

Production of pumping equipment, pipeline fittings and asynchronous electric motors

Mechanical engineering

KAZAKH INVEST
Investment proposal
August 2020

Project idea:

Construction of a new plant for the production of pumping equipment, pipeline fittings and asynchronous electric motors. Project implementation will create 125 jobs.

Project location:

SEZ Ontustik, Shymkent, Republic of Kazakhstan.

Project Initiator:

Karlskrona LC AB LLP

Production capacity:

UPP (submersible borehole pumps) – 7,368 pcs.;
CHP (cantilever pumps) – 1,474 pcs.;
CNP (split casing pump) – 737 pcs.;
APSU (pressure boosting pumping stations) – 1,474 pcs.;
CHMP (horizontal multistage pumps) – 737 pcs.;
Pipeline fittings – 14,737 pcs.;
Asynchronous motors – 14,737 pcs.;
Submersible borehole motors – 737 pcs.;
Foundry products – 15,000 tons.

Sales market:

Initiator plans to sell products mainly through direct sales in the territory of Kazakhstan through the conclusion of offtake contracts, as well as to export about 40% of the volume to Russia, the countries of Central Asia and the Middle East.

Investment attractiveness of the Project

Indicator	Results
Investment amount, US\$ thousand	64,959
Project NPV, US\$ thousand	33,287
IRR, %	23.5%
EBITDA margin, %	39%
Payback period, years	6.3
Discounted payback period, years	9.9

Investment structure



Construction and assembly work

13.9%

\$9.0 million



Machinery and equipment

78.5%

\$51 million



Initial working capital

7.6%

\$4.96 million

Prerequisites for the Project implementation

Location

SEZ Ontustik provides tax preferences, and has all the necessary infrastructure for the successful implementation of the Project: access to railways and highways, all engineering communications.

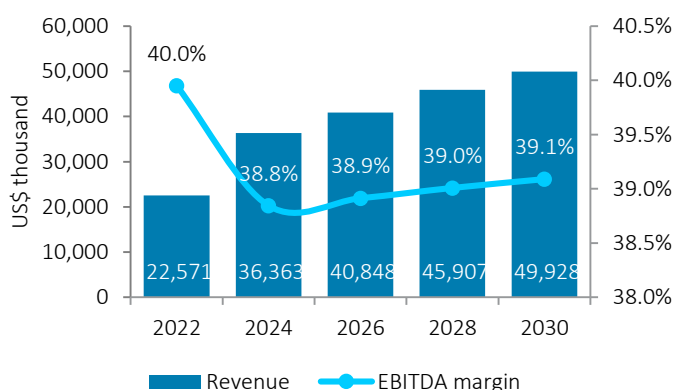
Import substitution opportunity.

A significant part of the demand for mechanical engineering products is covered by the import. For instance, in 2019, the import volume of centrifugal pumps was 587 thousand units, while the number of domestic sales was only 11.4 thousand units.

Off-take contracts.

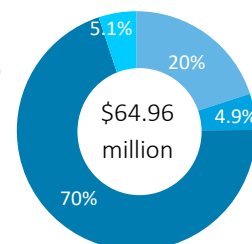
NWF Samruk Kazyna JSC has developed the concept of off-take contracts, under which domestic producers receive guaranteed long-term orders from the national companies of the fund.

Project's profitability



Financing structure

- Initiator equity
20% (\$13 million)
- Participation of the Fund (KIDF or KCM)
4.9% (\$3.18 million)
- Debt financing subject to collateral
70% (\$45.47 million)
- Participation of the Investor
5.1% (\$3.31 million)



The proposed financing structure is indicative, the final financing and Project participation structures will be determined based on the results of negotiations with the Investor.