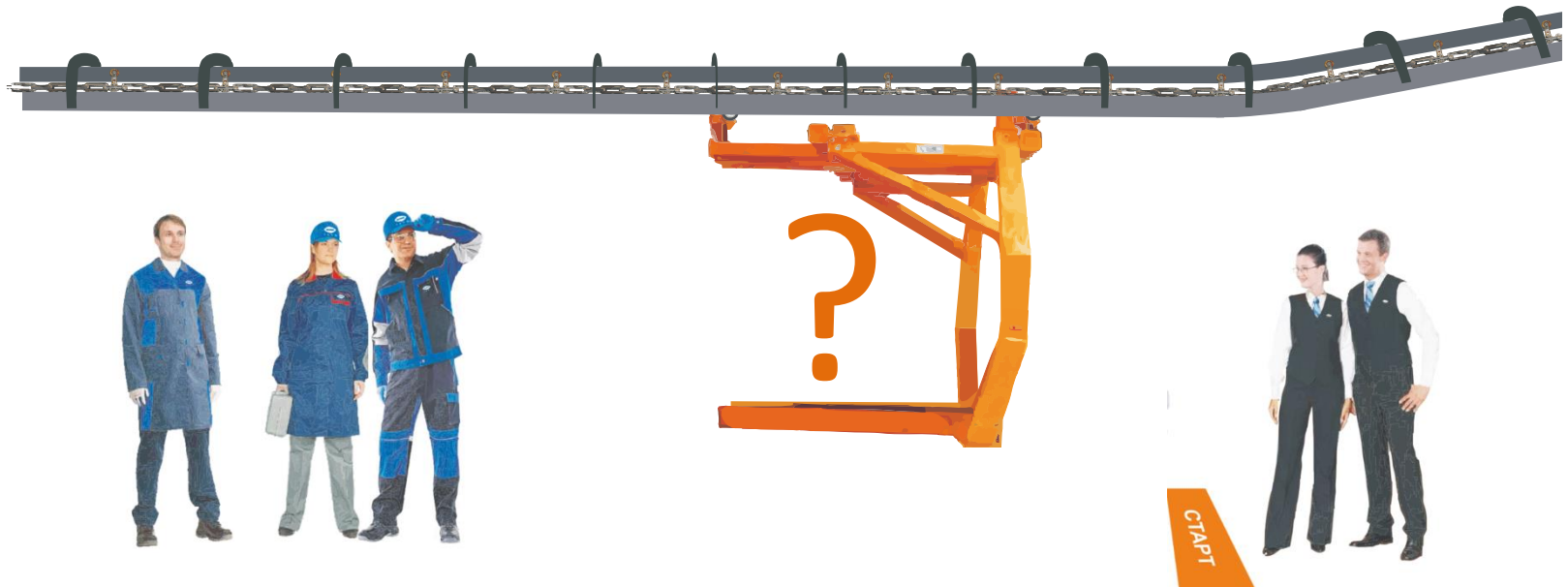




Министерство промышленности и энергетики  
Удмуртской Республики



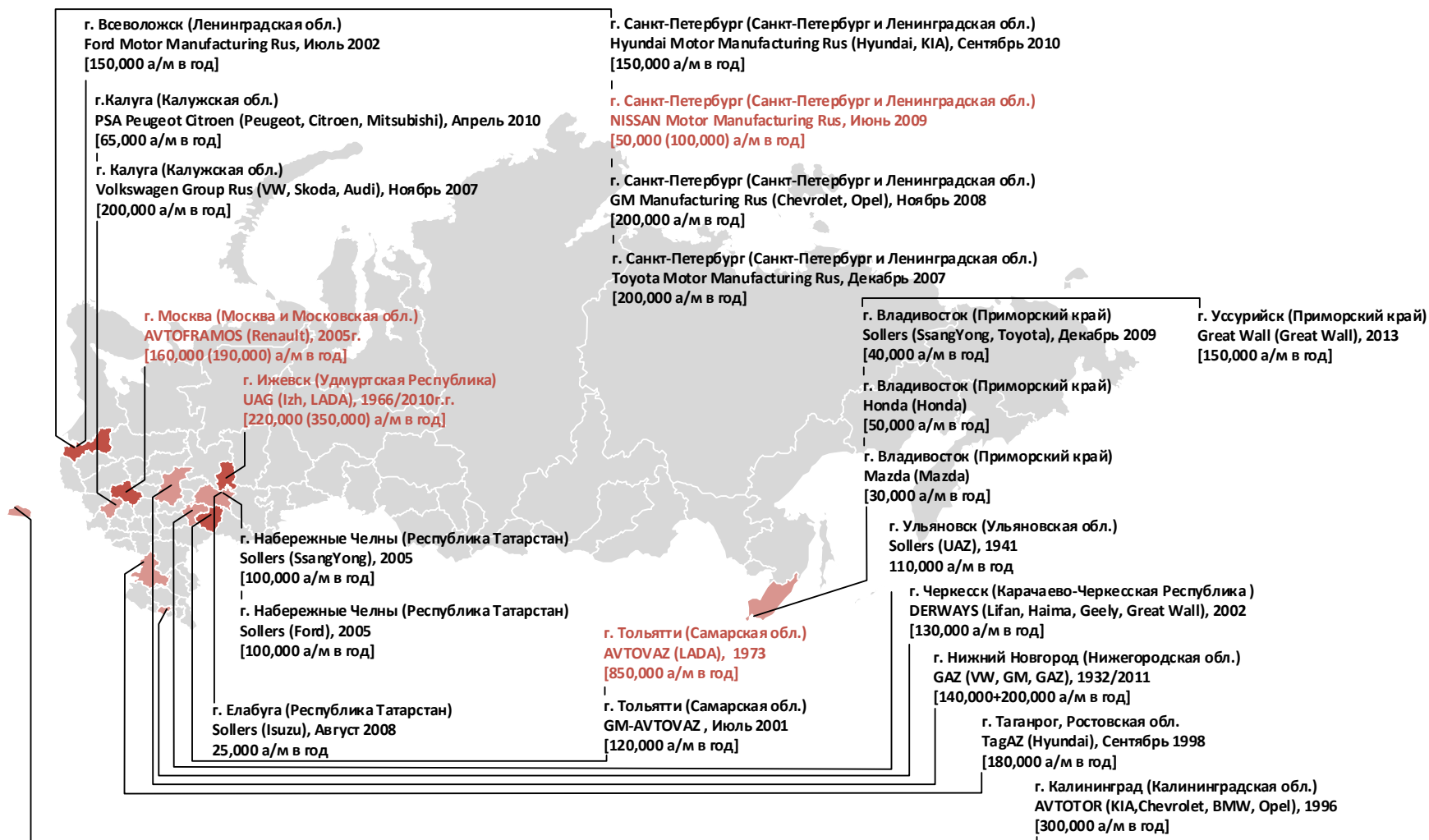
## Udmurtia: Automotive Cluster

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# Automobile Assembly Facilities in Russia

