



Plastic and metal-plastic pipes

PROJECT

For implementation there is provided a project on manufacturing of plastic and metal-plastic pipes.

The project is considered promising due to the following reasons:

- **Russia has second largest length of pipelines** in the world. Major part of them are **heavy worn-out**.
- **58% is a worn-out rate** of water supply system in Russia. 3 billion USD is a loss of water in Russia per year.
- **900 million USD** was a volume of plastic pipes import to Russia in 2012. **30% is CAGR** for last 5 years. n
- It is expected that 1.6 million kilometers of metal-plastic pipes will be used in Russia by 2020.
- Capital expenditures for the project may total **USD 10-50 mn**, IRR – **15-18%**.

MARKETS

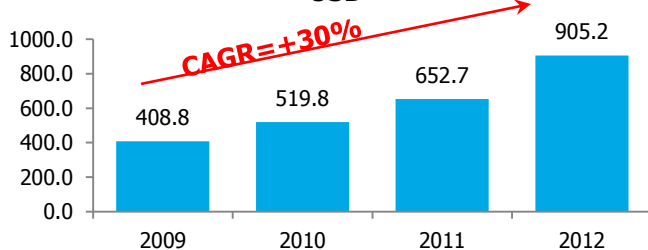
Belarusian market:

- **108 million USD** was a volume of plastic pipes import to Belarus in 2012.

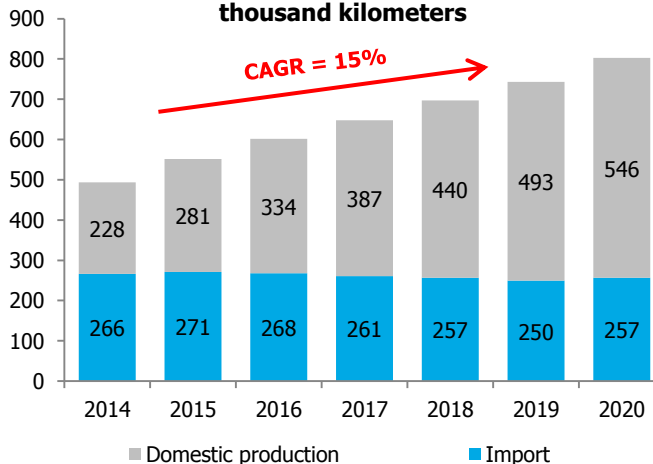
Market of Custom Union:

- In 2009 in Russia there were **only few producers of metal-plastic pipes**. New producers of metal-plastic pipes appeared increased the domestic production. But still the **demand is covered by import** by more than 50%. **900 million USD** was a volume of plastic pipes import to Russia in 2012.
- It is expected that domestic **metal-plastic pipes production** (including Custom Union) **will doubled by 2020 (CAGR=15%)**. The share of import in consumption will reduce from **54% to 32% by 2020**.
- **40% is a share of steel pipes** in water supply system. Major part of them are **heavy worn-out**. They need reconstruction.

Plastic pipes import to Russia, million USD



Forecast of Russian metal-plastic pipes market, thousand kilometers



MARKET OPPORTUNITIES

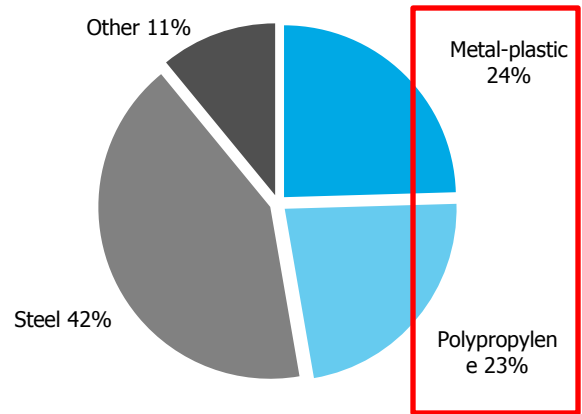
Global opportunities:

- Further use of steel pipes for heating-, gas- and water-supply systems is not cost-effectively.
- The share of steel pipes will significantly reduce** in near future. Pipes from **polypropylene and metal-plastic will dominate the market.**

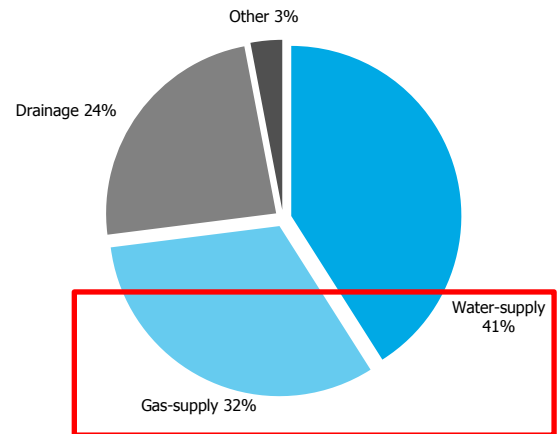
Regional opportunities:

- Russia has second largest length of pipelines** in the world. Major part of them are **heavy worn-out**.
- Currently, there are more than **3 million km of external pipelines and more than 18 million kilometers of internal pipelines** in Russia.
- Russia uses metal-plastic pipes for gas-supply system. Germany and the Netherlands also use metal-plastic pipes for gas-supply system.
- 900 thousand kilometers** of metal-plastic pipes for **heating and water-supply system** and **700 thousand kilometers** of metal-plastic pipes for **gas-supply system** will be constructed by 2020.

Russian heating and water supply system, structure of pipes



Consumption of metal-plastic pipes in Russia



INVESTMENT OPPORTUNITIES

- Capital expenditures for the project may total **USD 10-15 mn.**
- Payback period is about **3-4 years**.
- IRR varies between **15-18%**.

POTENTIAL INVESTORS

- Strategic investors** – companies with appropriate technologies and experience in pipes manufacturing, focused on local content in production.
- Vertical integration** – companies, engaged in the fields applying metal-plastic pipes (construction, pipeline industry, etc.) and raw materials suppliers (petrochemical industry).

Forecast of pipes consumption in Russia, thousand kilometers

