Prospects of cooperation in Textile Industry of Uzbekistan

Ilkhom KHAYDAROV
Chairman of the Board

Riga, August 28, 2017
Industry structure

O’ZBEKYENGILSANOAT

TEXTILE SECTOR
- COTTON YARN // COTTON FABRICS
  
  180 enterprises

KNITTING & SEWING SECTOR
- APPAREL // GARMENTS // HOSIERY // ACCESSORIES
  
  280 enterprises

Total amount of enterprises of O’ZBEKYENGILSANOAT = 460 textile companies

138 companies with foreign capital (103 in 2016)

MARKETING & ADVERTISING AGENCY
- Participation in 20 national and international Events

DESIGN CENTER “SHARQ LIBOSLARI”
- Collaboration with foreign designers.

“O’ZBEK YENGILSANOAT QURILISH” CONSTRUCTION COMPANY
- Monitoring of construction. Launched 40 new enterprises annually

Trade Company “YENGILSANOAT SAVDO”
- Export & import of textile equipment, goods, accessories

Attracted Foreign Investment – US$ 2,5 bln.
More than 300 implemented projects

Employees – 110’000
(85’000 in 2015)
**Production capacity**

- **Cotton yarn - 590 ths. tons**
- **Fabrics - 485 mln. sq.m.**
- **Knitted fabric – 103 ths. tons**
- **Apparels - 660 mln. pcs.**
- **Hosiery - 132 mln. pairs**

80% spinning capacities less than 10 years old

Rieter, Trutzshler, Zaurer, Toyota, Marzolli, Savio, Schlafhorst, Terrot, Mayer&Cie, PayLung, Picanol, ITEMA, Juki, Brother, Kansai, Lonati, Rumi, etc.
// Export of Textile Products

2011
$ 660 mln.

2013
$ 825 mln.

2016
$ 1,2 bln.

2017
$ 1,4 bln.

Cotton yarn
54 %
(2015- 65 %)

Fabrics
(woven, non-woven & knitted)
15 %
(2015- 11 %)

Garment & Hosiery
(inc. carpet, terry products and other s)
28 %
(2015- 22 %)

Silk production
3 %
(2015- 2 %)

O’ZBEKYENGILSANOAT
// Export geography

- **Europe**: 7%
- **East Asia**: 29%
- **South-East and South Asia**: 6%
- **Middle East & Africa**: 8%
- **CIS**: 44%
### Industry development program 2017-2020

#### The main directions of the program is:

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of projects</td>
<td>180</td>
</tr>
<tr>
<td>Inc.: - new projects</td>
<td>158</td>
</tr>
<tr>
<td>- modernization and expansion</td>
<td>22</td>
</tr>
<tr>
<td>The <em>total cost</em> of the projects</td>
<td><strong>2,9</strong> bln. USD</td>
</tr>
<tr>
<td>Financing <strong>60%</strong> of the total cost of the project</td>
<td>by the Uzbekistan Reconstruction and Development Fund (<strong>UFRD</strong>)</td>
</tr>
<tr>
<td>Annual exports</td>
<td><strong>3,0</strong> bln. USD</td>
</tr>
<tr>
<td>Created job places</td>
<td>more than</td>
</tr>
</tbody>
</table>
Production capacity 2017 // Target 2020

<table>
<thead>
<tr>
<th>Product</th>
<th>Production</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yarn, ths. tn</td>
<td>900</td>
<td>1200</td>
</tr>
<tr>
<td>Fabric, mln sq.m</td>
<td>590</td>
<td>485</td>
</tr>
<tr>
<td>Garment, mln pieces</td>
<td>660</td>
<td>1060</td>
</tr>
<tr>
<td>Hosiery, mln pair</td>
<td>290</td>
<td>132</td>
</tr>
</tbody>
</table>
Industry development program 2017-2019 opens the following opportunities for investors:

- Extension of incentives until 2020
- Access to soft finance (60% of the total project cost)
- Access to international markets through international transit railway corridor to Europe & China
- Further liberalization of the currency regulation
// Factors of competitiveness

