



Nadezhda LLC

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Business Plan

Woodworking plant organization in Altai Republic



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Altai republic
2018



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1. Project description

The project is devoted to establishment of medium-sized full-cycle woodworking enterprise which includes: sawmilling, drying, gouging, profiling and production of fuel briquettes production using in-house refuse and refuse from other woodworking plants in the vicinity. The production is oriented towards domestic market and for export to Asian and European countries.

The woodworking production is to be located on the territory of the former logging industrial site at Altai Republic, Choysky District, 350 m. to the south from Paspaul village. Size of a land plot – 60 000 sq.m.

The land status is the land of industry, energy, transport, communication, broadcasting, television, informatics, land for space activities, defense, security and other special purpose land. Permitted use - for industrial enterprises.

Estimated volume of production is up to 18000 cub.m. per year. Modern processing lines, foreign production, are automated as much as possible which is a guarantee of the highest quality, performance of planned indicators and practically no defects in production as the result of minimization of human labour, which also savings on the payroll and tax fees.



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Range, prices and design capacity

Within the project, it is planned to build a plant for the making and production of dry, planed, molded wood products of different species in the Republic of Altai.

A brief description of the products that the company plans to produce is presented in the table 1-1.

Table 1-1.Types of products, prices and design capacity

№	Product name	Unit measure	Maximum standard production capacity per year	Unit price, \$
1	Carving wood	m3	6000	101,45
2	Rounded log	m3	3600	265,34
3	Molded board	m3	2400	487,75
4	Floor board	m3	2400	216,15
5	Profiled beam	m3	4320	468,24
6	Log house	qty	10	46819,10
7	Fuel briquette	kg.	3456000	0,12

The main field of application of this product is construction. Such products are used in the construction and decoration of private and apartment buildings, commercial real estate, churches, mosques, shopping centers, garages and other buildings.



Production program-the dynamics of production

Table 1-2. Production program by year

Calendar year		2018	2019	2020	2021	2022	2023
Project year		1	2	3	4	5	6
Volume of production	Unit measure						
Carving wood	m3	0	50,0	4475,0	6000,0	6000,0	6000
Rounded log	m3	0	44,6	3118,5	3564,0	3564,0	3564
Molded board	m3	0	19,8	1425,6	2376,0	2376,0	2376
Floor board	m3	0	19,8	1425,6	2376,0	2376,0	2376
Profiled beam	m3	0	35,6	3189,8	4276,8	4276,8	4277
Log house	qty	0	0,0	9,0	10,0	10,0	10
Fuel briquette	kg.	0	76800	153600	153600	153600	153600

2. Investment plan

The amount of funding for the project is 5 150 thousands \$. The project is financed from the following sources:

- Investment loan – 97,1% (5 000 thousands \$.);
- Own investment– 2,9% (150 thousands \$.).

At the expense of borrowed funds it is planned to carry out:

- construction and installation works;
- purchase and installation of main technological equipment;
- financing of wages, current and other expenses.

Repayment of borrowed funds is planned to be made at the expense of revenues from the current activities of the company.



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Project cost estimate

Table 2-1. Investment cost estimates, thousands \$

Calendar year	2018	2019	Total
Project year	1	2	
Name of investment cost items			
Capital expenditure	1588,46	2117,69	3706,15
Construction and installation works	721,87	936,48	1658,34
Design and estimate documentation	312,16	0,00	312,16
Construction and installation works (including materials) 3 production buildings with a total area of 3450 sq. m.	409,71	936,48	1346,18
Acquisition of land, buildings and structures	103,79	23,41	127,20
Acquisition of land	93,65	0,00	93,65
Acquisition of other fixed assets	10,15	23,41	33,56
Purchase of equipment	762,80	1157,80	1920,60
Industrial band sawmill Wood Mizer LT-70 Remote (Poland) 1 unit	35,70	0,00	35,70
Drying chamber for wood Termolegno mod. "CSD-120" capacity 110-120 m3 lumber's (Italy) 2 unit	221,90	0,00	221,90
Cylindrical machine Mebor SB 420 (Slovenia) 1 unit	84,30	0,00	84,30
Four-sided machine BL 4-23 Supplier: Winner (Taiwan) 2 unit	56,70	0,00	56,70
Optimization line SALVADOR SUPERCUT 100 (Italy) 1 unit	72,00	0,00	72,00
Automatic splice line FJL150-8 (China) 1 unit	120,00	0,00	120,00
Pneumatic press for gluing timber SL250-6 VSP (Russia) 2 unit	40,00	0,00	40,00
Four-sided machine Winner Blaser 6-25B (Taiwan) 1 unit	58,00	0,00	58,00
Cup milling machine HP 2000 Manufacturer: (Taiwan) 1 unit	66,00	0,00	66,00
Roller conveyor with pneumatically controlled stops 12 m (Taiwan) 1 unit	8,20	0,00	8,20
Fuel briquette production line C.F.Nielsen (Denmark, Italy and Germany) 1 unit	0,00	1157,80	1157,80
Other investment costs:	488,33	955,53	1443,86
Current assets	188,33	955,53	1143,86
Bank guarantee	150,00	0,00	150,00
Commission	150,00	0,00	150,00
Total investment costs	2076,79	3073,22	5150,00
Total investment costs excluding working capital	1888,46	2117,69	4006,15



