

SOAP PRODUCTION IN GEORGIA



Business Case

THE OPPORTUNITY: INVESTING IN A SOAP MANUFACTURING
PLANT IN GEORGIA



Country Profile

Georgia (2011)

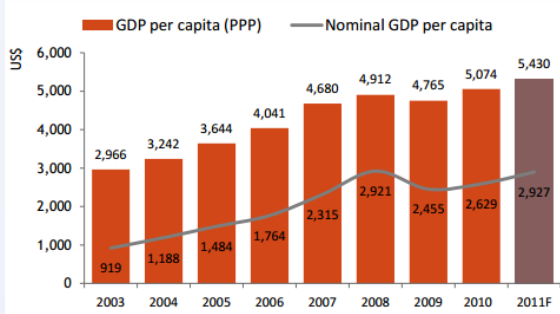
Population	4,4 million
Labor force	1,9 million
Unemployment	16,0%
GDP p.c. USD (PPP)	USD 5.421
Area	69,7 k sq. km
Capital	Tbilisi
Currency	Lari (GEL)



Competitive advantages for your business

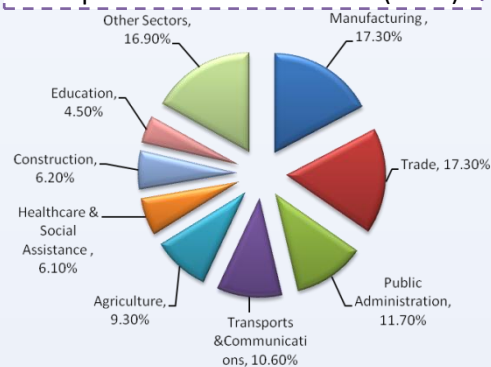
➤ Stable Macroeconomic Environment

Georgia GDP - per capita (PPP)



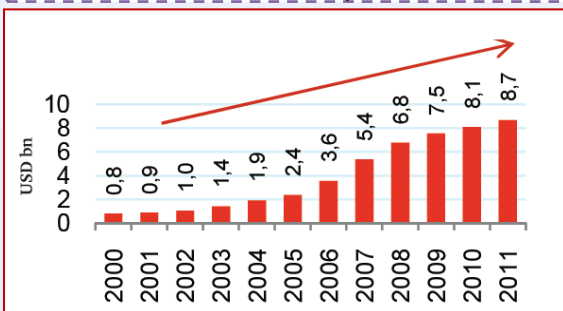
Source: MOF

Components of Nominal GDP (2011)



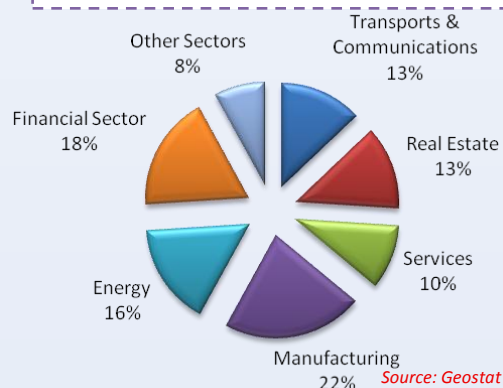
Source: Geostat

➤ Favorable business conditions for foreign investors

Foreign direct investment in Georgia,
Cumulative inflow, USD bn

Source: PwC Analysis

FDI by Sectors 2011 (preliminary)



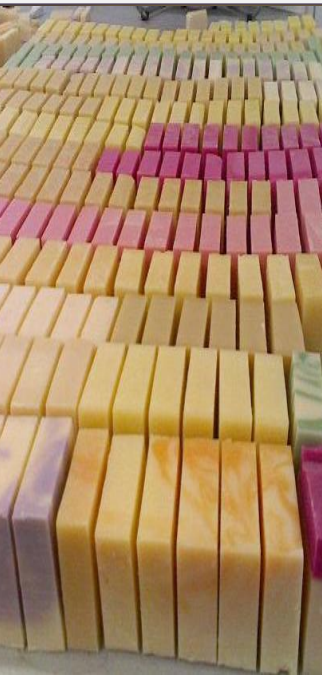
Source: Geostat

➤ An easy place to do business

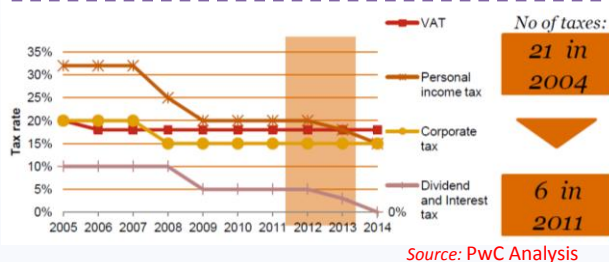
Starting a business is viewed as a quick and easy process. In particular, it takes only 3 procedures and 3 days to register a new economic activity.

