

Testimonials

Czech steel producer benefits from large credit limits

Moravia Steel is one of the biggest producers of metallurgical products in the Czech Republic with a high level of exposure on debtors within the EU and beyond. Credendo has supported the business through the provision of large credit limits to help manage the company's exposure, coupled with a flexible approach to problem-solving.

Moravia Steel is a major seller of metallurgical products in the Czech Republic and in many EU countries. The company's history can be traced back to 1839 when Třinec Iron and Steel Works – also known as Třinecké železářny – was founded. The creation of the blast furnaces has been central to the improving fortunes of the Czech town of Třinec, helping transform the place from a small agricultural village to an industrial hub.

Today, Moravia Steel is a key source of employment for the area as well as a strong supporter of the town's cultural, sporting, and educational activities. It is the sponsor for Třinec's well-regarded ice hockey team.

Since 1996, Třinec Iron and Steel Works has been a fully privatised company, with Moravia Steel as its major shareholder. Moravia Steel recorded a consolidated turnover of EUR 2.3 billion last financial year.

Credendo – Short-Term EU Risks has had a relationship with the steel producer for more than 15 years, providing cover

for non-payment of insured receivables due to insolvency of the customer, as well as cover for protracted default risks.

Moravia Steel has benefited from Credendo's ability to provide large credit limits to the company, which has helped cover its large debtor exposure. The steel producer naturally has a high level of debt exposure given its significant market share of the market of metallurgical products in the Czech Republic and in the rest of the EU.

Credendo provides cover for both Moravia Steel's commercial and political risks. It also covers both public and private debtors.

"We currently see Credendo as a stable partner with whom we have built strong business relationships based on long-term cooperation and mutual trust," says Bohdan Kožusznik, Receivables Management Specialist at Moravia Steel.

Credendo prides itself on the close day-to-day human contact between its Risk Underwriter and the steel company's Finance team. Kožusznik reflects that the





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relationship with the insurer has benefited from good communication and a “human approach” to doing business.

“We have always managed to find solutions that were able to support and provide coverage for our business interests,” he says, despite the challenges of recent years.

The impact of the Covid-19 pandemic and the uncertainties of the global steel industry have contributed to difficult market conditions for Moravia Steel.

Yet, even at the height of the Covid pandemic, the company did not have to shut down any of its production units.

Looking to the future, Moravia Steel is planning to ramp up investment in efforts to improve the environment. The company has numerous projects in the pipeline to reduce CO₂ emissions, including the partial transformation of its primary steel production to scrap-based steel production using electric arc furnaces (EAF). The company has a strategy in place to reduce its CO₂ emissions by more than half of its current level.

Steel production using scrap-fuelled EAFs represents around 42% of new crude steel in the EU and 71% in the US, according to research published in December 2021 by The Institute of Energy Economics and Financial Analysis (IEEFA).

The steel producer is also planning to install two photovoltaic power plants this year at production plants in the Uherské Hradiště region. The switch to more renewable sources of energy should cut the company’s energy costs and improve its impact on the environment.

There are potentially more turbulent times ahead for steel producers and the wider economy, given the lingering impact of Covid-19, the invasion of Ukraine by Russia in early 2022 and its ramifications for commodity supply chains.

Moravia Steel is monitoring the Ukraine issue and is working on strengthening the range of suppliers it has, in order that its factories can continue to operate smoothly.

Despite the uncertain times ahead, Kožusznik hopes to continue to enjoy the support of Credendo.

“We strongly believe that we will find support from Credendo even during this difficult time marked by the Russia-Ukraine conflict and the fight against the pandemic, as has been the case so far,” he says.

“Our long-term business relationship with Moravia Steel is primarily based on teamwork, mutual trust and communication, which is crucial for a successful cooperation. Together with our dedicated team of professionals, we always strive to find the solution that best suits our client’s requirements and needs”, says Hana Štecherová, Account Manager.



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