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Project schedule

Table 2-2. The project implementation schedule

№	The name of the stage of the project	Start date	Ending date	Stage cost, thousands \$
1.	Investment stage:	August 18	November 19	4608,8
	Design and estimate documentation	September 18	November 18	312,16
	Construction and installation works (including materials)	November 18	October 19	1346,18
	Acquisition of land	September 18	September 18	93,65
	Acquisition of other fixed assets	November 18	November 18	33,56
	Purchase of equipment	November 18	August 19	1920,60
	Current assets	September 18	November 19	602,66
2.	The operational stage:	December 19	August 20	541,2
	Start of operations	December 19		
	A positive operating result	December 19	February 20	541,2
	Full production capacity	December 19	August 20	
Total project cost				5150,00



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3. Financial plan

The financial result

Table 3-1. Cash flow, thousands \$

Calendar year	2018	2019	2020	2021	2022	2023
Project year	1	2	3	4	5	6
Cash flows from operating activities, thousands \$						
Cash inflow:	0,0	434,6	4173,2	5354,0	5224,6	5146,0
Cash receipts from clients	0,0	53,5	4029,4	5320,0	5191,2	5112,7
Other earnings	0,0	381,2	143,8	34,1	33,4	33,4
Cash paid:	699,4	855,0	1941,4	2551,2	2463,2	2404,3
Cash paid to suppliers	488,3	430,0	1145,9	1493,6	1433,2	1394,0
Cash paid to employees	0,0	29,2	349,6	329,1	315,0	306,0
Dividends and Interest paid	0,0	175,0	175,0	175,0	175,0	175,0
Taxes, dues and fees paid	0,0	0,0	186,1	452,4	447,0	444,2
Other expenses	211,1	220,7	84,8	101,1	93,0	85,1
Net cash generated from operating activities	-699,4	-420,4	2231,8	2802,8	2761,4	2741,7
Cash flows from investing activities, thousands \$						
Cash inflow:	0,0	0,0	0,0	0,0	0,0	0,0
Cash paid:	1588,5	2117,7	0,0	0,0	0,0	0,0



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Calendar year	2018	2019	2020	2021	2022	2023
Project year	1	2	3	4	5	6
Purchases of property, plant and equipment (PPE), income yielding investments into tangible assets, intangible assets	1588,5	2117,7	0,0	0,0	0,0	0,0
Net cash used in investing activities	-1588,5	-2117,7	0,0	0,0	0,0	0,0
Cash flows from financing activities, thousands \$						
Cash inflow:	5150,0	0,0	0,0	0,0	0,0	0,0
Proceeds from borrowings	5000,0	0,0	0,0	0,0	0,0	0,0
Cash deposits of owners (participants)	150,0	0,0	0,0	0,0	0,0	0,0
Cash paid:	0,0	0,0	0,0	0,0	0,0	5000,0
Repayments of borrowings (excl. interest)	0,0	0,0	0,0	0,0	0,0	5000,0
Net cash used in financing activities	5150,0	0,0	0,0	0,0	0,0	-5000,0
Net increase / (decrease) in cash (and bank overdrafts), thousands \$	2862,1	-2538,0	2231,8	2802,8	2761,4	-2258,3
Cash at beginning of period, thousands \$	0,0	2862,1	324,1	2555,9	5358,7	8120,1
Exchange gains/(losses) on cash and bank overdrafts, thousands \$	2862,1	324,1	2555,9	5358,7	8120,1	5861,8



