



EXPORT AND INVESTMENT
PROMOTION AGENCY OF THE
REPUBLIC OF AZERBAIJAN



INVESTMENT PROJECTS IN AZERBAIJAN

ADDRESS:

Baku Business Center,
Neftchilar ave. 32, Sabail, Baku, AZ1000

PHONE:

+994 12 598 01 47
+994 12 598 01 48

E-MAIL:

office@azpromo.az

COTTON PROCESSING PROJECT

project owner: **G-Tec LLC**

PROJECT DEFINITION

- G-Tec LLC is a limited liability company registered on 15 July 2021.
- Company is planning to build a cotton processing (ginning) within a newly established Aghdam Industrial Park in Azerbaijan.
- The entity is currently fully owned by local shareholder only, however opportunities for attracting foreign investors are actively researched and in case of mutual interest considered. Existing owner is ready to offer up to 49% of his interest for potential foreign investors.
- The Company is going to produce up to 4,000 tons of cotton fiber for export to Turkey and other neighboring countries and 5,000 tons of cotton seeds to be sold mainly at domestic market.



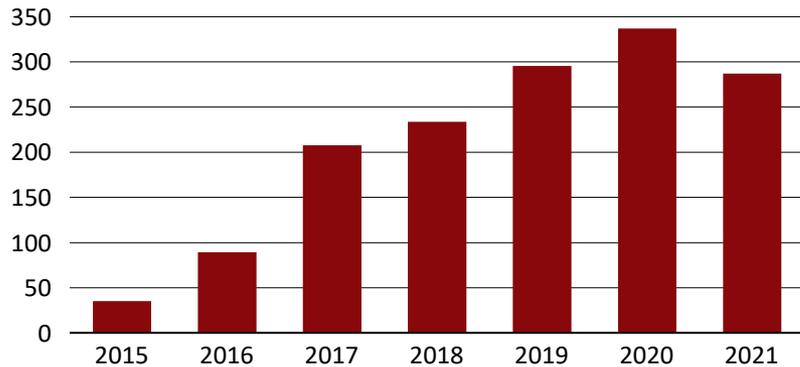
Cotton fibers are natural hollow fibers; they are soft, cool, known as breathable fibers and absorbent. Cotton is the most important natural textile fiber, as well as cellulosic textile fiber, in the world, used to produce apparel, home furnishings, and industrial products. Its current market share is 56% for all fibers used for apparel and home furnishings. Another contribution is attributed to nonwoven textiles and personal care items. That's why cotton fiber is one of the most important raw materials in the textile industry. It is a crop that requires adequate moisture and heat to mature and produce quality fibers. Cotton growing tends to be in warmer climates. Therefore, it is a true commodity in the world markets and its supply and demand truly affect the prices of raw cotton.

The State program for the development of cotton production in the Republic of Azerbaijan for 2017-2022 was endorsed by an executive decree of the president. The decree refers to cotton production as a “strategic and important agricultural sector” and forecasted an unprecedented six-fold increase in the area planted with cotton and a ten-fold increase in production.

The government is strongly involved in the cotton sector through:

- Establishing the seed cotton procurement price on an annual basis;
- Further subsidizing the farm-gate price for seed cotton with an extra AZN 100 per ton amounting to a final price received by farmers of AZN 600 per ton;
- Cotton production itself through a company under the Ministry of Agriculture of Azerbaijan that plants around 12,000 ha of cotton.

RAW COTTON PRODUCTION, thousand tons



Raw cotton production had increased 9.6 times from 2015 to 2020

COMPETITION

- Almost all cotton in Azerbaijan is grown by farmers under contracts with cotton processing and trading companies.



“MKT IK” LLC (part of Gilan Holding) as the largest enterprise, currently controlling almost half of the country’s cotton production.

- Other companies, in order of importance, include

1. Azerpambiq ASK LLC

3. Shamo LLC

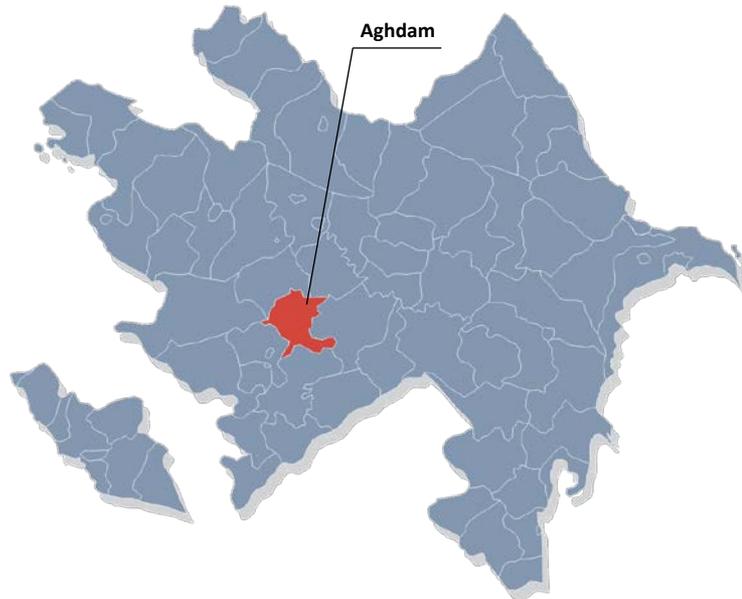
2. Agricultural LLC

4. Goran Cotton LLC

LOCATION

AGHDAM INDUSTRIAL PARK

Selected location is an optimal choice both in terms of government support and agronomic conditions for cotton farming. Historically Aghdam region demonstrates highest available cotton yields (around 3 tons per hectare) in the country.



EQUIPMENT

For main processing operations in ginnery Company's management intends to purchase and install machinery and equipment of well-known Turkish manufacturer Tekmen Tekstil.

Key items of machinery to be installed in the factory will be following:

1

MODULAR FEED MACHINE

The pre-cleaning stage starts with the transfer of the seed cotton from the warehouse to the facility with this machine in the first place

2

DRYING TOWER

The drying process is carried out by circulating the seed cotton between the pans with hot air

3

WASTE CLEANING MACHINE

After the drying process, the cotton wool is carried by the beater rollers on the garbage grids with the waste cleaning machine and the cleaning process is carried out

4

CONDENSATION SEPARATOR

With the help of an aspirator with strong suction, it pulls the unseeded cotton and opens it without damaging the fiber and at the same time creating yarn and twisting problems

5

COTTON FIBER CLEANER

The machine that provides the transfer of the cotton, which is sucked from the core with the help of air from the front of the machine

INVESTMENT SUMMARY

In order to reach better results in the productivity of harvest Company's management will be putting their efforts into integrating following 2 processes to cooperation schemes with individual farmers:

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- B. Pre-planting and post-planting controls are second important factor that will be tightly monitored. Pre-planting works include plowing and troweling. Other tools include application of new crop and irrigation technologies. Where possible pivot and drip irrigation systems will be used.

STRATEGIC OBJECTIVES

INVESTMENT REQUIRED

Construction of building	1,500,000 USD
Purchase of machinery and equipment	1,500,000 USD
Prepayments for financing farmers	3,000,000 USD
Operating expenses until first sales	755,000 USD
Other working capital needs	836,000 USD
Total investment required	7,591,000 USD

FINANCIALS



START OF OPERATION
8 months from initiation



PERMANENT EMPLOYMENT
55-60 people

Investment	7,591,000 USD
IRR	24.6%
NPV	6,474,000 USD
Payback period	3.68 years
NPV	3,111,000 USD
Average annual revenues	8,350,000 USD
Total assets	9,271,000 USD