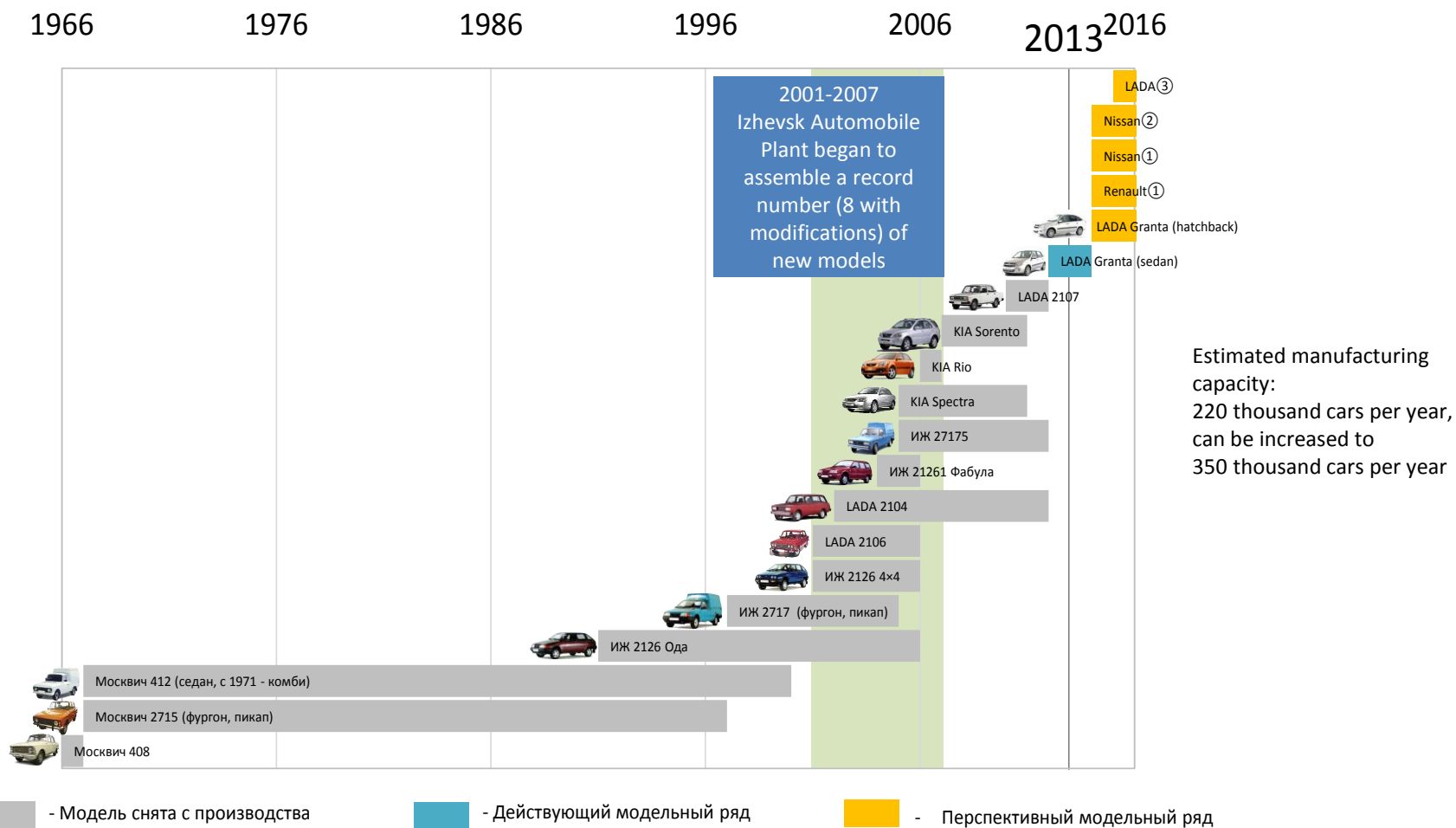
Russia's total automobile manufacturing capacity: ~ 3.7 mln cars per year, with AVTOVAZ-RENAULT-NISSAN capable of producing 1.3 mln cars per year (~ 40% of total manufacturing capacity, or ~ 48% of Russian car and light commercial vehicle market capacity)



