

Summary

1. **Volume of investments required** – \$ 5300 ths.
2. **Production** – ball valves in diameter from 6 to 300 mm with manual, pneumatic-, electric drive make the essential part of the enterprise production program.
3. **Trade marks** – patent and certificate rights ## 50889, 2243437, 62441, 58647, 58198, 58200, 61830, 43329, 238816 belong to the company founders. Trade mark and service mark certificates ## 311037, 311038, 281246, 297990, 298068, 262484, 262485 are registered.

Company profile

Date of establishment – Closed Joint-Stock Company "Fobos" was established in 1992 as an engineering firm with 5 employees. At present moment 150 employees work in the company; annual turnover of the enterprise makes \$ 5.5 mln. Enterprise quality management system is certified in compliance with ISO 9001:2000 with UKAS accreditation (Great Britain).

"Fobos" trade mark is widely known not only in Russia but behind its limits; the client base comprises more than 2500 enterprises of various industries. Company offices work in Moscow, St. Petersburg, Almaty, Minsk and other cities.

Signs of public recognition – 2001 – Gold medal of SPI ("Industry Assistance Association of France"); 2004 – "The Russian National Olympus" award in the nomination "Outstanding small and medium-size enterprises".

Number of employees – 150 persons.

Team

"Fobos" company is managed by the young educated team under direction of General Manager, which is the board member of the Yaroslavl and Rybinsk Chambers of Commerce and Industry.

Chistyakov Anatoly – General Manager, 50 y.o. Higher education; more than 20 years of experience in management activity. Exercises general and strategic management of the company. He has built successful industrial enterprise with a well-known trade mark since the engineering firm was organized.

Piotuh Anton – Executive Director, 26 y.o. Higher education. 5 years of work and active sales experience in the company. He increased product realization by 20% during the first year of his work in the company and promoted production into the international markets; export share – 40%.

Products characteristics

Current production:

Ball valves in diameter from 6 to 300 mm with manual, pneumatic-, electric drive are applied as locking devices in oil-and-gas complex, food, chemical and oil refining industries as well as gas supply facilities, housing and communal services and heat and power engineering.

In comparison with analogues production is characterized with more effective and reliable work during all life cycle, wide-range assortment, safety and ecological compatibility. These parameters are higher on 50% than similar competitors' production.

Company has competitive advantage in favorable geographical place in providing fast delivery of raw materials and materials.

High quality, modern ergonomic design, competitive price of output production profitably distinguishes similar competitors' production.

Current State

Market share of CJSC "Fobos" comprises 1%. The enterprise's reconstruction as well as buyback of ground area (where property complex is situated) are being carried out.

Development strategy**Use of funds**

1. R&D
8%
2. Acquisition of fixed assets (turn-mill machines with CNC, test boards, welding equipment)
92%

Prospective outcome of investment

Technological re-equipment of manufacture; manufacturing of new type product; the output growth of high profitable products by 10%.

Marketing & Markets

Russian market volume of ball valves has made \$ 197.29 mln in 2006. Annual growth rates both domestic and foreign markets vary from 10% to 20% in compliance with different estimations. Demand for company production constantly grows. To the present day company's share in the market makes 3% which corresponds to \$ 5.8 mln. To 2011 planned share of CJSC "Fobos" in the Russian market will be 10–15%. The market is

competitive, there are 8 basic "players" (except for CJSC "Fobos", LJSC "Giros", LJSC "Splav-M", LLC "Yardus", LJSC "Alexin", LJSC "Genarm", LJSC "Tyazhpromarmatura", LLC "Energomashkaluga").

In competitive conditions the company's strategy is oriented for constant updating of product model line, production improvement and manufacturing modernization. Taking into consideration, investments put into already well-organized manufacturing and gained client base to increase turnover and due to updating fixed assets manufacturing and sales will growth by 40% with prospect of further annual growth even during the first year of modernization.

1. Company offices work in Moscow, St. Petersburg, Almaty, Minsk and other cities.
2. Company actively participates in exhibition events and also organizes advertising campaigns.
3. Marketing policy is oriented for:
 - Establishment of long-term contracts with consumers as well as creation of new both direct and intermediary sale channels;
 - Penetration into segment of import steel ball valves, market segment expansion. Major consumers – PLC "Surgutneftegaz", PLC "LUKoil", PLC "Slavneft", PLC "Kriogenmash", PLC "Silovye Mashini" and others. Client base comprises 2500 enterprises.

Interaction with investor

Enterprise modernization of CJSC with investor participation:

CJSC "FOBOS" – 63% of authorized capital;

investor – 37% of authorized capital.

Authorized Capital (AC) \$ 8500 including:

CJSC "FOBOS" – \$ 3200;

investor – \$ 5300.

Terms of investor participation in the project:

37% of AC during 4.5 years of project duration; selling of authorized capital by investor to CJSC "FOBOS" at the end of the 4 year at the cost of \$ 15 200.

Investment profitability – 2.8. IRR – 30% per year.