

KITZ and MGA: Working together for dependable flow control products



In 2015 KITZ Corporation, headquartered in Japan, finalized the acquisition of one of the largest Brazilian valve companies, Metallúrgica Golden Arts (MGA), to fulfil the need for a strong presence in Brazil. MGA owns and has its headquarters in an industrial park in the city of Veranópolis in the state of Rio Grande do Sul in Southern Brazil. The city is well known for its foundries and metal works and MGA are at the heart of it all. Over a total of five units throughout Brazil, the company owns 50,000 square metres of space, around 18,000 of which are dedicated to manufacturing and warehousing, and produces a high volume of approximately 2,200 quality valves every day.

Valve World travelled to Veranópolis and spoke with Mr. Dirceu Tedesco, MGA President, and Mr. Yasunori Sugita, CEO and Chairman, to find out more about the company, its expectations and future strategies since becoming a member of the KITZ Group.

By Gillian Gane

Today, MGA is a highly regarded manufacturer of floating ball valves in Classes 150, 300 and 800 in a variety of sizes and materials from carbon and stainless steel to super duplex. Although a member of the KITZ Group since 2015, the company has retained its name since this is also the brand and trademark which customers have come to respect. Mr. Tedesco begins by giving us a brief background to MGA. "The company

was founded in 1991 as a supplier to large manufacturers. I had worked at a company that produced valve components, almost as a sideline, as did many other companies. A lot of micro mergers were taking place but there was no serious valve manufacturer in Brazil. We realized this was a gap in the Brazilian market so we began manufacturing, starting very small, with just 4 people, concentrating on producing quality products

which is still our main objective today. Starting a new valve company did present challenges, mainly financial due to our small size but I made a commitment to myself and got out to meet potential customers bringing about rapid growth. As our business developed, so did the development of new products and our range now includes different types of ball valves up to six inches, with different specifications." Mr. Tedesco

continues by telling us that, at the same time, the company also began developing products in PTFE – a very recent technology in Brazil about 12 to 15 years ago – which made MGA even more competitive. The manufacture of seals followed and, according to Mr. Tedesco, they realized that, while cost reduction was a very important factor for their customers, this combined with quality was paramount in order to meet their needs. MGA continued to develop, improve and manufacture solutions for customers resulting in growth to become what Mr. Tedesco describes as "probably the market leader in Brazil for ball valves." Since 2004 the company has been ISO certified, the first company in the state to be so. Today such certifications are mandatory, but back in 2004 it was a big advantage for MGA. Petrobras developments followed leaving MGA in the comfortable position of having gained its achievements through its own hard work. The link with Petrobras has also helped to

establish business in other industries such as oil & gas. "We owe much to Petrobras," says Mr. Tedesco, "but we have entered a new chapter in our company history since becoming a member of the KITZ Group. KITZ realized that we were a serious company with a developing market on our doorstep."

The KITZ connection

After getting to know KITZ on trips to Japan Mr. Tedesco learned that the Asian market was becoming very competitive and that KITZ were looking towards Brazil as an emerging market. "I believe that was one of the main reasons KITZ decided to come to Brazil," he tells us, "and we realized through meetings with KITZ how strong the synergy was between our two companies. Added to that, the excellent reputation enjoyed by MGA in Brazil was another important factor for our company to join the growing number of members in the KITZ fold. The combination works because the two companies share similar philosophies and goals when it comes to keeping control of actions, promoting improvements, respecting customers and employees alike and respect for environmental issues. In Brazil we have a great trust in and respect for Japanese people and that's one reason we chose KITZ." Mr. Sugita confirms that, several years ago KITZ was looking at Brazil but, due to the complex nature of doing business there, the difficulties with transportation, plus the high taxes, needed a good relative distributor or own local affiliated company. Starting a new company from scratch presented problems so it made sense to team up with an existing company. In his words: "Finding MGA was like a marriage where both spouses have the same goals, the same philosophy and good communication. KITZ is an integrated company with its own casting, machining, assembly and testing facilities so does

everything from the raw material to the end product. MGA has the same facilities with a similar company structure and culture." Following the acquisition, MGA maintains its sovereignty in Brazil but is now also bringing KITZ products to the Brazilian market. In future some new KITZ products may also be manufactured in Brazil using KITZ technology.

