



EXPORT AND INVESTMENT
PROMOTION AGENCY OF THE
REPUBLIC OF AZERBAIJAN



INVESTMENT PROJECTS IN AZERBAIJAN

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KRAFT PAPER PACKAGING PROJECT

project owner: **Politara LLC**

PROJECT DEFINITION

Construction of a new manufacturer together with another investors to setup production of the kraft paper bags packaging in Azerbaijan to address untapped domestic market as well as target regional export opportunities.

Project plans to set up a plant with total capacity of 180 mln. pieces per annum and gradually increase production up to 120 mln. pieces in 7 years.

Main product types are as follows:

- KRAFT PAPER SACKS
- KRAFT PAPER BAGS



Project owner: **Politara LLC**

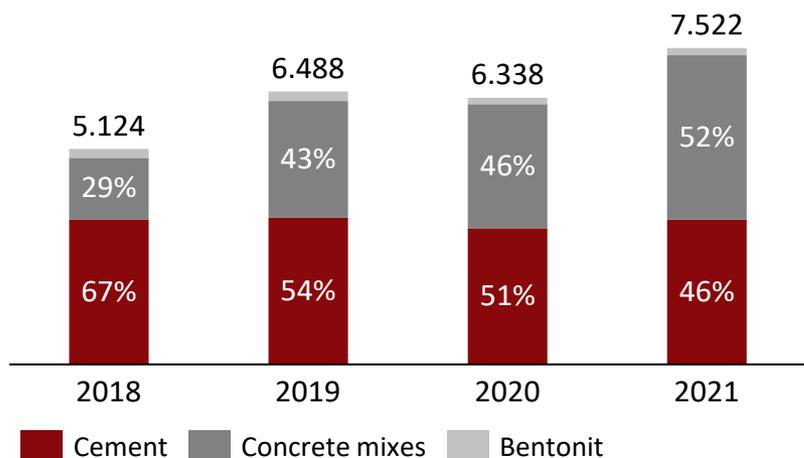
Politara LLC is a leading Ukrainian manufacturer of kraft paper packaging and industrial adhesive compositions with a full production cycle. The Company was established in 2001 and is a well-known in Ukraine and abroad for its production of bags and multilayer kraft paper packages for the construction, petrochemical, food, and other industries. With more than 250 employees Company has 4 branches throughout Ukraine as well as 2 representative offices in Azerbaijan and Spain: Politara-Favourite and Politara Iberika. In 2021 Company produced about 70 mln. paper bags and entered Top 5 among Ukrainian paper bag and sack producers.

MARKET INSIGHTS

The Project will be able to satisfy approximately 50% of the demand of the Azerbaijani market for multilayer kraft bags. It is also planned to export products to the regional markets, which will enable the use of the plant's equipment at 70- 80% of its capacity. Most of domestic corporate consumers of the kraft paper in Azerbaijan are currently purchasing kraft sacks and bags from abroad. Main imports are coming from Turkey, Russia and Ukraine.

There are only couple of local producers, but they are small in size and cannot compete with foreign suppliers in terms of quality and customization. About 90% of multilayer kraft bags consumed in the country are used for packaging of building materials or specifically for packaging cement and dry building mixtures. As of 2021 there were 2,099 companies operating in the construction business with total turnover of AZN 9,775M. Main consumers businesses of kraft packaging at Azerbaijani market are producers of dry construction materials such as cement, construction mixes and bentonite.

PRODUCTION OF CONSTRUCTION MATERIALS IN AZERBAIJAN DURING LAST 5 YEARS



CALCULATED LOCAL DEMAND FOR KRAFT BAGS:

