

Transition to the next level: Neway creates a sustainable future



Since it was founded in 1997, Neway has fulfilled its ambition to become a leading supplier in the global valve industry. Today, as one of the most well recognized brand names in the valve community, Neway has been successfully supplying valve solutions to many world class end users and EPC companies, covering major industries including Oil, Gas, Refining, Chemical, Power Generation, Pipeline Transmission, and Nuclear. Though the economic downturn from three years ago has had an obvious impact in the industry, Neway has quickly recovered and has been running at full capacity again in 2011. After our 2009 Suzhou tour, Valve World has come once again to Neway's headquarters and met with Mr Michael Yao, Vice-President of Neway Valve, to learn about the company's latest developments and new strategies.

By Yuzhong Shen

"Compared with our peak period in 2008, we experienced a downturn in 2010 when our turnover reached one billion RMB," Mr Yao begins with Neway's achievements, "However, since then the orders have definitely come back to normal and we believe the turnover will be around 1.5-1.8 billion RMB which might even surpass the peak of 2008. In the next 6 months we will be running at full capacity and it's obvious

that, for Neway, the market outlook is improving. In addition, Neway Europe has secured several contracts for major projects each of which will involve a couple of million US Dollars. Needless to say the European office in the Netherlands will be also quite busy this year. We have already sent Chinese staff to Neway Europe to support their sales and service operations."

Traditions

Neway has a tradition of global strategy. Through the establishment of offices and joint ventures in various locations, Neway

Valve has deployed sales and distribution facilities on a worldwide scale. With the company's current six specialized production facilities – four in China, one in Mexico and another in Saudi Arabia, Neway is able to deliver comprehensive engineering valve solutions rapidly around the globe. "We have four factories producing industrial valves in China. Two are large-scale plants covering around 92000 m² with machining workshops adding an additional 12,000 m²", Mr Yao says. "On top of that, we have joint ventures in Saudi Arabia and Mexico plus sales and marketing offices in Houston, Brazil, Italy and The Netherlands." The Mexican joint venture company RVW – NEWAY was founded at the end of 2005 and initially covered an area of 1800 m² in Mexico City. Here, the company mainly produces gate, globe and check valves for the Latin American market. Meanwhile, there also has been huge valve demand from the oil, gas and petroleum industries in the Middle East. Abahsain Neway Industrial Co., Ltd. – another joint venture company with a local partner company – was established to meet the increasing demand. Located in the Kingdom of Saudi Arabia, the company aims to offer package solutions to customers with gate, ball, globe and check valves ranging

from 2" to 24", 150lb to 600lb, and now extended to include ball valves and butterfly valves. "For important end users like Saudi Aramco and SABIC, Neway as a valve supplier, will be the most comprehensive source," Mr Yao tells us.

Business-focus transitions

Under the background of the "Green GDP" advocate from the Chinese government, as well the experience learned from the economic downturn, Neway realizes that it is important for the company to change the simple commercial growth to technology and quality driven growth, which requires the company to make necessary transitions. To achieve this Neway has been implementing a series of quality control measures including raw material quality improvements and Automatic equipment investments. Mr Yao explains: "Raw material quality is becoming one of Neway's most important differentiated competitions strategy. As you know raw material is of the utmost importance to valve quality and integrity, and we have observed that many international clients are no longer satisfied with only casting test specimen

quality and valve conventional hydraulic test, instead they have become keener on the valve's raw material quality, especially the internal defect level, and mechanical property performance of the valve casting. In order to adapt to this market trend, Neway has upgraded all of its heat treatment furnaces to be able to fully comply with the NORSOK standard, which is by far the most stringent standard to ensure the heat treatment quality in the casting industry. Now we are proud to confirm that all Neway's casting mechanical property is the same as, or very close to, the test specimen. And Neway's next step is to ensure the valve casting quality reaches level 3 or even higher as per ASME B16.34 regardless of radiographic examination. In addition, Neway's foundry was approved in 2009 and 2010 by NORSOK for duplex and super duplex casting, which of course helped us to successfully deliver a major NORSOK spec project in 2010. Currently we have another project on hand which is expected to be delivered in 2011." As a large amount of valves are still currently manufactured manually, it is a challenge for the valve manufacturer to ensure quality consistency. Neway's strategy is to employ more automatic equipment to reduce or eliminate human error and improve machining accuracy. An independent division within Neway Group which focuses only on the CNC machinery manufacturing - Neway CNC

