

## MANUFACTURING OF TRANSMISSIONS

### PROJECT

There is provided a project on **launching production of transmissions.**

The Project is worth of implementation due to the following factors:

- The segment is expected to be top leading by profitability in the near 10 years.
- Imports of parts and components for motor vehicles in Russia in 2012 totaled more than **USD 10,8 bn** and grew by **57%** on average annually over 2009-2012.
- In spite of continuing growth, Russian auto parts industry is underdeveloped – in case of competitive products manufacturing, there is no access barriers in the market.
- Global auto parts market is projected to reach **USD 900 bn** by 2020 (in 2008 – app. **USD 675 bn**).
- Capital expenditures for the project are estimated at **USD 50-70 mn**, payback period is about **5-6 years**.

### MARKETS

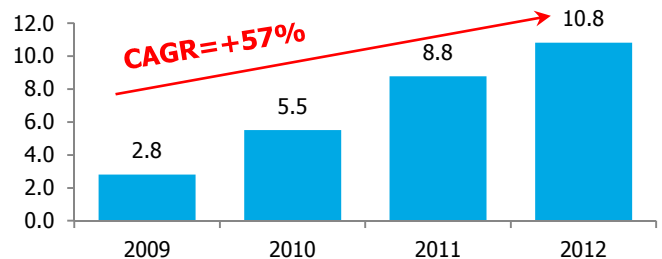
#### Customs Union market:

- In 2012 Russia imported parts and components for motor vehicles to the value of more than **USD 10,8 bn**, annual average growth rate of the imports totaled **57%**.
- Russia's imports of transmissions and their parts was growing even faster – **71%** on average per year over 2009-2012, the imports totaled **USD 1,55 bn** in 2012.
- Russian car industry is characterized by developed car assembling, auto parts manufacturing, in its turn, is still poorly developed segment of car industry in Russia.

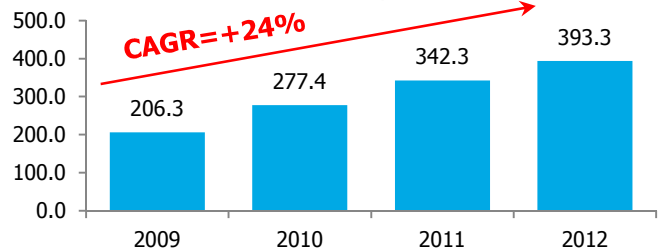
#### Internal market of Belarus:

- In 2012 Belarus imported parts and components for motor vehicles to the value of more than **USD 393 mn**, annual average growth rate of the imports over 2009-2012 totaled **24%**.

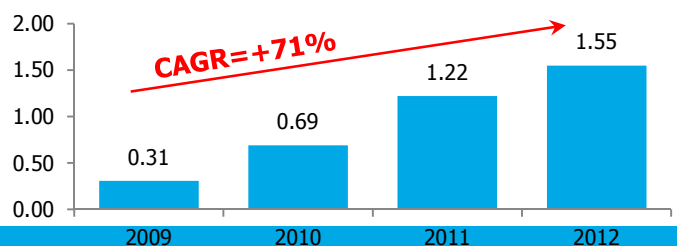
**Imports of parts and components for motor vehicles in Russia, USD bn**



**Imports of parts and components for motor vehicles in Belarus, USD bn**



**Imports of transmissions and their parts in Russia, USD bn**



## MARKET OPPORTUNITIES

### Global opportunities:

- According to Roland Berger, world auto parts market is projected to reach **USD 900 bn** by 2020 (in 2008 – USD 675 bn).
- Annual average growth rate of car manufacturing over 2011-2018 – **5,3%**, projected output in 2018 is **USD 106 mn**.
- **83%** of global car market growth over 2011-2018 will be generated by rapidly developing economies (BRIC).
- Extra profit will be gained by the companies operating on Brazilian, Russian, Indian and Chinese markets, as well as suppliers of auto components (mass serial manufacture and budget models).

### Local opportunities:

- In 2012 auto parts market in Russia reached **USD 41,8 bn**, annual average growth rate over 2009-2012 was **28%**. There has been a significant change in the market structure – in 2009 primary market accounted for 22%, in 2012 – **49%**.
- More than **2,8 mn cars**, out of which 73% – foreign brands assembled in Russia, are projected to be manufactured in 2016 in Russia.
- In spite of continuing growth, Russian car industry is underdeveloped, which is caused by the following factors:
  - Low competition and low product quality;
  - Underinvestment in advanced technologies;
  - Decrease in import duties and possibility to import auto parts at low tariff.

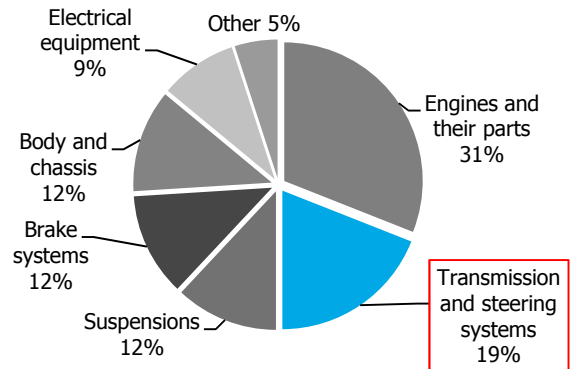
## INVESTMENT OPPORTUNITIES

- Capex for the project may total **USD 50-70 mn**.
- Payback period is about **5-6 years**.
- IRR varies between **15-18%**.

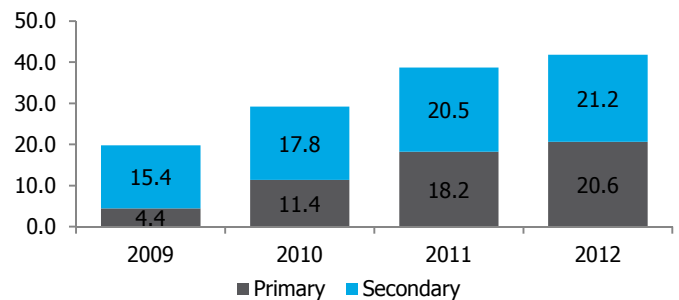
## POTENTIAL INVESTORS

- **Strategic investors** – companies with appropriate technologies and experience in auto parts manufacturing in general or transmissions manufacturing in particular.
- **Forward integration** – companies engaged in the industries – key auto parts consumers (automobile industry, auto parts distributors, etc.).

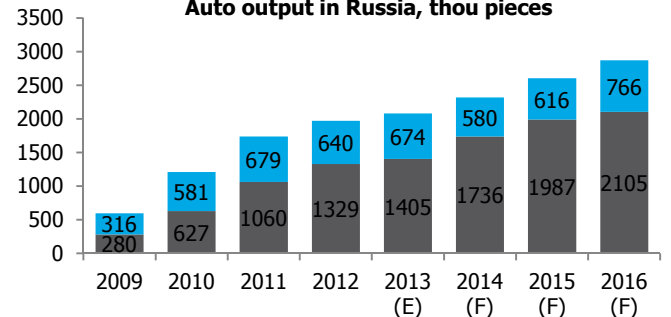
Global auto parts market structure



Auto parts market in Russia, USD bn



Auto output in Russia, thou pieces



■ Foreign ■ Russian

Auto manufacturing in BRIC countries in 2018, mn pieces