# Prerequisites for Automotive Component Industry Development in the Udmurt Republic

- The Izhevsk Automobile Plant has a half-century long history of automobile design and production.
- The Izhevsk Automobile Plant is getting ready for a major industrial and technological breakthrough.
- According to the AvtoVAZ and the Renault-Nissan Alliance plans, by the year of 2016 the Izhevsk Automobile Plant manufacturing capacity should be increased to over 300 thousand automobiles per year. This will call for a high localization of automotive component production in the Udmurt Republic.
- It is indisputable that bringing automotive component production closer to the assembly line is economically viable, due to procurement cost reduction and logistics operations optimization, which in the long run can ensure the formation of optimally low supply prices on the automotive market. In today's world competition is increasingly becoming a competition of supply chains rather than that of individual producers.
- The topicality of this task is becoming more and more evident in the conditions of increasing competition on the Russian automobile market.
- Udmurtia is a very promising region for the production of automotive components due to a number of factors: the advantageous proximity to large industrial/economic agglomerations of the Volga and Ural regions, availability of extensive natural resources, moderate climate, low probability of natural disasters.
- The region attracts investors by its political and social stability, investor-friendly legal and taxation systems established by the Government of the Udmurt Republic, availability of inexpensive labor resources.
- The current state of the market is a significant motivating factor making the Udmurt Republic an attractive region for foreign manufacturers of automotive components, such as brake and fuel supply systems, seats, multimedia and electronic control systems, etc. We are expecting new proposals from foreign companies regarding the localization of automotive component manufacturing.

# Izhevsk Automobile Plant

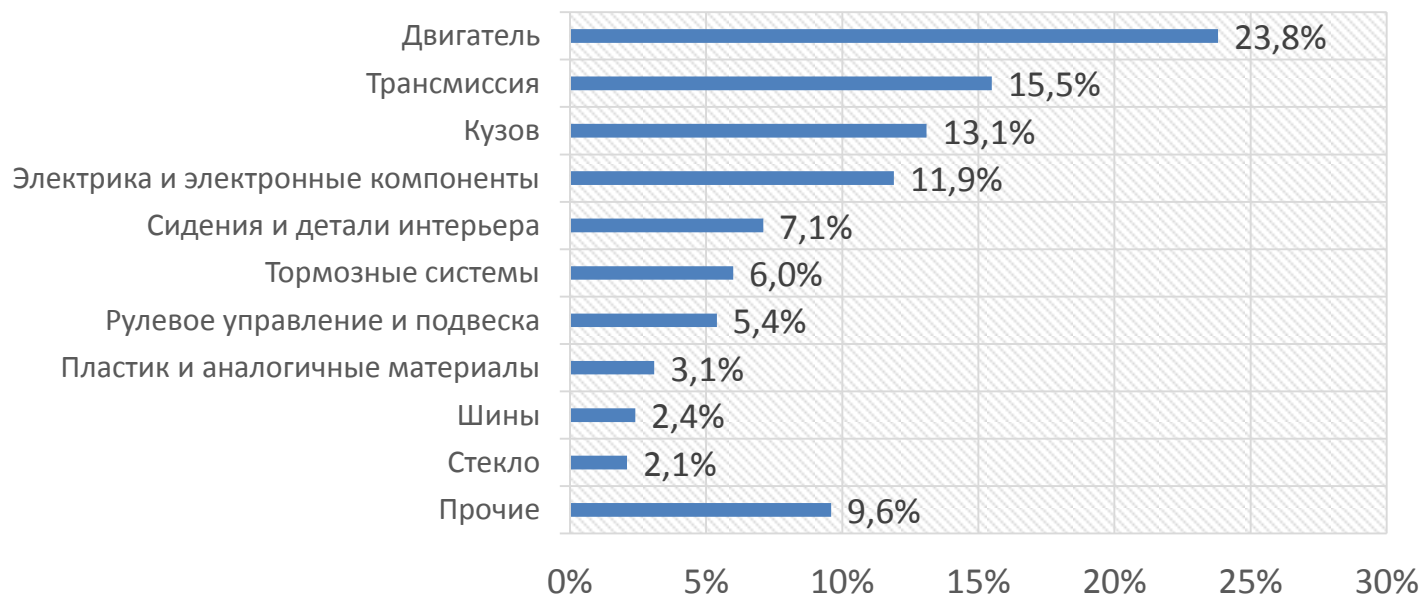


Izhevsk Automobile Plant is a part of a global alliance whose main property complex is owned by the LLC United Automobile Group (UAG) owned by AvtoVAZ; 74.45% of AvtoVAZ authorized capital is owned by Alliance Rostec Auto B.V. — a joint venture with 50.1% of authorized capital owned by Renault, 17.03% — by Nissan, and 32.87% — by the State Corporation Rostec. The Izhevsk Automobile Plant is a major manufacturing site of the AvtoVAZ, managed by Renault-Nissan-Rostec. Izhevsk Automobile Plant's partners — АВТОВАЗ-RENAULT-NISSAN — production plans: LADA Granta, LADA Largus, NISSAN Almera, Renault Duster, Renault Logan II, Renault Sandero, Nissan Qashqai, Nissan Almera New; expected: LADA Kalina II (June 2013), LADA Priora II (2014), LADA C-cross (no information), LADA B-cross (no information), Datsun (Nissan), Nissan Tiida 2013, Nissan Qashqai 2014, Renault Captur 2014, etc.

