



## MANUFACTURING OF POWER CABLES

### PROJECT

There is provided a project on **building a modern plant manufacturing power cables.**

The project is worthy of implementation due to the following:

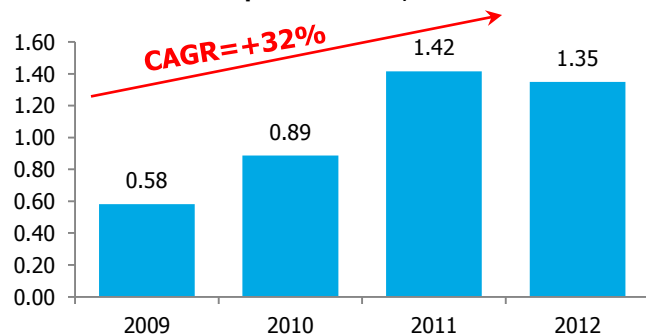
- In 2012 Russia imported cables to the value of more than **USD 1,3 bn**, over the past 4 years the imports grew by **32%** on average annually.
- Russian cable market is estimated at more than **USD 8 bn**.
- Russian market is characterized of a deferred demand, as its infrastructure requires renewal – wearout rate of fixed assets as of the end of 2012 was **47,7%** (as compared to 2000 – **39,3%**).
- Hosting World Football Championship in 2018 implies investing **USD 15 bn** in infrastructure development and building of stadiums.
- Capital expenditures for the project may total **USD 40-50 mn**, IRR – **10-12%**.

### MARKETS

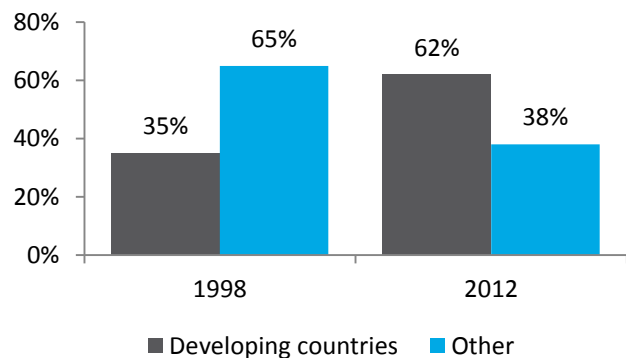
#### Customs Union market:

- About **90%** of cables on the territory of former USSR is manufactured by the companies – members of “Electric cable” association: 56 – from Russia, 6 – from Belarus, 7 – from Ukraine.
- Developing countries are becoming top cable consumers (**62%** in 2012 opposed to **35%** in 1998). Taking into account the fact that in 2012 Russia imported cables to the value of more than **USD 1,3 bn**, Russian market is fairly high-opportunity.

Cable imports in Russia, USD bn



Share of cables consumption



## MARKET OPPORTUNITIES

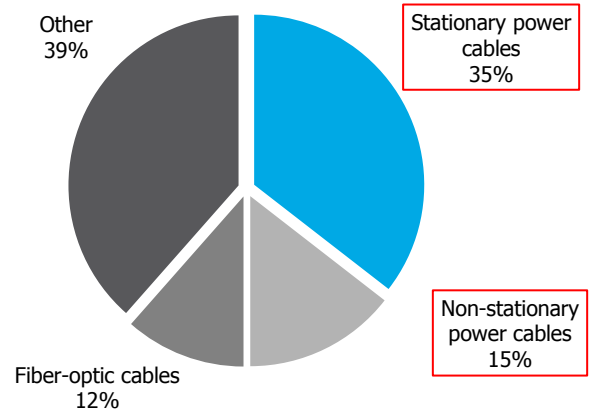
### Global opportunities:

- By 2040 bulk of the increase in global energy production (**84%**) is generated by developing countries.
- According to Economist Intelligence Unit, price for nonferrous metals – raw material for cable manufacturing – won't significantly increase in the mid-run:
  - Aluminium prices are projected at a stable level – annual average growth rate is not expected to exceed **3,3%** up to 2018.
  - Copper prices are projected at the level of 2014, with gradual decrease by **8%** by 2017 and reaching level of 2014 in 2018.

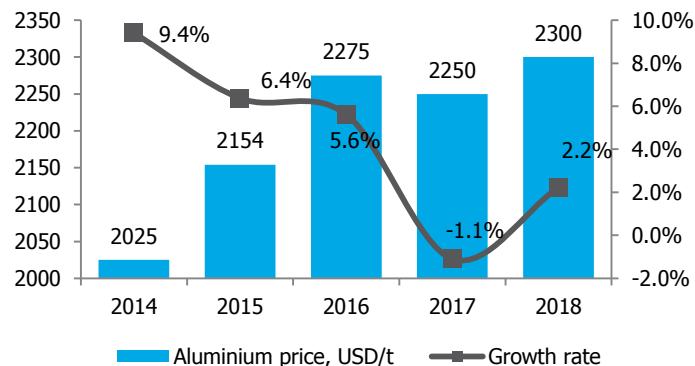
### Local opportunities:

- Russia is the **4<sup>th</sup>** energy producing country in the world (which is more than **5%** of world volume) – at the same time more than **26%** of power transmission lines are in a critical condition (with lifetime exceeding 40 years).
- Federal Grid Company's investment program for 2014-2019 in the amount of about **USD 20 bn** – within the framework of baseline scenario it is planned to commission **20442 km** of lines.
- Infrastructure in Russia requires considerable investments for renewal – wearout rate of fixed assets countrywide exceeds **47%**.
- Hosting World Football Championship in 2018 implies investing **USD 15 bn** in infrastructure development and building of stadiums.

Cable output structure in Russia, 2010



Aluminium price forecast, USD/t



## INVESTMENT OPPORTUNITIES

- Capital expenditures for the project may total **USD 40-50 mn.**
- Payback period is about **6-7 years.**
- IRR varies between **10-12%.**

## POTENTIAL INVESTORS

- Strategic investors** – companies with appropriate technologies and experience in power cable manufacturing, focused on local content in production.
- Vertical integration** – companies, engaged in the fields applying power cables (energetics, machine building, construction, etc.).

Copper price forecast, USD/t