Opening up new markets

Both MGA and KITZ follow the same way of distributing their products using only official distributors and dealers. It has made MGA strong in the Brazilian market with more than 5,000 approved distributors and the takeover will make it possible to expand its business elsewhere in Latin America and open up new markets, for example, America and Europe, enabling them to compete more competitively against cheap Asian imports. Mr. Sugita confirms that MGA now have wide sales channels in all South America through KITZ Corporation of America located in Houston, and its marketing offices in Chile and Mexico. New markets are being tackled through the joining together of MGA and KITZ values. "We still have some work to do to ensure the products available in the South American market are of the same high KITZ quality and a challenge we face is managing to balance price and competitiveness but we will achieve that."

Product line and application

MGA currently manufactures ball valves from ¼" to 6" with various flanged, welded and threaded extremities and pressure class between 150, 300 and 800. New valves lines in Class 600 and 1500 are being launched along with higher pressure special valves and automated valves, an area fast developing in Brazil. New KITZ products will also be added to the range.



Mr. Yasunori Sugita, MGA CEO/Chairman, left, and Mr. Dirceu Tedesco, MGA President, in the modern offices of MGA in Veranópolis.



Headquarters at Veranópolis.

MGA are certified to various regulatory requirements including NBR, API, ASME, DIN which all its products comply with. Mr. Tedesco explains that: "The application range for MGA's products is quite wide. We supply to industries such as chemical, petrochemical, oil & gas, and food and cosmetics both of which are growing fast here. We are involved in many large projects and, when it comes to moving liquids, flow control is our business."

What does the future hold?

Where do the two brands go from here, strategy-wise? Mr. Tedesco and Mr. Sugita agree that both companies are watching the situation in Brazil before starting up new projects, new products, or new factories.

As for the global picture, Mr. Sugita says: "KITZ, is focusing on becoming highly ranked on a global scale in the next five years with mid-long term strategic plan, and we are on target to meet this." Something KITZ is renowned for is low emission products. In Brazil there is currently no mandatory legislation concerning emissions. How are KITZ and MGA dealing

with the topic of fugitive emissions? Mr. Tedesco: "As far as Brazil is concerned, there are some requirements for low emission valves but for KITZ, of course, this is a long held standard." Mr. Sugita believes that the current ISO and API standards to which KITZ complies will always depend on specifications

and market demands and that they will become future requirements in Brazil also. Mr. Tedesco agrees, adding that, when it comes, it will happen very fast. For the 2017/2018 strategy Mr. Tedesco explains that plans are afoot to increase production and product lines. "Next year many new products will be started up and we are forecasting an important growth over the coming few years. We are planning a future for this factory which is a positive step despite a currently depressed Brazilian market. We are also looking at the South American market as a whole, so I believe we will achieve the substantial growth goals we have set ourselves." Mr. Sugita: "This is important since we are used to working on technical projects with complex specifications. If specifications in Brazil get more complex, it's good for us. The more advanced the technology demanded, the better it is for KITZ in Brazil. We compete in first world markets, rather than under-developed regions. We think Brazil will grow technologically with more standards and specifications, especially in the field of control valves."

Finding the right solutions

As far as helping customers find the right solutions for their needs, Mr. Tedesco tells us that MGA has a well-defined work policy with strong engineering and sales teams and a very good after sales department. As he says: "We have a saying 'from a lemon we make lemonade'. If our customer has a problem, we immediately attend. If by chance the cause is an MGA problem we sort it out straight away and use the experience to make improvements where necessary. People think that any problem with flow control is always down to the valves, but we try to show our customers and team it's not always the case. 90% of the time, problems suffered by a ball valve could be related to its installation, often by people without proper knowledge, or with incorrect applicable product specification. That worries us and we are seeking ways to try and solve those issues in future."