# Additional Incentive for Renault-Nissan-AvtoVAZ Alliance: New Industrial Assembly Rules

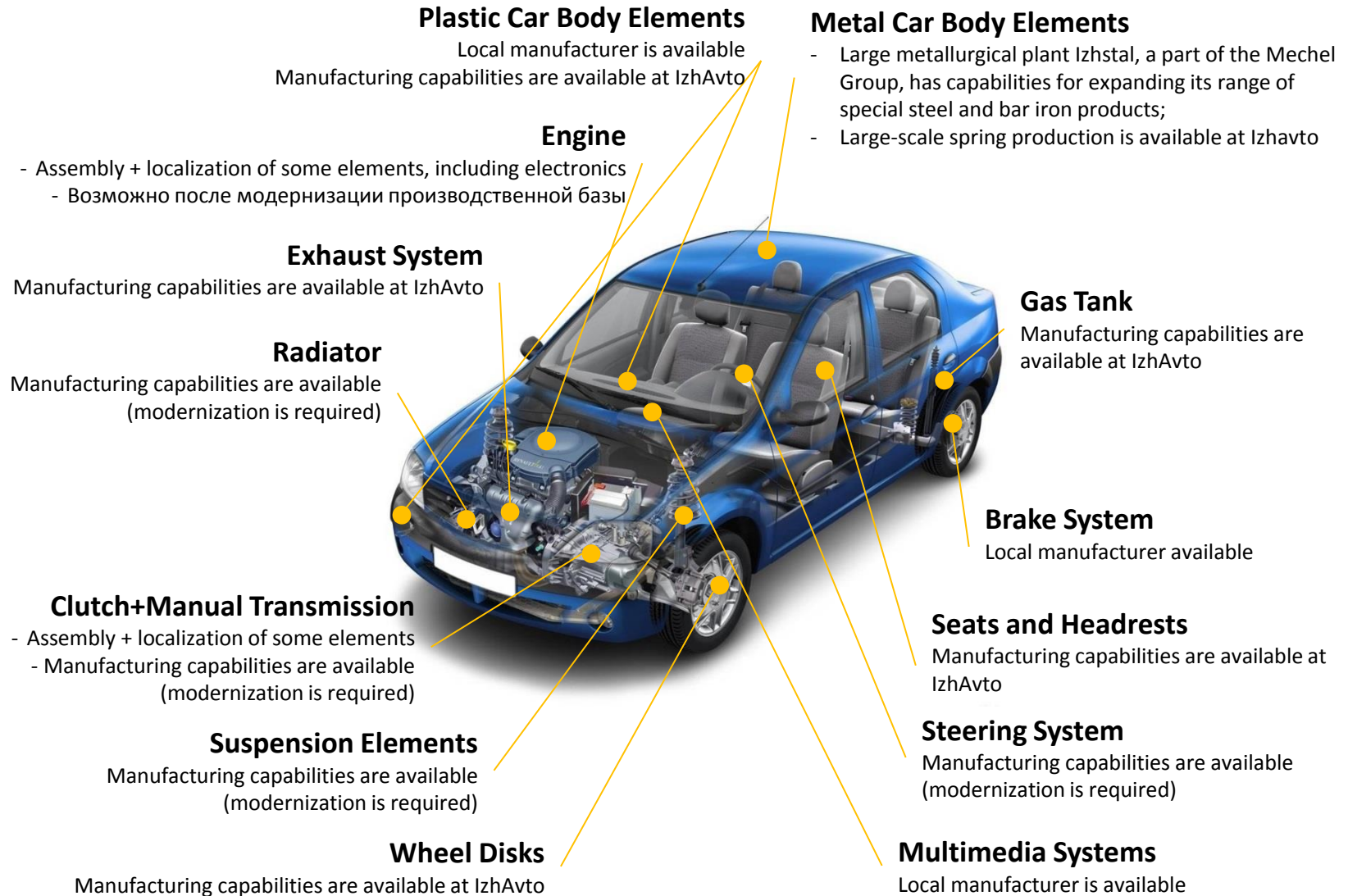
- Applicant is required to set up production facilities capable of producing at least 300,000 (if a new enterprise is established) to 350,000 (if existing facilities are modernized) vehicles annually;
- At least 30% of produced cars need to be equipped with Russian-made engines and/or gearboxes;
- Car body shell parts shall be stamped in Russia;
- Average annual localization level shall reach the level of at least 60% within four years;
- An R&D center shall be set up or an existing Russian R&D center shall be upgraded.

