obtain a platform where we could be more competitive and Tubacex Prakash perfectly complements our product range in small diameter tubing.”

Projects

“Tubacex is well positioned in the projects market,” explains Mr. Esmorís. “Having our own steel melting shop provides us with a lot of flexibility, whilst the recent growth strategy is complementing our portfolio to supply a very wide range of seamless stainless and



Tubacex Group Management Team.

[COVER STORY]

high nickel alloy tubing. Our strategy is oriented to further reinforce this position.” An important milestone for the company was its qualification by TOTAL as a certified supplier for OCTG products. “OCTG are niche, high value added products and this qualification will make our products even more attractive to a wide range of end users and oil majors. Gaining this qualification has been one of our most important milestones and we are fulfilling increasing volumes of orders with TOTAL.”

In West Africa, Tubacex has supplied TOTAL with tubes for the Moho Project and it is in process to deliver tubes for Kaombo Project. As they are deep water projects requiring costly technologies, these are prestigious and extremely challenging project to be involved in. “We are proud to be a part of the Moho and Kaombo Projects,” smiles Mr. Esmoris. “Other international end users and oil majors have seen that we can deliver this equipment and we expect this to be a real growth area for the future.”

Tubacex Service Solutions

“Despite current market conditions we intend to maintain our strong investment program in R&D and equipment to enlarge our portfolio in terms of grades, range and service,” continues Mr. Esmoris. “We are continuing to invest in equipment and services to improve our products for key applications such as OCTG in CRAs, umbilical tubing, new grades for super-critical boiler tubing, and the nuclear and fertilizer industries. However the investments also include a new business unit called Tubacex Service Solutions which will provide new services for customers by adding value and providing excellent service.



Tubacex Group wide range in seamless stainless tubes has increased through IBF's trepanning technology, equipment and expertise.

Tubacex Service Solutions is a value-added concept which supports our clients when they need it. For instance should a client face a challenging delivery time we can support them with stock from various locations around the world to provide quick delivery.”

“Tubacex Service Solutions also include activities not always included in milling such as bevelling, bending and shot peening. It's a strong development of our innovation capabilities, supported by new laboratories and equipment to upgrade tubes as a service to clients. Our aim is to be the very best partner for clients to allow them to be competitive in terms of delivery time.”

Tubacex Innovation

Mr. Diego Herrero, Innovation Director, joins the conversation to explain the concept of Tubacex Innovation,

another exciting development aimed at servicing clients more effectively. “In order to reinforce our position in the seamless stainless tubing market, we have reinforced our R&D and innovation departments to create Tubacex Innovation. In the past we used to follow the market, but today we aim to be at the leading edge. Listening to our clients, it became clear that we needed to invest in highly qualified metallurgists and sophisticated R&D equipment to develop our products and testing capabilities.” “Innovation has become a top priority in the group and increasing resources are now devoted to this critical activity. Our innovation strategy plays a critical role in several ways. Firstly, we are increasing our presence in value added products linked to oil & gas, petrochemical and electric power generation activities. The share of premium product sales has increased by 50% in the last two years – an evolution which would not have been possible without the development of new processes and solutions.” “Secondly, we continue to develop new solutions in close cooperation with our customers, EPCs and end users,” continues Mr. Herrero. “We are reinforcing our capabilities with a new, state-of-the-art laboratory and the development of continues improvement projects. Tubacex Innovation will allow us to work more closely with customers, and demonstrate the solutions we can provide in terms of corrosion, welding, and all aspects of managing the tubes they are using.”



