



# **Investment Proposal: Production of Metal Structures**

Project prepared for a site on the Industrial and Logistics Park of the Novosibirsk Region

# Investment Proposal

## Production of Metal Structures

### Investment proposal

We propose to build an enterprise for the production of metal structures on one of the sites of the Industrial and Logistics Park of the Novosibirsk Region.

### Project Description

- ▶ **Format:** Use of available greenfield plots at the Industrial and Logistics Park for the construction of the metal structures production plant.
- ▶ **Type of facility:** Production premises for workshops to produce metal structures, and storage premises for finished goods.
- ▶ **Site description:** A delimited land plot with all necessary utilities: electricity and gas are extended up to the boundaries of the site in accordance with the required consumption volumes. The site has immediate access to a motor road
- ▶ **Functionality:** Production premises (blank production workshop, assembly and welding workshop, finished products workshop with shot blasting and painting sites), office premises, finished goods storage shed, and parking for trucks and passenger cars.

### Technical, economic, and investment parameters of the project

Total area of plot, sq.m.	30,000
Total area of production and storage premises, sq.m.	15,000
Number of production workshops	4
Number of employees at the factory	170–200
Expected output, tonnes/month	200 or more
Investments, RUB million	600–800
Payback period	3–4 years or more

### Characteristics of the Novosibirsk Region ILP

Total area	1,172 hectares
Available land plots	330 hectares
Power supply	42.5 MW
Sewerage	3,500m <sup>3</sup> /day
Heat supply (gas boiler house capacity)	16 MW
Gas supply	12,212 Nm <sup>3</sup> /hour

### Key Advantages of the Project

1. The production of metal structures is one of the most attractive branches of the metal production industry due to low initial investments and the rapid payback period of the project.
2. The logistics capabilities of the Novosibirsk Region and the ILP in particular allow for deliveries to be made to other regions, including the Far East, where the production of metal structures is not sufficient.

### Location of Industrial and Logistics Park





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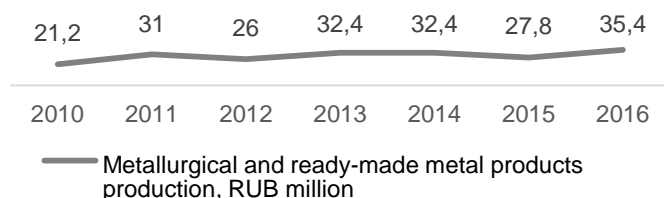
## Production of Metal Structures

### Market prospects

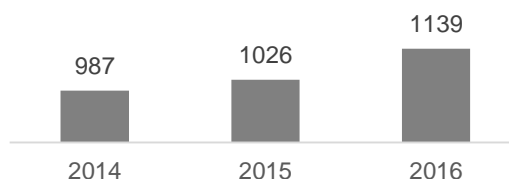
- The metal structures market is represented by the following segments: metal shapes for prefabricated buildings, supports and masts for street and road lighting, power transmission poles, road (barrier) structures, corrugated goods, bridge structures, etc. In general, metal structures manufacturing in Russia is on the up: it increased by 7.7% in 2016, from 1.95 million tonnes in 2015 to 2.1 million tonnes in 2016.
- The main consumers of metal structures are industrial, civil, agricultural, and infrastructural construction enterprises. Therefore, negative changes in this market adversely affect demand for certain segments of the metal structures market. At the end of 2016, the volume of work performed in the area of construction decreased by 4.3% (comparable prices), falling to RUB 6,184 billion. However, the rate of decline was less than in 2015, while the relevant figure increased by 0.6% (compared to 0.4% in 2015) in actual prices. In addition, metal structures began to be used more widely instead of reinforced concrete for the erection of building frames in civil engineering. Accordingly, the best option is diversified production, since the above-mentioned segments of the metal structures market have evolved differently in recent years.
- In previous years, the high demand for metal structures was the result of the reconstruction of the Baikal-Amur Mainline and the Trans-Siberian Railway, the construction of a bridge across the Kerch Strait, and the construction of sports facilities for the 2018 World Cup.
- The future metal structures market will be driven by:
  - The development of the Far East, resulting from the launch of a large number of industrial projects, as well as investments in related infrastructure construction. For example, the construction index in the Far Eastern Federal District in January–July 2017 was 117% compared with the same period last year.
  - The large-scale renovation project in Moscow, which is contributing 10–15% to the growth of the metal structures market according to expert forecasts.
- Despite a slight decline in the indicators for the construction industry, the Novosibirsk Region maintains a leading position in residential construction in the Siberian Federal District: the total area of residential housing built in 2016 was 2,215,000 sq.m., while in January–July 2017, the figure was 673,700 sq.m. Moreover, the Region's Government plans to allocate RUB 1.1 billion in 2018 to boost the construction industry. In addition, the favourable geographical position of the Novosibirsk Region makes it possible to deliver metal structures across Russia, including to the above-mentioned regions.
- There are two hot-dip galvanising plants in the Novosibirsk Region (ELSI Group and Contact Networks of Siberia), where anti-corrosion coating can be applied within the region without the additional cost of transporting blanks to other regions.

