



Investment Proposal: Plywood Production

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

Investment Proposal Plywood Production

Investment Proposal

We propose to launch an enterprise for plywood production on one of the sites of the Industrial and Logistics Park of the Novosibirsk Region.

Project Description

- ▶ **Format:** Use of available greenfield plots for the construction of a plywood production plant
- ▶ **Type of facility:** Production premises for workshops to produce plywood, 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:** An administrative building (office premises), workshops for preparation of raw materials, peeling, drying, and plywood manufacture, as well as storage facilities and parking for trucks and passenger cars

Key Advantages of the Project

1. The development of the wood processing industry is one of the development priorities of the Novosibirsk Region, as rated wood cutting areas are consistently underused.
2. Despite the general slowdown in economic development, the plywood market in Russia has been showing steady growth since 2010 (3% in 2016). However, the volume of wood processing in the Novosibirsk Region does not meet domestic demand.
3. The logistics capabilities of the Industrial and Logistics Park allow for export deliveries.

Location of the Industrial and Logistics Park



Technical, economic, and investment parameters of the project

Total area of plot, sq.m.	35,000
Total area of production premises, sq.m.	20,000
Number of workshops	4
Number of employees at the factory	200
Expected production volumes per year, thousand m ³	15–20
Investments, RUB billion	1–1.5
Payback period	3 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 ³ /day
Heat supply (gas boiler house capacity)	16 MW
Gas supply	12,212 Nm ³ /hour

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Plywood Production

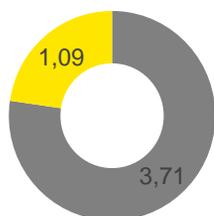
Market prospects

- The Novosibirsk Region is characterised by heterogeneity of wood species and volumes, and by accessibility of forest raw materials. The timber and wood processing industry accounts for only 3% of the total production of all industries in the Novosibirsk Region.
- In 2017, the land area of the forest reserves amounted to 4,600,700 hectares in the Novosibirsk Region, where the birch predominates in forest plantations (about 75%). The largest area of forest reserve is located in the northern areas of the region: the Kyshtovsky, Severny, Ubinsky, and Kolyvansky Districts, which account for 42.6% of the region's forests. Furthermore, 71.5% of these are exploitable forests that are suitable for logging.

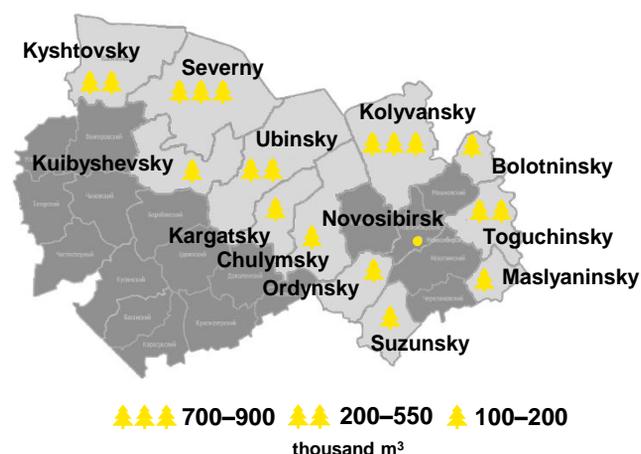
The challenge currently faced by the Novosibirsk Region is to increase timber logging, since only 1.1 million m³ of the authorised 4.8 million m³ was logged in 2016. The region has significant potential to increase logging and wood processing volumes.

Logging in the Novosibirsk Region, million m³

- Ready for sale volume of logging
- Sales volume of logging



Districts of the Novosibirsk Region with the greatest under-use of the authorised felling rate, thousand m³



- In fact, there are practically no large wood processing enterprises in the region, except for single mills located in certain districts. ZAO ROSKITINVEST (AVIC Forestry), a Chinese investor, is planning to implement a large investment project with an estimated investment volume of RUB 3.7 billion in the Kyshtovsky and Severny Districts. OOO Sibirsky LPK (a timber mill and subsidiary of the Chinese investor) will be used as a production complex for wood processing, including wood waste processing. The mill's products will be exported to China.
- In January–July 2017, only 40,200 m³ of timber products were produced in the region. Demand in the Novosibirsk Region domestic market is met through supplies from the Tomsk Region (Tomsk Plywood Mill), the Altai Territory (Biysk Plywood Plant), the Irkutsk Region (Ilim Bratsk Wood Processing Mill), the Kemerovo Region (Novokuznetsk Plywood Mill), and other regions.
- The Novosibirsk Region does not attract major players in the industry, since its forest reserves are not as significant as those of neighbouring regions. Nevertheless, Novosibirsk does have a certain amount of resources, and the wood processing enterprises operating in the region do not meet its domestic demand; hence the need for establishing a wood processing enterprise. In addition, the advantageous geographical position of the Industrial and Logistics Park would make it possible to supply products to other regions of the country and abroad.

Investment Proposal

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 people 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