



## THE NEW LIFE OF YAROSLAVSKY LAK

A year ago, Dinalak acquired Yaroslavsky Lak, which went bankrupt in 2019. In August 2020, the Ministry of Economic Development made the company a tenant of the advanced development territory established in the Yaroslavl Region. Sergey Kolkotin, CEO of Dinalak, explains why they went ahead with acquiring a bankrupt company and how business is faring during the pandemic.

– **Sergey, tell us about Dinalak.**

– The company was founded in Dzerzhinsk in 2010 and has been growing since then. Our core line of business is the production of semi-processed resins and varnishes for industrial coating materials. We have an in-house research laboratory, which designs new formulations to meet customer requirements and improves on existing ones. We deliver quality products that compete with imported alternatives. We have no production sites in Dzerzhinsk, instead we order products from our partners.



**SERGEY KOLKOTIN**

CEO of Dinalak

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– **In other words, the acquisition of Yaroslavsky Lak is a step towards in-house production?**

– Yes, we have long thought about expanding. Firstly, in-house production is more profitable. Secondly, facility production lines can deliver both general and specialty products. This being said, we estimated that it would be cheaper to acquire an existing facility than develop a new one from the ground up. The Yaroslavsky Lak facility is well designed. It is small-scale, but is fitted with modern

equipment, offers a sufficiently high level of process automation, and even has warehouses. Furthermore, we were able to rehire former employees, who already had the necessary expertise in our field. Starting from scratch would have been a much longer, harder and costlier process.



*Legacy equipment following the acquisition of Yaroslavsky Lak.*

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FOLLOWING AN UPCOMING UPGRADE, WE PLAN TO RAMP UP TO 200–250 TONNES PER MONTH. THE PLANNED EXPANSION OF THE PRODUCT RANGE WILL REQUIRE US TO IMPROVE PROCESS FLOWS, PURCHASE NEW EQUIPMENT AND SO ON

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We have many customers and suppliers in the Yaroslavl and adjacent regions, so the production site in Gavrilov-Yam suited us well.

**– Do you plan to renovate or upgrade the facility?**

– The Yaroslavsky Lak facility was focused on a relatively narrow product range, mostly PF-053 and PF-060 pentaphthalic varnishes. Existing production capacities allow for the production of up to 300–400 tonnes of alkyd varnishes per month. Since we also specialise in the production of more complex products – varnishes with various additives – we initially plan to produce 100–150 tonnes per month. Following an upcoming upgrade, we plan to ramp up to 200–250 tonnes per month. The planned expansion of the product range will require us to improve process flows, purchase new equipment and so on.

On the other hand, by acquiring the company, we were able to hold onto its customer base. The facility produced glyptal and pentaphthalic alkyd varnishes, which are in demand today.





*Technical control laboratory premises at the decommissioned site.*

**– Were you not afraid of investing amid the pandemic-induced market turmoil?**

– I cannot say that our market segment was severely hit by the economic slowdown due to coronavirus. Our products are used to paint steel structures, ships, carriages and in machine building. I believe that these industries were less affected by the crisis than the consumer goods sector.

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HAVING COMMITTED TO INVESTING RUB 4.6 MILLION AND CREATING 26 JOBS OVER THREE YEARS, WE RECEIVED INCOME AND PAYROLL TAX BENEFITS

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In addition, our research laboratory continues to develop materials that meet individual customer needs and create promising new products.

I believe that our position in the domestic market is quite strong. We also strive to grow exports. Today, we supply products to Belarus and plan to enter the markets of Central Asia. We have reliable partners who supply raw materials for production. For instance, we have long and fruitful relationships with SIBUR, from whom we purchase styrene for the production of alkyd and styrene varnishes.

Another positive factor was us becoming a tenant of the Gavrilov-Yam advanced development territory. Our investment project has passed the sign-off process and was approved by the Ministry of Economic Development of Russia.

Having committed to investing RUB 4.6 million and creating 26 jobs over three years, we received income and payroll tax benefits.

We expect that the active phase of investment will take two or three years, while the advanced development territory tenancy period is eight years, according to the documents.

Now that we have acquired the company and are actively integrating it into our operations, I believe it was a good move, even despite the economic difficulties that followed this year. We have new opportunities, new customers and confidence in the future.