

01/04/1998

Danieli aims to maintain presence in Malaysia

Adeline Ong

CONFIDENT that Malaysia will overcome its economic problems soon, the Danieli Group of Italy will still maintain its presence in Malaysia.

Its chairwoman, Ms Cecilia Danieli, told Business Times the group is only slightly affected by the economic problems of the region.

"We are already prepared for long-term investments in Malaysia.

"We feel that when the Nusantara mini-integrated steel mill project is completed, the economy will pick up again ... and we will be around when the action begins," Danieli said.

She was in Malaysia for the ground-breaking ceremony of the Nusantara Steel Group's mini-integrated steel mill. The ceremony was performed by Prime Minister Datuk Seri Dr Mahathir Mohamad in Kudat, Sabah, recently.

Danieli said that for the past 20 years, the region has contributed to some 20 to 25 per cent of the company's turnover.

"This is a substantial amount considering that the group's turnover is over US\$1 billion (US\$1 = RM3.68) annually," she said.

The Nusantara Steel Group's mini-integrated mill system has competitive advantages over the conventional integrated mill technology in terms of energy saving, lower capital costs, space saving, lower break-even production levels, and more flexible operational systems as well as minimal manpower requirement.

"The project will see the official start-up of the 1.3 million tonnes per annum hot rolled coil project which is expected to double in the future," Danieli said.

Danieli and Siemens of Germany are the main contractors for the entire steel-making plant since both are leaders in supplying equipment, technology and services to the steel industry.

"The steel-making plant is part of an integrated iron and steel process to produce high quality, low-cost hot rolled coils, starting from iron ore and scrap, thus having high purity liquid steel," she said.

Casting is through Danieli's flexible thin slab caster that guarantees low transformation cost and superior slab quality.

Rolling is through a modern fully hydraulic Danieli's united hot strip mill that improves overall quality and product range.

"The plant is going to be one of the most competitive in the world thanks to the described features which would enable the production of ultra-thin strip gauges which are able to substitute cold rolled coils for a large portion of the market. While this allows the company to achieve higher average selling price, it would also keep transformation costs attractive," she said.

On the group's overall performance for the year 1996/97, the net income has increased by 11.4 per cent to US\$44 million.

"Medium- and long-term prospects are good considering the investments in innovations and personnel have been made and are continuing.

"It is likely that the market for new plants will slow down over the next two to three years and will pick up again towards the year 2002.

"However, the current order backlog of US\$1.37 billion and the decrease in the demand for new plants will be compensated through innovative technological packages to reduce production costs by revamping the existing plants," she said.

Its strategy this year is to continuously improve processing know-how in the design and manufacture of specialty steel plants, maintain its leading

position in design and manufacture of compact mini mills for flat and long products, and engage personnel in a creative and motivating atmosphere.

She added that the results for the financial year 1997/98 should be similar to those of 1996/97.

The Italian conglomerate is among the world's top three suppliers of equipment for steel-making plants in the world.

It has three main factories based in the US, Sweden and Italy as well as offices in 18 countries worldwide, with a total workforce of nearly 3,000.

The group has achieved its aim of becoming a worldwide leader in the technology and production of "long" steel plants.

The Danieli group is recognised worldwide as one of the most innovative companies in the steel industry.

Large investments are made in research and development at approximately US\$35 million annually.

The group's export share is around 98 per cent of turnover and during the 1991-1997 period. It increased by an average of US\$750 million a year.

In the last five years, capital expenditure of US\$134 million has been made, US\$56 million is forecast for the next three years.

Today, the Danieli Group has three main factories - Youngstown, US (Danieli Wean and Danieli United), Smedjebacken, Sweden (Danieli Morgardshammer), Buttrio, Italy (Danieli & C).

(END)