



A SUCCESSFUL DIVERSIFICATION CASE

The pandemic hampered operations at Agrosintez but also prompted the company to enter new markets. To find out more, we sat down with Artyom Kipriyanov, Head of Procurement at Agrosintez.

The Agrosintez factory opened in Kemerovo in 1993. Today, it is one of the largest companies in eastern Russia, producing industrial chemicals (including for construction), mineral fertilisers and soils. Over the last five years, Agrosintez has been developing its hydrocarbon resin production and supply business, actively engaging with SIBUR on this.

– For us, SIBUR is a strategically reliable partner. Our long-term agreement for the supply of aromatic hydrocarbon mixtures signed a year ago marked an important milestone in our business relationship: it enabled us to pursue a more flexible and predictable product sales policy.



ARTYOM KIPRIYANOV

Head of Procurement at Agrosintez

Agrosintez reached out to SIBUR more than five years ago, as we were looking to develop a new business line – the production of hydrocarbon resin, which is the main feedstock for paints and varnishes. So we shopped around for a manufacturer of aromatic hydrocarbons; it turns out there are very few in Russia. SIBUR became our choice for logistical reasons, among others, as SIBUR's production site in Tomsk was the nearest manufacturer capable of ensuring regular, reliable deliveries of feedstocks.

– **Was this new business a success?**

– During the first two years, the factory operated one pilot unit with a monthly capacity of about 40 tonnes. In that period, we tested all possible technical and technological solutions, and were able to increase the monthly capacity to 220 tonnes. Today, we supply hydrocarbon resin to Stary Oskol-based Belregiontsentr (a major Russian producer of paints and coatings); Kolor ChTZ, a Chelyabinsk factory of paints and varnishes; and customers in Kazakhstan, to name a few.



The company's production site at Kemerovo.

FOR US, SIBUR IS A STRATEGICALLY RELIABLE PARTNER. OUR LONG-TERM AGREEMENT FOR THE SUPPLY OF AROMATIC HYDROCARBON MIXTURES SIGNED A YEAR AGO MARKED AN IMPORTANT MILESTONE IN OUR BUSINESS RELATIONSHIP

– **The coronavirus pandemic has caused many companies to shift their development focus. Was this also the case for you?**

– The beginning of 2020 was hard in terms of hydrocarbon resin sales. Key manufacturers of paints and coatings started the year either with hydrocarbon resin stockpiles, or with contracted amounts that were agreed in late 2019 for what many producers thought would be the minimum price. But the coronavirus changed the situation in the market. At the start of 2020, we saw prices plummet for the feedstocks used in hydrocarbon resin production – a mixture of aromatic hydrocarbons and liquid pyrolysis fractions. The inventory value turned out to be higher, making product prices uncompetitive in the current pricing environment. Another important factor was the overall decrease in domestic consumer demand and temporary restrictions on the movement of people and goods to and from Kazakhstan. Driven by these factors, we started looking for new markets. Company analysis revealed that hydrocarbon resin is widely used in tyres, industrial rubber, dry adhesive production and in timber processing. Agrosintez specialists developed technologies to use hydrocarbon resin in rubber mixture production, for example in tyres. Nowadays, industrial rubber and tyre production is impossible without good plasticisers, and hydrocarbon resins fall under this category. They increase the plasticity and elasticity of the rubber mixture, ensure a more even distribution of ingredients, reduce heating when mixing, prevent premature vulcanisation and decrease shrinkage. These key properties of rubber mixtures are essential for tyres, conveyor belts and so forth, where both flexibility and durability are important. Then, Agrosintez brought this adapted product to a new market. We did a similar thing for the timber processing industry: it uses hydrocarbon resin in the production of plywood and fibreboard. Hydrocarbon-based impregnation resins make natural wood more waterproof, and increase the water resistance and durability of fibreboard, while these same properties make hydrocarbon resin useful in concrete production. Hydrocarbon resin also finds an application in road construction, particularly in the production of polymer-modified asphalt cements.



The company's mineral fertilisers have demand both in Russia and abroad.

THE BEGINNING OF 2020 WAS HARD IN TERMS OF HYDROCARBON RESIN SALES

All the same, a dip in hydrocarbon resin sales alone would not threaten the company's overall business performance. Agrosintez produces more than 60 grades of fertilisers and soils and over 40 chemical products. Recently, we launched a new line of industrial chemicals: solvents, petroleum solvents and black varnish. We also continue to develop our line of complex mineral fertilisers, the business we started out in. We have patented a proprietary production technology, and our products are in a great demand far beyond our home region. The pandemic has had no significant impact on these business lines. In addition, we produce a lot of household chemicals, particularly liquid soap and antiseptics, the demand for which only grew as the pandemic began.

– Today, many manufacturers of household chemicals aim to making their products biodegradable to help protect the environment. Is Agrosintez taking similar steps?

– All detergents produced by Agrosintez are biodegradable. In addition, about 40% of all packaging for our products is made of corrugated cardboard. It takes up to two years to biodegrade, and the leftover particles do not harm the environment. However, we realise that there is room for improvement, and are continuing to work on reducing our environmental footprint.

ALL THE SAME, A DIP IN HYDROCARBON RESIN SALES ALONE WOULD NOT THREATEN THE COMPANY'S OVERALL BUSINESS PERFORMANCE. AGROSINTEZ PRODUCES MORE THAN 60 GRADES OF FERTILISERS AND SOILS AND OVER 40 CHEMICAL PRODUCTS

– **Historically, eastern Russia is your main customer. Do you plan to expand to the west of the country or abroad?**

– We traditionally supply complex mineral fertilisers and household chemicals to the east of Russia. Hydrocarbon resin brought us to central and western Russia: these are home regions of the key varnish and paint manufacturers which buy our products. As for foreign customers, we currently supply fertilisers to Mongolia and hydrocarbon resin to Kazakhstan. We are also considering export to Europe.

– **In your opinion, how will the situation in your market unfold in 2021? What challenges will Agrosintez face?**

– Speaking of complex mineral fertilisers, we are optimistic about the next season. We are already building up our inventories for a new production cycle and have signed a few major contracts, so this will be a busy and exciting year.

As for industrial chemicals, we are completing the construction of a pilot unit which will enable deeper processing of aromatic hydrocarbons supplied by SIBUR's Tomsk site and the separation of toluene and xylene fractions.

Regarding hydrocarbon resins, our goal is to establish ourselves as a supplier for the industrial rubber, road construction and timber processing industries by year-end. By implementing these plans we will be able to diversify our business and thus additionally strengthen our position.