STEEL INDUSTRIES MONTHLY REPORT

FEBRUARY 1974



General Manager's Summary Letter

1. Steel Industries Group

A. Sales Performance
Group sales totaled $1,626,200, a shortfall on budget of $91,800 (-5.3%). This deficit can be directly attributed to the trucking strike which not only caused us to curtail shipments to the steel mills but also resulted in a decline in steel production over the previous year. Additionally, the Cleveland and Mt. Braddock plants were shut down for several days owing to the shortage of required raw materials. On a year-to-date basis we now stand 98.5% of forecast with a total turnover of $3,417,500.

B. Profit Trend
Very disappointing results were achieved in January and are now projected for February. In spite of a recent price increase, it is clear that raw material increases are significantly outstripping not only our budgeted plan but also our retaliatory price increase activity. Consequently, further price increases, estimated to generate some additional 5% income are being undertaken. Fixed marketing expenses are beginning to return to the proper level and will certainly be on schedule by mid-year. The truck strike resulted in an expenditure in excess of $9,000, much of which will be impossible to recover from direct billing.

The following steps are being initiated as of this writing to insure that we return to our budgeted profit level:

1. Tighten marketing expenses to insure favorable variances in the second quarter.
2. Undertake across the board, significant, price increases to offset raw material variances.
3. Accelerate the conversion of the Cleveland plant to the asbestos free Profax products. Not only do these recipes have a more favorable raw material cost picture but they have the additional benefit of being able to increase productivity through faster forming and drying cycles. This latter production benefit could result in an efficiency improvement in excess of 10% by mid-year.
4. Accelerate the introduction of a new low density Ferrux which can significantly improve our contribution in the hot topping compound line.
5. Push the introduction of non-heading products particularly coatings, which not only have higher average contributions than heading products but also are not constrained in either capacity limitations or raw material availability.
6. Concentrate field development teams on continuous casting opportunities where we expect not only to obtain a volume variance on budget but also improve profit opportunities.