



# A SUCCESSFUL PARTNERSHIP

Prakab AS, located in Prague-Hostivar, is a major producer of wires and cables. The company was established in 1918 as a branch of the Austrian group Schwechater Kabelwerke GmbH (SKW) to support sales in former Czechoslovakia. Later the company was owned by various owners. Nearly 90 years on, it again forms part of the SKW-Beteiligungsgesellschaft mbH (SKB) group, going from strength to strength. Romana Moares reports.

The new cable-making factory was constructed by a well-known Czech businessman, Dr Kolben, in Prague-Hostivar in 1921 and grew steadily. At this time the company used its registered trademark – PRAKAB. In 1921 the company was the first producer of coated wires in former Czechoslovakia. Production continued under various owners throughout the war and after, when the company was nationalised and eventually acquired by the state-owned conglomerate Kablo Kladno in 1958.

In the early 1990s the business became a joint-stock company with the clear intention of finding a strategic partner. After lengthy negotiations, 51 per cent of the shares were sold to Schwechater Kabelwerke (SKW), re-establishing the former links

between the two companies, which reach back to their first operational years. SKW later increased its share to 98 per cent.

## Large scale investments

An extensive investment programme was launched to modernise the plant and increase production facilities. Over the past 7 years the company has invested nearly 700 million CZK. In 1997 SKW's production capability was relocated to Prague, doubling production output. A new hall for signal cables was completed in 2001, followed by a further increase in production capacities for FRNC cables in 2002. The company has achieved all required ISO certifications, verifying its competence in supplying first-class products to world markets.

Mr Antonin Novak, the company's managing director, recalls the milestones that catapulted the business to its prime position. "A very important factor in our development was the connection of the Czech and Slovak Republics to telecommunication networks and the subsequent demand for cables. Over CZK 140 million were invested in this business and the return was very satisfactory. A few years later, other sectors showed increasing demand – energy cables and building wires, supported by extensive investments in infrastructure."

After the rapid development in the past decade, Prakab Prazska Kabelovna a.s. has become a modern industrial producer with a production area over 31,000m<sup>2</sup>, employing 390 people and ranking >



among the major players in its sector. In 2006 the company achieved a turnover of CZK 3.8 billion, representing a 52 per cent increase in year-on-year sales.

### Vast product range

Prakab claims that its product range is as varied as its customers' requirements. Mr Novak explains that the company makes about 2800 product modifications to satisfy even the most demanding of customers. The products are roughly divided into several product groups, the dominant being energy cables: cables of transmitting voltages up to 1kW, with PVC and PE sheathing, which accounts for about 70 per cent of sales.

The second biggest product group is building wires and control cables, representing 11 per cent of sales. They include PVC building wires, rubber energy cables and PVC control and electronic cables. Other products groups are telecommunication cables, for both overhead and underground use with a metallic core, flexible wires and cables, halogen-free FRNC cables and plain materials. "Although there are just two dominant product groups we want to continue to supply minor products to ensure widespread customer satisfaction," said Mr Novak,

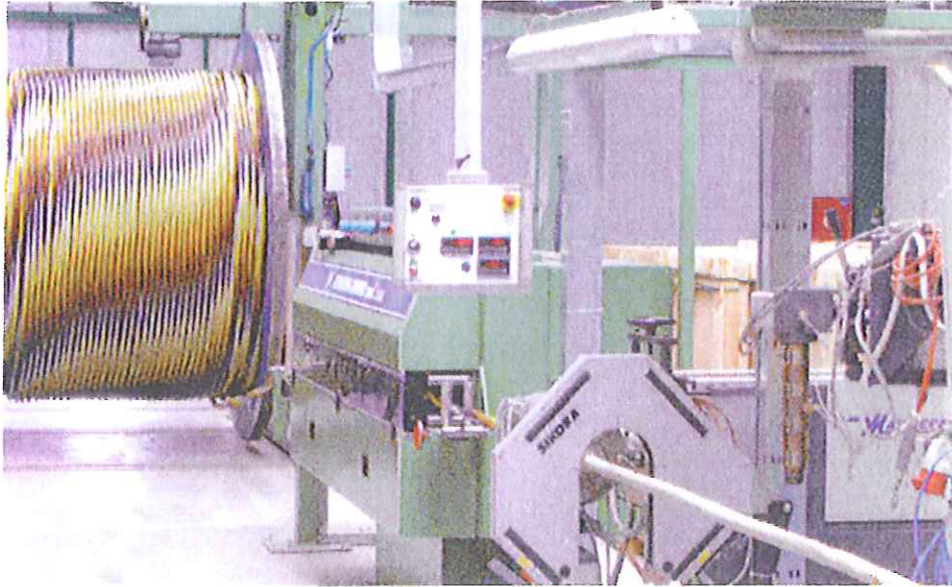
when asked about potential diversification. "At the moment, we are seriously considering investing in the production of medium-voltage energy cables. This is a product group that we currently do not have, which is however, offered by our competitors. Medium-voltage energy cables would complement our product range though."