equipment (Suzhou) Corporation, has been largely supporting this strategy. Mr Yao continues: "In Neway's current 22,000 m² machining workshop, 70% of the area has been taken up by CNC machines. In addition, to achieve consistent assembling quality, an electric/hydraulic torque wrench has been widely employed to ensure consistent body and bonnet bolting torque since 2010. Moreover, we also started gradually introducing an automatic recording test bench to ensure fully traceable quality management." In the current valve industry, the importance of services have been widely recognized, and this has also been a new focus of Neway. Says Mr Yao: "Traditionally, Chinese valve companies have the image that they are more active in the sales activities instead of services. Neway considers that service is as equally important as sales. We have learned from the marketplace that without strong service it is almost impossible for a valve company to achieve international branding successfully. We are also aware that for many customers, services like valve stock, spare parts, inspection, repair, trouble shooting are most in demand in the post sales service. To better serve these customers Neway has successfully established its first logistic service hub in Houston, where we have 3000 m² warehouse and US\$10M valve stock for the local market, in the mean time new offices with similar functions are



36" 600lb gate valves



API603 gate valves

also under consideration to be set up in Europe, Middle East, and Asia Pacific."

Management transitions

Being one of the leading valve companies in China, Neway has a clear commitment to improve its organization and management levels. Mr Yao explains: "In terms of management, Neway has also started its transition plan, which means the management will switch from the original founders and owners to the new professional management talents. This year we have just appointed a new Executive Vice President who will be in charge of the daily operations including sales, production, quality control, financial and some other aspects. He will report direct to the President, Mr Bing Lu, and also the share holders. The original owners and founders will gradually step out of the daily operations and we expect the

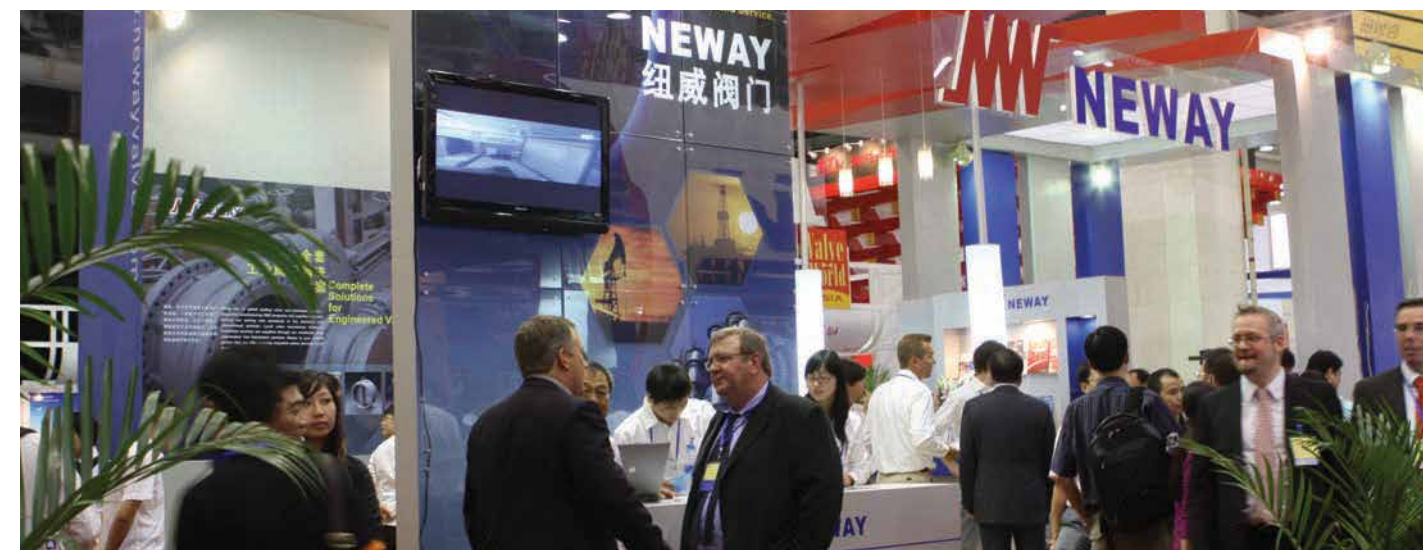
younger, professional management people to take over the operation. As a Chinese valve company this is a significant change which will definitely bring a big impact to the local valve industry. Because in China, currently, most of the valve manufacturers are privately owned and their management teams are still of the first generation which means that the founders and owners are still making the decisions on a daily basis. We believe that if Neway can become the first company to succeed in the transition, it will bring remarkable changes and possibilities to the company. Of course for any company this will not be an easy project, and will also take some time."