## Passenger Car Set Cost Structure (Approximate)

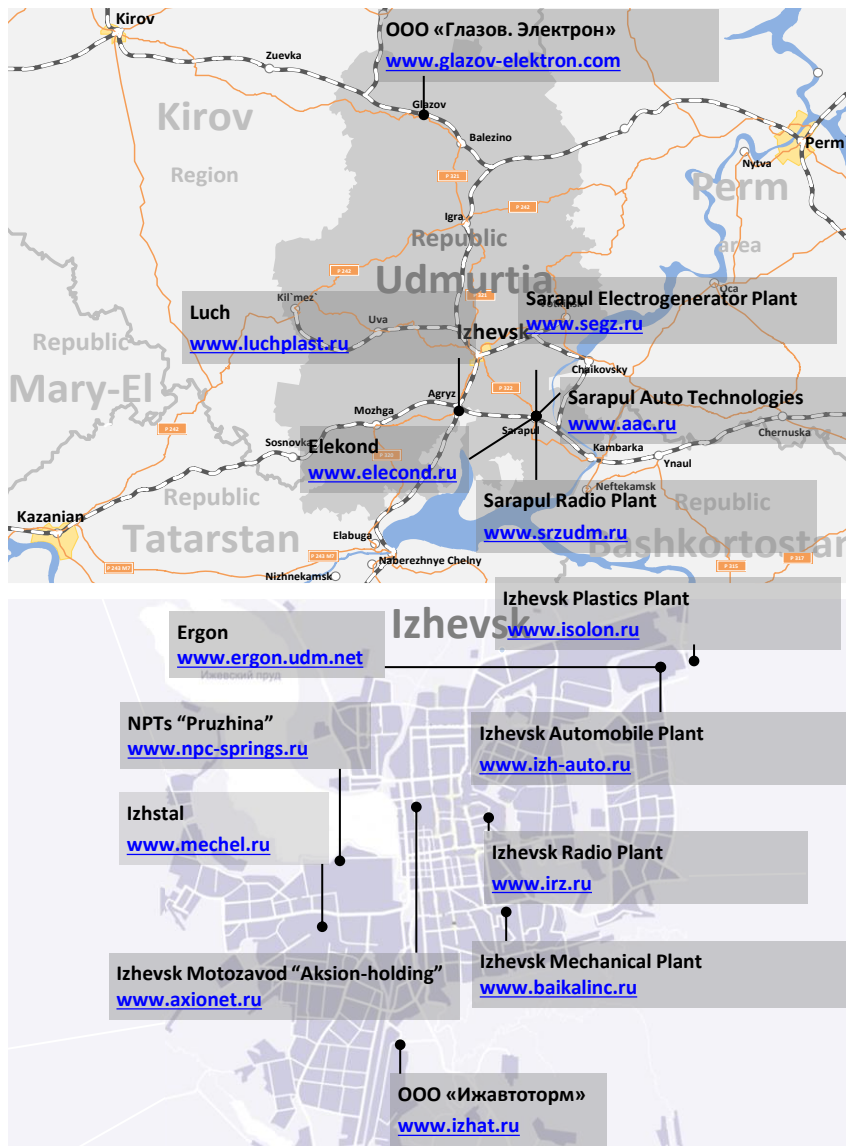


# Prospects for Auto Components Production Localization in Udmurtia

Estimate made by the Ministry of Industry and Energy of the Udmurt Republic



# Automotive Component Manufacturers Operating in Udmurtia



**Sarapul Electrogenerator Plant** (electric motors, electric generators, electric fans — 400,000 units per year, electric steering boosters — 180,000 units per year)

**Izhevsk Motozavod "Aksion-holding"** (electric drives, headlight corrector and GPS/Glonass satellite navigator control units)

**Izhevsk Plastics Plant** (seat filler materials, automobile body plastic parts)

**Izhavtotorm** (manifolds for fuel and brake systems)

**Glazov.Electron** (wire harness),

**Luch** (plastic products)

**IzhSpetsMash** (specialized packaging, equipment, tools and accessories)

**Elekond** (eyelets, safety caps, plate nuts, polymer and rubber parts, lighting components)

**Izhevsk Mechanical Plant** (production of parts using casting and powder metallurgy, suspension elements, electrical equipment, electric tools, special-purpose accessories)

**NPTs "Pruzhina"** (springs)

**Sarapul Auto Technologies** (automobile multi-media systems)

**Ergon** (polyurethane and polyurethane foam products)

**E.M.Isaenko Sputnik** individual enterprise (ignition locks, door and hood locks, clamps, fuel tank covers, cable housings, ventilation system parts)

**Avtoregion** (door handles, electric window lifts)

**SpetsAvto-TekhTsentr** (stamped parts)

**Promtekhnika (Sarapul)** (horns, splash guard brackets)

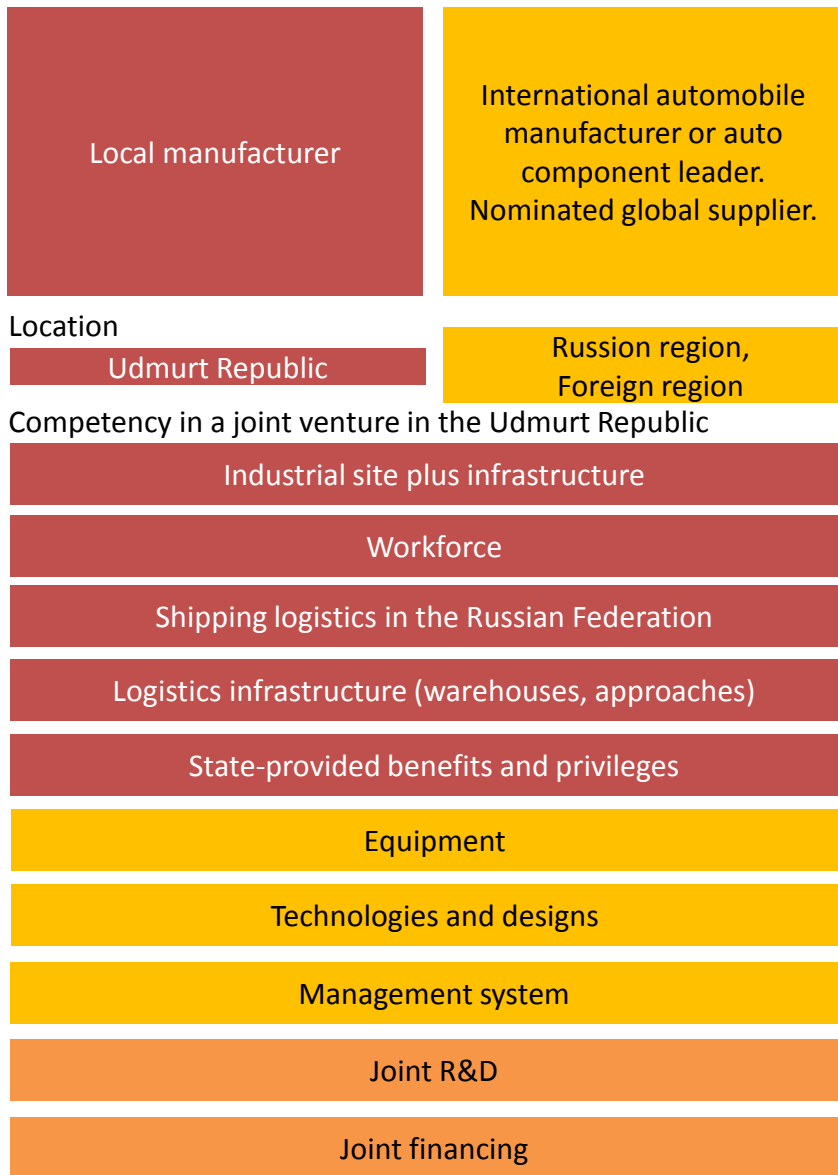
**Avtoprofil** (stamped parts and mechanical rubber goods)

