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Volume of investments required – \$ 1500 thousand

Summary

1. **Production** – electric motors, generators, heat-generator installations.
2. **Trade marks** – registered.
3. **Sales 2007** – none.

Company profile

Date of establishment – the company is created within the frames of the small-scale enterprise support in innovation sphere State program “Start-08” in May 2008 by the formers of the control system and electric drives for pilotless aircraft.

Description and value of capital assets – none.

Previous rounds of investment – none.

Signs of public recognition – none.

Number of employees – 4 persons.

Structure of ownership

Natural persons (2)	100% (50% + 50%)
Aggregate share of government property	0%

Team

Iagovsky Alexander Ivanovich – Director, 60 y.o. Financial consulting, organizational planning, systems integration.

Kornilov Georgy Mikhailovich – Supervisor, 58 y.o. Scientific and technological development, construction of power-driven, high-tech power equipment, pilotless aircrafts.

Krishkin Alexander Andriyovych – Scientific Consultant, Designer, 58 y.o. Scientific and technological development, construction and operation of power drives and power equipment.

Production

The company is planning to elaborate the model row of electric drives based on constant magnet and creation of advanced technology products with their usage.

The elaboration possesses all the advantages of the thyatron-inductor motor and surpasses thyatron-inductor motor in such operation factors as:

- reliability and economy;
- unit power;
- low inrush current;
- low supply voltage, that gives the opportunity to work with the help of accumulator;
- lack of heat generation.

Essential market preference of the drive is the opportunity for mechanisms to work without outer supply, that is especially important at production with continuous cycle, at special objects or in hoisting mechanisms.

The modular construction of electric drive gives an opportunity to assemble electric drives with power 10 and more kilowatt.

Second type of output is heat-generator installations on the basis of cultivated drive. These standalone installations can be used to heat industrial and civil objects, which are remote from engineering net, while the limitation of gas and electric power, ecological prohibition of usage of hydrocarbon fuel or during emergency situation.

Current state

Now a series of R&D are being carried out through public funding.

Development strategy

Use of funds

R&D	26.4%
Marketing	6.6%
Expansion of production	67.0%

Prospective outcome of investment

Planned development center and flexible, reset production development of industrial shipments of new high-tech products with service and sales structure.

Marketing & Markets

Suggested output is directed toward following markets:

Electromechanical drive – transport, machine-tool construction, hoisting equipment and pumping outfit; heat-generator installations – industry, housing and communal services, transport, emergency service.

The demand of industry for electric motors of medium (5-10 kilowatt) power is stably increasing approximately on 7% per year. The mastering of the production of new energy efficient competitive electric motors having increased demand made for the dynamics of production of electric motors based on alternating current (with the height of the fulcrum pin 63–355 mm) during 2006–2007 at 21.8%.

The company is planning to hold by the year 2011 10% of the electric motors with power 5–10 kilowatt market due to the selling of licenses for production of the cultivating drive to the first-rate builders.

It is planned to hold by the year 2011 80% of the heat-generator market due to the own production of heat-generators, which are completed with new drive at volume 800 settings a year. The volume of market we can forecast in \$2.5–3.5 mln.

The main mechanism of reaching firm market positions is the optimal correlation price-quality and effective system of sales of output goods.

The initial price of selling of drive with power 5 kilowatt is 40 ths rubles, that is lower than the thyatron-inductor drive with similar characteristics while there is a decided superiority of consumer's quality of the elaborated drive.

The growth of profitability within the transfer from medium to large consignments will be compensated by forecasted growth of material and utility price, giving time for calm price positioning on market during first 3 years of production. After specification of market positions sales' prices will grow to the acceptable level.

The marketing policy of the company anticipates:

- *the first period* – the fulfillment of orders for small-wholesale consignments of electric drives and work with leading market traders;
- *the second period* – to create single service-sale structure for realization scheme "Producer–consumer".

The stable growth of prices of electro-technical output and rather high profitability of sale will demand reasonable investments during first period of creation of service-sale structure. The strategy of single service-sale structure is one of the crucial scope of activity of the company. It will give the opportunity to react to the dynamics of the market quickly and efficiently.

One of the priorities of the company is the elaboration and delivery of the installations, machines and equipment on the basis of elaborated drives, which increase elaborated and unique technical characteristics and consumer qualities.

This approach gives an opportunity to get successfully into the branch segment of equipment market. Taking part in branch and particularized exhibitions is an effective mechanism of market promotion of high-technological output.

For the first three years the company is fully provided with orders covering the whole planned bulk of production of electric drives with power 5 kilowatt in volume 300 items per year that removes the commercial risks of the project concerning the production

During the second period of market mastering the company is planning to get the income due to the selling of licences for production of electric drives with power 5 kilowatt. At the present moment the first-rate Russian producers of electric drives, such as open joint-stock company "Sibelectromotor", Tomsk city, JSC "VEMZ", Vladimir city, limited liability company "ELECTROPROM", Prokopjevsk city and other have programs of output of electric drives with this power range with forecast of demand growth about 5% annually.

Interaction with investor

For effective monitoring and management of the company's business we propose to investor 51% stake in the company. After reaching the agreed market indicators investor sells its share. The founders of the company have a priority right to repurchase shares of the investor.

Financial characteristics, \$ thousand

Data	Facts			Forecast	Forecast with the investment required			
	2005	2006	2007	2008	2009	2010	2011	2012
Sales	-	-	-	400	800	1 600	3 200	6 400
Operating income	-	-	-	120	240	750	1 600	4 500