



“EXCELLENCE IN EVERYTHING”

Maxim Yurov, CEO at RosTurPlast, on how to grow by 30% a year and benefit from sanctions.

Your company manufactures plastic pipes. How did it all start? Why plastic pipes?



MAXIM YUROV

CEO at RosTurPlast:

For 13 years, we have been continuously increasing our output and working to expand our product range.

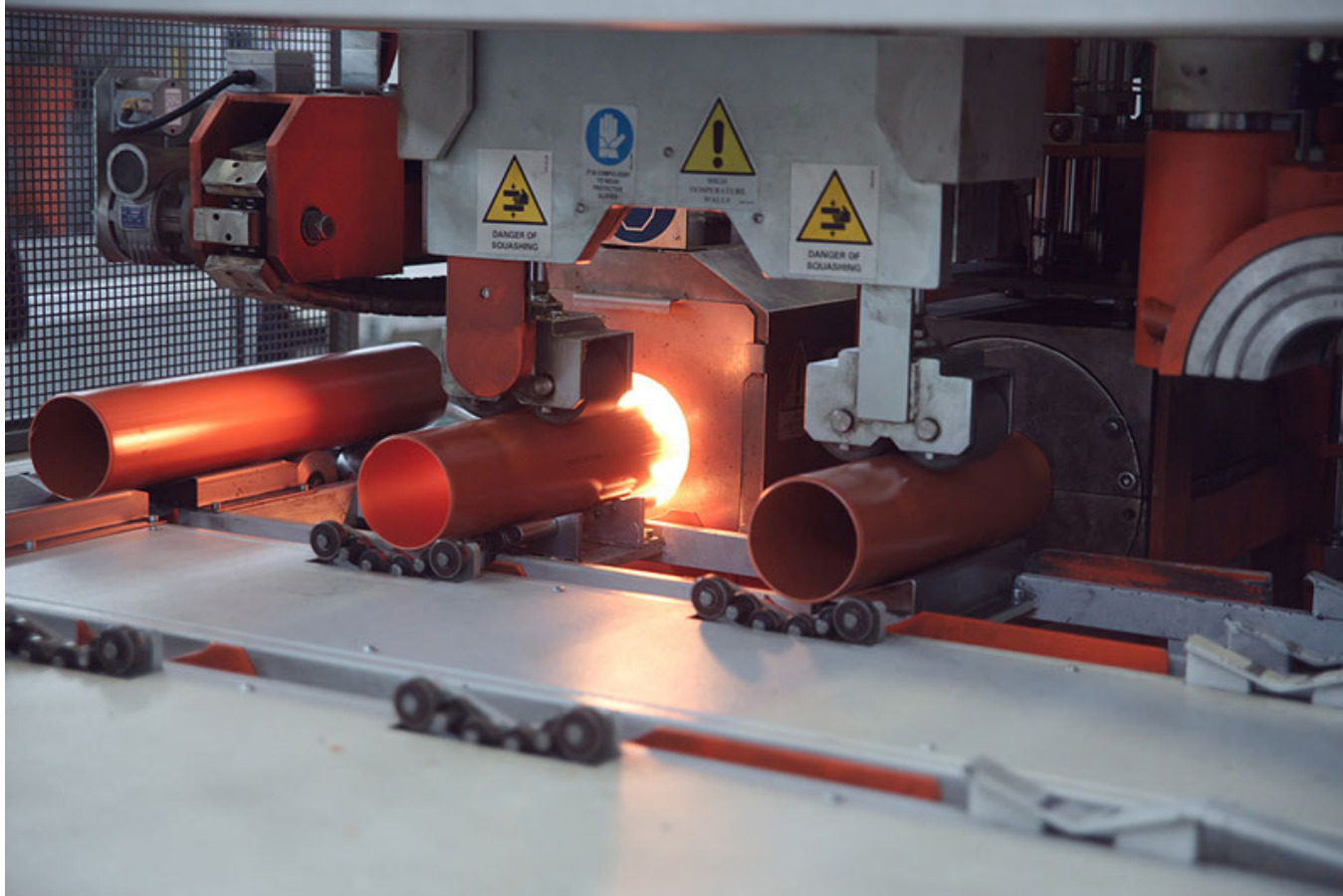
Thirteen years ago, my friend worked for a similar company, and we decided to launch our own production. One of our partners invested ca. USD 180,000 to get things rolling. It was back in 2005. There was plenty of room in the pipe market then as it was dominated by imports, which we easily replaced.

What helped you?

First of all, simple logistics, as it was much easier and cheaper to get a pipe from Russia than, say, from Germany, given the comparable quality of the products. Today, Russian pipe manufacturers compete more with each other than with importers – and convenient delivery is still a significant factor. For example, we can compete with factories located in South Russia, but the Siberian market is hard to reach with our logistics.

What are your key priorities now?

For 13 years, we have been continuously increasing our output and working to expand our product range. In 2017, production volume grew by about 30%. In 2018, we planning to repeat the success.



RosTurPlast, polymer piping and fittings plant. Photo: rosturplast.ru.

Do you sell to export markets? Which of them hold the most promise for your company?



ROSTURPLAST

RTP has been in the plastic piping and fittings business since 2005. The company makes over 1,200 types of products demonstrating 15x growth in production volumes since inception. The company's production site is in the Moscow Region. In addition to making plastic pipes, RTP has a utility system design division.

