



## CLIENT FOCUS

**Matvey Rammo**, Head of Business Development at chemical supplier Attika, shares his insights into the paints and coatings segment of the Russian chemicals market

**At its onset, Attika was primarily engaged in the wholesale of paints and coatings. Why did you then decide to diversify into supplying chemicals for the paints and coatings industry?**

In the early 2000s, many Russian manufacturers of paints, coatings and construction materials were looking for a steady supply of high-quality imported chemicals due to their local deficit. So we decided to step into this segment as we believed it would be of greater value to our customers.



Launched in 2003, Attika is a producer of gelcoats and an industrial supplier of specialty chemicals for the paints, coatings, composites and construction industries throughout the CIS.

**What trends and challenges are typical for the paints and coatings segment of the Russian specialty chemicals market?**

Our key problems are strong seasonality and poor mid- and long-term procurement planning by domestic producers of paints and coatings. High Rouble volatility also puts great pressure on the segment's profits, resulting in the low quality of after sales services.

**What is the share of domestic chemicals in your product mix? And what is the share of SIBUR?**

Domestically produced chemicals now account for some 25% of our product mix and their share is growing annually thanks to the national import substitution programme helping partially localise the production of feedstock previously imported from Europe. As for SIBUR's products, we greatly rely on them to produce a wide range of film forming components, including alkyd, acrylic and polyester ones.



*Laboratory.*

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OUR JOINT PRODUCTION WITH SYNTHOPOL CHEMIE LAUNCHED IN FEDOROVSKOYE, THE LENINGRAD REGION, AIMS TO DELIVER ON OUR PRIORITY OF GETTING CLOSER TO CUSTOMERS.

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**According to Decree of the Russian Government No. 752 of 27 July 2017, by 2022, the share of imported chemical components in domestically produced coatings should decrease by 50%. How realistic is this?**

When it comes to single-component coatings, this target is quite feasible as most of their chemical components are already produced or start being produced in Russia. But with two-component coatings, this becomes hardly achievable as epoxy resins – which are the key chemical component here — are not produced anywhere in Russia. I mean this in terms of a full production cycle available for a wide range of epoxies.

**In your opinion, what needs to be done by the government for the country to launch its own production of epoxies?**

This would be quite an endeavour with a lot of investment required both in terms of money, technology and human resources.

Unfortunately, our chemical industry is not at its best in terms of talent. Lots of great professionals who worked at major Soviet-era producers like Uralchimprom and Sverdlov Explosives Plant, are now retired, and no pipeline of new graduates is available due to absence of epoxy production facilities in today's Russia.

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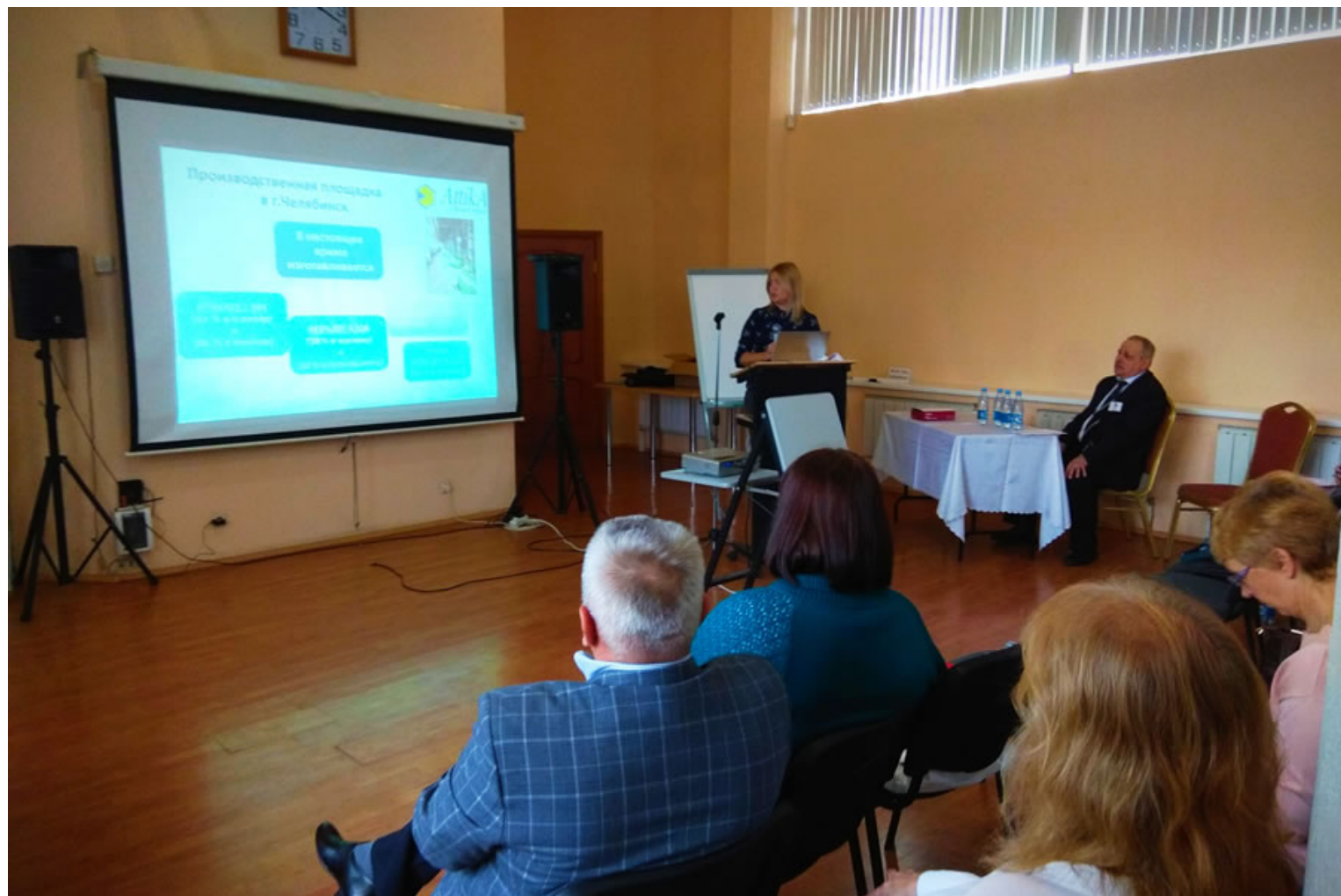
THE PROBLEMS OF THE RUSSIAN CHEMICALS MARKET ARE STRONG SEASONALITY AND POOR MID- AND LONG-TERM PROCUREMENT PLANNING BY DOMESTIC PRODUCERS OF PAINTS AND COATINGS.

