

Alexander Gurov, PPCJ's representative in Russia, describes the current situation and prospects of the Russian coating materials market and presents Interlakokraska'2012, which will take place from March 12-15 in Moscow

Russian paint market prospects



According to Russia's official state statistics available at the end of 2011, Russian paint and varnish production in 2011 almost remained at the same level as the previous year, just slightly over 1Mt. The Russian paint and varnish market also increased slightly up to 1.2Mt. The share of imports grew and exceeded 20% of the market with main suppliers from Finland, Germany, Turkey and Poland.

There are six main Russian producers of paint and varnish materials: Tikkurila (with about 45% of total production), Empils, Lakra Syntez, VGT Enterprise, ABC Farben and Russian Paints. The Top 10 produces about half the total output of coatings in Russia but the rate of capacity utilisation of the Russian main producers is less than 45% on average.

It should be noted that following the downswing in 2009 of almost 0.811Mt and growth by 24.6% in 2010, domestic production in 2011 was stagnant despite the scarcity and rising prices of raw materials. The Russian paint and varnish industry tried to solve two problems at the same time: com-

petitors with cheap substitutes and growing imports. A major factor on the Russian paints market over the past two years were disruptions, unpredictable behaviour of providers and a significant 'deficit' of basic raw materials for coatings, especially titanium dioxide (TiO₂) and monomers. The basis of this deficit was the closing of unprofitable producers of TiO₂ during the economic crisis and the reorientation of Ukrainian producers, which traditionally supplied to Russia inexpensive TiO₂ of average quality to the European market, at a higher price. Shortages of raw materials hit the first of the segments dependent on imports, particularly for producers of industrial and powder coatings.

According to the Ministry of Economic Development RF, in 2012 import duty on raw materials for paints will be zero (before it exceeds the tax on the import of paints itself of 5%). Domestic companies can get some benefit from this for the development of competitive enterprises, in a step to substitute imports and develop exports. The strategic decision for these problems in the Russian paint sector may only be localised domestic production of raw materials for paints and varnishes, which will also give impetus to the development of other sectors of chemistry.

According to the Coatings in Russia 2011 conference, which took place in Moscow in September 2011, the Creon company gave the welcome speech on the Russian market whereby about 200,000tons of paint (up 20% of the market) in Russia is produced illegally by small unregistered producers in violation of the requirements and standards. The situation leads to quality degradation of the market where counterfeit coatings manufacturers feel confident. Many domestic coatings lose their good product image and then substitute with imports. Prevailing in the market are a few foreign brands (Finnish Tikkurila, French Brancher, Ukrainian Sniezka, etc), which cover about 60% of all imported products on the market.

In 2012 the Russian market will continue a deficit and rising prices of basic chemical raw materials will contribute to the continuation of the output of cheap paints of 'supereconomy' class on the limit of profitability. In the coming years, growing prices will continue, resulting in a further decrease in production volumes of the paint segment's 'supereconomy', which is in demand in Russia as cheap and efficient, though not of high quality.

Due to very small paint consumption (less than 5lit of paint/year are consumed/capita in the country, while in Europe this figure is 20lit) there is huge potential for growth in this sector, especially for the production of industrial coatings

INTERLAKOKRASKA'2012

The 16th International Specialized Exhibition Interlakokraska'2012 will take place from March 12-15, 2012 at the Moscow Expocentre Fairgrounds. The 6th International Specialized Salon of 'Surface Treatment Antirust Protection', as part of the event, will accompany this central event for the Russian paints and coatings industry in connection with new international salon 'Coating with special properties'. The International Scientific and Technical Congress Paints and Coatings Industry is held as part of the event. According to latest information from the organising committee of