**INVESTMENT OPPORTUNITIES**

- Traditions in textile productions - skilled labor resources
- General and special incentives (tax, custom, cotton)
- Access to local, regional and international markets
- Availability of vast stocks of raw materials (cotton, yarn)
- Low-cost energy resources (gas, electricity), infrastructure

**RAW MATERIALS**

- 1,0 + mln.tn of cotton fiber
- 590 + ths. tn of yarn

**SKILLED LABOR RESOURCES**

- Tashkent Institute of Textile & Light Industry
- 2 High Education Institutions & 42 Specialized Colleges

**MARKET**

- Domestic market of 32 mln. population
- CIS market – in free trade zone (300 mln.population)

**INFRASTRUCTURE (in view of VAT)**

- Water - 0.12$/1 m3;
- Natural gas - 0.06$/1m3
- Power energy - 0.05$/kWt/h;
- Petroleum - 0.76$/litr
## SUCCESS STORY of implemented projects

### Indorama Kokand Textile
**4th phases**
- Total investment: $164 mln.
- Capacity: 153,800 spindles
- Employees: 1050
- Export: $100 mln.

### UZTEX Group together with Swiss Capital International Group AG
*(vertical integrated complex)*
- Total investment: $150 mln.
- Capacity:
  - 21.0 ths. tn compact yarn,
  - 4.0 ths. tn dyed yarn,
  - 7.0 ths tn dyed stockinet
- Export: $40 mln.
- Employees: 1500

### LT Textile International
Organization of textile complex in Karshi (Kashkadarya region)
- Total investment: $105 mln.
- "LT Textile Cooperatief U.A.” (Netherlands)
- Capacity:
  - 22 ths. tn blended yarn
  - 50 mln sq.m. fabric (two phases)
- Created job places: 800
- Export: $60 mln.
- Launched in July 2017

### Creation of Korean-Uzbek
Training and Research Center
innovative textile technologies in Tashkent ($15.0 million)
- Office, Lab., Business Support Institution
- Test, Certificate Equipment Room, Class Room, Conference room, Meeting room, Exhibition Room
- Pilot Plant Facilities for Pilot Products
- Joint R&D Lab., Business Support Department
- Pilot Products Analysis/Evaluation

### Rieter-Uzbekistan» -
manufacturing / assembly of textile machinery in Tashkent
- Total investment: $12.0 mln.
- Range of products –
  - carding, draw frame
  - & ring spinning machines
- Export: $0.2 mln.
- Training center launched 11/2016

### Osborn Textile -
the vertical integrated complex
- Total investment: $50.0 mln
- Capacity:
  - 5.2 ths. tn of yarn,
  - 4.3 ths. tn. dyeing yarn,
  - 0.2 ths. tn bamboo yarn,
  - 2.2 mln. sq.m. of fabric,
  - 3.2 ths. tn stockinet,
  - 1.5 mln. pcs. ready-made products
- Export: $21 mln.
- Employees: 850
Cooperation Uzbekistan-Latvia

- Annual participation in Exhibitions and Fairs:
  - Baltic Fashion & Textile
  - International Uzbek Cotton and Textile Fair

* Partners
De Fonte Group
LAUMA Fabrics
LAUMA Lounger

- Internship programs and training of Uzbek specialists

The decline in supply because of direct deliveries to EU countries

Export of Uzbek products to Latvia

<table>
<thead>
<tr>
<th>Year</th>
<th>Value (mln USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2.4</td>
</tr>
<tr>
<td>2015</td>
<td>1.3</td>
</tr>
<tr>
<td>2016</td>
<td>2.3</td>
</tr>
<tr>
<td>2017</td>
<td>0.7 (last 6 months)</td>
</tr>
</tbody>
</table>

Share of exported products

- Grey Fabrics: 19.2%
- Knitted Fabrics: 49.5%
- Cotton yarn: 31.3%

Partners:
- De Fonte Group
- LAUMA Fabrics
- LAUMA Lounger
// Export: Uzbekistan – EU countries

Export by countries 2016

- Uzbekistan: 49.8%
- EU: 5.3%
- Others: 8.2%
- CIS: 5.1%
- Russia: 49.8%
- Turkey: 8.1%
- China: 21.0%
- South Korea: 2.5%

