

Creation of new productions and modernization of operating productions of RUE “MTW” in 2009-2015.

A. Project opportunity description

A1. Project name:

Creation of new productions and modernization of operating productions of RUE “MTW” in 2009-2015.

A2. Project status:

The enterprise has worked out and starting from 2009 realizes a business plan of investment project “Creation of new productions and modernization of operating productions of RUE “MTW” in 2009-2015”.

The project has passed State comprehensive expert expertise. According to the Resolution of Council of Ministers of the Republic of Belarus dd. 28.12.2009 No 1718 the present business plan is included in the list of projects, financed at the cost of state external loans (credits) which were guaranteed by the Government of the Republic of Belarus in favor of consortium of German banks AKA.

A3. Organization involved and their roles:

Republican Unitary Enterprise “Minsk Tractor Works”

A4. Project description:

The strategy of RUE “MTW” development is aimed at productivity enhancement at the cost of production output increase, introduction of progressive energy-saving and other technologies, providing improvement of quality and price competitive ability of the products, real income growth and social safety of labour collective.

The project stipulates increase of production capacity and growth of production volumes up to 75,0 thousand of tractor and machine units by the year 2015. For these purposes upgrading of practically the whole technological line of the enterprise, including metallurgical production, mechanical assembly production, cold upsetting production, welding fabrication, heat-treatment production, painting spray processing, assembly production, tool production is stipulated.

A4a. Общая стоимость проекта(млн. долл. США):

Total demand for investment is \$427,4 mln.

Including capitalized expenses exclusive of VAT is \$295,3 mln.

A5. Background /history/overall programe/related or similar projects:

Project objective:

Creation of capacities for output of 75 000 tractors and vehicles per year at RUE “MTW”, increase of the production volumes of promising tractor and vehicle models. Saturation of the domestic market with hi-technology import-substituting products and promotion of these products to foreign markets.

A6. Environmental impact summary:

Production activity at RUE “Minsk Tractor Works” results in annual generation of 133 700 tons of production waste. Among them there are 13 100 t/y of non-hazardous wastes, 119 000 t/y of low-hazard wastes (IV class of hazard), 1 440 t/y of moderately hazardous wastes (III class of hazard), 0,22 t/y of high-hazard wastes (II class of hazard), 0,065 t/y of extra-hazardous wastes (I class of hazard) including 29 800 pieces of worked-out mercury-bearing lamps per year.

Business plan implementation presupposes the use of the funds portion to perform actions intended to reduce the influence of harmful production factors on the environment through the organization of production process on the base of new and high technologies.

Moreover the enterprise carries out specific activity aimed to reduce the volumes of industrial waste generation by using them for needs of own production.

A7. Possible obstacles/problems/risk degree:

The risk concerning the rise of prices for power resources

A8. Time period for project implementation and pay-back period (years):

Simple period of project recoupment is 5,1 years.

Dynamic period of project recoupment is 6,1 years.

A9. Отраслевая принадлежность проекта

Agricultural machine building.

B. Capital cost items

B1. Project physical component:

B2. Capital cost USD million

Net working capital run-up (purchase of raw materials, materials, constitutive elements)	73,7
Erection and design works	31,1
Equipment acquisition and installation, including transfer costs	264,2
Other pre-investment and investment outlay	-
VAT payable when capitalized expenses occur	10,1
Total investment outlay including VAT	379,1
Payment for long-term bank credit related to fulfillment of the project investment outlay (interest on credit)	48,3
Summed demand for investments	427,4

B3. Sub-project by location

B4. Capital cost USD million

C. Capital Resources Available (owner, associates, sponsors etc.)

C1. Resources, grants, investments,

C2. Sum,

equipments, equity/ownership etc.	USD million
Own sources of investment for project (monetary funds for account of enterprise activities)	244,5
External funds, including:	182,9
Credits	115,3
State participation	67,6
Totals for all sources of investment project financing	427,4

D. Required Investment, Deficient Funds

D1 Necessary Financing, Required Type of Financial Participation:

Credit caused by own means shortness to the extent of 115,3 mln USD.

D2 Source of finance	D3. Type of Investment	D4. Amount USD million
Bank	Credit	115,3

E. Demand (Users) and Revenues

E1. Type of Users, Volumes, Pricing, Revenues, Estimated

- 1) internal market (the Republic of Belarus);
- 2) CIS countries (Russia, Ukraine, Kazakhstan, Uzbekistan, Turkmenistan and other countries);
- 3) far-abroad countries (if provided with engine that meets Tier-3 requirements and certificates of conformity with requirements and directives of the countries).

During the period of project implementation it is planned to create capacities for production of 75 000 tractors and vehicles per annum. The main share in commodity composition of output of RUE "Minsk Tractor Works" belongs to tractor machinery production (87,6%). Output in physical terms for 2015 is planned to be 75000 units.

According to the price parameters the products are able to meet competition in the global market

E2. Financing Sources	E3. Revenues (Sales)
Tractors sales revenue (exclusive of VAT, excise tax and other obligatory payments) over the period of the project implementation	7522,6

F. Transaction and Operating Costs

F1. Costs Components, Capital Allowance Policy, Industrial Engineering etc.

Ordinary manufacturing costs associated with complete cycle of production and sales of goods

F2. Cost item:	F3. Amount
Material expenses	4735,4
Salaries expenses	1112,2
Fringe benefit expenses	378,1

Loss (profit) from operating income and expenditures	-51,6
Loss (profit) from non-operating income and expenditures	117,6
Taxes and duties on the profit	199,7
Other costs	159,9
Total costs for goods production and sales over the period of the project implementation	6651,3

G. Net Income Value

G1. Net Income Value:	G2. Amount
Net income over the period of the project implementation, including:	871,3
Net profit	669,6
Amortization	201,7

H. Project Information Source:

<p>H1. The form is completed (by whom): Economist of the Department of Technical and Economic Justification of Investments of RUE “MTW” – N.V. Sventetskaya, tel. (+375 – 172304416); Head of the Department of Independent Economic Analysis and Forecasting of RUE “MTW” - V. Ignatova, tel. (+375 - 172308503)</p>
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<p>H3. Telephone – (+375-17) 230-68-42 , Tel./Fax (+375-17) 230-21-11; E-mail: sales@tractors.com.by</p>
<p>H4. Date: January, 2011</p>
<p>H5. Departmental identity of the project: Ministry of Industry of the Republic of Belarus.</p>