

# Construction of a sanitary paper product production plant

## Light industry

### Project description:

Construction of a sanitary paper product production plant with creation of 37 new workplaces.

### Project location:

North-Kazakhstan Oblast, Petropavlovsk

### Project Initiator:

Raduga LLP main activities of which involve the production and distribution of consumer goods.

### Product and output:

Toilet paper – 8 thousand tonnes/year;

Paper tissues – 0.5 thousand tonnes/year;

Paper towels – 0.6 thousand tonnes/year;

A4 office paper – 0.6 thousand tonnes/year.

### Sales market:

The manufactured products are planned to be sold on the domestic market of the Republic of Kazakhstan through its own distribution network with branches in 10 cities: Petropavlovsk, Kokshetau, Nur-Sultan, Kostanay, etc.

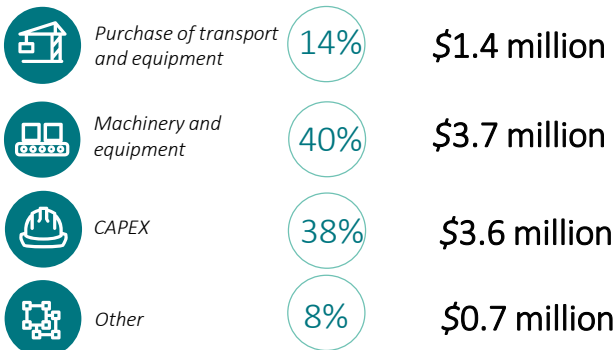
### Production process:

1. Production of paper base – semi-finished product from primary and secondary raw materials.
2. Rewinding of paper base, embossing, cutting, printing and packaging of finished products.

### Key investment indicators of the Project

Indicator	Results
Investment amount, US\$ thous.	9,422
Project NPV, US\$ thous.	11,881
IRR, %	32.5%
EBITDA margin, %	36%
Payback period, years	5.5
Discounted payback period, years	6.9

### Investment structure



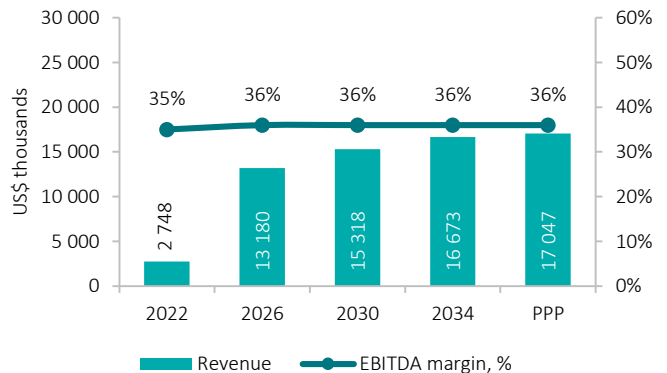
### Prerequisites for Project implementation

**The growth of paper product market.** In comparison to other segments of the pulp and paper industry, the sector of a sanitary products is growing steadily. The total production of sanitary paper goods in Kazakhstan increased by 17% in 2019 (CAGR on average 14.2% over 5 years).

**Import substitution.** The share of imports in the structure of sanitary paper products consumption of the country is 46%. Thus, Kazakhstan had imported 37 thous. tonnes of toilet paper, paper tissues and towels in 2019. Therefore, an expansion of own production will reduce the amount of imported goods.

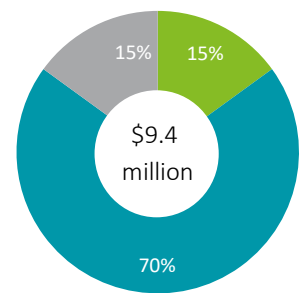
**Export development.** The total volume of exports of sanitary paper products in 2019 was 300 tonnes. The indicator had decreased by 32% in comparison to 2015. Considering the stable growth of the industry and the high demand for sanitary paper products, there is a potential for growth of export volumes.

### Project profitability



### Financing structure

- Initiator equity 15% (\$1.4 million)
- Debt financing subject to collateral 70% (\$6.6 million)
- Participation of the Investor 15% (\$1.4 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.