Sumeeko acquiring Max Mothes

Alex Chen, managing director of Taiwanese automotive parts and fastener manufacturer – Sumeeko Industries Co Ltd, revealed to Fastener + Fixing Magazine, during a visit to Taiwan, that the company is in the process of acquiring Max Mothes GmbH, based in Neuss, Germany, and with it, Italian hot and cold forger VSP Fasteners SpA.

Sumeeko's latest plant in Pingtung

Founded in 1918 in Düsseldorf, Max Mothes is now headquartered in Neuss, to which it relocated fully at the end of 2013. In 2011 the company was purchased from insolvency by investment partnership Schuering & Andreas, having reported 2010 sales of around €42 million. Schuering & Andreas are turnaround specialists, with a track record of acquiring German Mittelstand companies either in distress or lacking family management succession.

Max Mothes has a major warehousing, logistics and packing centre in Neuss, with an inventory of 90,000 standard parts and more than 100,000 customised articles. Alongside is an established production operation, primarily machining bolts up to 150mm diameter, for which the company is reputed to hold the largest European stock of blanks, and customer specials. Max Mothes' manufacturing competence was strengthened in 2012 with investment in state of the art CNC machining centres. The company has another German automotive branch in the Munich Airport Business Park. Outside of Germany it has locations in Turkey, Austria, Belgium, Italy and China. It supplies a diverse range of automotive, energy sector and engineering customers, as well as selling to fastener distributors. Max Mothes employs around 200 people.

Alex Chen, managing director at Sumeeko

In August this year Max Mothes announced it had acquired VSP Fasteners, based in Brugherio, Italy, which now trades as Max Mothes Srl. A family company established in the late 1970s, VSP was acquired in 2013 by Italian private equity fund, Arcadia SGR. The company manufactures high-tensile fasteners from M12 to M80 using both cold and hot forming technologies. More than 80% of production is exported, mainly to Germany and northern Europe, although the company also established a sales presence in North America.

Alex Chen provided only limited details of the purchase agreement, implying it had been reached in September, and that he expected it to complete in January 2018, once regulatory obligations are met. Sumeeko was founded in Kaohsiung, initially as a trader but quickly establishing its own manufacturing operation. In 2001 it set-up a plant in Suzhou, China, and more recently has established a new 16,500m² production facility in Pingtung, south of Kaohsiung city. The new plant manufactures both male and female parts, through cold forming, stamping and threading/machining. It recently commissioned its first in-house heat treatment line, in order to meeting automotive quality requirements. Sumeeko production facilities are ISO/TS 16949 accredited and more than 70% of its sales are now to automotive tier 1 and 2, including General Motors, Chrysler, Volkswagen, Toyota and Tesla.

Across its three manufacturing plants Sumeeko employs close to 400 people. It has a warehouse in Harrison, Michigan, to support US automotive customers, to which 56% of Taiwanese production is destined. Around 20% of sales currently go to Europe.

Sumeeko made an initial public offering in 2012, with its stock listed on the Taiwan Stock Exchange. Taiwanese sales in 2013 reached US$30 million, growing progressively to close to US$40 million in 2016. Describing Sumeeko's key capabilities as delivering substantial cost reductions on automotive and special parts without compromise to quality, Alex Chen said the Max Mothes acquisition would more than double the company's turnover. +

by Phil Matten, executive editor,
Fastener + Fixing Magazine

Phil Matten reflects on some of the key topics currently involving the fastener industry

"All that glisters is not gold", Shakespeare wrote in The Merchant of Venice. If you know the rest of the quote, the Prince of Morocco finds that "many a man his life has sold" only to find that "gilded tombs do worms enfold".

For at least a decade there has been apparently systemic and systematic falsification of specifications within Kobe Steel – including on wire rod destined for fasteners and automotive parts. Unimaginable – except it comes hard on the heels of 'dieselgate' and other examples of fraudulent compliance.

While there is seemingly no evidence, so far at least, that the Kobe materials involved represent a significant risk in application, they are by definition not what they were purported to be and should have been. The revelation has clearly triggered a collective shudder amongst OEMs – evidenced by the fastener supply chain being bombarded for confirmation that products were not manufactured from Kobe steel. Is that simply the necessity of being seen to act or will confidence in quality systems be undermined? Given it has taken a decade to uncover evidently widespread fraud at Kobe, it's an uneasy and difficult to dismiss question.

It's also difficult to credit that senior managers in an organisation exposed as having practiced this kind of systemic fraud could be unaware of what has gone on for so long. Whether that extended in this case to instigating or encouraging wrongdoing may never be told, and is hopefully beyond credibility. However, for those with an absolute responsibility to define the quality culture of their organisation, ignorance over the long-term is surely culpable.

Which raises the question of the magnitude of pressures on operational managers to practice this kind of deceit. Relentless cost down pressure from the supply chain? Fear of criticism or more serious consequences from management above?