➤ Low Taxes

Liberal tax and legal systems promoting the ease of doing business has attracted a growing inflow of foreign investments in Georgia.



Development of tax system in Georgia, 2005-2014



Georgian trade policy

Low import tariffs (90% of goods free from import tariff)

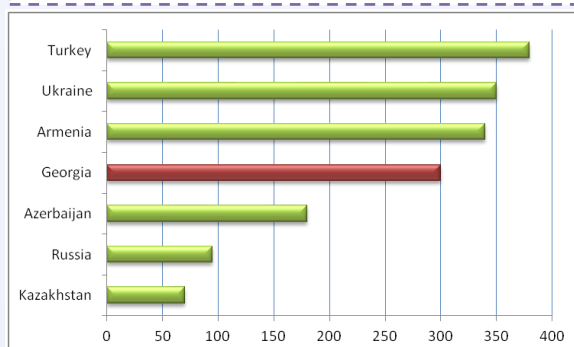
- Few export/import licenses and permits
- No quantitative restrictions on import and export
- No customs tariff on export and re-export
- No VAT on export
- Simplified export and import procedures

Trade Regimes

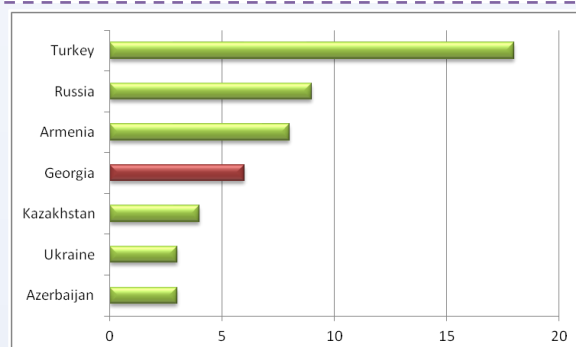
WTO Members	WTO member (since 2000). MFN Tariffs with WTO Members
USA, Canada, Switzerland, Japan, Norway	Georgia benefits from a Generalized System of Preferences (GSP) when trading with the USA, Canada, Switzerland, Japan and Norway; accordingly lower tariffs are applied on goods exported from Georgia to those countries
European Union	GSP+ status with the EU allows Georgia to Export 7,200 products to the EU market duty free.
CIS countries, Turkey	Free Trade Regime with Commonwealth of Independent State countries ¹ and Turkey (since 2008)
On negotiation	Georgia is actively working with the EU and the USA to promote free trade negotiations

➤ Low energy cost & competitive gas price

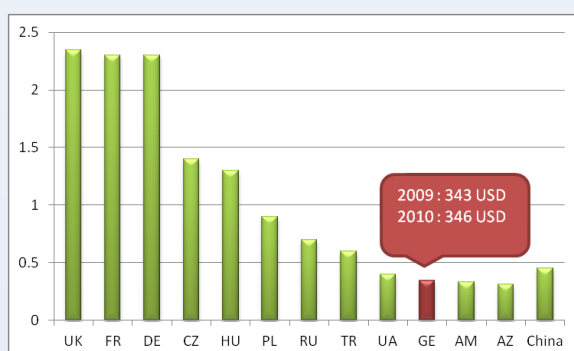
Natural gas Prices, USD per 1000 cubic meters, July 2011



Electricity power price US cents per 1kWh, July 2011



➤ Low cost but experienced workforce



➤ Developed Infrastructure & Communication

- Flight:** 5 airports; 3 of which international, with passenger direct connections to more than a dozen countries
- 117** Average number of **weekly international flights**
- Sea:** 3 sea ports in the Black Sea
- Road:** +20,000 km of existing road
- Railway:** +100 stations connecting the main business and population centers.

➤ Strategic geographic location

Situated at the strategically important crossroads where Europe meets Asia, Georgia is considered to be a bridge connecting several important economic regions.

