

## The Popularity of Ceramic Tiles

An Interview with Valentyn Valentynovich Shevetovsky,  
President, Golden Gate Business, Kiev, Ukraine



Valentyn Valentynovich Shevetovsky

**EDITORS' NOTE** *The recipient of a master's degree from the Kyiv Polytechnic Institute, Valentyn Shevetovsky established Investment Company Ukraine, now Golden Gate Business, in 1997.*

**COMPANY BRIEF** *Founded in 1997 as Investment Company Ukraine, Golden Gate Business (GGB: [www.goldengate.com](http://www.goldengate.com)) specializes in privatization consulting and investment activity, providing investment banking services with a focus on mergers and acquisitions. The company provides advisory services to sellers and buyers in the context of both privatization and private deals. Among the state enterprises that have been prepared for privatization with Golden Gate Business's assistance are automobile tire-producer Rosava, bus producer Lviv, cable producer Ukrkabel, and energy distributor Luganskoblenerbo.*

**Your main business line is investing in the construction materials industry, in particular the ceramic tiles industry. What factors secured the Harkiv Tile Plant [HTP] the leading position in Ukraine?**

HTP was set up in 1949, and since then it has been a leading ceramic tiles producer in Ukraine. The years-long successful work of the plant and the expertise of many generations of its workers made its products known in Russia, Kazakhstan, Moldova, and Azerbaijan, and we are constantly strengthening our position in these markets.

Ukraine's steady economic development provides for stable ceramic market growth. During the last seven years, the gain in consumption was 15 to 20 percent yearly. In 2006, consumption of ceramic tiles reached 52.8 million square meters, or 1.2 square meters per capita, compared to neighboring Poland's 2.2 per capita. These figures make us optimistic for investing in a capacity increase. But the most important thing is that more than 50 percent of the ceramic tiles consumed in Ukraine are imported, and this can be substituted with domestic products. We will offer our consumer a considerably higher-quality product than the majority of imported ones, and ours will be considerably cheaper. In accordance with the HTP business plan, by 2010 the plant will produce 35 million square meters of tile per year. The most sophisticated equipment, which even companies in Italy and Spain don't have, is being installed at the plant. Because of that, the produced tiles will be much more competitive than many foreign ones and, for sure, will meet the highest requirements of Ukrainian buyers.

Sacmi is the equipment supplier and a partner in HTP's modernization. The company's great professional expertise and specialization allows us to effectively modernize the plant. Thus, the successful work of HTP, its experienced personnel, the right business partner, the equipment supplier, and HTP's advantageous geographical location – near resources reserves and in the center of a rapidly growing ceramic tiles market – are the main factors for success in the creation of HTP's leadership position.

**What is the main challenge for your business in the long and short term?**

At the present time, the main challenge for the plant is the narrow-mindedness of its managers. A well-known expression “woe from wit” is quite applicable to our production; the HTP specialists who have worked at the plant for 20 to 30 years, who have done the impossible with obsolete equipment, now often have a hostile way of meeting foreign specialists. “What can you teach me? I have been producing tiles for 30 years.” You can often hear that at the plant. We were forced to dismiss many top specialists.

Nevertheless, I am sure that devotion to the plant and fair wages, plus good foreign coaches whom we have invited to fill the most important positions, will do their part, and HTP specialists will be able to produce complex products in a

short time frame. Another serious challenge is the presence of cheap products, primarily from Chinese companies in the market. However, they pay very low wages, produce low-quality goods, do not invest enough in waste recovery and filtration systems, and copy other companies' successful designs, producing poor imitations without intellectual property rights. It's useless to fight such products, because unfair producers exist in every country. The key solution to this complicated problem lies in the awareness of the customer. That is why we want to win the respect of customers, building our business on the principles of transparency, and defeat products of questionable quality in this way.

**What trends do you see in the international ceramic market? Are you planning the development of HTP outside of Ukraine?**

The present ceramic leaders, Spain and Italy, have a huge number of small companies, the majority of which are family businesses with owners who are, on average, 80 to 90 years of age. The companies are unable to meet the main challenges of the modern ceramic market. In the next 10 years, there will be consolidation in the ceramic markets, and new companies will appear with 500 million square meters of ceramic tile per year. As a result, production will shift from Spain and Italy to locations closer to raw materials and main markets. We have plans to take part in this process.

**GGB also deals with M&A. To what extent, in your opinion, does GGB help Ukraine become more open to foreign investments?**

GGB has two main business lines: M&A and private equity. Our mission for integrating Ukrainian businesses into the world economy is to facilitate the entry of companies that have centuries-old traditions – those that can offer the Ukrainian customer products of the highest quality. We are proud to have brought to Ukraine such companies as Lafarge, Heidelberg, Dykerhoff, Vetropack, Bel, and others. Ten years ago, we often heard rebukes that our business is not patriotic, that Ukraine doesn't need foreign companies in Ukraine. Now everything has changed and we realized that openness and access to new markets is a key to the stable development of Ukrainian society. I am glad that our work has helped Ukraine to move towards an open society. ●