



NATIONAL INVESTMENTS AUTHORITY
UNDER THE PRESIDENT
OF THE KYRGYZ REPUBLIC



Organization for Security and
Co-operation in Europe
Programme Office in Bishkek

TECHNOPOLIS FOR TEXTILE AND CLOTHING PRODUCTION

“LEGPROM” ASSOCIATION



KYRGYZSTAN



Name of the Initiator:

“Legprom” Association

Brief description of the Project:

The project provides for the construction and launching of a Technopolis for textile and clothing production. It involves launching in-house textile and clothing production and leasing the premises to clothing manufacturers.

Technopolis's goal is bringing clothing manufacturers together in a common center for more efficient interaction, consolidating and distributing large orders from foreign customers among Technopolis residents. This model of cooperation with clothing manufacturers will accelerate the development of the clothing industry in the Kyrgyz Republic and help reduce the fragmentation of the country's clothing sector. The Technopolis's own production will include fabric production, fabrics and garments dyeing.

Description of the Project Initiator:

The Association of Light industry enterprises of the Kyrgyz Republic “Legprom” has operated since 2005. The main area of “Legprom” Association's activity is representation and promotion of the interests of Kyrgyzstan light industry enterprises in state bodies and international organizations. It is the only large and effective association of enterprises and individual entrepreneurs in Kyrgyzstan's light industry.

Project cost - \$33,000,000

- ✓ Construction and improvement of the Technopolis buildings and area - \$18,000,000
- ✓ Purchase and installation of equipment- \$8,000,000
- ✓ Land plot - \$2,500,000
- ✓ Construction of storage facilities - \$1,150,000
- ✓ Working capital-\$3,350,000

Amount of investments - \$30,500,000

Payback period - 4.06 years

DESCRIPTION OF THE PROJECT

The project provides for the construction and launching of a Technopolis for textile and clothing production. It involves launching in-house textile and clothing production and leasing the premises to clothing manufacturers.

Technopolis's goal is bringing clothing manufacturers together in a common center for more efficient interaction, consolidating and distributing large orders from foreign customers among Technopolis residents. This model of cooperation with clothing manufacturers will accelerate the development of the clothing industry in the Kyrgyz Republic and help reduce the fragmentation of the country's clothing sector. Moreover, the Technopolis will create a minimum quality standard for its own and its residents' products to facilitate the joint fulfilment of large orders and improve the quality of clothing products bearing the "Made in Kyrgyzstan" label.

The Technopolis's own production will include fabric production, fabrics and garments dyeing, which involves the purchase of modern equipment, including but not limited to weaving machines, dyeing machines, control and measuring machines, sewing machines and more.

For the implementation of the project, a land plot with a total area of 40.74 hectares on the territory of Voyenno-Antonovka Aiyl Aimak, Sokuluk District, Chuy Region, Kyrgyz Republic has been provided to "Legprom" Association for temporary use. The project concept involves the creation of an appropriate infrastructure to bring together some 40 light industry enterprises.