We have been developing our export operations, especially over the last three years. Of course, CIS markets are most important to us, as the bulk of our foreign sales goes there. But we are looking at more distant countries as well, analysing the demand and getting in touch with local partners. Hopefully, we will strike some new deals in the near future.

Volume-wise, about 10% of our products are exported. I expect this share to reach 30% within the next three years.

The growth is impressive, but what about setbacks? How did you navigate through crises?

Sure, we had some difficulties. Like most companies, we were losing volumes during the 2008 crisis and in the wake of the sanctions imposed in 2014. However, upswings always followed, and the market recovered quickly. We even used the sanctions to our advantage. A weaker rouble gave us the edge over Turkish peers, making them lose significant market share to Russian companies.

What market trends do you see at the moment?

The market is expanding. In 2018, the Russian economy began to recover, raising confidence throughout the construction industry and bringing us more orders. Needless to say, we welcome this very much.

What were your first products and what do you offer today?

Our first product was a non-pressure sewerage system for indoor networks. We continue to focus on indoor systems, that is sewerage (60% of our portfolio), heating and water supply systems (40%). We are able to produce 22 ktpa of polymer products. The production plan for this year is 18 ktpa, so we have some room.



Opening of RosTurPlast's new plant in Novosibirsk in December 2017. Photo: rosturplast.ru.

Do you develop any new products? What are the development vectors of your production site?

TODAY, RUSSIAN PIPE MANUFACTURERS COMPETE MORE WITH EACH OTHER THAN WITH IMPORTERS – AND CONVENIENT DELIVERY IS STILL A SIGNIFICANT FACTOR.

We are actively working on new PEX pipes made of cross-linked polyethylene – a polymer material consisting of molecules connected by cross-linked bonds forming a cellular 3D network. These tubes are hardly produced in Russia. Like our traditional products, they are intended for water supply and heating systems, while offering better mechanical properties and excellent resistance against aggressive environments.

Speaking of the production facility, we have recently launched production of glass-filled compounds that help remove the linear expansion effect in heating and hot water supply pipes.

And finally, we develop proprietary formulas in our lab to be able to produce more complex pipes with mineral fillers going forward. Our primary goal is to improve the filler/polymer ratio in favour of the former thus making the product cheaper while preserving its physical and mechanical properties.

Is it about the relation between the polymer quality and its consumption?

Yes, it is, and there is, in fact, a direct dependence: the better your basic polymer, the easier it is to use additional components (such as fillers) without compromising the basic properties of a pipe. This is exactly how SIBUR, one of our key suppliers, is developing their random copolymers. In particular, the most advanced heat-stabilised copolymers of this category allow to reduce pipe weight by 20% while preserving all other properties.

How much do you rely on domestic feedstock, specifically, SIBUR’s products?

We strive to use domestic materials as much as possible. SIBUR covers our polymer feedstock needs by roughly 65%. We import the rest from Korea and some European countries.

Participation in the 22nd International Exhibition Aquatherm Moscow 2018. Video: rosturplast.ru.

How long have you been working with SIBUR?

WE ARE ABLE TO PRODUCE 22 KTPA OF POLYMER PRODUCTS.

We started working with SIBUR directly about eight years ago. Before that, we used to buy their products through traders (back then the sales policy was somewhat different). Tomsk and Tobolsk sites are of particular importance to us, and, going forward, we expect to cooperate a lot with ZapSibNeftekhim. I should mention that with the launch of this plant our situation will change drastically as we will be purchasing a broader range of basic polymers in Russia.

We are strongly in favour of switching entirely to domestic polymer supplies – SIBUR and RosTurPlast have already built efficient logistics, and all we have to do is just wait for the new plant to launch and agree on the financial conditions that would benefit both companies.

Are there any technical collaboration projects between you and SIBUR, for example, to improve the existing products or develop new ones?

WITH THE LAUNCH OF ZABSIBNEFTEKHIM SITUATION WILL CHANGE DRASTICALLY AS WE WILL BE PURCHASING A BROADER RANGE OF BASIC POLYMERS IN RUSSIA.

RosTurPlast has on numerous occasions provided its production site to SIBUR so that our colleagues could test pilot feedstock grades there. We welcome all developments and initiatives in this area because both sides gain from them. For one, such collaboration has led

to significant improvements in random copolymers making them as good as European and Asian counterparts.

How would you rate SIBUR's customer policy in general?

Speaking of our interactions with their staff, it is a solid "A" – they have qualified managers working with us who can resolve any issue within their terms of reference. We are very happy with the logistics personnel, too. I believe the good service comes as a result of proper HR policies and sensible approach to internal guidelines and regulations.

Though, we believe that the company's product range needs some changes. And SIBUR is taking major steps to improve it – we see new grades with excellent quality and properties.

What is your outlook on polymers in pipe production? Are there any niches underpenetrated by polymers?

At first, polymers were used to make small diameter pipes. Now we see an active transition to plastic in pipes of large diameters, such as pressure pipes used in plumbing systems. Though some construction companies continue to rely on steel pipes, the transition to plastic is a growing trend.



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Design and programming: LudiPeople www.vashagazeta.com (www.vashagazeta.com)

e-mail: dearcustomer@sibur.ru (<mailto:dearcustomer@sibur.ru>)

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