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Another constraint is a relatively low consumption of epoxies in Russia which amounts to some 40–42 ktpa, while the nominal capacity

**In your interviews, you often mention customer-centricity as your company’s key competitive strength. What is unique about your customer offering?**

We believe that business is done between people, not companies. Our goal is to do our job in such a way as to make our customers stay with us and also recommend us to others rather than treat them as a one-time source of profit. To this end, our top-quality products come along with excellent technical support. We provide our customers with a wealth of information on product application and marketable strengths of specialty coatings based on our resins.



*Company workshop.*

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DOMESTICALLY PRODUCED CHEMICALS ACCOUNT FOR SOME 25% OF OUR PRODUCT MIX AND THEIR SHARE IS GROWING ANNUALLY THANKS THE NATIONAL IMPORT SUBSTITUTION PROGRAMME.

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**Why does your company have an in-house R&D centre?**

As I have mentioned, we have a strong focus on technical support, which gives us valuable insights into customer needs. So, on top of developing standard solutions, our R&D team also concentrates on creating new innovative coatings and composites needed in various industries. Right now we have joined forces with one of our strategic partners to develop innovative anti-icing paints and coatings for polar icebreakers. Such coatings will not only help prevent heavy ice accretion on vessels, but also reduce the cost of fuels and lubricants by up to 15%.

**Does your company take part in industry exhibitions and conferences?**

Sure. We participate in various industry exhibitions, including the International Exhibition for Paints and Coatings (Interlakokraska), the International Exhibition for the Chemical Industry and Science (Chemistry Expo), the International Exhibition for the Composite Industry (Composite Expo), as well as foreign exhibitions and fairs.

## What are the benefits of these exhibitions?

I would not say many industry players producing resins, paints, and composites view these exhibitions as the best way to attract customers. It is rather an opportunity to meet with many partners at a time and to demonstrate that your company builds a successful and growing business.

I believe Russian chemical companies should be more interested in taking part in overseas industry exhibitions. These can really bring new contacts, open access to foreign markets and give insights into the latest trends and developments in the chemical industry.



*Interlakokraska 2019 exhibition.*

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ANOTHER CONSTRAINT IS A RELATIVELY LOW CONSUMPTION OF EPOXIES IN RUSSIA WHICH AMOUNTS TO SOME 40–42 KTPA.

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## Can you tell us about your joint production with Germany’s Synthopol Chemie? What are your goals behind this venture and what is its product segment?

Our joint production with Synthopol Chemie launched in Fedorovskoye, the Leningrad Region, aims to deliver on our priority of getting closer to customers. The enterprise will produce top-quality resins that will help domestically produced paints and coatings to compete on par with global peers.

It will focus on producing alkyd, acrylic and polyester resins for the paints, coatings, composites and construction industries.

