

## AZPROMO PROJECT PLAN

### PROJECT: Tire Production

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## 1) *Background and Sector review*

### Chemical production in Azerbaijan

Before 1990, Azerbaijan produced over 70% of key chemicals for the Soviet Union. Production declined after Independence, but since 2009, the value of chemicals produced in Azerbaijan has grown to reach 187 Million Manats in 2013. Chemical production is located in Baku, Sumgait, and west of Absheron in Ganja, Salyan and Neftchala, due to the availability of the main source materials. These include oil and gas, salt, iodine-bromide mine water, and waste of ferrous metals.

### Tire Production in Azerbaijan

Although there is no production in the country, old 'brownfield' facilities for tire production do exist in Baku. These tire production facilities require upgrading, and capital investment to bring them up to modern standards, and to meet customer requirements.

Nevertheless, the raw materials for Tire production, are in good supply. The presence of cheap energy in Azerbaijan, and chemicals from the Oil and Gas sector, make Azerbaijan well placed to produce tires.

## 2) *Project Objective*

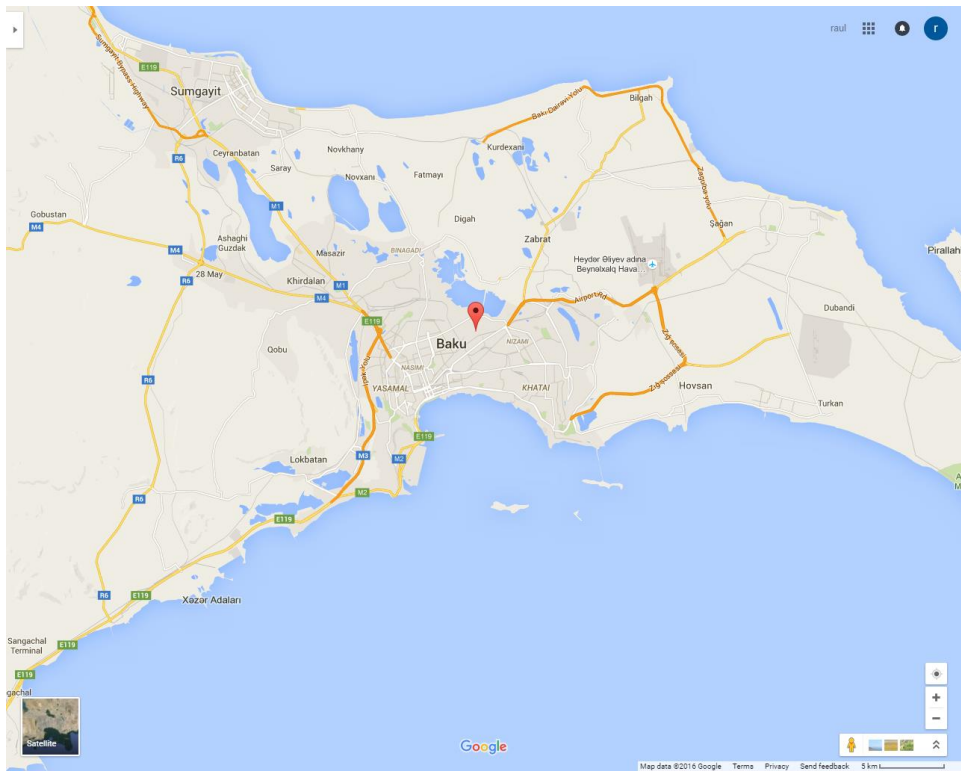
- To renovate a Tire production facility in Baku, Absheron, to produce tires for the regional market.

