



Magneco/Metrel says its colloidal silica binder technology repairs the interior surfaces of blast furnaces more cost effectively than traditional approaches.

MONOLITHIC APPROACH

Steel tariffs and international business expansion help refractory company Magneco/Metrel grow. Even so, its CEO and others remain wary of imports. —JOHN KRUKOWSKI

WHAT A DIFFERENCE A YEAR MAKES," notes Charles W. Connors, CEO and founder of Magneco/ Metrel Inc. Last summer, when *US Business Review* previously spoke with Connors (July 2003), the ceramic refractories business he runs was fighting for its survival; or, more precisely, the survival of its steel industry customers in the United States.

Connors was a vocal proponent of Section 201 protection for the steel industry, a set of tariffs imposed by President Bush in 2002. The rule set duties on certain imported steel products that were scheduled to run through 2005. The idea was to buy U.S. manufacturers a little time to modernize their operations to compete in today's global marketplace.

Connors, who also serves as chairman of the American Steel Coalition (ASC), hailed 201 protection as having "saved our major market and, therefore, Magneco/Metrel." But the tariffs

were up for a mid-point review later in 2003, and Connors at the time warned of dire consequences if the protection was revoked.

"Without continuation of the Rule 201 remedy for the entire three years that was originally planned, there will be more bankruptcies of iron and steel companies and, coincidentally, more losses to Magneco/Metrel," Connors told the International Trade Commission. "More bankruptcies and more losses in a fragile situation that is just beginning to come together will cause an extremely dangerous situation for my business and thousands of other businesses like mine across America."

In December, the Bush administration appeared to bow to pressure and criticism from the World Trade Organization, foreign governments and steel-using U.S. industries, and terminated 201 protection. It was not the outcome he had hoped for, but Connors is ▷

PROFILE

Magneco/Metrel Inc.
www.magneco-metrel.com
Projected 2004 revenues: \$45 million
Headquarters: Addison, Ill.
Service: Ceramic refractories
Charles W. Connors, CEO and founder: "People repaired their furnaces and we got a chance to repair them."

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"We have increased our campaign to convince potential customers of the benefits of replacing bricks with monolithic lining," says CEO Chuck W. Connors. An application of the company's technology is shown here.

▷ philosophical about the end of the tariffs; he emphasizes the good that came out of 201 protection while it lasted, while cautioning that U.S. steelmakers and their suppliers aren't out of the woods, yet.

The good news, according to Connors, is that a prime rationale for the tariffs – to give the U.S. steel industry a window to modernize its facilities – actually did come to pass to a large degree. "It lasted long enough ... people repaired their furnaces and we got a chance to repair them," he says.

2003, in fact, was a pretty good year for Magneco/Metrel, its best since 1995. The company, headquartered in a suburb of Chicago, saw sales of \$42.5 million, an increase of 7.5 percent from the previous year.

"The good news for Magneco/Metrel is that the emphasis on saving both time and money to repair furnaces of all types continues to contribute to the growth of our colloidal silica-based refractory products," Connors says. "We have increased our campaign to convince customers and potential customers of the benefits of replacing bricks with monolithic lining, and the great advantages of Magneco/Metrel's colloidal silica technology over all other kinds of monolithic materials."

The ceramic materials Magneco/Metrel manufactures are used to coat the interior surfaces of hostile environments such as blast furnaces that must hold molten or corrosive materials.

Many industrial customers use the company's products to repair older, brick-lined structures.

"Unlike cement-bonded materials, which of necessity contain a substantial amount of calcium oxide, colloidal silica bonds create a monolithic lining which, in use, has the advantages of bricks without the joints or the time and labor needed for installation," Connors explains. "The monolithic colloidal silica-bonded refractories have superior thermal shock resistance, thermal cycling, hot strength and resistance to abrasion, alkali and acid attack.

"As we grow the product line through both industrial application expansion and geographic expansion, those great advantages of colloidal silica become more well known and add to an acceleration of growth."