**Izhstal (a part of the Mechel international holding company)** (specialty steels and rolled stainless steel, metal goods, shaped steel, forged, pressed and cast products)

**Izh-Rest** (metal parts for car assemblies)

**Udmurtorf** (mechanical rubber goods, oil and petroleum resistant, durable raw rubber compounds)

# Integration and Its Advantages



## Advantages:

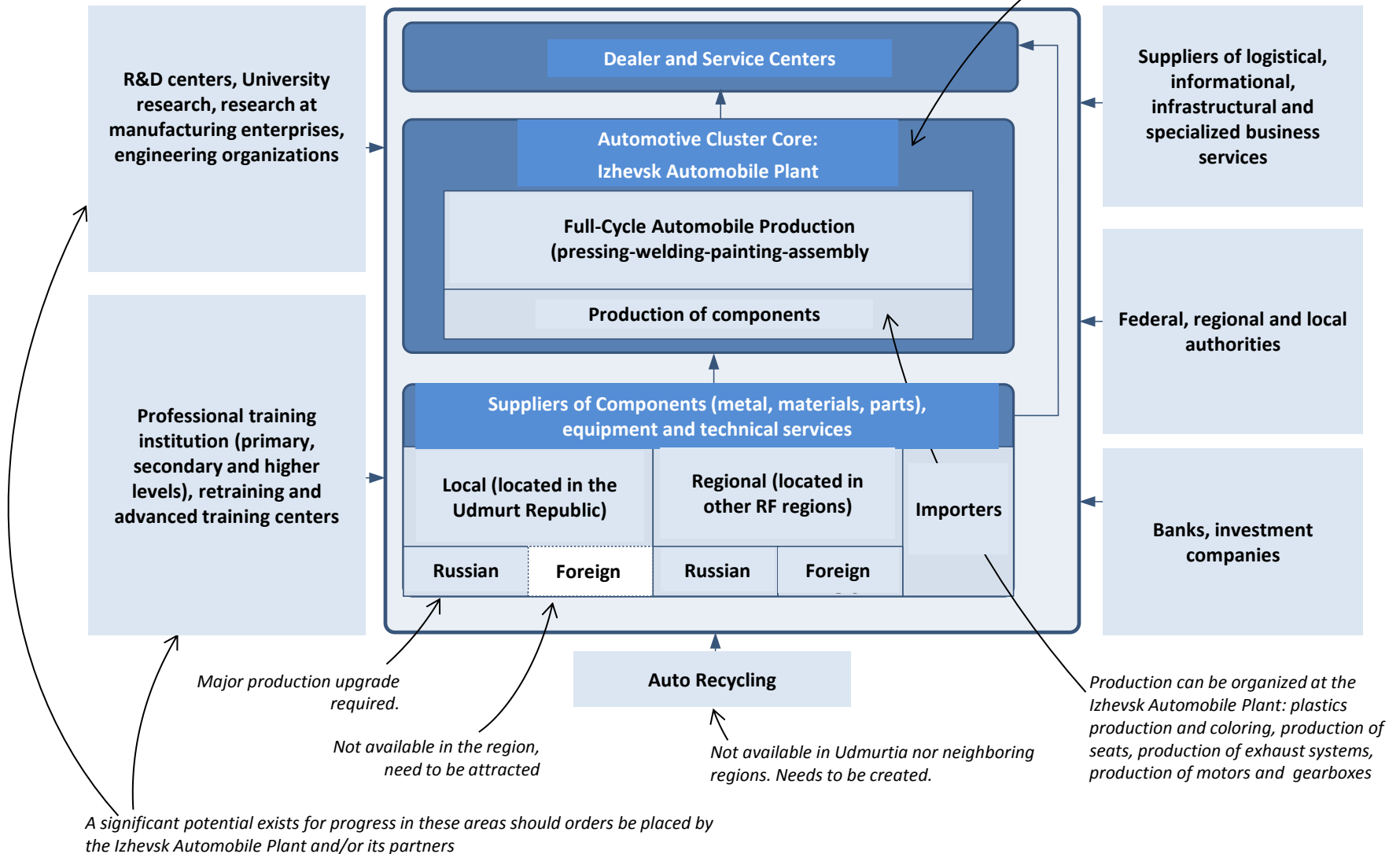
- Business optimization;
- Economy of time and resources;
- Distribution of joint efforts by most appropriate capacity areas;
- Localization of a company's own production in Russia, on a dynamically developing international market;
- Quality assurance for procured materials;
- Bringing automotive component suppliers closer to the assembly line → reduced supply chain costs;
- Optimization of the process of interaction with the supplier.

