



NATIONAL AGENCY
OF INVESTMENT
AND PRIVATIZATION
REPUBLIC OF BELARUS

Investment offer

Construction of a new industrial complex in the projected industrial hub “Zapadny” of the shoemaking managing company “Luch” OJSC



Investment offer

General information

Company's characteristics	Market characteristics of the planned production
<p><i>Company's name:</i> Minsk shoemaking open joint stock company "Luch" – managing company of the holding "Shoes - "Luch"</p> <p><i>Registration date:</i> 20.12.2012</p> <p><i>Authorized fund structure:</i> state - 31%, non-state entities – 15%, foreign stakeholders – 1%, other stakeholders – 53%</p> <p><i>Current financial results:</i> net profit of the holding – \$1.8 mln. (2013)</p>	<p><i>Product:</i> women's, men's, and children's casual shoes made of natural materials with glued attachment</p> <p><i>Main consumers:</i> male and female population of different age groups of the Republic of Belarus and neighboring countries</p> <p><i>List of goods with similar product performance:</i> shoes manufactured by "Marco" LLC JV and "Belvest" LLC JV</p> <p><i>Annual output of the sector:</i> \$70 mln. (2015)</p> <p><i>Return on sales:</i> 15% (2015)</p> <p><i>Average nominal monthly wages of the similar businesses:</i> \$500</p> <p><i>Concentration degree (approximate total market share of the top five players):</i> no less than 10%</p>

The project

- **Description:** the investment project includes the construction of an industrial complex with capacity of 3 million pairs of shoes per year; on the complex' territory three shoemaking companies, that are a part of the holding, will be placed – "Sivelga" CJSC, "Otiko" CJSC JV, "Chevlyar" LLC JV, as well as a number of auxilliary productions that are currently located in the center of Minsk on the Korolya and Timiryazeva streets.



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The project readiness stage:

- a land plot (6 ha) was identified for the project implementation on the territory of Minsk district in the industrial hub “Zapadny”;
- a preliminary complex design for further project development was developed and agreed in 2011;
- an investment agreement on the project implementation terms was signed between “Luch” OJSC and the Republic of Belarus in 2012;
- an architectural design of the complex was developed, including the general plan with projected utilities, summary calculation, the plan of construction and schedule, as well as estimation of the investment effectiveness (construction is supposed to be carried out in 3 stages, set time-limit – 51 months)

In 2014 it is planned to carry out the examination of architectural design of the complex, to finalize the construction project of the preparatory period and the 1st stage of construction (upon availability of funding), as well as the allocation of the land plot for construction of the complex.

- **Project branch:** light industry
- **Project location:** Minsk district
- **Total investment** (including off-site utilities construction): \$89.4 mln. (\$7 mln. - growth of net working capital)
- **Direction of investments:** first stage of construction - \$59.8 mln., second - \$14.9 mln., third - \$7.7 mln.; \$0.52 mln. – payment for the architectural design of the complex, including the construction project for the preparatory period and expertise (without prepayment); \$ 2.91 mln. - the development of the construction design of the project
- **Type of investor participation:** joint venture on the basis of the existing enterprise



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Preliminary indicators of project efficiency

- Sales revenue, excl. VAT (after reaching the estimated capacity): **\$19.7 mln.**
- Pay-back period: **7 years**
- Dynamic pay-back period (DPBP): **10 years**
- Internal rate of return (IRR): **10.9%**
- Net present value (NPV): **\$1.8 mln.**
- Discount rate: 9.5%
- Business plan/feasibility study availability: section “Investment performance” as part of architectural project

Competitive advantages of the project

Infrastructure available

- Republican motor roads (0.4 km), other roads with improved surface (0.8 km)
- Availability of electricity (5.5 km) and water supply
- Land availability (0.6 ha; for the complex construction)
- Possibility to build the necessary infrastructure via state budgetary financing

Strategic advantages

- Strong brand
- Profiled staff
- Supply chain of raw materials and components
- Commodity distribution network
- Entry into the Common Economic Space market
- Use of local raw materials
- Availability of valid patents, licenses, permits



Contact details



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