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Volume of investments required – \$ 3 million

Summary

1. **Production** – packaged automated screw compressor units for oil-producing plants as well as for collection, recovery and transport of associated petroleum gas (APG) at low-yield gas fields.
2. **Trade marks** – none.
3. **Sales 2007** – \$360 ths.

Company profile

Date of establishment – October 14, 2004. The company was established by a group of key specialists having long experience in creation of screw compressors and units. The company performs complete cycle of works from development to service maintenance of units in operation. Main manufacturing partner is OJSC “Penzkompresormash” having special machining equipment for production of screw compressors, as well as other partners – manufacturing plants.

Description and value of capital assets – the company has intellectual property (not assessed): calculation (gas-dynamic, thermodynamic, strength etc.) program package; base of engineering developments for designing of screw gas compressors for APG.

Previous rounds of investments – none.

Signs of public recognition – awarded with diplomas of the Cabinet of the Republic of Tatarstan in 2007 at the nomination “START-1”:

- the best 50 innovative ideas for the Republic of Tatarstan,
- “Idea 1000” innovation projects program.

Awarding of winner’s diploma at the nomination “For success in the Russian market” within the framework of III Kazan Venture Fair in 2008.

Number of employees – 15 persons.

Structure of ownership

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

Team

Mirzoev Timur Berdievich – Director, 73 y.o. Higher technical education. Prize winner of USSR Council of Ministers, 1982: “Development of range of screw compressors for oil producing industry”. Exercises general management. Coordinator of scientific and technical activity. In charge for negotiations with compressor equipment manufacturing plants and customers.

Mirzoeva Elena Timurovna – Commercial Director, 35 y.o. Higher technical education. Renders assistance to the director concerning financial and economic aspects. Forms backlog of scientific and technical production orders.

Tuzov Aleksandr Vadimovich – Chief Engineer, 41 y.o. Higher education. In charge for production activity.

Production

Output products – Screw gas compressors: for collection and transport of associated petroleum gas (APG) at fields and for systems of production of petroleum and other APG products under field conditions and at oil and gas processing plants.

Service maintenance of gas compressor stations.

Products under development – Modular compressor unit БГ-12/10УХЛ1 for collection and transport of APG at low-yield remote oil fields with following gas feeding to the Consumer.

Currently, home industry produces screw compressor units with capacity of 1800...3000 m³/hour with electric motor power of from 250 up to 630 kW on the one-of-a-kind order basis. The problem of APG collection at low-yield oil fields requires production of compressor units with capacity of 120...1000 m³/hour, moreover it is necessary to take into consideration that at remote fields existing electric power system has consumed power limitations within 75...160 kW at different fields.

In comparison with piston, БГ-12/10УХЛ1 compressors can compete in price characteristics (absence of a building), in interrepair cycle – 2 times, in mass and dimensions parameters – 2 times, in capacity control which is one of the main aspects keeping set oil and gas production regime at the field.

In comparison with radial flow compressors, БГ-12/10УХЛ1 has advantages with regard to: price (absence of a building), absence of surge phenomena when changing gas parameters and composition, unit mobility, economy control mode, small unit capacity (2 times) which is possible for electric power system of low-yield remote fields.

Taking into account larger need for compressor units for marginal wells, up to 3000 units, it seems perspective to organize mass production of compressor units with capacity of 600...800 m³/hour (10...12 m³/min). Overall advantage of БГ-12/10ХЛ1 over piston and radial flow compressors is simple design and as a consequence its reliability, considerable distance run between overhauls, insensitivity to change in gas and pressure composition, its monoblock structure and compactness, possibility of operation and start at negative temperatures and possibility of operation without continuous presence of personnel.

Current state

At the present time our company is engaged in development and manufacturing of screw compressor units for compression of hydrocarbon gases under conditions of APG field collection for gas and oil processing plants (GPP and OPP).

Under operation:

- Compressor unit БГ-30/1,4-17 at the field of OJSC "Rosneft",
- Compressor units (2 pcs) БГ-12/1,5-21 at OJSC "Novoil".

Developed and under production – 2 KBA-24/5БМ packaged complex with screw compressors for Usinsky oil processing plant.

Under development for production in 2009 – БГ-100/9 and БГ-100/1.5-17 packaged automated screw compressor units for OJSC "Rosneft".

Under development – new type compressor unit – ППК-05/3 rotary piston compressor, test piece, by order of LLC "ROTOR", Kazan city, with following production of rotary piston commercial compressor units for high pressures for compression of hydrocarbon gases.

Development strategy

БГ-12/10ХЛ1 creation development strategy in batch production requires investments and provides for organization of assembly and test areas, sales department with production of basic components at manufacturing plants with concurrent organization of Service maintenance and spare parts (SPTA) production center.

Use of funds

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| 1. Creation of pilot batches of products under development | 25% |
| 2. Acquisition of fixed assets (machining equipment) | 40% |
| 3. Production of machine-tool attachments | 10% |
| 4. Current assets | 25% |

Prospective outcome of investment

In accordance with estimated investments it is planned to manufacture a number of automated monoblock compressor units with БГ-12/10ХЛ1 screw compressor with capacity of 120...1000 m³/hour for APG collection at field booster pumping stations (BPS) and other low-yield plants, with final pressure of up to 2.0 MPa at one stage.

Marketing & Markets

Market in Russia is determined by volume of flared gas in oil production and treatment. According to assessments of experts currently the volume is about 20 bln m³ of gas per annum. Main part of flared gas falls on low-yield oil fields from 5 up to 50 mln m³/annum. Such oil fields with APG resources makes about 70% of all oil fields. According to preliminary estimate required quantity of БГ-12/10ХЛ1 can make from 2000 up to 3000 units. Hereby market volume is \$1.5 bln together with service maintenance and spare parts delivery. At present in Russia there are no companies which could satisfy requirements of potential market. "NPF VIKOM-M" Company in cooperation with its partners plans in the short run to have provided up to 20% of the Russian market out of main and additional investments by 2012. In the longer term by year 2015/16 it is planned to reach the objective 70% with development of principal products and modifications production, as well as by means of spare parts delivery and repair works.

After production of pilot batch and its field testing backlog of orders is formed. In the course of pilot batch production and testing there is carried out active market investigation by participation at specialized exhibitions, direct advertising campaign and preliminary negotiations with potential customers: oil and gas companies.

Interaction with investor

The Company is ready to provide the investor with participatory interest in the amount of 25%. Planned payback period of the project is 3–4 years. Investments can return by parts beginning from the second year proportionally to gross profit.

Financial characteristics, \$ thousand

Data	Facts			Forecast	Forecast with the investment required			
	2005	2006	2007	2008	2009	2010	2011	2012
Sales	0	58	360	400	1 500	2 250	8 300	25 000
Operating income	0	6	35	45	150	180	600	2 500