



"WE ARE NURTURING AMBITIOUS GOALS"

Mikhail Tovmasyan, CEO of SLT AQUA, shared his experience launching a successful polymeric pipe production startup.

How did the idea of producing polypropylene pipes come about? Is this the kind of business that enjoys substantial demand in the market?

SLT AQUA is a part of a group of companies that started off working in the sector of financial, construction and legal consulting services. This business helped us gain extensive experience in major petrochemical projects. Our previous track record and assessment of the business development potential played the key role in determining the industry we wanted to focus on. After considering a variety of segments, we opted for the polypropylene-based intra-building water and heat supply systems as a highly promising area in terms of import and material substitution.



SLT AQUA, a Togliatti-based company, has been producing polypropylene systems for water and heating supply since 2016. Despite its relatively short history, SLT AQUA has already carved a reputation for itself in the engineering market as a responsible supplier providing comprehensive solutions, 24/7 technical support and consistently high product quality.

Three years into the business, our assessments of the growth potential proved to be correct, with our performance matching the set targets. Surely enough, there is still a long way to go, as by the market standards we are still a relatively young and growing company.

Why did you choose SIBUR as the main feedstock supplier?

First of all, supplier reliability is a crucial factor for us. Secondly, our key priority at the planning stage was the quality of our products which should have been in no way inferior to the European peers. The high quality of SIBUR's feedstock made it possible for us to meet this requirement.

Thanks to the quick expansion of SIBUR's production capacities, the polypropylene pipe segment is now a market niche dominated by Russian feedstock suppliers. In other segments, the situation is strikingly different, with the higher cost of imported feedstock hindering the production growth.

What are the advantages of basing your production facilities in the Togliattisintez Industrial Park?

At the time we were choosing a location for our production site, the Togliattisintez Industrial Park had available areas meeting our criteria.



SLT AQUA's production site.

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I think the main advantage of Togliatti is that it is equally removed from the northern and southern parts of Central Russia, as well as the Urals. This gives us an opportunity to build efficient logistics and expand the geography of sales.

On top of that, the Samara Region boasts advanced R&D capabilities, which is also of great importance for our business.

What is your customer profile and what are your top selling products? What do polymeric pipe buyers usually focus on?

We produce polypropylene pipes and fittings, and these are complementary goods. A company striving for dynamic development needs to bring consistent improvements to both segments. Our main customers are construction companies and wholesale and retail players. Even though SLT AQUA's polypropylene-based systems can be installed in industrial and commercial facilities, including public buildings, hotels and shopping malls, in the overwhelming majority of cases our products are intended for residential development.



Togliattisintez Industrial Park.

IN THE NOT-SO-DISTANT PAST, PRICE USED TO BE THE DECISIVE FACTOR FOR CUSTOMERS IN OUR SEGMENT.

In the not-so-distant past, price used to be the decisive factor for customers in our segment. This no longer the case, as the product quality is now increasingly taking the centre stage. Neglecting the quality may lead to dramatic or even life-threatening consequences. Contractor and supplier requirements in the construction industry become tighter every year. SIBUR was one of the driving forces behind the introduction of product certification in the Russian market.

The company has recently announced production expansion. What will be the next step for your business?

This year, we have significantly boosted our production capacities, expanded the warehousing facilities in Togliatti, set the stage for the launch of additional product lines and so on. All of our developments and innovations will be presented at a dedicated exhibition in February. In 2020, we are planning to continue expanding the equipment range and enhancing our infrastructure.



Producing polypropylene pipes.

THIS NO LONGER THE CASE, AS THE PRODUCT QUALITY IS NOW INCREASINGLY TAKING THE CENTRE STAGE.

You have repeatedly stated that the company's objective is to become a market leader. How close are you now to achieving your main goal? What are the key growth drivers for the production of polypropylene pipes?

Over the past three years, we have significantly strengthened our market position. According to our analytical data, in 2018, we ranked among the top ten suppliers of polypropylene pipes and fittings in Russia. Needless to say, we are not going to stop at that and will continue setting ambitious targets for ourselves. For now, we are planning to firmly position ourselves among the industry's top-ranking players, while in the future our goal is to make it to the Top 5 largest producers in volume terms. In our business, economies of scale are of paramount importance. Hence, the need to continue with the ramp-up.

At the very start, we positioned the quality of our products and advanced production configuration as our main competitive advantages. It is therefore the company's ongoing development, cooperation policies, comprehensive business approaches and strict corporate quality standards that enable us to remain competitive in the polypropylene pipe market.

What is your opinion of the workshops held jointly with PolyLab? What potential do such meetings hold for your business segment?

It is a very valuable experience. The workshops aim to showcase the quality characteristics of SLT AQUA's products as confirmed by PolyLab's lab tests. It is important for us to demonstrate the quality of our feedstock, technical competences of our team, and the reliability of our customer support. The main target audience of these workshops are the construction and installation companies that place great emphasis on the quality of products. Builders are often very conservative: many of them have worked with steel pipes for decades. The aim of the workshops is to change their attitude towards polymers and to show that modern polypropylene pipes are superior to steel both technically and economically. Such meetings always provide a lot of win-win opportunities: for us as it is an effective way to increase confidence in our product, while for our listeners they give a chance to assess potential suppliers.



SLT AQUA's production shop.

WE POSITIONED THE QUALITY OF OUR PRODUCTS AND ADVANCED PRODUCTION CONFIGURATION AS OUR MAIN COMPETITIVE ADVANTAGES.

What potential do polymers hold as a material for water and heating systems? In your opinion, what are the key factors driving or, vice versa, hindering the expansion of domestic production?

If we consider all the technical and economic indicators, polymer pipes are undeniably superior to steel ones.

The most important market factor is the demand for products, with construction companies acting as the main catalyst for demand in the polymer piping market. Construction growth rates are determined by the general macroeconomic situation in the country. The existing programmes envisaging renovation and overhaul of the housing stock serve as an additional driver boosting the demand.

Availability and brand range of domestically produced feedstock are yet another important factor contributing to the development of the polymeric pipe market. Feedstock expenses form a significant part of the final polymer pipe costs, hence the willingness of petrochemical companies to expand the range of their products can be viewed as a driver behind the development of domestic polymeric pipe production.

While the polypropylene pipe market is dominated by Russian feedstock suppliers, the market of, let's say, PEX and PERT tubing has a limited supply of domestically produced raw materials and is characterised by a high share of imported products.

In our business, everything is interconnected. To stimulate growth in the market, pipe manufacturers and feedstock suppliers need to work together.