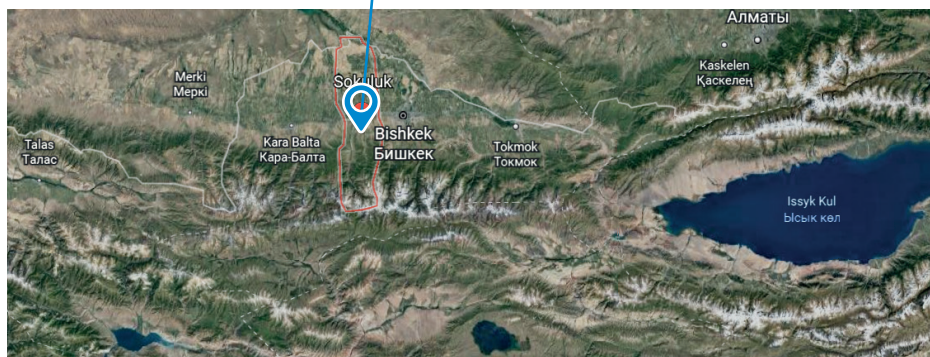
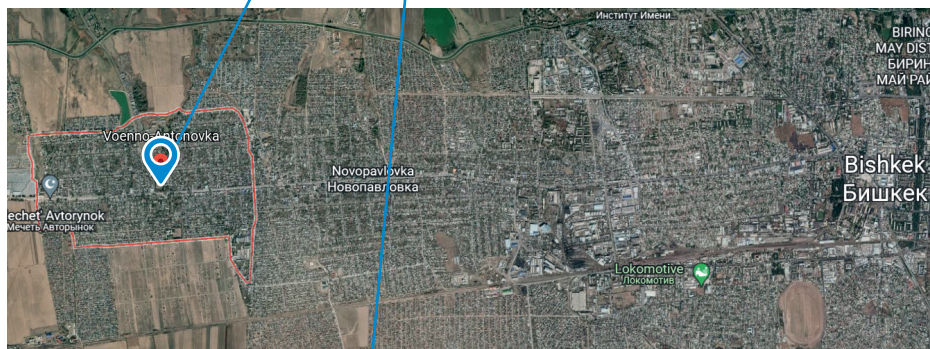
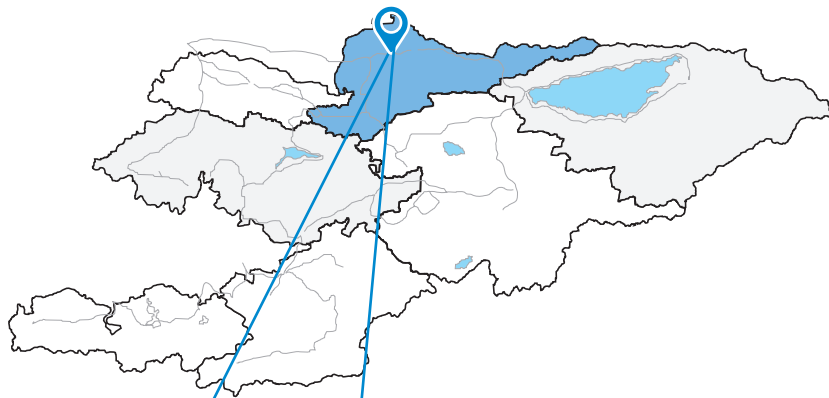


Project implementation advantages:

- ✓ Consolidation of orders from global brands and creation of mainly export-oriented products by producing high quality clothing using modern equipment;
- ✓ Introduction of international quality standards in production, including ISO 9001, Oeko-Tex, Fair Trade, and transparent accounting of processed raw material volumes;
- ✓ Transition from rigid management inherent in holdings and similar structures, towards flexible network structures that can increase the activity of the creators of innovative ideas;
- ✓ An increase in production of textile and clothing enterprises by 30% of current industry levels, creation of more than 5,000 jobs;
- ✓ Co-investing with Technopolis residents in the creation of common specialized infrastructure.



GEOGRAPHICAL LOCATION OF THE PROJECT



DESCRIPTION OF THE PROJECT INITIATOR

The Association of Light industry enterprises of the Kyrgyz Republic “Legprom” has operated since 2005. The main area of “Legprom” Association’s activity is representation and promotion of the interests of Kyrgyzstan light industry enterprises in state bodies and international organizations. It is the only large and effective association of enterprises and individual entrepreneurs in Kyrgyzstan’s light industry.

Today, the association has over 100 associated and over 800 affiliated members, mostly textile and clothing enterprises across the country. The purpose of the Association is the coordination of activities of light industry manufacturers to promote their products in the domestic and international markets, preparation and implementation of measures aimed at improving the quality of products, representation in government and other national authorities and in international organizations, establishment of a common development strategy for the industry, development of regulatory documentation. Since its foundation, the association has promoted dialogue and improved cooperation among its members, bringing them together and coordinating their efforts to develop the productive potential of the Kyrgyz Republic.



Since 2006, “Legprom” Association has organized an annual international trade fair “Fashion Industry: Products and Equipment”, which for many years has contributed to establishing contacts with foreign and local buyers, and maintaining the country’s image internationally. Since 2010, the Association has held an annual career fair attended by representatives and managers of clothing and knitwear companies, which are thus provided an excellent opportunity to meet with graduates and find the right workforce for themselves. Graduates from 5 universities, 5 colleges and 4 vocational schools that train professionals for the clothing industry are annually invited to the career fair.



