

280--Diecaster PHB using global permits, savvy buys to weather slump
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Zinc/aluminum diecaster PHB Corp. said it is reaching beyond borders to cut costs for its customers in a way that sets it apart from other companies in its sector.

The Fairview, Pennsylvania-based company recently gained clearance under the US government's International Traffic In Arms Regulations (ITAR) to have components used in national security-sensitive technology manufactured at a facility in Malaysia, company officials told Platts this week.

"It's unique to us in that other diecasters are not even out there trying to accomplish this for their customers," Jim Benton PHB sales manager told Platts. The zinc and aluminum castings will be assembled at the overseas facility into radio communications products that have military and law enforcement applications, and are being manufactured by PHB for a US customer, he said.

"Products that have sensitive technologies related to the military or defense industries have to be built in a secure environment where there's no chance that security would be violated," Benton said. The goal, he said, is to "produce these products in low-labor-cost environments so they that they're built competitively from a cost perspective."

The majority of the components are being built in Malaysia, added PHB Chief Operating Officer John Hilbert, but "We're also looking into India and Thailand. A lot of our ability to use foreign, Far East suppliers is our ability to get ITAR-approved people and that's not an easy process, based on [government] rules and regulations," he told Platts.

"It's an ongoing process," Benton added, "Once the permits are issued, they have to maintain that level of security [continuously]."

Securing the initial ITAR permit -- part of a new government program that allows national-security-sensitive components to be made for the first time outside the US -- took roughly three months with a price tag of about \$10,000, the officials said.

"We're pushing the envelope of how to get things built and keep our customers competitive globally in the products they make," Benton said.

But while the ITAR clearance may give PHB an edge with in its radio communications segment, that unit represents less than 2% of the company's total operations, while the bulk of its business -- ranging from parts for kitchen mixers to off-road diesel engines -- has been shaken by the economic downturn, along with other companies tied in with the embattled construction, consumer and automotive sectors.

"Everything got affected to different degrees," Benton said. "Things that didn't get affected as much were our radio business and our mixer business. Other areas were decimated ... but everything was affected."

But the officials added that -- as with the ITAR permitting effort -- PHB had a plan and that -- perhaps with the help of some rival diecasters that were less prepared -- the company has largely weathered the market slump.

"The company is run very close to the hip," Hilbert said, noting that PHB had little debt to start with, maintains a diverse customer base, has downsized staff and has trimmed back its time horizon for both buying and selling.

"We would not look at the future as confidently as we had in the past; we would look out to a 90-day, 120-day future, as opposed to a six- or eight-month future," he said.

In practical terms, that translates to "very smart metal purchasing and very smart natural gas purchasing," Hilbert said, "by not extending ourselves into either of those two areas in contracts or buys that could jeopardize our financial stability based on a further downturn in business. We did not get into long-term contracts in metal or gas."

Another advantage may have been PHB's relatively low exposure -- at roughly 15% -- to the beleaguered automotive sector, the officials added.

PHB is currently spot buying in a 30-to 60-day timeframe due to the market's volatility, Hilbert said.

The same short-view philosophy applies to the sales side, Hilbert added. "We don't let ourselves get tied into any long-term contracts with our customers; we don't guarantee metal prices," he said. "We strictly work on a monthly or quarterly settlement. A lot of diecasters allow themselves to get into a locked-down price on metal, which is the kiss of death."

He concurred with others in the metals industry that there has been a recent uptick in demand -- relatively speaking.

"We've seen an upturn in our business; I wouldn't say it's anything to get overly excited about," Hilbert said. "We are buying more metal now, zinc and aluminum. I think [the market] hit such a low that we're back up to a point of flatline -- still zero growth -- but at least flatlining is good."

But aside from savvy buying and improving market conditions, PHB also seems to have benefitted from the lesser fortunes of some of its competitors.

"One of the things that probably helped PHB is the fact that a lot of our competition has gone out of business," Benton said.

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