From time to time I encounter fastener suppliers blithely importing from a factory they have never visited, let alone audited. When challenged how they can be sure the product will be safe, they often cite its website as evidence of quality. It seems bizarre, when we are now so cynical about bankers and politicians, that cynicism should evaporate in the face of shaving a few cents off the price of a fastener. Naivety? Perhaps, or maybe just the overwhelming commercial pressures facing smaller businesses trying to survive in a highly competitive industry. It is no excuse, but rarely are those fastener destined for quality, safety or even reputational critical applications.

When something like the Kobe scandal happens, however, OEMs immediately turn on the fastener supply chain to ensure unimpeachable quality and to reconfirm its controls. That is onerous, costly, and understandably frustrating for organisations that possess a genuine and deep-rooted commitment to delivering quality assurance. It seems, however, to be the unavoidable price of ensuring the reliability of critical components – and of affirming what differentiates the really competent practitioners in our industry.

The deepest frustration, surely though, remains the continued and persistent failure by fastener consumers to recognise they are engineered products that deserve to be valued and not treated as commodities. Is that naivety too? Probably, but one of these days something will happen to ram home that thought, and Shakespeare's vision of worms writhing in a casket of gold, might just prove prophetic. +

China applies anti-pollution steel cuts early

Chinese steel output fell by 3.7% month-on-month in September, as mills began reducing production to meet government measures to combat air pollution during the winter period.

Tangshan, one of China's top steelmaking cities, required production cuts from mid October. A key target is the highly polluting sintering process that prepares iron ore for blast furnaces. Further restrictions on steel production, particularly in northern provinces and around Beijing, are expected to bite during November, lasting until March 2018.

Clear signals of Beijing's commitment to cutting air pollution through steel production restrictions have driven up steel prices on Chinese futures markets. The impact on key raw materials, particularly iron ore, has been mixed. Iron ore prices had fallen to below US$60/tonne in response to expectations of reduced demand, as a result of Chinese production cuts, but recovered somewhat on the recognition that Chinese mills were likely to require higher grade, less polluting, imported ore to respond to the government clampdown.

Steel analysts MEPS International Ltd reported in its September International Steel Review, that steel prices around the world have been on an upward trend since July, with its global products steel price index at its highest since September 2014. MEPS expects the global average selling figure to decline marginally in Quarter 4 2017, with stronger European prices more than offset by weaker conditions in North America and Asia.

CuSteel's Chinese Wire Rod Price Index has risen from around CNY 3,600/tonne (€466/tonne) in June to hit CNY 4,600/tonne (€596/tonne) in early September. Since then the graph has tracked at between CNY 4,400 and CNY 4,500/tonne. The wire rod line has run consistently higher than CuSteel's composite index for all steel products. +

CISA forecasts 3.5% growth in Chinese steel output

Despite reductions in low grade output already achieved, and anticipated cutbacks to combat winter air pollution, the Chinese Iron and Steel Association (CISA) expects Chinese crude steel output to reach 840 million tonnes this year, increasing from 808 million tonnes last year.

Output from CISA members, all of which have annual capacity exceeding one million tonnes, increased 6.8% in the first seven months of 2017, Reuters reported. Smaller steel mills recorded a 2% drop in production. Qu Xiuli, CISA vice-president, said China's steel sector is upgrading and industry concentration is rising.

The report also noted that export prices for steel products during the first seven months 2017 increased 43% compared with the same period 2016, to US$686/tonne.

According to CISA net profits of Chinese steelmakers increased 390% in the first seven months of the year. Mr Xiuli forecast industry profits in excess of CNY 100 billion in the full year. +

Taiwan eight month fastener production up 2.65%

Taiwan fastener production for the first eight months of 2017 increased 2.65% year-on-year, to 1.057 million tonnes.

Information provided by the Taiwan Industrial Fastener Institute shows output value increased by 9.87% to US$2.78 million, reflecting increased raw material and production costs during the year to date.

The average value per kilo for Taiwanese fasteners during the first eight months 2017 was US$2.63, compared with US$2.472 for the whole of 2016. The average has persistently increased year to date, rising from US$2.531/kg in January to US$2.763/kg in August.

China Steel Corporation, the main raw material supplier to Taiwan fastener makers, announced in August that it would further increase wire rod prices for delivery to domestic customers in Q4 2017 by TW$1,200/tonne (around €33.75).

2016 Taiwan fastener production fell 2.39% compared with 2015, to 1.54 million tonnes and value fell 6.72% to US$3.796 billion. Taiwan's peak year over the last ten was in 2014, when output reached 1.595 million tonnes, worth US$4.25 billion. +

BBI increases H1 2017 profits

Fastener World Magazine reports that Brighton-Best International (BBI) saw first half 2017 revenues reach TW$5.505 billion (€157.2 million). Earnings after tax increased to TW$382 million.

Currently BBI has 31 operations in six countries, including 21 locations in the United States – mainly supplying carbon steel, alloy steel and stainless steel fasteners. Fastener World says BBI, which is already the United State's largest online fastener distributor, anticipates further growth in its network through future acquisitions to facilitate diversification of its product portfolio. Ta Chen International Inc holds more than 45% of BBI's shares. +