Export to EU countries 2016

- Portugal: 17%
- Poland: 31%
- Belgium: 10%
- Italia: 8%
- Czech Republic: 8%
- Germany: 6%
- Others: 20%

Export to EU countries in the last 5 years

<table>
<thead>
<tr>
<th>Year</th>
<th>Export, min. doll.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>140.8</td>
</tr>
<tr>
<td>2013</td>
<td>154.8</td>
</tr>
<tr>
<td>2014</td>
<td>154.1</td>
</tr>
<tr>
<td>2015</td>
<td>114.4</td>
</tr>
<tr>
<td>2016</td>
<td>85.9</td>
</tr>
</tbody>
</table>

Share of Textile products to EU

- Cotton yarn: 65.6%
- Fabrics: 10.8%
- Knitted fabrics: 6.04%
- Garments: 15.8%
- Silk products: 1.76%
// Uzbekistan – EU countries

Cooperation and Partnership Agreement (CPA)

Privileges provided to Uzbekistan in trade with accordance CPA:

✓ July 1, 2017, the "Textile Protocol" to the Agreement on Partnership and Cooperation between Uzbekistan and the European Union
✓ the reduction of import duties and customs payments on products of domestic enterprises from 12% to 6%
✓ to increase production and export supplies to the EU countries.

The next stage in the deepening of bilateral relations with EU:

➢ The accession of Uzbekistan to the project of the European Union GSP + which provides privileges and preferences for developing countries, in the form of a reduction in the rates of customs payments to 0%.
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20 A, Avloniy Str. Tashkent
100100, Uzbekistan

Phone: +998 (71) 202-22-44
Fax: +998 (71) 202-22-44(0)

Email: info@yengilsanoat.uz

www.yengilsanoat.uz
### Parameters of the project of the production of shirts

<table>
<thead>
<tr>
<th>№</th>
<th>Production item</th>
<th>Equipment</th>
<th>Unit</th>
<th>Annual capacity</th>
<th>Total cost of the project</th>
<th>including</th>
<th>Production area (square meters)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>technological equipment</td>
<td>construction and installation</td>
</tr>
<tr>
<td>1</td>
<td>Shirt’s fabrics</td>
<td>Picanol (Belgium)</td>
<td>Thousand meter</td>
<td>12 000</td>
<td>22,3</td>
<td>14,5</td>
<td>4,8</td>
</tr>
<tr>
<td></td>
<td>width 190 sm</td>
<td>Karl Mayer (Germany)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>density of 100-150 gr / sqm.</td>
<td>Staubli (France)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Dyeing and finishing production</td>
<td>Erbatech (Germany)</td>
<td>Thousand meter</td>
<td>12 000</td>
<td>21,4</td>
<td>17,5</td>
<td>2,4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>THIES (Germany)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bruckman (Nitherland)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Ready-made garments (shirts)</td>
<td>Juki (Japan)</td>
<td>Thousand meter</td>
<td>9 000</td>
<td>2,8</td>
<td>1,4</td>
<td>0,9</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total:</td>
<td></td>
<td></td>
<td></td>
<td>46,5</td>
<td>33,4</td>
<td>8,1</td>
</tr>
</tbody>
</table>

*During the production of combed yarn, the amount of investment will increase by $ 26.0 million. This type of yarn is available in the domestic market at competitive prices.*
## 2. Parameters of the project of the production of denim products

<table>
<thead>
<tr>
<th>№</th>
<th>Production item</th>
<th>Equipment</th>
<th>Unit</th>
<th>Annual capacity</th>
<th>Total cost of the project</th>
<th>including</th>
<th>Production area (square meters)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Pneumatic yarn Ne-8/1, Ne-16/1 for denim fabric</td>
<td>Rieter (Swiss), Savio (Italy)</td>
<td>Tons</td>
<td>4 000</td>
<td>9.6</td>
<td>4.4, 3.2, 2.0</td>
<td>8 000</td>
</tr>
<tr>
<td>2</td>
<td>Denim fabric Width 1.75 m, density - 300-400 gr/sq.m.</td>
<td>Picanol (Belgium), Karl Mayer (Germany), Staubli (France)</td>
<td>Thousand meter</td>
<td>14 000</td>
<td>34.4</td>
<td>25.0, 6.4, 3.0</td>
<td>16 000</td>
</tr>
<tr>
<td>3</td>
<td>Denim product</td>
<td>Juki (Japan)</td>
<td>Thousand picies</td>
<td>6 000</td>
<td>3.3</td>
<td>1.6, 1.2, 0.5</td>
<td>3 000</td>
</tr>
<tr>
<td></td>
<td>Total:</td>
<td></td>
<td></td>
<td></td>
<td>47.3</td>
<td>31.0, 10.8, 5.5</td>
<td>27 000</td>
</tr>
</tbody>
</table>
### 3. Parameters of the project of the textile complex on production of terry products