Table 3-2. Profit and Loss Statement, thousands \$

Calendar year	2018	2019	2020	2021	2022	2023
Project year	1	2	3	4	5	6
Operating income	0,0	53,5	4029,4	5320,0	5191,2	5112,7
Cost of goods sold	0,0	47,1	1694,0	2084,3	1999,2	1944,2
Gross profit	0,0	6,3	2335,3	3235,7	3192,0	3168,5
Selling and marketing costs	0,0	0,4	5,1	4,8	4,6	4,5
Administrative expenses	0,0	0,2	2,6	2,4	2,3	2,3
Operating profit (loss)	0,0	5,7	2327,6	3228,4	3185,1	3161,7
Interests payable	0,0	175,0	175,0	175,0	175,0	175,0
Other gains	0,0	381,2	143,8	34,1	33,4	33,4
Other expense	211,1	220,7	84,8	101,1	93,0	85,1
Profit (loss) before income tax	-211,1	-8,9	2211,6	2986,3	2950,4	2935,0
Income tax expense	0,0	0,0	186,1	452,4	447,0	444,2
Net profit (loss) for the year	-211,1	-8,9	2025,5	2534,0	2503,4	2490,8

Project performance indicators

Table 3-3. Project performance indicators

Project performance indicators	2023 year
Investment loan, thousands \$	5000
Volume of own investments, thousands \$	150
PP (Payback period), month.	42
BEP (breakeven point), thousands \$/year.	467

The plant created in terms of this project is set to become a modern, hi-tech forest industry complex of Choysky District, Altai Republic, focused on high quality woodworking. Modern foreign woodworking equipment and team of highly qualified professionals ensure high quality production and enables to become one of the leading plants in Altai Republic.



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Supplement

Product appearance



Carving wood



Rounded log



Molded board



Floor board



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Profiled beam



Log house



Fuel briquette



Molded products (rail, trim, skirting,
bar, fence, etc.)



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Equipment appearance



Cup milling machine HP 2000
Manufacturer: (Taiwan)¹



Four-sided machine Winner Blaser 6-25B



Pneumatic press for gluing timber SL250-6 VSP²



Automatic end splice line FJL150-8³



Automatic cutting machine with digital control
SALVADOR SUPERCUT 100
(Optimization line SALVADOR SUPERCUT
100)⁴

¹ WWW.INTERVESP-STANKI.RU

² WWW.INTERVESP-STANKI.RU

³ WWW.INTERVESP-STANKI.RU

⁴ WWW.INTERVESP-STANKI.RU



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Cylindrical machine Mebor SB 420⁵



Four-sided machine BL 4-23
Supplier: Winner (Taiwan)



Drying chamber for wood Termolegno mod.
"CSD-120" capacity 110-120 m3 lumber's⁶



Industrial band sawmill Wood Mizer LT-70
Remote⁷



Fuel briquette production line C.F.Nielsen⁸

⁵ WWW.INTERVESP-STANKI.RU

⁶ WWW.INTERVESP-STANKI.RU

⁷ www.wood-mizer.su/catalog/lt70.php

⁸ www.bioresurs.com/briketpress/linija_briket_1/



Notes to the financial and economic model

General:

1. The model is made in current prices.
2. The model is made in thousands \$.

Input data:

1. The US dollar (\$) according to the Central Bank of the Russian Federation on 20.06.2018. - 64,07 rubles per dollar.
2. The maximum standard production capacity per month characterizes the capacity of the equipment and technological processes. It is used to determine the resource requirements.
3. The rate of defect and loss characterizes the percentage of which is reduced production capacity due to defect and losses in the implementation of production processes.
4. The maximum commodity production capacity per month characterizes the output of the finished product. It is used to determine the volume of output.
5. The raw material for the production of fuel briquettes are the waste products of this and other enterprises. In this regard, there are no costs for raw materials for this product.



Changed price

1. The change in prices for products is based on the producer price index for lumber and the rate of growth of the exchange rate \$.
2. The change in electricity prices is based on the consumer price index for electricity and the rate of growth of the exchange rate \$.
3. The change in fuel prices is based on the consumer price index for fuels and lubricants and the growth rate of the exchange rate \$.
4. The change in other expenses is based on the inflation index and the rate of growth of the exchange rate \$.
5. Price and inflation indices are determined on the basis of data from the Federal state statistics service.