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The Little Rock Pipeline

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by Anna Wells, Executive Editor, IMPO

India-based Welspun chose Little Rock for its first U.S.-based spiral mill. One year later they've announced an expansion project to the tune of \$30 million dollars and 230 jobs.

It's not so often these days you hear of an India-based company setting up operations in the U.S. Even less typical news is that of a Midwestern steel mill adding 200+ jobs and investing millions more after only one year in operation. And let's not fail to note that, in this case, that first year was the second half of 2008 and



the first half of 2009—not exactly easy terrain for anyone.

Rajesh Chokhani, Vice President, Commercial, Welspun Tubular, LLC and Richard Janicki, Senior Vice President,

Welspun Pipes, Inc., suggest there is no big secret behind this. Perhaps this is because quality, safety, and market acumen are so engrained in the company's strategy—and in its Arkansas-based spiral mill—that best practices feel like just another day at Welspun.

Arkansas: A Place To Call Home

It all started for Welspun in the booming economy of 2004 to 2006. The company decided, based on marketing efforts and booked projects in the U.S. energy market, to construct a manufacturing operation closer to this customer base.

Chokhani spent the better part of 2006 analyzing potential locations to break ground on the new facility, but there were countless factors to consider. He began in the likeliest of places for the oil and gas industry: The Gulf. At face value, these areas were ripe for Welspun's investment—especially with the huge state incentives being offered at the time, as well as their adjacency to waterfront—but careful analysis caused Chokhani to consider Arkansas instead. "I visited all of the available places, but we were trying to meet certain parameters for our facility," says Chokhani. "First and foremost—these are heavy pipes, so logistics was very important. We wanted to remain very close to all of our projects."

Taking a long-term look at the booked projects, as well as the different possible pipelines in the upcoming decade, Chokhani found a cross-section of activity around the state of Arkansas. While the Arkansas River is not exactly considered a main harbor, Welspun's position there allowed for enough exposed land for a dock, which they plan to build in the near future.

In addition, the access to first class rail companies also held invaluable appeal. Because of the size of the pipes Welspun would be manufacturing—80 feet in the length—trucks are not an option. "Rail is the most economical way of import and output," says Chokhani. "All of the cost disadvantages that come with not being on the main harbor are mitigated by our cost savings on the short distance of the railroad. If we were in the Gulf, we would have incurred the additional costs on the rail freight to send the pipes up to the North, if that's where they're going to go."

There was one additional element Arkansas could offer that the Gulf states could not—land. "I traveled almost every state under consideration; I couldn't find a piece of land with 800 acres together," he says. "We were looking for a large amount of land availability. This decision is paying us back, because when we need more yard and storage space for longer stability and to attract those projects which require this kind of storage... at that time, this amount of land pays back."

"Land helps you with expansion," adds Janicki. "Land helps you because it's a volatile situation where if permits don't happen, or delays happen due to weather—you have to have somewhere to put those pipes or coils. And if you don't have the land, you're cooked."



Above: The location of Welspun's 800 acre Arkansas grounds was partly chosen based on its proximity to rail travel.





Rich Janicki explains the complex metal testing involved in the facility's in-house labs.

Creating A Partnership

After the logistics and land questions were answered, Chokhani found that Arkansas and Little Rock could bring to the table a solid team of state and local chambers—the kind of support Welspun was looking for, considering it wanted to fast-track the construction of the facility.

“Over here in the U.S., a project of this magnitude normally takes 24 to 30 months, and we wanted to accomplish everything within 15 months,” he says. “That is not possible until you have a very strong team who is in support of you completely, and will work with you day and night. That kind of overwhelming response and warmth is what we received from the people of Little Rock.”

“Whether it be fast track of construction, fast track of helping with permitting, or education—from when the shovel went in the ground, to shipping our first pipe, it was 11 months,” says Janicki. “We broke ground in July and we shipped in June, one year later. And we made pipe 6 months later than that.”

Goodwill Hunting

So the questions as to why and how the company wound up in Arkansas have been answered, but how about the more burning one: what allowed the business to expand after a year where both the U.S. and global economies did so much contracting?

Chokhani and Janicki will credit this recession sustenance to an abundance of goodwill from customers who know Welspun's reputation for quality, service, and safety.

“You have to enjoy goodwill and trust amongst your customer in order to sustain your operations in a down economy,” says Chokhani. “That’s what Welspun is all about. Welspun has always lived with the expectation of our customers—and they were able to build that much trust and confidence in them by building a quality product, by running safe operations, and by delivering the pipes on time.”

In addition, Chokhani and Janicki highlight the effects of consistent employee training and aggressive investment strategies in top-of-the-line equipment.

“This is a very difficult market and it’s a shell game. The economy drops, and everybody is fighting for the same piece of pie,” says Janicki. But the competition is what really leads to Welspun's aggressive insistence on consistency and value-add. “Really, our philosophy is pretty simple: We’re safety and environmentally friendly. We make quality top line. We deliver on-time. We have the best equipment and employees to do that.”

“We invested almost \$150M in this whole project; the rest of the projects were limited to \$90 to \$120M,” adds Chokhani. “Obviously, we haven’t taken the money and put it into the dirt. It went into the equipment, which is state-of-the-art equipment from the best suppliers. Also there were additional things we did with respect to our structures and layout, quality testing equipment, our world class lab... so that proves to what extent we are focused, and we don’t shy away from investing a little bit more money in order to provide a more value-added product to our customer.



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Today, we're investing \$30 to 40M more. This does not get us more revenue; we compete in the market and get the same pricing. But it's only the trust and confidence of the customer that adds to that particular product."

Keep On Training

When Welspun's Arkansas mill was in the making, the company went far and wide to acquire the right people to fulfill the positions. Before production began, the company sent a team of about 16 welders to India to receive on-site hands-on training in Welspun's other facilities—including access to advanced ultrasonic welding equipment like the machines they'd be using back home.

With the new employees coming on-board, a third shift will be added, creating a 24-7 operation. "And now it's their jobs to be the trainers for the people we've hired to be on second shift and third shift," says Janicki.

But training doesn't just end there. Since heavy industry like pipe manufacturing can be complex and dangerous, Welspun takes an approach to training that is long-term and consistent. "It's not only for the machine operator; everyone who touches the pipe needs training, with respect to the technicalities of it, with respect to safety, and environmental," says Chokhani. "So training is a very key factor which we are working on now, and the whole team is focused towards that."

And it's through training and observation techniques that each and every Welspun employee has a deep-seeded respect for the importance of PPE—namely hearing protection and eyewear. "We have constant safety meetings, because in this heavy industry, nothing can be taken for granted," says Janicki.

Janicki is also quick to point out what else shouldn't be taken for granted: good people—in this case—a "melting pot" of talent. "We have brought in outstanding talent from India, and we've recruited across the U.S. There is not another mill like this in the world.



Consistent quality product has been key in Welspun's success throughout the recession.

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