# Prerequisites for Cluster Development in Udmurtia

- One of the largest Russian automotive assembly operations is being run in the region, automotive educational and research bases are available, engineering companies with impressive R&D lists operate in Udmurtia, logistical and service infrastructure are rapidly developing, local manufacturers are prepared to master new technologies of automotive components manufacture and are ready to turn investment into production.
- A number of large industrial enterprises in Udmurtia are ready to provide areas that are being released or have been under conservation until now for automobile assembly or automotive components production activities.
- The Government of the Udmurt Republic is ready to render comprehensive assistance to Russian and international manufacturers regarding the deployment of their manufacturing sites in the Udmurt Republic (localization) and to grant benefits and privileges, including:
  - Profit tax rate reduction for tax sums that shall be transferred to the Udmurt Republic budget, at tax rates from 17 to 13.5 per cent;
  - Exemption from corporate property tax;
  - Partial subsidizing of expenses on paying interest on credits and of leasing payments obtained for the implementation of investment projects;
  - Granting to investors respite from payment, installment payments, tax credit, investment tax credit for the payment of taxes and other required payments to the budget of the Udmurt Republic;
  - Granting state guarantees to investors;
  - Advisory , informational and organizational support of investment projects.
- The Government of the Udmurt Republic is ready to provide most favored treatment status to large-scale investment projects in the area of automotive components production.

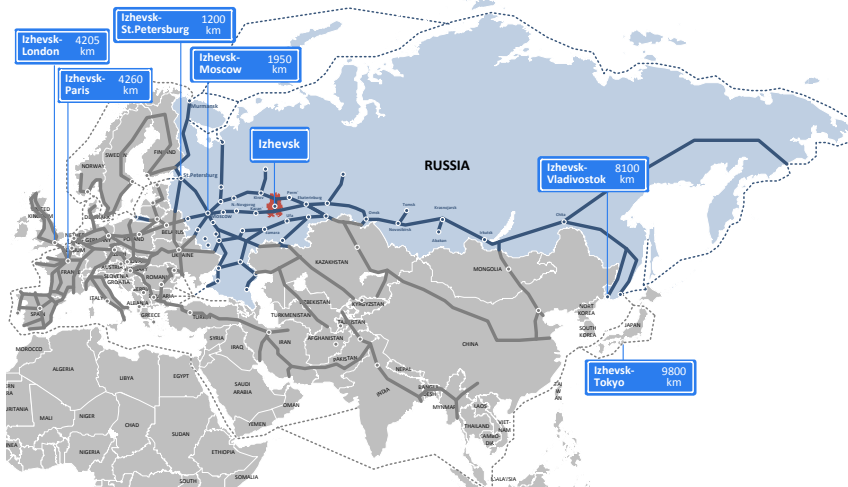
# Udmurt Automotive Cluster: Concept

The region is ready to provide operable production sites for the deployment in the Udmurt Republic of international (including Chinese) producers' automotive components production activities



# Location Advantages

## Euro-Asian Transport Corridor



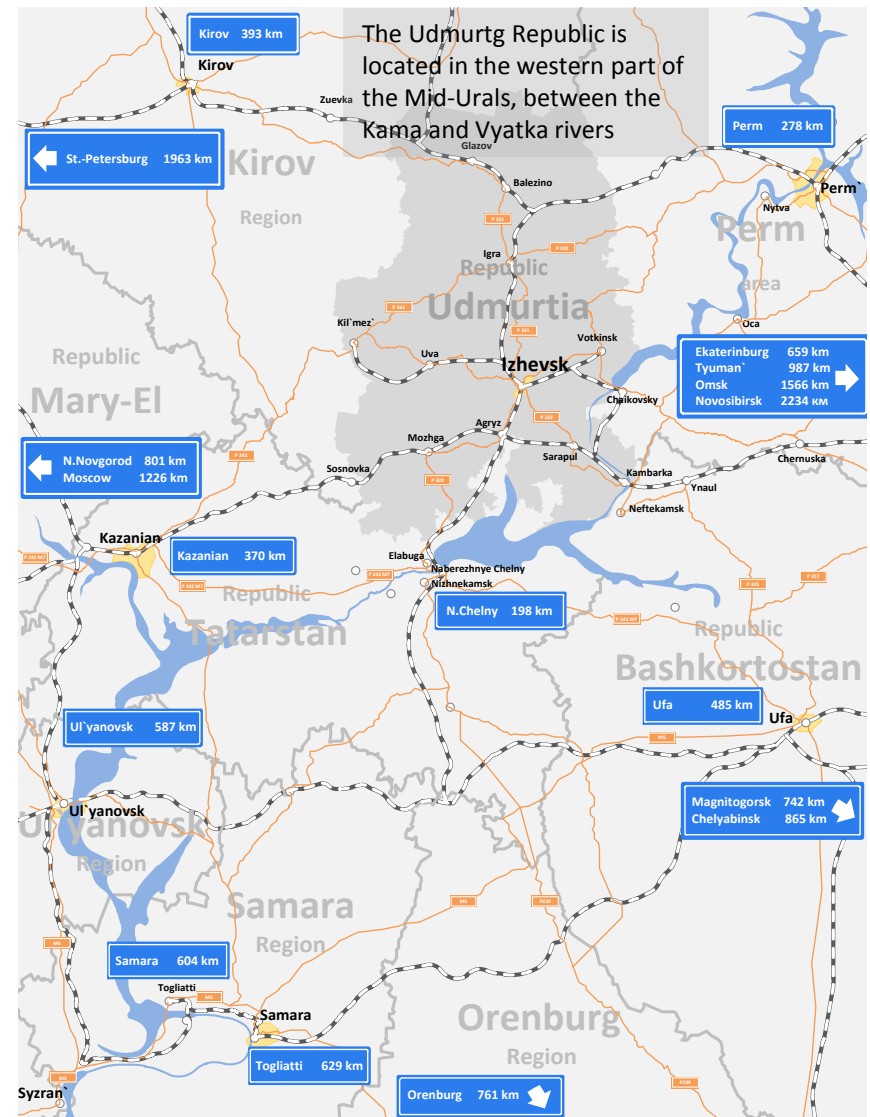
The Udmurt Republic is a region with a high concentration of large industrial enterprises. It is located in the immediate proximity to large industrial agglomerations of the Volga region and the Urals.