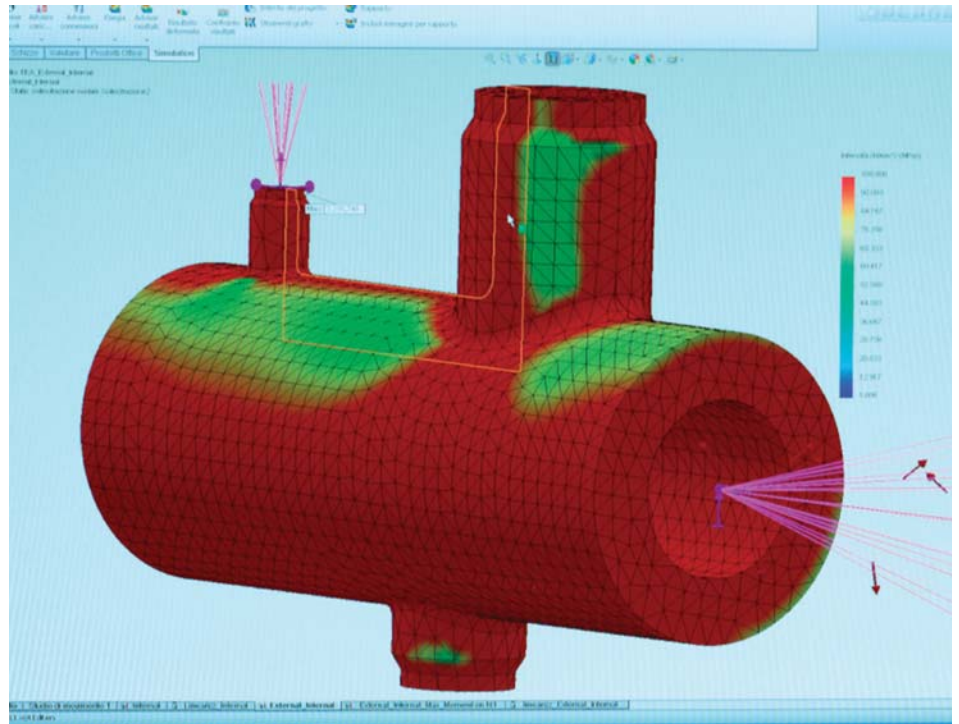
Product quality remains a strong point of Tubacex Group's manufacturing units.

Commercial Strategy

Mr. Antón Azlor, VP of Marketing & Sales, explained that the company is carrying out a coordinated but specialized commercial strategy. “Over the last two years an important transformation has taken place as the market has undergone rapid change. The Tubacex Group has always been very strong in Europe, but under-represented in emerging markets such as Asia in terms of a commercial network. However over the past 12 months we have reinforced our presence in Asia with investments in talented people, such as an Asia Region Director who from the new office in Mumbai will lead sales in Middle East, India, Asia Pacific, Oceania and South Africa. We are also opening an office in Singapore to serve South East Asia; and we already have offices in Dubai and Shanghai. Investing in new talented people for these regions will bring us closer to the EPCs and end users. By reinforcing our sales capabilities we can add value and provide services directly to the client.”

“We are continuously adapting our structure to the market and customer needs, with a clear commercially driven strategy,” continues Mr. Azlor. “Tubacex is approved for nearly all of the main end user vendor lists for companies driving the seamless stainless steel tubing project market. It’s clear that the Middle East, India, China, Korea and SE Asia markets will continue to grow, so we need to reinforce our presence there.”

“Another area where we will invest in more marketing and sales technical sales professionals in the short term is Houston, as it is biggest industrial oil & gas hub in the world.”



Special tubular solutions are designed through the most modern techniques.

Future

Looking to the future, the Tubacex team remains optimistic despite current market conditions. “The oil and gas, refining, petrochemical, power generation and fertilizer industries, which are the main drivers of our demand, present good perspectives for the future,” says Mr. Esmoris. “We expect demand for stainless and nickel alloy tubes to rise. The scarcity of oil in the future is a fact, and it will become increasingly difficult to recover it from harsh onshore and offshore conditions so the potential market for our products will increase. We’ve invested in providing increasingly sophisticated material solutions to keep ourselves ahead of the

requirements in very harsh conditions such as subsea, oil sands and arctic exploration.”

“The evolution of raw materials – particularly nickel and molybdenum – show great variability but in the end this shouldn’t affect us if we maintain our competitive capabilities. Furthermore, we see that there is a lot of pressure from end users to rationalize and reduce costs in the value chain. We have a lot of ideas which we will implement to reduce costs and allow our customers to be more effective and efficient in the value chain and to support the end users. By working closely with OEMs and EPCs to obtain a win-win situation, we will prove to be a most effective partner. We believe the future for Tubacex is bright.”



A new corporate laboratory specifically devoted to R&D was opened in 2014.

Facts & Figures

Name:	Tubacex Group
Founded:	1963
Headquarters:	Llodio (Alava), Spain
Key products:	Seamless stainless steel and high nickel alloy tubes and pipes, hollow bars, fittings
Main markets:	Oil & gas, chemical, petrochemical, power generation
Production:	Spain, Italy, Austria, USA, India, China
Employees:	2,200
Turnover:	More than €700 million
Website:	www.tubacex.es