A. MARKET ANALYSIS

Soap* Import/Export

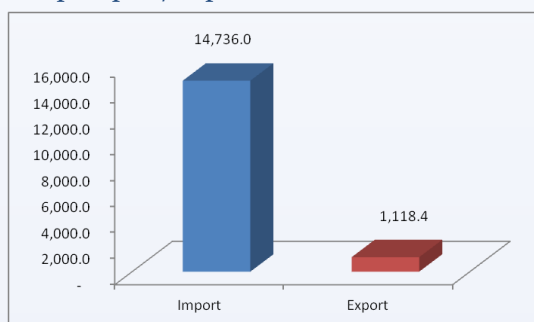
(Quantity =Tons, Value=1,000 USD \$)

	2008		2009		2010		2011	
	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity
Import	11,767.2	5,534.1	10,138.7	5,004.4	13,360.5	6,423.6	14,736	6,535.1
Export	928.1	174.2	1,170.3	271.5	1,189.6	299.6	1,118.4	291.8

* (HD Code 3401)

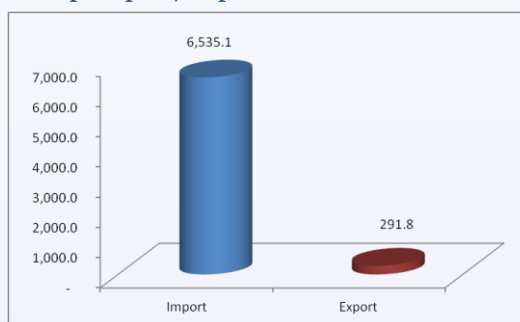
Source: Geostat

Soap Import/Export 2011 (Thsd. USD)



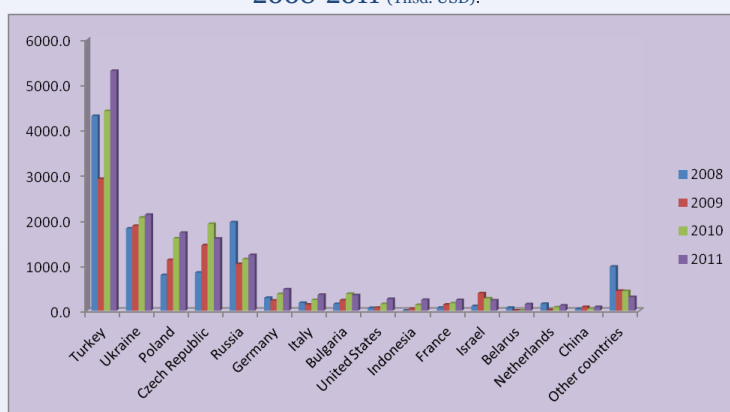
Source: Geostat

Soap Import/Export 2011 (Tons)



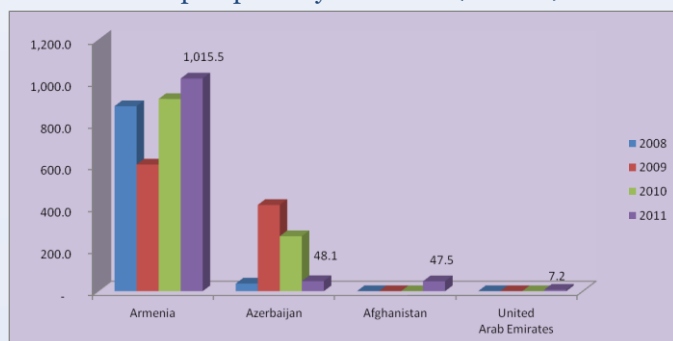
Source: Geostat

Soap Import by major Countries
2008-2011 (Thsd. USD).



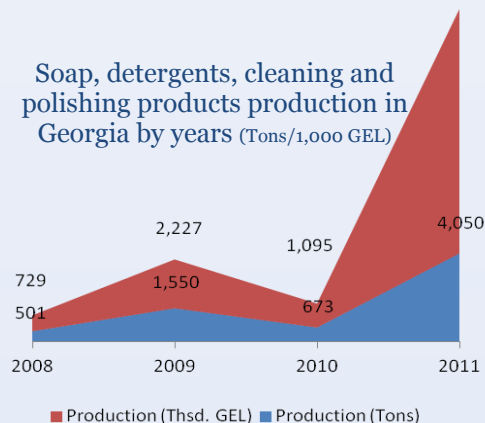
Source: Geostat

Soap Exports by Countries (Thsd. USD)



Source: Geostat

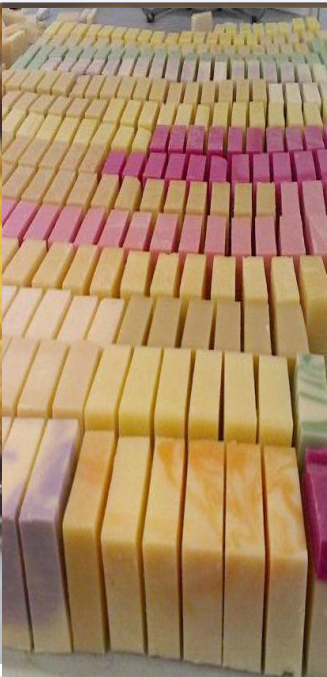
Soap, detergents, cleaning and
polishing products production in
Georgia by years (Tons/1,000 GEL)



■ Production (Thsd. GEL) ■ Production (Tons)

Main points:

- Imports play a significant role in the Georgian soap market, accounting for approximately 90 percent of apparent consumption in 2011.
- Total soap exports of Georgia reach 291,8 tons in 2011 and the value of exports totaled 1,118 thousand dollars. Georgia exported soap products to 2 countries in 2011. The major export market is Armenia.