Access to the Euro-Asian transport corridor passing through the Udmurt Republic is beneficial for shipping logistics as it ensures a high degree of accessibility to manufacturing resources and product markets. Besides, the North-South water thoroughfare passes through the territory of Udmurtia.

Transit oil and gas pipelines from the Western Siberia pass through Udmurtia, creating favorable conditions for the development of chemical and petrochemical industries.

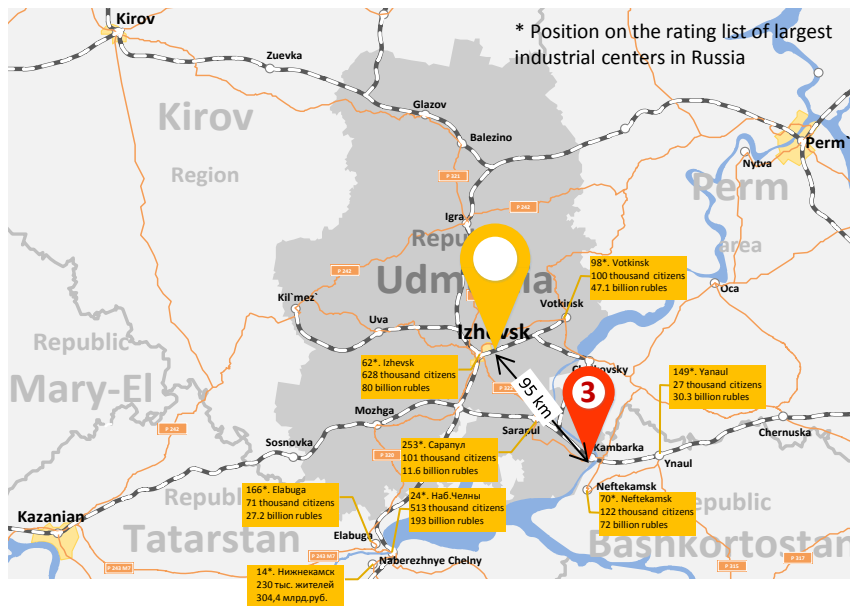
The Udmurt Republic has significant natural resources and an inexpensive and skilled workforce.

The socio-political climate in Udmurtia is stable, and the local authorities are responsive to the needs of the business community.





# Kambarka: Industrial Site with Infrastructure



- In 2015 it will be a state-of-the-art industrial site with new infrastructure and highly qualified workforce;
- The site is located close to large industrial centers and automobile assembly plants (Neftekamsk — 35 km, Izhevsk — 95 km, Elabuga — 230 km, Naberezhnye Chelny — 240 km);
- The Trans-Siberian railway runs through the town (Kambarka railway station), as well as the North-South water thoroughfare (Kambarka river port on the Kama River);
- Total area: 15.5 hectares, industrial area can be expanded to 4 hectares;
- Industrial area can be reached via a broad-gauge railway and an access road, transportation of people and cargoes to the Kambarka river port on the Kama River is available;
- Jobs to be created: at least 800, investment: at least 1 billion rubles.

# Ministry of Industry and Energy: Automotive Production Development in the Udmurt Republic Perspective

- Development of multi-brand production at the Izhevsk Automobile Plant and the build-up of its total production capacity to 350 000 cars per year (with potential involvement of foreign partners, such as Mitsubishi Motors Corp., Suzuki Motor Corp., Honda Motor Corp., Toyota Motor Corp., Mazda Motor Corp., and Chinese automakers)
- Revival of the internationally known Izh brand
- Organization of new automobile assembly operations on the basis of industrial sites currently not in use.
- Development of a joint automotive component production base in Udmurtia
  - Bringing international manufacturers to Udmurtia.
  - Attracting investment for the modernization of local manufacturers' facilities.
- Local Infrastructure Development
  - Local R&D base development.
  - Northern transport corridor development. Creation of a large logistical center for common use.
  - Development of industrial energy supply and utilities.
  - Attracting investment into the auto recycling plant project.
  - Implementation of socially important projects on public-private partnership conditions (sports complexes, housing, hospitals, recreational facilities, etc.)