About 80 percent of the company's sales are to the iron and steel industries, which explains Connors' active participation in the 201 debate. Magneco/Metrel technology allows these users to get their furnaces and other vessels back on line faster and less expensively than competing approaches, he contends.

The company also places "much greater emphasis on engineering, research, selling and service," Connors says. "Our competitors tend to sell bricks and other standard commodities to be used in a standard way. Magneco/Metrel sells solutions to high-temperature problems in the form of unique products."

Increasingly, Magneco /Metrel's products are finding applications in overseas facilities, with about



35 percent of its business generated outside of the United States. "It should be remembered that Magneco/Metrel's technology has been derived inside of the United States and ▷

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Nalco Co. works to meet its customers' needs by listening to the customer, nurturing relationships, identifying key concerns and creating new technologies and applications. In Nalco's long relationship with Magneco/Metrel, this has meant providing colloidal silica to its many facilities and customer locations on a just-in-time basis to meet stringent customer timetables. Nalco has also developed new technologies in manufacturing in order to deliver quality product more cost effectively. It has implemented this new manufacturing capability globally to meet the needs of Magneco/Metrel's rapidly expanding customer base.

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▷ tested and perfected inside of the U.S. iron and steel industry in most instances," Connors stresses. "We are making great efforts to expand in all international markets and hope for free and fair trade so that we may prosper in our international business and so that our domestic business will continue to prosper."

Magneco/Metrel technology is being applied around the globe, with recent or upcoming projects slated for customers in China, Korea, South Africa, the United Kingdom (where the company maintains a manufacturing facility) and in various countries of Eastern Europe.

Its success overseas recently earned the company an Excellence in Exporting award from the state of Ohio, where Magneco/Metrel has a plant in Negley, across the border from the traditional steel center of Pittsburgh. Magneco/Metrel was one of 25 companies that won this distinction for their ability to increase sales volume through exports, grow Ohio-based employment due to exports or implement a strategy to expand international sales.

"The winners of this year's 'E' awards are setting a record pace by aggressively selling their products throughout the world," Ohio Governor Bob Taft said in June.

Monitoring Imports

ITS WORK TO SERVICE INTERNATIONAL CUSTOMERS AS WELL as clients in a consolidating steel industry at home keeps Magneco/Metrel busy, but Connors is keeping a wary eye on steel production and prices. Although 201 protection lasted

long enough to help U.S. steelmakers, he says, the situation nonetheless "could shift awfully quickly."

Indeed, the ASC Web site has posted a recent Associated Press news bulletin that warned "six months after the White House scrapped tariffs on foreign-made steel, imports to the United States are again moving higher, raising concerns among domestic producers that want to protect their shaky industry." U.S. steel-using companies imported 2.2 million tons of steel in April 2004, which is close to the amount imported prior to enactment of the tariffs.

Concern about the continuing threat of imported steel products to U.S. steelmakers is acute enough that U.S. Rep. Phil English, R-Pa., has called on the U.S. treasury and commerce departments to permanently track and license certain iron and steel imports. A current monitoring program is scheduled to expire in 2005.

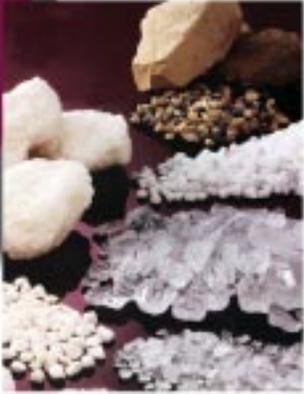
"To prevent the kind of surge in steel imports that devastated our industry six years ago, we must continue the close monitoring and licensing of these imports," the congressman said in June. "This mechanism has proven to be a critical tool in managing America's steel policy and is an important component of the president's safeguard program."

English, chairman of the Congressional Steel Caucus, has sponsored House Resolution 4730 to cover certain mill products, as well as rails, pipes and tubes, fabricated wire and other products. "This import monitoring and licensing program will help our steel producers and policymakers better track the heavily distorted global steel sector," he said. ■

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