

Abstoss to drop planned facility

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After more than three years of planning, Stamford-based Abstoss International Steel Holding Inc. is withdrawing its plans to build a hot-rolled coil steel plant in Torrance, Calif.

Citing the asking price for steel, competition from China and the state of the economy, Klaus Abstoss, president of Abstoss International, based at 1 Landmark Square, said he had no option.

"It comes down to economics, politics and financial services," said Abstoss, who had planned to produce 400,000 tons of steel per year at the new plant, which would have been built on property adjoining California Coil Processors, a steel-pickling operation that Abstoss acquired in 2004.

Steel pickling involves the removal of rust, dirt and oil from steel coil through hydrochloric acid baths.

Abstoss's plant, planned to cost from \$225 million to \$250 million, would have been the second manufacturer of hot-rolled coiled steel on the West Coast and employed 100 people. He said it would have created about 1,000 other jobs at businesses associated with the plant.

"To finance a steel plant in California is very difficult," said Abstoss, who spent 25 years in management at the Thyssen Group in the United States and Germany. "The economy in California for that type of plant is dead."

The hot-rolled coil steel process involves the

pressing of steel slabs into coiled rolls.

Building a plant to house the operation would have required a major commitment of financing, said Michael Locker, president of Locker Associates, a New York City-based steel consulting firm.

"That's a big move for them. It's expensive," given the state of the economy and market for steel, Locker said. Abstoss also is considering closing the pickling plant.

Abstoss told the American Metal Market magazine in April 2006 that he had arranged a commitment for \$150 million in debt and working capital with an unidentified major financial institution.

The financing was contingent on Abstoss finding \$25 million in subordinated mezzanine debt and \$75 million in equity, according to Frank Haflich, who has written about the project for American Metal Market.

But Abstoss fell victim to the global economic downturn, Haflich said, and the crash in the building industry.

"The major market for steel out here (the West Coast) is construction," he said. "Demand here is not that great. It's just the economic malaise."

Locker was direct in his description of the industry.

"The market is in a handbasket. Nobody can tell you what the market is going to be," he said, adding that supply is outpacing demand.

Founded in 1990, Abstoss International has annual sales of \$7.6 million and branches in Dusseldorf, Germany; Bucharest, Romania; and Rio de Janeiro, Brazil.