SUSTAINABLE COMPETITIVE ADVANTAGES OF THE ENTERPRISE AND THE PROJECT

- ✓ **Concentration of textile and clothing production.** The establishment of the Technopolis will bring together about 40 clothing enterprises of the Republic in an autonomous area with the appropriate infrastructure and communications. Investing in the production of finished products, developing national brands and creating a complete chain of textile materials.
- ✓ **Industrial production volumes.** The consolidation of clothing production in one location will provide an opportunity to increase the productivity of clothing enterprises by executing large orders, and reduce the factor of the products manufactured being of small scale. Development of a production chain of textile fibers with a high share of export.
- ✓ **Creation of additional jobs.** As part of the Project, 5,000 jobs are planned to be created domestically, thus helping to reduce the rate of external migration among the working population by creating favorable working conditions.
- ✓ **Reduction of production costs.** Reduction of the costs of purchased materials and equipment for Technopolis residents by selecting suppliers and consolidating procurement volumes. (Partial) availability of in-house raw materials for production.
- ✓ **Optimization of business processes.** Reduction of general business and production costs of Technopolis residents by outsourcing certain business functions to external partners who provide product design services using CAD systems and pattern-making services based on a product prototype or photo. Maintaining competitive labor costs and establishing an effective support system for small and medium-sized enterprises in the clothing and footwear industries.
- ✓ **Social responsibility.** Creating a positive image of a clothing worker and promoting relevant professions for graduates planning to enroll in higher and vocational education institutions.

MANAGEMENT TEAM



Saparbek Asanov

President of “Legprom” Association of legal entities

- ✓ He has two university degrees in civil engineering and economics. He is an Honored Worker of Industry of the Kyrgyz Republic and, in addition to numerous awards and certificates, was awarded the medal “For Contribution to the Development of the Eurasian Economic Union” by Decision No. 3 of the Supreme Eurasian Economic Council dated May 29, 2019
- ✓ From 2014 to the present, Mr. Asanov has been the President of the Association of light industry enterprises of the Kyrgyz Republic “Legprom”. From 2012 to 2013, he served as Deputy Minister of Energy and Industry of the Kyrgyz Republic.
- ✓ He has initiated numerous innovations and amendments to laws, by-laws and regulations that have contributed to the development of light industry in the Kyrgyz Republic.



PROJECTED FINANCIAL INDICATORS

Implementation plan, USD	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Production capacity	50%	70%	85%	95%	100%	100%	100%	100%
Q I	2 941 176	4 117 647	6 000 000	7 058 823	7 058 824	7 058 824	7 058 823	7 058 824
Q II	5 147 059	7 205 882	10 500 000	12 352 941	12 352 941	12 352 941	12 352 941	12 52 941
Q III	3 676 471	5 147 059	7 500 000	8 823 529	8 823 529	8 823 529	8 823 529	8 823 529
Q IV	2 941 176	4 117 647	6 000 000	7 058 824	7 058 824	7 058 824	7 058 823	7 058 824

Key Financial Indicators, USD	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Sales revenue	14 705 882	20 588 235	30 000 000	35 294 118	35 294 118	35 294 118	35 294 118	35 294 118
EBITDA	2 647 059	4 117 647	6 900 000	8 823 529	9 529 412	9 529 412	9 529 412	9 529 412

- ✓ IRR at the end of Year 8 of operations is 14.84%
- ✓ Project payback period is 4.06 years, discounted payback period is 5.98 years

SOURCES OF FINANCING AND APPLICATION OF FUNDS

Source of financing	Amount, USD
Financial investor	30 500 000
“Legprom” Association*	2 500 000
Total:	33 000 000

Application of funds	Amount, USD
Construction and improvement of the Technopolis buildings and area	18 000 000
Purchase and installation of equipment	8 000 000
Land plot	2 500 000
Construction of storage facilities	1 150 000
Working capital	3 350 000
Total:	33 000 000

*The Project Initiator’s contribution consists in providing a 40.74 hectare land plot on the territory of the Voyenno-Antonovka Aiyl Aimak, Sokuluk District, Chuy Region, for the establishment of the Technopolis. The lease term is until 2067.

A BRIEF OVERVIEW OF CLOTHING MARKET IN KYRGYZSTAN

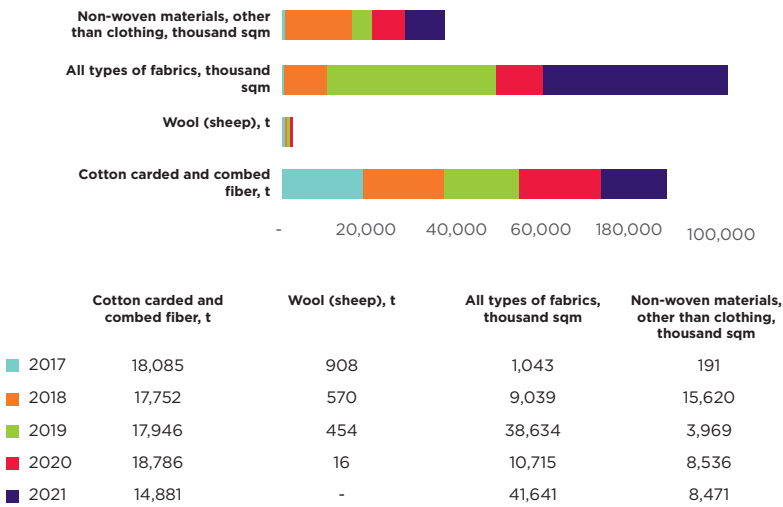
The light industry is one of the leading sectors of the Kyrgyzstan economy in terms of volume, multiplier effect and importance for solving social problems.