The MGA task force

Regarding the MGA team, Mr. Tedesco says that instead of making staff redundant in the financial recession in Brazil, they have maintained them in employment because they are a highly skilled workforce that MGA do not want to lose. Three plants in Veranópolis are responsible for a workforce of around 400 and a distribution center in São Paulo state employs another 30, with a further distribution center in Ceará state. MGA are probably the largest employer in Veranópolis.

Mr. Sugita: "As with KITZ, I think that MGA's main strengths lie in integrated production and customer support." It is MGA's goal that every single MGA product or KITZ product from Japan or all KITZ factories in the world will have a warranty and technical assistance provided by MGA in Brazil. This will be supported by



Mr. Sugita and Mr. Tedesco stand proudly beside the national flags of the two companies.

continuous communication between MGA and KITZ in Japan and the USA and within the global group – total integration for all, including engineers' training.

Mr. Sugita steps in to explain: "The good technology, expertise and skills of engineering should be handed down to the next generation and other group technical teams, therefore we will bring in engineers from Japan to share their expertise. MGA engineers will visit Japan to learn best practices which will benefit both companies. MGA know how to produce good quality products at competitive prices, on the other hand Japan has amazing quality, but at much higher costs, so we can learn from each other. Employees are also encouraged and helped financially to attend college and technical courses specific to our mechanical metal sector and valve types."

Adds Mr. Tedesco: "It makes MGA an attractive company to work for and helps keep our engineers here in the area. People who started here as interns have gone on to develop a great career with us. I see our employees as being like members of a sports team. We learn to work together to get results, from the plant floor to the top office and integration with KITZ has strengthened the team. The two companies think alike. One of the statements made by KITZ President, Mr. Hotta, was that nothing need be changed at MGA. Investing in employees is very important and I see a team that is very happy with our association with KITZ. We know that, with KITZ's strength and financial support MGA will continue to grow, but in the way it was before."

Mr. Sugita explains that KITZ always follows local working culture when entering a new country. "We have been here for 9 months now and we don't need to change a thing as all the work and operations are being done very well, in the way we would do it."



Automation valve with electric and pneumatic actuator.

Reliability for customers

"KITZ is becoming a strong brand in Brazil, although having difficulty with price competitiveness compared to average local products due to high import tax and transportation costs," says Mr. Tedesco, "but we have to inform the market here that MGA's products will not increase in price due to the takeover. As far as our customers are concerned there will be no change in negotiations or business relations. They will benefit from even higher quality and advanced technology in new products that will become available to them." "History has shown that MGA are on the right road and that's the reason that customers keep coming back. We will remain loyal to our distributors and dealers.

We have seen competitors fall into the trap of trying to be both allies and competitors to their distributors and that affects future relationships."

Mr. Tedesco sums up, "Since founding MGA in 1991 I have worked hard with the aim of gaining respect from customers, suppliers and, especially employees. To me, that's the most important thing. I also want to make MGA a role model to other companies and Brazilian people and I am grateful for the support from KITZ to enable me to continue on this path." Mr. Sugita adds that KITZ has opened its Brazilian market alongside MGA and likewise, MGA alongside KITZ. "That will generate even more services and solutions to our joint customers," he concludes.

MGA stock

MGA has a stock value of USD 10Million (about 150,000 valve units). The finished goods from stock are available to be shipped on the same day as receiving the order. Even if there are no finished goods in stock for an order, a system is in place which ensures that common products can be delivered to customers with a short lead time of 2-4 days as MGA carries a plentiful stock of casting materials at all times. Having such a rich stock is a strength of the company whereby products can be supplied to customers without a waiting time which is one of the important features of customer service.

A word from KITZ

KITZ Group continues its efforts to expand its business to global markets including emerging countries, China and India, in order to achieve its long term business plan – KITZ Global Vision 2020.

Our new member, MGA is located in Brazil, also one of the emerging countries. It is significant for KITZ Group to establish a presence in South America as we strongly believe the addition of MGA to the KITZ Group will successfully further our global business development strategy.

KITZ Group companies and alliance partners will gather together at the Valve World Expo & Conference in Düsseldorf, Germany.

Please come and visit our stand in Hall03 / 3E63.



Some of the stock in the large warehouse.



Investment casting foundry.