### Production of Metal Structures in the Novosibirsk Region

Volume of shipped goods produced in-house, work and services performed



Production of building structures from aluminium and its alloys, tonnes



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## Industrial and Logistics Park of the Novosibirsk Region

### The Concept of the Industrial and Logistics Park of the Novosibirsk Region

- ▶ The Industrial and Logistics Park is located 12km from the city of Novosibirsk and 6km from Tolmachevo International Airport along the Irtysh R-254 federal motorway. The Park has a fully functional modern engineering and transport infrastructure, which provides engineering resources to meet its residents' needs.
- ▶ The Investment Promotion Agency of the Novosibirsk Region provides support to ILP residents in the implementation of investment projects at all stages, from selection of a land plot in the Park and obtaining resident status to assistance in obtaining state support.
- ▶ All sites have greenfield status. ILP residents are provided with plots including all modern utilities (heat, electricity, gas, water supply and sewerage) and transport networks (motorway and railway). The base cost of a land plot (without VAT) is as follows: lease from RUB 710,000 per year for 1 hectare, purchase from RUB 7 million for 1 hectare.
- ▶ At present, the Park accommodates more than 20 companies with an estimated investment volume of more than RUB 55 billion. Among them are the subsidiary of ARNEG (a transnational holding company), Mondelēz (an international FMCG company), Gloria Jeans Corporation, PNK Group (a major federal developer with a logistics complex), RosAgroMarket (a federal network of wholesale distribution centres), and more.

### Advantageous External Factors for the Development of Production in the Novosibirsk Region:

- ▶ The significance of the Novosibirsk Region in the country's transport system is determined by its location at the intersection of some very important transport routes: the Trans-Siberian Railway and the Turkestan-Siberian Railway, along with the Irtysh R-254, Siberia R-255 and Chuysky Trakt R-256 federal motorways. Tolmachevo International Airport, with its passenger capacity of up to 5 million people, has direct connections with 14 countries across the world and 39 cities in Russia, as well as partnerships with 50 Russian and foreign companies.
- ▶ The Novosibirsk Region is the centre of a large consumer market: the population density is about 12 million within a radius of 600km, including 1.6 million people living in the city of Novosibirsk.
- ▶ There are 35 higher educational and 63 specialised secondary vocational institutions in the region, which makes it possible to provide enterprises operating in any line of business with qualified personnel.
- ▶ The authorities in the Novosibirsk Region are extremely interested in the development of the industrial and logistical potential of the region.

### Tax exemptions and subsidies envisaged for promising areas of investment in the Novosibirsk Region



0%

Property tax rate



12.5%

Possibility of decreasing the regional part of the profit tax to its minimum value



Partial subsidies for lease payments



Subsidies for a percentage of the interest rate on bank loans



Subsidies for the purchase of new processing equipment