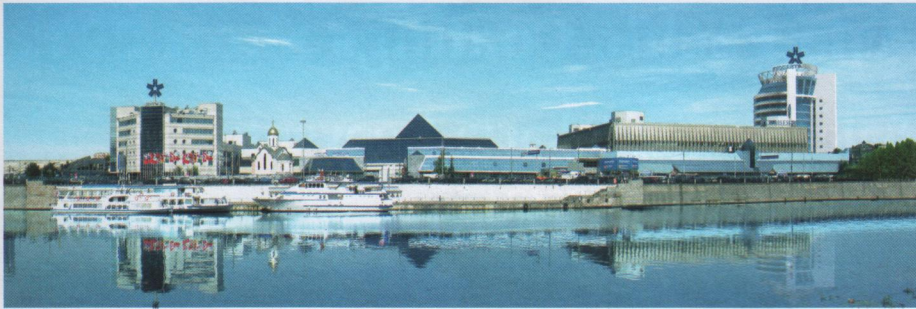
Interlakokraska'2012, more than 250 companies from 20 countries have confirmed their participation. As well as leaders in the Russian paint and varnish industry, which annually participate, such foreign leaders in the world market, as AkzoNobel, Bang & Bonsomer, Bayer, BASF, BYK-Chemie, Celanese Emulsions, CPS Colour, Cytec, Dow, DuPont, BYK, Eckart, Netzsch, Eisenmann, Evonik, Jotun Powder Coatings are taking part.

Visit www.interlakokraska.ru, www.interlak-expo.ru or contact the exhibition organiser via email: skuratova@expocentr.ru; or Tel: +7 (499) 795 38 45.



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ZAO Expocentre is the venue for Interlakokraska'2012 in Moscow

for oil and gas complexes, shipbuilding, metal constructions, etc. In 2012 there is expected sales growth in the sector of powder coatings (up to 20%) and expensive and specialised coatings (up to 10%).

MODERNISATION OF INDUSTRY

Most manufacturers of coatings in Russia are still working on the production lines built during the time of the USSR, some 30-40 years ago. They are outdated and do not meet current environmental requirements, although many are located in urban areas. There is a need to invest in new high-tech production lines and infrastructure.

The key objective for the paint sector, according to the Chemical Industry Development Strategy RF, to 2015, is to increase production of high quality and high added-value paint products. Many of the leading manufacturers of paints in Russia in the past years began to increase capacity and expand their ranges. They prefer to invest in the production of expensive, high-tech materials aimed at import substitution, paints class of 'elite' or 'premium', as well as industrial coatings. Numbers of high-tech lines are built with the participation of foreign engineering firms and equipment manufacturers, including suppliers of equipment from Europe such as: Oliver+Battelle (Spain), Netzsch (Germany), Profarb (Poland), etc. Producers in Russia, Ukraine and Belarus provide separate packaging lines, bead mills, dispersing equipment.

Russian leaders already began, in 2009, some investment programmes for new products. For example, Yaroslavl Paints (member of the Russian Paints corporation) in 2009 opened a plant. In 2010, it started production of fillers for decorative purposes at its plant where it installed a production line for powder coatings. In 2012, Russian Paints plans to put into operation 30,000 tons/yr capacity and begin construction of a special production line for decorative organo-soluble paints with a design capacity of 50,000 tons/yr for shedding in 2013.

In 2009, Empils began a modernisation programme. The original production was established in the 1970s and over the years has not undergone any major reconstruction. The programme, with an investment of €8M, is phased over three years. In 2010, the enamels plant was reconstructed and, in 2011, work began on a production facility for the

production of composite wood protective colouration and a water-dispersing paints shop.

The company Corundum, in 2010, began the reconstruction of an existing plant and the creation of workshops for the production of industrial coatings with high added-value. So far, this segment is covered

by more than 50% of foreign companies. The modernisation programme with investments of up to €2M should be implemented in mid-2012. The project is a joint venture with engineering company Profarb.

Hempel, at the end of 2011, launched its own plant in the Ulyanovsk region and invested €23M (at present there are 21 such production projects being undertaken by the company worldwide). Potential capacity will be up to 26Mlit/yr.

Jotun Group is planning to build a manufacturing paint plant on the industrial park, Fyodorovskoye in Tosno district of Leningrad region. Tikkurila is also actively developing its industrial coatings sector. The centre will be equipped with modern equipment from leading world producers and can carry out full testing of industrial and decorative coatings.

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