<table>
<thead>
<tr>
<th>№</th>
<th>Production item</th>
<th>Equipment</th>
<th>Unit</th>
<th>Annual capacity</th>
<th>Total cost of the project</th>
<th>Production area (square meters)</th>
<th>mln.USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Carded yarn Ne-20/1, Ne-30/1 for fabric</td>
<td>Rieter (Swiss), Savio (Italy)</td>
<td>tons</td>
<td>6 000</td>
<td>22,1</td>
<td>14 000</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Terry cloths</td>
<td>Picanol (Belgium) Karl Mayer (Germany) Staubli (France)</td>
<td>tons</td>
<td>6 000</td>
<td>19,0</td>
<td>10 000</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Dyeing and finishing production</td>
<td>Erbatech (Germany) THIES (Germany) Bruckman (Netherlands)</td>
<td>tons</td>
<td>6 000</td>
<td>13,2</td>
<td>4 000</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Terry products</td>
<td>Thousand pieces</td>
<td>10 000</td>
<td>4,3</td>
<td>3,1</td>
<td>2 000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total:</td>
<td></td>
<td></td>
<td></td>
<td>58,6</td>
<td>30 000</td>
<td></td>
</tr>
</tbody>
</table>
### Investment projects cost and profitability

<table>
<thead>
<tr>
<th>№</th>
<th>Items</th>
<th>Unit</th>
<th>Production of shirts</th>
<th>Production of denim</th>
<th>Production of terry products</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Realization of projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td>Total investment</td>
<td>ths USD</td>
<td>46 500,0</td>
<td>47 300,0</td>
<td>58 600,0</td>
</tr>
<tr>
<td></td>
<td>Including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Construction, buildings and facilities</td>
<td>ths USD</td>
<td>8 100,0</td>
<td>10 800,0</td>
<td>11 900,0</td>
</tr>
<tr>
<td>1.2</td>
<td>Equipment</td>
<td>ths USD</td>
<td>33 400,0</td>
<td>31 000,0</td>
<td>40 200,0</td>
</tr>
<tr>
<td>1.3</td>
<td>Current assets and others</td>
<td>ths USD</td>
<td>5 000,0</td>
<td>5 500,0</td>
<td>6 500,0</td>
</tr>
<tr>
<td></td>
<td>Calculations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Unit cost of product</td>
<td>USD/pcs</td>
<td>9,0</td>
<td>7,2</td>
<td>5,0</td>
</tr>
<tr>
<td>3.</td>
<td>First (net) price of product</td>
<td>USD/pcs</td>
<td>7,8</td>
<td>6,6</td>
<td>4,3</td>
</tr>
<tr>
<td>4.</td>
<td>Capacity of production</td>
<td>ths pcs</td>
<td>9 000,0</td>
<td>6 000,0</td>
<td>10 000,0</td>
</tr>
<tr>
<td>5.</td>
<td>Net profit</td>
<td>ths USD</td>
<td>8 640,0</td>
<td>3 315,0</td>
<td>5 950,0</td>
</tr>
<tr>
<td>6.</td>
<td><strong>Profitability</strong></td>
<td>%</td>
<td>15,4</td>
<td>9,9</td>
<td>16,3</td>
</tr>
<tr>
<td>7.</td>
<td>Project payback time</td>
<td>years</td>
<td>4,8</td>
<td>4,9</td>
<td>4,1</td>
</tr>
</tbody>
</table>

*) the payback period depends on the capacity utilization  
**) profitability improved in the implementation of branded products