

## **Investment offer**

### **1. General information**

**Project name:** The development of the specialized production of the hydraulic equipment, test and calibration benches through the implementation of construction project: "Reconstruction of the part of specialized warehouses building to workshop for the production of the hydraulic and pneumatic equipment at 3, Ingenerny per. Gomel."

**Project location:** Republic of Belarus, Gomel

**Company full name:** Open joint-stock company "Gomelskoe spetsialnoe konstruktorsko-tehnitscheskoe bjuro gidropneumoavtomatiki"

Ownership: private.

Registration date: 14.12.2009

**account** for \$1794 ths. as of 01.06.2012

**Authorized fund structure:** state – 100%, non-state entities – 0%, foreign stakeholders – 0%, other stakeholders – 0%.

### **2. Domestic market**

#### **Current trends of sector:**

- Market capacity – \$7500 ths.
- Key market player - Russian producers, foreign countries;
- Government regulation (price control, licensing, etc.): licensing of certain activities, the regulation of conditions of import purchases

#### **Key indicators of the enterprises:**

- Annual volume of industrial production (at current prices): BYR 21,8 bln.;
- Return on sale: 12%;
- Average monthly nominal wages of workers BYR 3000 ths.

### **3. Project description:**

#### **Characteristics of the project:**

Erected buildings - one-story, two-span, with the adjoining two-story building of administrative and domestic purposes, has a maximum size in the axes 39,0x32,0 m, height of building to the bottom of farms 8m.

Technical data according the plan:

1. The area covers in the conventional boundaries – 0,36 ha;
2. Built-up area – 1349,3 m<sup>2</sup>;
3. The surface coatings area – 2255,0 m<sup>2</sup>;

Electrical solutions.

Provides for the reconstruction of the existing transformer substation to the replacement of switchgears high and low voltage. Rated power – 369 kW.

#### Technical and economic indices

1. Total number of workers 40 personnel.
2. Number of work shifts – 2 shifts.
3. Total area – 1495,0 m<sup>2</sup>, including administrative and accommodation space – 298,0 m<sup>2</sup>.
4. Construction effort – 15016,0 m<sup>3</sup>, including administrative and accommodation space – 1780,0 m<sup>3</sup>.
5. Construction budget in 2006 prices – BYR 2639,648 million.

#### **Product description:**

Complete hydraulic drive systems, hydraulic power units and hydraulic pumps for industrial applications.

Test and calibration benches and equipments.

Main consumers: machine-building industry inclusive of machine-tool manufacture, agricultural machinery industry, motor car construction, Belarusian Railways and RO “Agroservice”.

Main competitors: Russian producers, foreign countries.

Production distribution channel: producer-consumer.

#### **Total investment:**

\$1550 ths., including capital expenditures \$1500 ths.

#### **Financing requirement for investor:**

\$750 ths.

#### **Type of investor participation:**

% of shares purchase.

#### **Investment structure:**

Equity participation in the construction of the facility

#### **Necessity of import:**

Is not required.

#### **Expected performance indicators:**

Year of project realization	2013	2014	2015	2016	2017
Expected sales, \$ ths.	1039,0	1728,0	1771,0	1802,0	1835,0
Expected market share (%)	13,8	23,0	23,6	24,0	24,5
Expected export of production, \$ ths.	482,0	788,0	830,0	830,0	837,0
Share of export in total sales (%)	46,4	45,6	46,7	46,1	45,6

#### **4. Competitive advantage:**

**Infrastructure available:** roads, warehouses, possibility to expand production and install additional facilities.

**Degree of availability of production:** there is an act of land use, a building to be reconstructed, engineering communications (electricity, water supply, heat supply, drainage system).

**Strategic competitive advantages:** dominance at the domestic market, experienced management, price factor.

**Investor's benefits:** access to the markets of the Republic of Belarus, Russia, Republic of Kazakhstan, the ability to use local raw materials, establishment of joint production, tax benefits.

#### **5. Preliminary indicators of project efficiency:**

Sale revenue, without VAT (after reaching the estimated capacity): \$2860,0 ths.;

Pay-back period (PBP) - 6 year;

Dynamic pay-back period (DPBP) - 7 year;

Internal rate of return (IRR) – 16%;

Net present value (NPV) in 2018 - \$43,3 ths.

#### **6 Contacts:**

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