The share of textiles, clothing and footwear, leather and leather products in the country's total manufacturing industry is about 2.4% as of 2020.

Stable operation of clothing enterprises of the Kyrgyz Republic is of great social importance. More than 160,000 Kyrgyzstan citizens (seven percent of the working population) are employed in this sector, and the exports of clothing from Kyrgyzstan exceed 100 million dollars annually.

Kyrgyz clothing products are well known in the Eurasian Economic Union. However, the volumes produced by the Kyrgyz light industry are quite low, which is why large orders are not placed in the republic. Various measures have been taken to develop entrepreneurial opportunities and increase volumes, with some already yielding results.

Textile and clothing production indicators

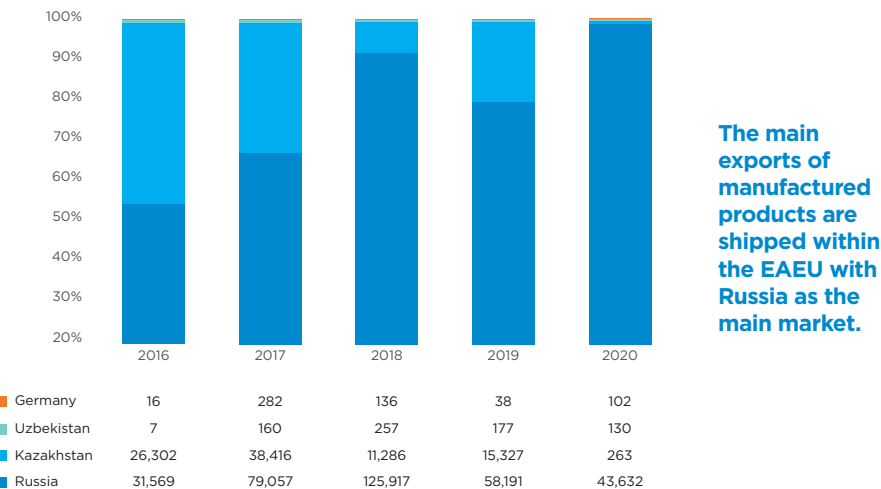




EXPORT POTENTIAL

The COVID-19 pandemic has had a negative impact on the clothing industry of the Kyrgyz Republic. However, in the first eight months of 2021 exports of Kyrgyz clothing amounted to USD 50.4 million. In 2020, the same indicator was USD 58.1 million and in 2019 - USD 101.3 million. At the same time, imports have increased by 4.3 times compared to last year.

n importers of clothing and clothing accessories, knitted or crocheted, thousand USD



The Kyrgyz Republic's exports clothing and textile products just slightly exceeded USD 101 million in 2019. The maximum volume of exports in recent years was in the pre-pandemic years of 2018 and 2019.

Industry analysts predict a return to the 2019 export levels by 2024-2025.

Group code	Name	2015	2016	2017	2018	2019	2020
61	Clothing and clothing accessories, knitted, machine-knitted or hand-knitted, USD million	9,4	58,5	118	137,7	73,8	44,3
62	Clothing and clothing accessories, except for knitted, machine-knitted or hand-knitted, USD million	30,8	36,9	20,1	7,3	25,1	13,7
63	Other finished textile products; kits; clothing and textile products, USD million	1,1	1,4	2,5	1,5	2,5	2,5
Total:		41,3	96,8	140,6	146,5	101,4	60,5

OFFER FOR INVESTOR

LEGAL MECHANISM	✓ Limited liability company/joint venture
TYPE OF FINANCING	✓ Direct investment in capital
AMOUNT	✓ USD 30,500,000
FINANCING TERM	✓ 7-8 years
NUMBER OF TRANCHES	✓ Tranche No. 1 - Design works
	✓ Tranche No. 2 - Construction of a building and purchase of equipment
	✓ Tranche No. 3 - Replenishment of working assets
FINANCIAL SUPPORT	✓ Partnership share