B. COMPETITOR ANALYSIS

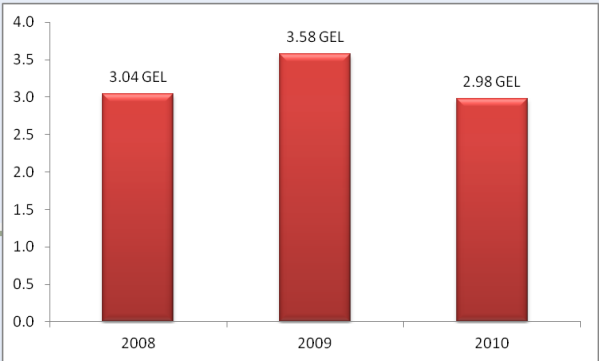
The major Brands in Georgia

Price of Soap (package 90gr-400gr)

GEL	Average Price	Min Price	Max Price
Toilet soap	2.06 Gel	0.45 Gel	5.75 Gel
Liquid Soap	4.8 Gel	2.85 Gel	8.65 Gel

Prices are calculated according to the selling prices fourning main retail stores in Tbilisi.

Average monthly household expenditure per Household (in GEL)
(Toilet soaps, shaving creams, shampoos, tooth pastes, cleaning products and others)



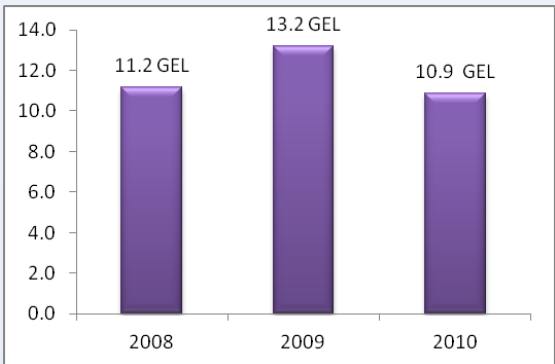
Local Soap Manufacturer

Local Soap Manufacturer	BRANDS
ALBATROS LTD	
BERTA LTD	"OVACIO"
BOGINIA LTD	
NIKOLOZ KURASHVILI	

Channels of Distribution



Main chain retail stores in Tbilisi :
Goodwill, Populi, Smart, Ioli. Carrefour hypermarket – 1st opening in June 2012



Average monthly household expenditure per Person (in GEL)
(Toilet soaps, shaving creams, shampoos, tooth pastes, cleaning products and others)

Subject of the deal: Investing in a Soap Plant in Georgia

Market situation:

- The market is dominated by imported products (Soap Import = 90 % of consumption in 2011).
- Very low local production and no efficient production technology.
- Very low Export.
- The current supply of the market is focused on toilet soap.

Local consumption is growing:

- Significant and regular increase in soap imports (847 thsd. USD in 2002 compared to 14 736 Thsd. USD in 2011).
- Good export potential to Armenia and Azerbaijan.

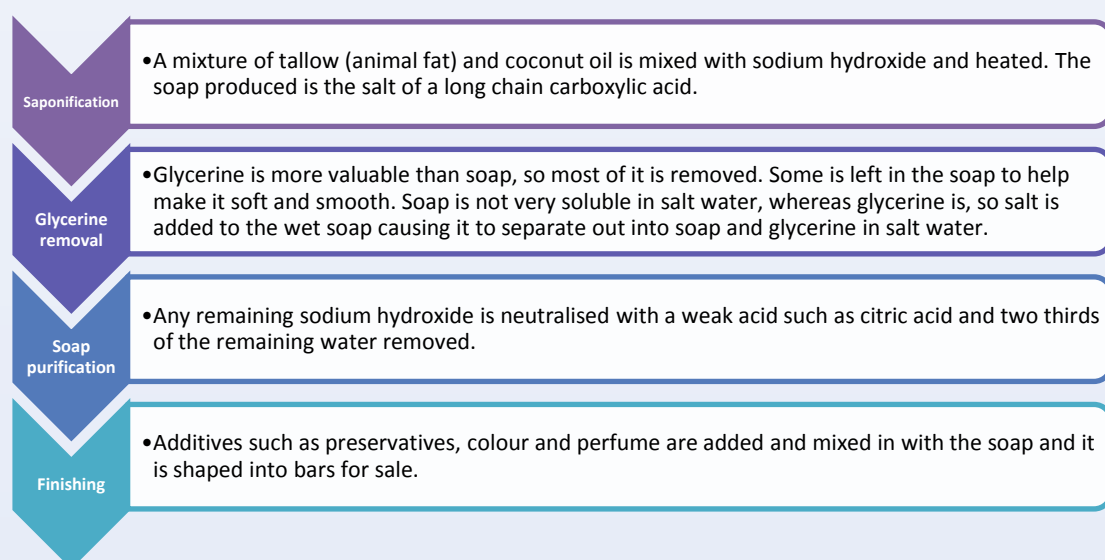
Opportunities for investor:

