



YEAR BY YEAR...

Press service of POLYPLASTIC Group

The Annual convention of POLYPLASTIC Group Pipe Division subsidiaries was held from 31 January to 2 February at the Sheraton Moscow Sheremetyevo Airport Hotel. Over 80 executives from the POLYPLASTIC Group managing company, managers of commercial subsidiaries and divisions participated in the convention.

The convention was opened by M. Gorilovskiy, President of POLYPLASTIC Group who gave a briefing on the annual results, most of which were according to the plan. South and Ural divisions achieved outstanding results and the best sales results were achieved by Belarus. Ukraine, Kazakh-

stan and Volga subsidiaries have completed a very difficult 2013 with an average 20% underperformance. A slowdown (average -8% of estimated sales) was registered by POLYPLASTIC Siberia, POLYPLASTIC West Siberia, Cheboksary Pipe Plant and POLYPLASTIC Centre. Federal projects were seriously impacted due to a sharp reduction in the Gazprom gas distribution network development programme, completion works in Sochi, APEC and delays in oil and gas project financing.

As a result, average margins dropped significantly and accounts receivable increased at the end of the year,

despite the achievement of general sales targets.

The POLYPLASTIC Group acquisition of Radius Systems was a positive moment and enabled the company to enter European markets. The president of the Group had made half of his speech in English to show that POLYPLASTIC Group has now become an international company.

M. Gorilovskiy briefly talked about foreign investment. Radius Systems has 44 years of history and is the market leader in the British PE pipes market, holding substantial market share in the gas, water supply, sewer and communication sectors. Radius Sys-

tems has a strong team of professionals, engineers and managers, headed by Andy Taylor. The Group can now rely on the successful promotion of its products in European markets.

Three more British companies with great potential – Subterra, AEON and Redman – were acquired as part of the Radius Systems management initiative. Their integration into the Group delivers synergies, facilitates product range expansion and strengthens the share of the Group in the world market.

M. Gorilovskiy pointed out that the Group will continue to determine, choose and acquire the best assets in Russia and abroad. Russian companies with a traditional range of pressure pipes; foreign companies producing high margin products with

no equivalents in Russia; and companies that enable the promotion of technologies or pipe systems to be developed and successfully deployed in Russia (ISOPROFLEX, CORSYS, CORSYS ARM and others): will all be acquired.

Regarding prospects closer to home, the company President emphasised the need to capture market share in the domestic plumbing systems sector. He said that domestic plumbing accounts for about 50% of total plastic pipes sales in Europe. It is very important to develop this sector systematically and according to the plan. This is where the experience of the foreign colleagues will be needed.

K.Trusov, Head of the pipeline division, talked about major changes in

the division. 2013 began with the official joining of Sibgasapparat Plant. The benefits of the annexation are obvious for both the plant – where production has been increased twice to a record level of 10,000 tonnes – and the Group – particularly POLYPLASTIC Ural, the regional company which significantly strengthened its position and expanded its presence. For more details see “Sibgazapparat: first results” on page 16.

Novomoskovsk Plastic Pipe Plant was bought in spring. The plant has regained general production recovery and has development prospects within the Group’s international projects. Production of PVC pressure and non-pressure pipes with diameters up to 500 mm will start very soon. The installation of four technology lines



imported from England with an annual capacity of 20,000 tonnes has been completed. Moreover, the production of rubber gaskets for CORSYS pipes is being evaluated.

The creation of the Arystan Trade House with its strong team was another organisational change. This step was taken as part of the development plan, and the expansion of the Group in the Kazakhstan market.

The decision to create the Trade House of Cheboksary Pipe Plant was taken at the end of the year to provide unification of the pipe division structure in the Group.

K.Trusov has presented the managers of the new companies and divisions to the participants.

The principals of the subsidiary companies also provided details of their achievements, problems and plans for 2014.

V. Buyanovkiy, Chairman of the Board of Directors of POLYPLASTIC Group, presented an analysis of production and finances for the Group in 2013, and explained the reasons for the reduction when compared to 2012. He pointed out that this had also happened in many other sectors.

In his opinion, the country is currently in stagflation with no economic growth and rapidly rising costs. Increased profitability is the only way out of this situation. V. Buyanovkiy outlined the measures necessary to achieve this difficult task.

Speaking about the major strategic challenges for the pipe division, V. Buyanovkiy named increasing profitability, increasing volumes to 400,000 tonnes by 2020, and the creation of a domestic pipe systems division with not less than 25%

market share within the next the 5-years.

V. Buyanovkiy shared his forecast for 2014 and suggested that there were grounds for optimism. The depreciation of ruble will have a positive economic impact as it is based on energy prices. Taxable income will grow and the budget will increase. The American stock market is growing and the economic situation in Europe indicates that the Russian stock market will grow too. This will lead to the gradual restoration of liquidity in our finance market and we will see the signs of the U-turn by the end of the third quarter.

Moreover, there is a hope that the Government will tackle the problems of modernisation in housing and utilities, and will begin investing in the sector. All this will help to improve the results and achievements of the POLYPLASTIC GROUP in 2014.

