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Italian steel firm prepares for long-term investments

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THE Danieli Group, once a small steelworks factory but now a group with US\$1 billion (US\$1 = RM3.67) annual turnover, has not been deterred from investing in Malaysia even though the region is experiencing an economic downturn.

Chairman Cecilia Danieli told Business Times that the Danieli Group has confidence in Malaysia and the region.

"For the past 20 years, the region has contributed to almost 30 per cent of the company's turnover. This is a substantial amount seeing that it registers a turnover of US\$1 billion annually.

"Besides Malaysia, we are also present in the Philippines, Taiwan, South Korea, China, Thailand, Indonesia, Myanmar and Australia," Danieli said in Kudat last week.

She was in Malaysia for the ground-breaking of Nusantara Steel Group's mini-integrated steel mill which was performed by Prime Minister Datuk Seri Dr Mahathir Mohamad last Thursday.

Nusantara Steel Group is the first in Asia and second in the world after Hlysa's plant in Monterey, Mexico to launch a mini-integrated steel plant which comprises a direct reduction iron and hot briguetted iron (DRI/HBI) plant and a hot coil plant.

The DRI/HBI plant is a joint venture between Nusantara Steel Group Sdn Bhd, the Sabah State Government and the Hlysa-Ferrostaal consortium while the hot coil plant is a joint venture between Nusantara, the Sabah State Government and the Danieli-Siemens consortium.

Danieli said she anticipates some geographical movements for the company's presence in the region.

"We will definitely keep our presence here. We are very slightly affected by the economic problems of the region.

"We are already prepared for long-term investments in Malaysia. We feel that when the project is completed, the economy will pick up again ... and we will be here when the action begins," Danieli said.

Nusantara's steel mill is due to be completed in three years. The mill system holds 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 mill will produce an initial 1.3 million tonnes a year but production capacity will eventually be raised to 2.5 million tonnes. In addition, the plant will also produce HBI for exports.

The Danieli Group's hot strip mill at Kudat is the first fully hydraulic system in the world.

The Italian conglomerate is among the world's top three suppliers of equipment for plants to the global steel industry. 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 knowhow and production of plants for special steel "long" products.

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.

During the 1991-97 period, about US\$60 million was invested in workshops for modernising workshop machine tools, purchasing plants for special

machinery purposes and improving heat treatment and gear grinding shops.

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

The order backlog for 1997 amounts to US\$1.370 billion.

Its strategy this year is to continuously improve processing knowhow in the design and manufacture of specialty steel plants, maintain its leading position in design and manufacture of compact minimills for flat and long products, and engage personnel in a creative and motivating atmosphere.

The story of the Danieli Group began in a small Italian town in 1914 when two brothers, Mario and Timo Danieli founded the Angelini Steelworks in Brescia, Italy.

Their factory was one of the first Italian companies to use the electric arc furnaces for steelmaking. The Danieli Group was also one of the pioneers in industrial applications of the mini-mill concept, now a worldwide trend.

Fifteen years later, part of the Angelini Steelworks was transferred to Buttrio in Italy. At the time, the company manufactured tools for forging plants and auxiliary machines for rolling mills.

In 1955, Luigi Danieli took over the family business which had about 50 employees.

It was during this time that the idea of supplying machinery to the steel industry came about as there were no suppliers, either in Italy or abroad for small- and medium-scaled steelmakers.

Hence arose the concept of manufacturing less complicated and costly machines capable of handling even the toughest production problems.

The machinery, using the latest innovations and technology was also competitively priced.

In 1962, the Danieli Group gradually expanded with the acquisition of companies specialising in the manufacture of steel plant equipment.

The acquisitions were made to enable the supply of economical and technologically competitive equipment to Danieli & Co, the parent company.

They also targeted to sell 30 to 50 per cent of their products to companies outside the group.

Two years later, the first mini-mill was built in Germany and the first continuous casting plant was supplied to an Italian company.

Finally in 1971, the Danieli Group entered the arena of the direct reduction of iron ore technology.

This was followed by the worldwide success of the mini-mill concept as a competitive means of steel production especially in the production of bars and rods.

But then in 1977, the steel market crisis took place and triggered greater competitiveness among steel mills and steel plant builders.

A turnkey order was placed for a steel mill in direct reduction of iron ore.

In 1980, Cecilia Danieli, who had earlier managed the financial and administrative departments of the group since 1977 took over as the managing director.

At the same time, Gianpietro Benedetti, took on the additional task of managing the engineering department in addition to his post as the group sales director.

Following her appointment, Danieli and Benedetti set into motion a corporative development programme.

The programme objectives included increasing the technological level of the product, increasing sales abroad and reducing manufacturing costs. By this time, the group had 1,709 employees.

In 1985, additional orders were acquired for turnkey mini-mills in the former Soviet Union, the US, North Africa and the Far East.

The group then began the industrial production of innovative machines, designed to fully automate mini-mills.

As the group continued to flourish, it continued to improve the quality of its products.

In 1998, eight new plants were manufactured, erected and set up in the US while two mini-mill turnkey orders were commissioned in the former Soviet Union.

The Danieli Group also spread its wings internationally with the acquisition of Morgardshammar AB of Sweden which produces equipment for the mining and steel industries.

In 1990, the group became the top leader in the supply of plants for long products worldwide.

In the same year, Cecilia Danieli moved up the ring as chairman of the board while Benedetti took over as general manager.

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