104 million pieces

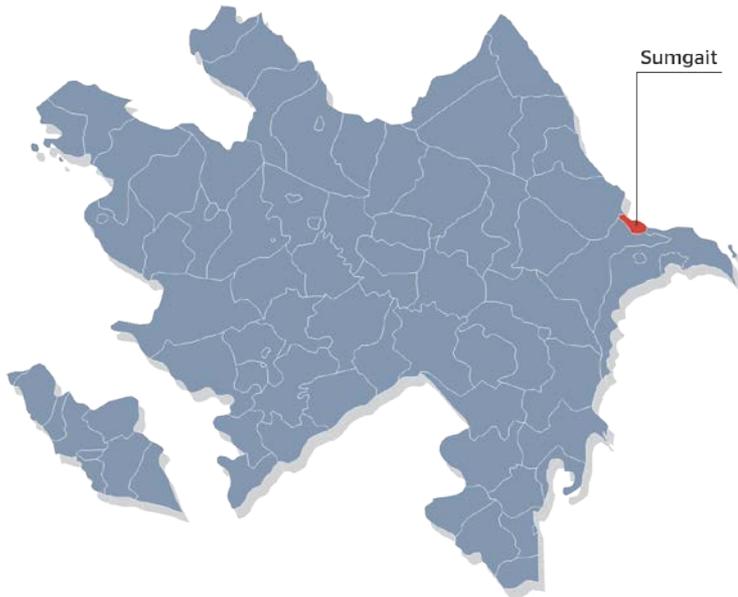
Company	Primary activity	Demand, mln pieces
Norm OJSC	Cement production	24
Matanat-A LLC	Dry construction materials	20
Gazax Cement	Cement production	15
Holchim OJSC	Cement production	13

PROJECT LOCATION

LOCATION

SUMGAYIT TECHNOLOGICAL PARK

A preliminary consent was obtained for the use of a land plot on the territory of the Sumgayit Technological Park. In total, 1.2-1.5 hectares of land are required to organize production. The production will be located in buildings and structures with a total area of 4,412 m².



PLANT STRUCTURE

It is planned to rent a land plot with the construction of premises necessary for the organization of production. The location of the plant on the territory of the technological park makes it possible to take advantage of special benefits.

The location of buildings and structures on the territory is shown in the following diagram:

1. Checkpoint

2. Administrative building

3. Dining room

4. Office area

5. Department of transportation

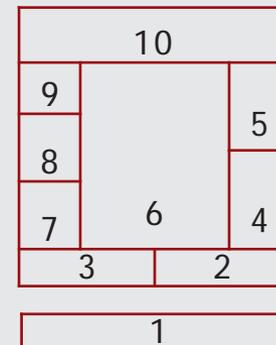
6. Production workshop

7. Paint mixing workshop

8. Workshop for cliches

9. Transformator and generator rooms

10. Warehouse



RAW MATERIALS

KRAFT PAPER

GLUE

FILM

DYE

PRODUCTION PROCESS

Kraft paper sacks and bags are manufactured from rolls of medium length fiber kraft paper which are of standard specifications regarding tear strength, burst strength and gauge tolerance. To achieve planned volumes of production plant will be operating an eight-hour day, five days per week.

The manufacturing process of multilayer kraft sacks and bags consists of several key technological steps:

1

Drawing an image on the front side of the outer surface of the bag (trademark, product information, etc. symbols). This stage is optional.

2

Making a bag sample - a multilayer glued paper tube. The sample for the bag is made with longitudinal and transverse sizing (a special installation is used to stir the soluble glue).

3

The valve is made only for valve (closed) bags - this operation does not apply to bags or open bags.

4

Final bonding by pressing. At the last stage of production, the bags are pressed and packed into bales on a special packaging machine.

INVESTMENT SUMMARY

STRONG SIDES OF THE PROJECT

- Access to field expertise of Ukrainian co-founder Politara
- Presence in Azerbaijan and cooperation with main customers already established via representative office
- Rapid growth of construction industry in Azerbaijan
- Government's promotion of reduction of plastic packaging

STRATEGIC OBJECTIVES

Based on analysis above top priorities of newly established business were determined. 5 years long-term strategic objectives of the Project are following:

1	BUILD EFFECTIVE BUSINESS MODEL AND ORGANIZE BUSINESS PROCESSES AT NEWLY ESTABLISHED COMPANY
2	CAPTURE UP TO 50% SHARE OF LOCAL MARKET
3	ESTABLISH CONTINUOUS COOPERATION WITH MAJOR CORPORATE CUSTOMERS AT LOCAL MARKET

FINANCIALS



START OF OPERATION
16 months from initiation



PERMANENT EMPLOYMENT
83 people

Investment	15,122,00 USD
Total CAPEX budget	12,700,000 USD
Equity IRR	18.1%
Payback period	5.5 years
NPV	3,111,000 USD
Average annual revenues	18,628,000 USD
Total assets	16,128,000 USD