The biggest target customer group are distributors (representing 54 per cent of turnover), followed by electrical goods wholesalers (32 per cent) and energy companies, in both the Czech and Slovak Republics.

Mr Novak says: "Our most popular product is, no doubt, copper core building wire and underground energy cable. The FRNC cables provide us with a distinctive competitive edge. They are used in installations in structures planned for use by large numbers of people, such as underground stations and theatres. Another aspect which differentiates us from our competitors is the sheer size of our product range – customers can order a full package of various products."

Product development is of extreme importance in the cable business and the company has its own product design and >





development unit. "Our latest product developments include new FRNC cables which will be used for the production of cable cars and ski lifts in Alpine countries. We are one of only two companies in Europe providing these types of cables. We have also recently developed a special flexible cable for use in the automotive industry, for connections between cabins and trailers, supplied to major truck producers throughout Europe."

#### Investment in production

Prakab Prazska Kabelovna a.s. represents the larger of the group's two operational facilities (the other is ICS in Nitra, Slovakia, and was only commissioned in April 2007 to focus on the production of flexible cables). Production is concentrated within the premises in Hostivar and Mr Novak confirms that no territorial expansion is planned in the Czech Republic. "We will focus on further enhancement and development of the plant in Hostivar where investments to the value of CZK 180 million are planned, namely in two new pro-

duction halls offering 4000m<sup>2</sup> of production area. At the moment, we are installing new machines in these halls. The first one should be operational by mid 2007; the other one should be open in early 2008."

Another investment is planned for increasing the capacity of 1kW overhead energy cables. Mr Novak explains: "Energy cable production will be increased by 20 per cent, requiring a minimum investment of CZK 70 million. In the past two years, over CZK 100 million has been invested in state-of-the-art technology."

The level of investment in increased production capacity reflects the continuing boom in the construction sector in the Czech Republic and the huge demand for all types of cables, particularly in the past two years. Prakab is currently number two in the local market, and is planning to increase its market share and reinforce its position outside the Czech Republic. The company currently exports 65 per cent of its output, of which 32 per cent represents its own export activities; the rest is supplied to the SKW network. Major

markets include Poland, Germany, Slovakia and Austria, but the company is also successful in the Baltic region, Ireland, Russia, Kazakhstan and other countries.

#### New business strategy

"Our strategic market is Europe and will remain this way," says Mr Novak. "In the near future, our major task will be to increase export levels to Russia. The Russian market offers huge potential for growth."

While Prakab's products meet the highest quality requirements in all markets, there may be slight variations in product characteristics, such as colour coding, explains Mr Novak. He further comments on the advantages of the open market, which the Czech Republic gained as a result of becoming a member of the EU: "The accession had a huge impact on our business and dramatically simplified all export and import activities. It opened new market opportunities and enabled us to participate in tenders that were closed to us before. Two years ago we won a major contract for E.ON in Germany and we still supply to them today. Also, becoming a member of the club increased our profile as a capable, reliable business partner."

The company is now in the process of evaluating its business position and deciding on its strategy for the future, says Mr Novak. "We are now assessing the potential of future development and defining our main objectives for the next 10 years. New directions are being considered, such as the development of medium voltage cables. We can't provide any definite resolutions yet but I'm sure the future will be both challenging and exciting." □