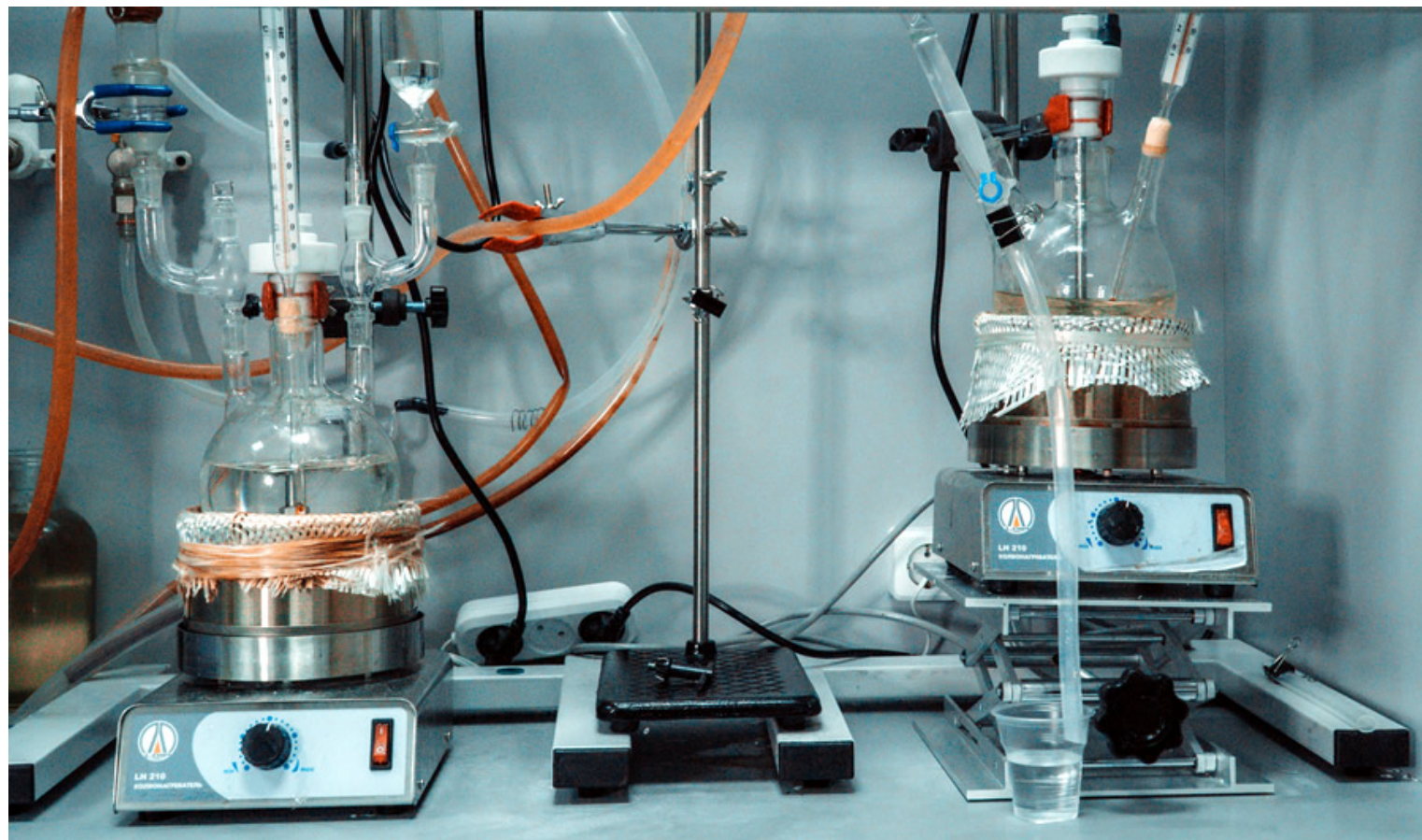
At the onset, the project will create about 30 new jobs.

## When do you expect to launch the project? What is its target capacity?

The launch is scheduled for Q1 2020. Over the next two years, we expect to ramp up production to 18 ktpa.

**Will this be a green project? What will be done to protect the environment?**

Health, safety and environmental protection are our key priorities, so our production of polymer resins will rely on all the best innovative solutions currently applied in Germany. In particular, we will install a solvent recovery unit to reduce the cost of equipment flushing by up to 95%. On top of that, we will use the heat released during the synthesis process for our in-house household needs. The share of automated production processes for a number of our polymer resins will reach 95%.



*Laboratory.*

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THE LAUNCH OF OUR SECOND PRODUCTION FACILITY IN THE LENINGRAD REGION WILL ENABLE US TO MAINTAIN COMPETITIVE PRICES FOR OUR PRODUCTS WHILE PROVIDING OUR CUSTOMERS WITH A WHOLE NEW LEVEL OF TECHNICAL AND LOGISTICAL SUPPORT.

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**Is there a talent deficit in your industry? How do you handle it?**

Indeed, there is a talent shortage in the industry. In handling it, we follow the rule formalised by one of the founders of modern management Dr Ichak Kalderon Adizes, “It is easier to hire someone with a personality and train them to be an expert than to hire an expert and train them to have a personality”. That is why it generally takes us four to five months to train one employee.

**What was 2019 like for your company and what are your expectations for 2020? What changes can the paints and coatings market see next year?**

Frankly speaking, 2019 has been quite a challenging year for Attika due to tightening competition in the Russian market. It is good to see, though, that it tightens not only in classic price terms, but also in terms of bringing more value to the customer. The Russian chemicals market is still evolving, so competition is often sporadic and is mostly driven by new players entering the market and low prices.

In 2020, we plan to launch our second production site in Fedorovskoye, the Leningrad Region. This will enable us to maintain competitive prices for our products while providing our customers with a whole new level of technical and logistical support.

