The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

L’Oreal Opens $35M Plant in Kaluga

By Irina Filatova

September 23, 2010



Workers manning the sole production line Thursday at L’Oreal’s new plant in Vorsino, 85 kilometers from Moscow. **Irina Filatova**

VORSINO, Kaluga Region — Kaluga Governor Anatoly Artamonov touted the opening of French cosmetics maker L'Oreal's first plant in Russia on Thursday as the latest step toward boosting his region's fast-growing economy.

L'Oreal invested more than 26 million euros ($35 million) in the facility in Vorsino, 85 kilometers southwest of Moscow, and it will produce shampoos, hair conditioners and hair dyes under the brands Garnier and L'Oreal Paris for sale in Russia, Ukraine and Kazakhstan.

The Kaluga region, which offers tax breaks to investors, is a magnet for foreigners, with French carmaker PSA Peugeot Citroen and Japan's Mitsubishi opening a joint enterprise in April and French cement producer Lafarge recently starting construction of a local plant.

Artamonov, speaking in an interview at the L'Oreal plant opening, said his administration planned to complete negotiations on various forms of cooperation with more than 10 foreign

and Russian companies by the end of the year. He declined to identify the companies.

Healthy investment has boosted the region's economy, which Artamonov said soared by 45 percent in the first eight months of the year compared with the same period in 2009.

He told The Moscow Times that L'Oreal's plant might provide annual tax revenues of 15 million rubles to 20 million rubles ($485,000 to $645,000) for the regional and municipal budgets in the coming years. The figure may reach 100 million rubles in eight years, when the period of tax breaks ends, he said.

The L'Oreal plant, which currently has one production line, has an annual capacity of 120 million units that might more than double "in accordance with the market requirements," the company said in a statement. The facility will reach its current full capacity next year as additional equipment is set up.

"The opening of the plant in Russia reflects L'Oreal Group's obligations to locate production closer to the key markets in order to react to the growing needs more effectively," Jean-Philippe Blanpain, L'Oreal's operating director, said in the statement.

L'Oreal, with a Russian market share of 17 percent, is the second-largest cosmetics firm in the country after Procter&Gamble, which has a market share of 24 percent, according to ExpoMediaGroup Staraya Krepost, a market researcher. ⊠⊠

L'Oreal said it posted turnover of 563 million euros in Russia last year. Its local sales increased by 17.6 percent in the first half of 2010 compared with the same period last year.

Analysts said the local perfume and cosmetics market was attractive for foreign companies because of its stable growth and strong demand. ⊠

"The market is not saturated yet, and its potential will steadily attract foreign players' attention," said Ivan Kozlov, an analyst at ExpoMediaGroup Staraya Krepost.⊠⊠

The market, which saw annual growth of 17 percent to 18 percent before the 2008 financial crisis, grew by 6 percent to 7 percent last year, Kozlov said, adding that the anticipated growth for this year is 6 percent to 8 percent.⊠⊠

The volume of Russia's perfume and cosmetics market amounted to $9.7 billion in 2009 and may reach $11 billion this year, he said.

Original url: https://www.themoscowtimes.com/2010/09/23/loreal-opens-35m-plant-in-kaluga-a1689