- The initial start-up costs are minimal and the simple mechanical equipment is expected to have a very long life.
- Advantage of low raw materials & low labor costs,
- Easy access to local & regional markets and beyond,
- Many of the inputs are cheaply and easily available.
- Easy to substitute imports (which are more expensive).



SOAP PRODUCTION PROCESS

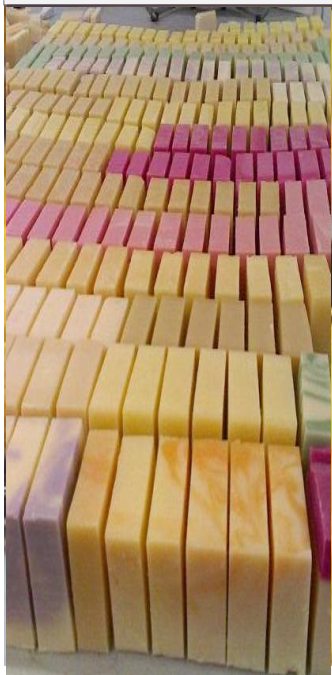
Soap is produced industrially in four basic steps



The industrial production of soap involves continuous processes, involving continuous addition of fat and removal of product.

Soap making processes

There are two variations: the *cold-process*, wherein the reaction takes place substantially at room temperature and *hot-process*, wherein the reaction takes place at *fully boiled process*.



Investment Required - Machinery & equipment

Scenario 1
500Kg/H Soap Production Line. Products: 10-280g toilet soap

No.	Specification of equipment		Qua.	Investment
1	Operation platform		1	≈ USD 110 000
2	Toilet soap mixer(with air compressor)		1	
3	Three-roll mill		2	
4	Duplex vacuum plodder		1	
5	Belt Conveyer	Capacity: 500kgs/h	4	
6	Toilet soap stamping M/C	Capacity: 500kgs/h	1	
7	Freezing unit	Capacity: 50-120bars/min	1	
8	Mould (one set)	Capacity: 8000Kcal/h	1	
9	Packing machine	Capacity:50-120pc/min	1	

Scenario 2
1000Kg/H Soap Production Line. Products: 50-280g toilet soap

No.	Specification of equipment		Qua.	Investment
1	Operation platform		1	≈ USD 160 000
2	Toilet soap mixer(with air compressor)		1	
3	Three-roll mill		2	
4	Vacuum bar extruding M/C	Capacity: 1000kgs/h	1	
5	Conveyer	Capacity: 1000kgs/h	4	
6	Stamping machine	Capacity: 80-120bars/min	1	
7	Freezing unit	Capacity: 8000Kcal/h	1	
8	Air chiller	Capacity: 6000Kcal/h		
9	Mould (one set)		1	
10	Packing machine	Capacity:80-150pc/min	1	

Scenario 3
1500Kg/H Soap Production Line. Products: 50-250g toilet soap

No.	Specification of equipment		Qua.	Investment
1	Operation platform		1	≈ USD 300 000
2	Toilet soap mixer(with air compressor)		1	
3	Three-roll mill		1	
4	Defecator	Capacity: 1500kgs/h	1	
5	Vacuum bar extruding M/C	Capacity: 1500kgs/h	1	
6	Conveyer	Capacity: 1500kgs/h	4	
7	Full Automatic Multi-purpose Cooling Stamping Machine	Capacity: 1500kgs/h	1	
8	Freezing unit	Capacity: 8000Kcal/h		
9	Electronic soap cutter	Capacity: 300 bars/min	1	
10	Air chiller	Capacity: 6000Kcal/h	1	
11	Air compressor		1	
12	Packing machine	Capacity:80-150pc/min	1	

Source: LEMOUNGO WORLD (China)