

Organization of a manufacturing line for the production of railway springs

Mechanical engineering and metallurgy

Project description:

Organization of a manufacturing line for the production of railway springs on the territory of a machine-building plant with creation of 87 new workplaces.

Project location:

East Kazakhstan oblast, Semey

Project Initiator:

Semipalatinsk Machine-Building Plant JSC (SMP JSC) - an enterprise of the military-industrial complex.

Product and output:

External air suspension spring 100.30.002-0 – 45,000 units per year.

Internal air suspension spring 100.30.003-0 – 45,000 units per year.

Other types of air suspension springs -12,500 units per year.

Sales market:

It is planned to sale products on domestic market with further expansion to the markets of Uzbekistan, China, and Kyrgyzstan.


Production process:

1. Cutting, heating, winding, heat treatment and compression of spring steel bars, PRT.
2. Preparation of marketable product (coloring, preservation and packaging).

Key investment indicators of the Project

Indicator	Results
Investment amount, US\$ thous.	848
Project NPV, US\$ thousands	1,334
IRR, %	31.4%
EBITDA margin, %	21%
Payback period, years	5.0
Discounted payback period, years	6.6

Investment structure

 Construction and assembly work

8%

\$65 ths.

 Machinery and equipment

92%

\$783 ths.

Prerequisites for Project implementation

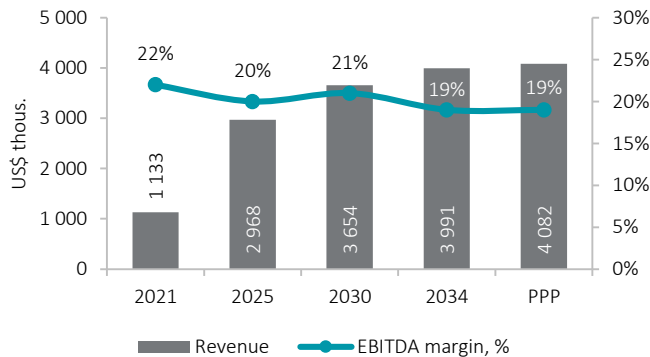
Growth in railway traffic and large depreciation of rolling stock

- In 2019, the freight turnover of railway transport in Kazakhstan amounted to 289 mln tonne-kilometers (tkm), exceeding the value of 2015 by 23%. The number of rolling stock reached 143 thous. units. Most of the rolling stock (97% or 138.5 thousand units) is occupied by freight wagons. About 50% of the rolling stock is over 10 years old, which indicates a high level of depreciation.

Import substitution - In 2019, imports of coil springs made of ferrous metal amounted to 2,812 tonnes, an increase of 74% compared to the same period in 2015. The production of railway springs will meet the demand of companies specializing in freight transportation, partially reducing import dependence.

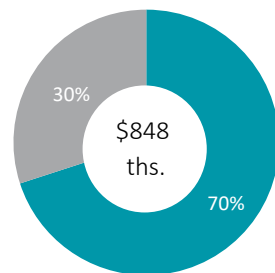
Export potential – the volume of export supplies of springs remained at an insignificant level. Given the current demand and planned production volumes, there is a potential for increasing export volumes.

Project profitability



Financing structure

- Debt financing subject to collateral
70% (\$594 ths.)
- Participation of the Investor
from 30% (\$254 ths.)



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.