## 3) *Project Description*

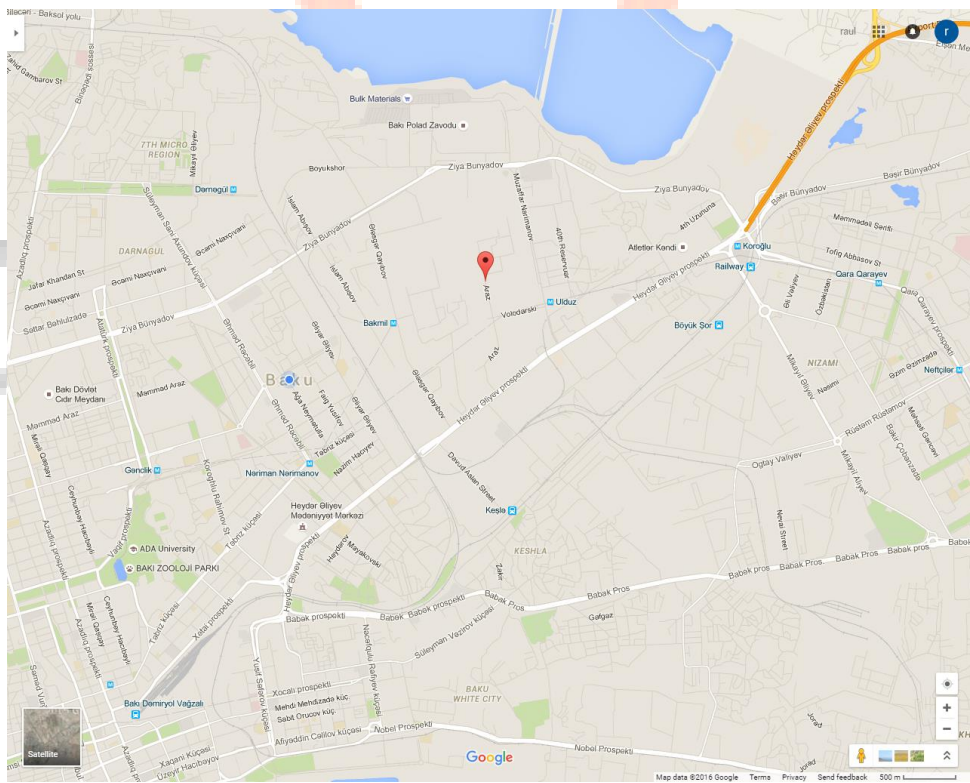
To upgrade the 'Azersin' Tire Production facility in Baku, to meet modern industry standards.

## 4) *Location Description: 'Azersin', Baku,*

The map below shows the Azersin production facility is in the suburbs of Baku, and is close to the main domestic market, and transport links to regional markets. It is 18 hectares (180,000 Square metres) in size.



### Azersin production facility



## 5) Marketing Strategy

**Market Size:** World demand for tires is forecast to rise 4% in 2016 to 3.3 billion units. In value terms, the tire market is projected to increase 6.5% annually over the same span to USD\$220 billion.

Azerbaijan is strategically located, on the edge of Asia, which is the largest market for tires, accounting for over half of global tire demand in 2015. The Chinese tire market is forecast to record the largest growth of any country in 2015 and 2016. It is also on the edge of Europe. This gives it a strategic location to access market in Asia, Europe and the CIS markets.

**Key Customers:** With the opening of the Iranian market, the geographic position of Azerbaijan is well suited to meet this increasing demand in Asia. It is forecast the Asia/ Pacific region will account for more than 90% of growth through 2015.

### **Key Tire Segments:**

The Passenger car tyre segment is forecast to dominate the Azerbaijan tire market up to 2020, due to expanding passenger car fleet size and rising demand for sedan cars.

Economic diversification has led to growth in the construction and infrastructure sectors. This has encouraged demand for 'Off the Road' OTR and commercial vehicles, which should to translate into higher demand for 'OTR' and commercial vehicle tyre market in the country during 2015 - 2020.

**Key Competitors:** The domestic market is currently met by the large tire manufacturers, such as Bridgestone. However, the devaluation of the Azerbaijan Manat has made imported tires too expensive for the average domestic consumer. As a result, consumers are switching to re-conditioned tires. The absence of domestic production means there is latent demand for domestic production.

## 6) Production, Manufacturing Conditions: Meteorological and Seismic conditions

### Meteorological Conditions in Baku .

## Baku Weather

### Average Temperatures and Precipitation in Baku

Month	Avg. High	Avg. Low	Mean	Avg. Precip.	Avg. High	Avg. Low	Mean	Avg. Precip.
Jan	44°F	35°F	38°F	0.90 in.	7°C	2°C	3°C	22.9 mm
Feb	43°F	33°F	38°F	0.90 in.	6°C	1°C	3°C	22.9 mm
Mar	49°F	38°F	42°F	1.00 in.	9°C	3°C	6°C	25.4 mm
Apr	62°F	46°F	53°F	0.70 in.	17°C	8°C	12°C	17.8 mm
May	72°F	55°F	62°F	0.60 in.	22°C	13°C	17°C	15.2 mm
Jun	80°F	64°F	69°F	0.20 in.	27°C	18°C	21°C	5.1 mm
Jul	85°F	71°F	75°F	0.10 in.	29°C	22°C	24°C	2.5 mm
Aug	85°F	70°F	75°F	0.30 in.	29°C	21°C	24°C	7.6 mm
Sep	78°F	64°F	68°F	0.70 in.	26°C	18°C	20°C	17.8 mm
Oct	66°F	54°F	58°F	1.10 in.	19°C	12°C	14°C	27.9 mm
Nov	56°F	46°F	50°F	1.40 in.	13°C	8°C	10°C	35.6 mm

## Seismic Activity

There is low seismic activity in Baku and the Absheron peninsula. There is a higher level of activity in the regions of Shamakhy and Ismailly.

## *7) Project Management and Organization Structure*

The Project will be co-ordinated by the Azpromo/ Azersin

At this early stage, the proposed financial scheme and share distribution is negotiable.