Mr Yao reveals that the long time planned project, Neway's IPO will start in the near future, and needless to say the IPO will bring a lot of financial resources allowing Neway to look at new expansion and investments.



A selection of valves

Mr Yao introduces Neway's plan: "Our strategy is that we will invest in both the upstream and downstream areas of the company's operations. Upstream means the raw material which is one of the major areas we focus on. The reason for this is that Neway has a long term plan to integrate the supply chain and several years ago we did already invest in our casting foundry which brings us very strong competency in the market. In the next 3-5 years we will focus on another major investment in forged steel materials, for which we already have a plan to invest in a foundry. This project will be a massive investment involving over 100 million RMB, to ensure the raw material will be fully integrated in our supply chain. Regarding the downstream – sales and marketing operation, Neway will have more investment in overseas market organizations in various ways such as new offices, joint



The busy Neway stand at Valve World Asia 2009 Exhibition

venture plans, or even regional operation centers. The plan is to establish several major business hubs on a global basis, including the existing hub in Houston which is already well established, the office in the Netherlands to take over the whole European market, and new locations like the Middle East and Asia Pacific." When asked about the status of Neway Europe, Mr Yao thinks that there is still room for improvement and development. He continues: "Our operation in the Netherlands is currently too small, mainly focusing on some particular markets. What we plan to do is to upgrade this office to be the business hub in Europe not only for specific areas but also to supply to the whole European market with various services, products, project sales, day to day shipments to major distributors, and post sales and service etc, being regarded as the center of business

and services in Europe. We want to reduce the operational side at our head office and instead, expand our operations in different business units, to achieve globalization on a local operational basis."

Sustainable future

When talking about production workshop, Mr Yao tells us that Neway will move the ball valve manufacturing plant from the current headquarters to a new location beside the existing major plant – the Taishan Plant. "The plant at the headquarters will be reserved for future new products such as nuclear valves and safety valves." In March 2011, Neway successfully passed the ASME nuclear survey for certificates of "N" & "NPT" authorization for all the nuclear valves on class 1, 2 and 3. Thus Neway becomes one of the very few manufacturers in China who has approval

from both the China Nuclear Safety Bureau and ASME. This reflects that the company has obviously planned to enter several areas for growth. Mr Yao explains: "We used to focus on the petrochemical area a lot, but now that the market has recovered we will be looking to develop new opportunities for other industries such as the nuclear industry. You can expect that in a few years time, in addition to our traditional manual valve products, Neway will have more high end products for the market such as nuclear valves, control valves, and safety relief valves. In the mean time, Neway might also have more western or foreign skills working from their headquarters in daily management, bringing a more international view to the company. As a valve solution provider, all these developments will definitely bring the company's competitiveness to a new level."



Ball valves with electric actuators



Motor actuated ball valves



Top entry trunnion ball valves