

Investment proposal for the project “Organization of production of acoustic systems”

1. Project Title - « Organization of production of acoustic systems ».

2. General information on the project initiator: Association "Uzeltexsanoat" is established in 1994 according to the decision of the Government of Republic Uzbekistan and at current stage of its development unites on a voluntary basis more than 25 large enterprises of electrotechnical industry of the republic.

The primary goal of "Uzeltexsanoat" is to carry out common technical policy in electro-technical sphere of the economy, promote creation of new factories for production of electro technical products as well as to facilitate attraction of investments and high technologies and innovative technologies into the electro technical industry of Uzbekistan.

Enterprises that are members of the Association specialize on four basic directions of activity: manufacture of cable-wire products, production of industrial power and electric equipment (low and the high-voltage equipment, transformers, substations, switchboards, elevators, motorcycles and trailers, agricultural equipment, spare parts and components for automobiles, etc.), manufacture of home appliances and consumer electronics (TVs, refrigerators, air-conditioners, lighting equipment, semiconductors, etc.) and rendering services for repair of industrial equipment.

In 2009 the total volume of production and rendered services within the system of "Uzeltexsanoat" has made 372,7 bln.soums (245 Mln USD), and production growth rate in comparison with 2008 has made 117,2 %. Export in 2009 has made 68,9 Mln.USD and CIS and Central Asian markets are the major customers of the products.

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3. Information on the enterprise on the basis of which it is planned to realize the project:

The project is offered for realization in the territory of the Free Industrial Economic Zone “Navoi” (Uzbekistan).

4. Information on the project – It is expected that the project activities will be focused on the production of:

№	Product Title	Forecasted volume of production in 1st year of project implementation (in K pcs)
1	Car Audio speakers	50,0
2	Loudspeakers for consumer electronics	10,0

4.1. Marketing:

- Due to growing purchasing power of population and dynamic development of home appliances market as well as rapid development of automobile industry of the country an annual demand for the products produced within the project on local market only can make up to 500-600 K of acoustic systems and loudspeakers per year. Drawing up of demand figures has been based on the following factors: quantity of families - 5,4 million, 248,5 K new families created annually, 60 % of families (3,24 million) live in a rural areas, 40 % of families (2,16 million) live in urban areas, annual population growth rate - 2 %. National car making company “GM-Uzbekistan”, which also could be a potential partner of the project, produces up to 250 cars per year.
- Annual volume of production at 100 % production capacity:
 - Car audio speakers – 500,0 thousand pcs. per. year;
 - Loudspeakers for consumer electronics - 50,0 thousand pcs. per. year.
- Local market of Uzbekistan will be selected as the primary marketing target for the products. At next states efforts will be made to enter the markets of Central Asian countries that are territorially close to production cite, as well as CIS countries. During the first stage of project implementation it is expected that share of exported goods can make up to 25 % from total volume of production. At later stages of project implementation the share of export will be brought up to 50 % from total production volume that will significantly reduce currency convertibility expenses. Uzbekistan is a member of CIS free trade zone, which consists of 12 CIS countries, which mean that products produced in Uzbekistan, can be sold throughout CIS region without import custom duties in countries of destination provided that localization degree of the goods produced in Uzbekistan is enough to obtain Certificate of Origin (ST1).

- In present there are no any manufacturers of acoustic systems in Uzbekistan. At the same time, the products under the world known brands (Sony, Sanyo, Pioneer, JBL, Infinity, Kenwood, Bose etc) are being actively sold on local market.

4.2. Manufacture:

- Need for raw material and accessories Import: aluminum, steel, shockproof polystyrene, polystyrene for production of plastic details, cellulose, inductive magnetic coils, set of microcircuits, arm of the speaker, resistors and etc. Local: copper and copper wire, enameled wire, packing materials, cardboard, rubber, front panel, back cover, power board, power cord, foam plastic package, packing materials, polyethylene package, stickers, diesel fuel, propane gas, and etc.
- Technological process of production consists of the following stages: Manufacture of diffusers on the basis of paper molding, manufacture of centering washers in hot pressing from preliminary impregnated and dried up fabrics, manufacture of rubber and polyurethane pendants, manufacture of dustproof cover, manufacture of coil, stamping on injection machines of metal of aluminum case, magnetization of magnetic system, assembly, measuring and testing.
- The Basic suppliers of the equipment and completing materials can be: various Japanese electric companies and companies of Asia and the Pacific region.
- Number of workplaces: managerial positions - 15 person, technical staff - 150 people.

