

Investment proposal for the project
« Organizations of production of audio and video products»

1. Project Title - «Organizations of production of audio and video products»;

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 1 st year of project implementation (in K pcs)
1	TVs and monitors	50,0
2	CD/DVD/MP3 Players	20,0
3	Hi-Fi systems	20,0

4.1. Marketing:

- Due to growing purchasing power of population and dynamic development of home appliances market an annual demand for products produced within the project local market only can make: TVs - up to 550 K pcs., CD/DVD/MP3 players - up to 350 K pcs and Hi-Fi systems of up to 200 K pcs 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 %.
- Annual volume of production at 100 % production capacity:
 - TVs and monitors - 200 K pcs,
 - CD/DVD/MP3 Players - 100 K pcs,
 - Hi-Fi systems - 50 K pcs.
- 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).
- Major manufacturers of similar production in the country and the region: «Roison Electronics» (Uzbekistan) with production volume of TVs with local “Roison” and “Samsung” brands of up to 100 K pcs per year, JSC “FOTON ” (Uzbekistan) with production volume of TVs of up to 15 K pcs per year (local brand), JSC " Zenith Electronics " (Uzbekistan) with production volume of CRT and LCD TVs with “LG” brand of up to 70 K pcs per year. Those enterprises introduced SKD assembly of TVs not a full scaled production. Production of Hi-Fi systems and CD/DVD/MP3 players is absent at this time which means that demand on local markets for those goods is being satisfied with imported goods.

4.2. Manufacture:

- Need for raw material and accessories. **Materials** - **Imported**: polystyrene (HIPS), paint, solvent (HIPS), foaming polystyrene EPS, steel rolls and steel plates. **Local**: diesel, fuel, gas, electricity, polyethylene. **Spare parts** - **Imported**: antenna, speakers, inductive reels, PCB, resistors, condensers, diodes, kinescope flat and PDP or LCD panels, transformers, tuner. **Local**: front case, back cover, power cords, screws, screw bolts, metal details, foam packing, polyethylene packing, labels, manuals.
- Technological process includes: molding from HIPS front case and back case, painting and printing labels, making of foam plastic packing material, making of boxes, surface mounting and inserting electronic components onto PCBs, manufacturing of various metal details, assembly of products, testing of products.
- The Basic suppliers of the equipment and completing materials can be: various Japanese, and companies of Asia and the Pacific region (Sony, Panasonic, Sanyo, Philips etc).
- Number of workplaces: managerial positions -15 person, technical staff - 135 people.

4.3. Construction, reconstruction or modernization: New construction;

The required land area: offices - 1,0 hectare, production areas - 1,9 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	2,5	-	2,5	-	-
2	Equipment	Mln USD	5,5	-	5,5	-	-
3	Floating capital	Mln USD	3,0	-	3,0	-	-
Total:		Mln USD	11,0	-	11,0	-	-

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)						
TVs and monitors	50,0	15,0	100,0	30,0	150,0	45,0	200,0	60,0
CD/DVD/MP3 players	20,0	0,7	30,0	1,05	40,0	1,4	100,0	3,5
Hi-Fi Systems	20,0	2,0	30,0	3,0	40,0	4,0	50,0	5,0

Approximate sale price of the item:

- TVs and monitors (including. ЖК and plasma) - 300,0 USD;
- CD/DVD/MP3 players - 35,0 USD
- Hi-Fi Systems - 100,0 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 audio and video appliances»**

N	Indicators	Unit	Project parameters	Notes
1.	Total project cost, incl.:	thousand USD	11000,0	
1.1.	National currency	Mln.Soums	-	
1.2.	Foreign currency	thousand USD	11000,0	
2.	Expenses in foreign currency, total	thousand USD	11000,0	
2.1.	incl. Equipment	thousand USD	5500,0	
2.2.	Construction works	thousand USD	2500,0	
2.3.	Floating capital	thousand USD	3000,0	
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	11000,0	
-	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	150	
5.1.	Incl. newly created jobs	Person	150	
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	Up to 350,0	
8.1.	Incl. Export (at 100% production capacity)	Thousand pieces	до 87,5	
9.	Annual gross income from the product sales (at 100% production capacity)	Bln. soums	Up to 107,545	
-	Incl. Export (at 100% production capacity)	Thousand USD	Up to 17125,0	
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