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Knauf plans second Thai plant

KNAUF, THE largest producer of gypsum board in Europe, will invest 50 million to 55 million euros (up to Bt2 billion) to build a second factory in Thailand, which will allow it to triple its production capacity by early 2017.

Wayne Studdon, managing director of Knauf Gypsum (Thailand), said the second factory would add 40 million square metres in annual capacity to its plant in Saraburi, whose capacity is 20 million square metres. That would be enough for Knauf to acquire 50 per cent of the local market. The Saraburi plant commenced operations just over two years ago.

Knauf's investments in Thailand are part of its plan to establish a production and marketing network quickly in Southeast Asia, one of the three regions that the privately owned, Germany-headquartered company is focusing on (the other two are South Africa and South America).

To speed up its manufacturing expansions in Asean, the company has set up an engineering department in Thailand to oversee the design and construction of its plants across the region. "We have our own engineering division in Germany to take care of our factories' construction. It is the first time ever that we have this subdivision in another country" outside Germany, he said.

Just after completing the acquisition of its second gypsum-board factory in Indonesia, Knauf is also building a third factory in that country. It is also setting up its first plants in Vietnam and the Philippines.

Once these projects are up and running, the company will have a combined production capacity of 190 million square metres per year in Asean by early 2017, comprising 70 million square metres in Indonesia, 60 million in Thailand, 40 million in the Philippines, and 20 million in Vietnam. Studdon, who is also managing director of Knauf for the Southeast Asia region, said the firm was considering building a gypsum-board plant in Myanmar.

"Because of the growth potential in Asean, we may accelerate our [expansion] programmes," he said.

On average, the gypsum-board markets in the 10 nations comprising Asean have grown by 10 per cent annually during the past 20 years. But consumption per head in the region is still well below those of developed markets, and thus Knauf expects Asean to have a minimum of 10-per-cent annual growth in plasterboard demand over the next 10 years.

"As labour costs increase, there will be even faster substitution [from other materials] for wall partitions. And Thailand will be one of the first markets [to shift to gypsum board], as its labour wages have gone up quickest," he said.

Because of political and economic uncertainties, Thailand's gypsum-board market grew by only 4-5 per cent last year and is expected to expand by just 3-4 per cent this year. Despite the slow growth of the overall market, however, Knauf grew its sales by more than 300 per cent last year and targets a further increase of 200-250 per cent this year.

Knauf aims to conquer the No 1 position in Thailand's gypsum-board market within five to seven years. It is currently the third-largest player with about 13 per cent of the market, following Siam Gypsum Industry, a subsidiary of USG Boral, which has nearly half of the local market, and Thai Gypsum Products, a unit of Saint-Gobain, which has almost 30 per cent. The market is estimated to total 90 million square metres annually, and is valued at about Bt5 billion.

As a newcomer, Knauf has priced its gypsum board at a 7-per-cent discount to its competitors' prices, but it aims to close the gap by introducing new products in the premium segment. The company is spending 6-7 per cent of its sales revenues on marketing and promotion, a higher proportion than its established competitors'.

Export sales currently account for 10 per cent of the output of Knauf's Thai factory, and this ratio will increase when it gets the second factory operating in early 2017. But the export ratio will decrease over time, since Knauf has no policy to set up an export-oriented factory but always establishes plants close to their markets, he said.

Meanwhile, Studdon said Knauf aimed to have a gypsum mine in Thailand within the next few years to supply minerals to its factories in Thailand and abroad. Because of a Thai law that prohibits foreigners from owning 100 per cent of a mining activity, Knauf began searching for local partners to own gypsum mines jointly in Nakhon Sawan and in the Southern region five years ago.