4.3. Construction, reconstruction or modernization: New construction;

The required land area: offices – 0,8 hectare, production areas - 1,5 hectare, warehouses - 0,5 hectare.

Requirements in industrial infrastructure:

- Necessity for a railway - required;
- Water supply - 28600 thousand cubic meters per year.
- Electricity - 85000 kW in one year.
- Gas - 190 thousand cubic meters per year
- Drainage - 29700 thousand cube meters per year

4.4. Financial part (Estimated cost of the project):

№	Project Cost, incl.	Unit	Cost	Sources of Financing			
				Own funds	FDI	Public funds	Credits
1	Construction works	Mln USD	1,0	-	1,0	-	-
2	Equipment	Mln USD	2,5	-	2,5	-	-
3	Floating capital	Mln USD	1,0	-	1,0	-	-
Total:		Mln USD	4,5	-	4,5	-	-

Approximate duration of construction works -10 months.

5. Expected results from realization of the project: Volume of manufacture and proceeds:

Product Title	1 year		2 year		3 year		4 year	
	Qty (K pcs)	Amount (Mln USD)	Qty (K pcs)	Amount (Mln USD)	Qty (K pcs)	Amount (Mln USD)	Qty (K pcs)	Amount (Mln USD)
Car Audio speakers	50,0	1,0	100,0	2,0	250,0	5,0	500,0	10,0
Loudspeakers for consumer electronics	10,0	0,5	20	1,0	40	2,0	50,0	2,5

Approximate sale price of the item:

- ? Car audio speakers - 20,0 USD;
- Loudspeakers for consumer electronics - 50,0 USD.

Approximate payback period of the project - 5 years.

6. A condition of development and examination of the documentation under the project. Process of development the project documentation and feasibility study will be initiated after preliminary negotiations with the potential investor on the issues of cooperation.

**Passport of the investment proposal for the project
«Organization of production of acoustic systems»**

N	Indicators	Unit	Project parameters	Notes
1.	Total project cost, incl.:	thousand USD	4500,0	
1.1.	National currency	Mln.Soums	-	
1.2.	Foreign currency	thousand USD	4500,0	
2.	Expenses in foreign currency, total	thousand USD	4500,0	
2.1.	incl. Equipment	thousand USD	2500,0	
2.2.	Construction works	thousand USD	1000,0	
2.3.	Floating capital	thousand USD	1500,0	
3.	Expenses in local currency, total	Mln.Soums	-	
3.1.	Incl. for Equipment	Mln.Soums	-	
3.2.	For Construction	Mln.Soums	-	
4.	Sources of Financing :			
4.1.	Public funds	Mln.Soums	-	
4.2.	Foreign credits	thousand USD	-	
-	Incl. under the Government guarantee	thousand USD	-	
4.3.	FDI, total	thousand USD	4500,0	
-	Incl. Contribution to Charter funds	thousand USD	-	
4.4.	Own funds	Mln.Soums	-	
4.5.	Credit of Commercial banks	Mln.Soums	-	
4.6.	Other sources (identify)	Mln.Soums	-	
5.	Approximate number of workers,	Person	165	
5.1.	Incl. newly created jobs	Person	165	
6.	Duration of construction works	Months	10	
6.1.	Expected starting date of construction works	Months	After identification of foreign partners	
6.2.	Expected starting date of production	Months	After completion of construction works	
7.	Approximate project payback period	Years	5	
8.	Volume of annual production (at 100% production capacity)	Thousand pieces	550,0	
8.1.	Incl. Export (at 100% production capacity)	Thousand pieces	Up to 137,0	
9.	Annual gross income from the product sales (at 100% production capacity)	Bln. soums	Up to 19,625	
-	Incl. Export (at 100% production capacity)	Thousand USD	Up to 3125,0	
10.	Markets:			
10.1.	Local market share (at 100% production capacity)	%	75,0	
10.2.	Foreign markets share (at 100% production capacity)	%	25,0	

1 USD = 1570 Soum