



NATIONAL INVESTMENTS AUTHORITY
UNDER THE PRESIDENT
OF THE KYRGYZ REPUBLIC



Organization for Security and
Co-operation in Europe
Programme Office in Bishkek

PRODUCTION OF SPECIAL CLOTHING

«AIKO SEIKO» LIMITED LIABILITY COMPANY



KYRGYZSTAN



Project initiator:

«Aiko Seiko» LLC

Brief project description:

The project involves the launch of a sewing shop for the production of knitted clothing based on the existing enterprise, which is engaged in the production of special clothing. The launch of a sewing shop provides for the installation of an automated cutting complex, modern specialized sewing equipment to produce complex parts of clothing, equipment for silk screen printing, equipment for sublimation printing, embroidery equipment. It is also planned to build a warehouse for storing raw materials.

Project initiator description:

The project initiator is Aiko Seiko LLC, which operates in Jany-Aryk village, Ak-Suu district, Issyk-Kul region. The Company's activities include sewing special clothing and uniforms, producing military uniforms, personal protective equipment, footwear and fabrics for law enforcement agencies. Currently, the Company employs 105 persons at a daily rate of 150-200 units of clothing. There are 120 units of sewing equipment in the sewing shop.

Director General of Aiko Seiko LLC Kuvan Jusuev

- Since 2008 in the management of the Company
- Diplomas and letters of appreciation from the President of the Kyrgyz Republic, the Ministry of Industry of the Kyrgyz Republic

Project cost: \$1,625,000

- Building and equipment - \$800,000
- Construction - \$150,000
- Equipment - \$675,000

Investment required: \$825,000

Payback period: 3.12 years



PROJECT DESCRIPTION

The project involves the launch of a sewing shop for the production of knitted clothing based on the existing enterprise of Aiko Seiko LLC, which is engaged in the production of special clothing. The launch of a sewing shop includes the following steps:

- ✓ Installation of an automated cutting complex
- ✓ Construction of a warehouse to store raw materials
- ✓ Installation of modern specialized sewing equipment to produce complex clothing parts
- ✓ Installation of equipment for silk screen printing or serigraph printing
- ✓ Installation of equipment for sublimation printing
- ✓ Installation of embroidery equipment



All other sewing equipment required for the production of knitted clothing is already available at the Company, as it is involved in the sewing of special clothing.

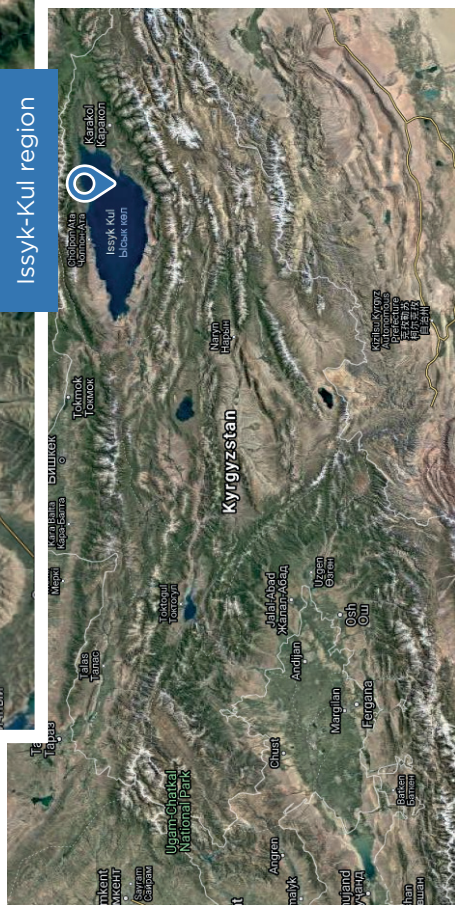
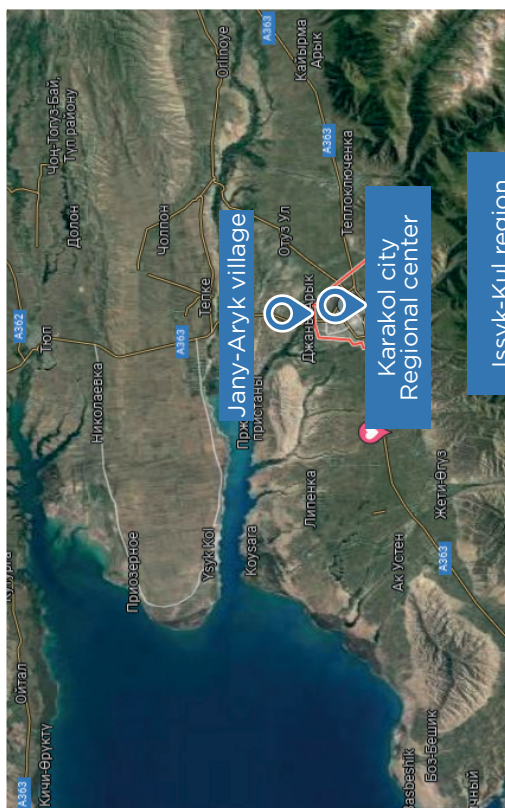
All of the above equipment will be used for in-house production and for outsourcing services. This will improve the quality of the Company's own production, as well as provide opportunities for local sewing shops and home-based sewers to produce more complex

garments. Currently, complex elements of knitted garments, such as polo shirt collars, require special sewing equipment, which only a few large sewing shops in Kyrgyzstan have. This equipment will allow the Company to produce high-quality knitted garments and provide a service for the production of complex elements of clothing to other sewing shops.



GEOGRAPHIC LOCATION OF THE PROJECT

Jany-Aryk village is located 8 km away from Karakol city.



PROJECT INITIATOR DESCRIPTION



The project initiator is Aiko Seiko LLC, which operates in Jany-Aryk village, Ak-Suu district, Issyk-Kul region. The Company's activities include sewing special clothing and uniforms, producing military uniforms, personal protective equipment, footwear and fabrics for law enforcement agencies.

The Company began operations in 2004 with a staff of 7 persons.

In 2006, the Company became a representative of fabric manufacturers "Tchaikovsky Textile" from Russia and "Mogotex" from Belarus. There are 30 employees in the staff. Aiko Seiko LLC is on the honor board of Issyk-Kul region.

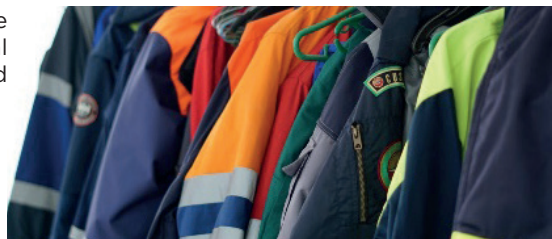
In 2007, the Company opened its own sewing shop in Jany-Aryk village with the participation of the President of the Kyrgyz Republic. The staff consists of 45 employees.

In 2013, the Company made its first export to Kazakhstan. Aiko Seiko becomes a representative of Delta Plus Company (France, protective equipment and special footwear). There are 53 employees in the staff. The Company received a certificate of merit from the Ministry of Industry of the Kyrgyz Republic.

In 2019, the Company implemented a project to modernize garment manufacture together with RKDF and USAID with the support of the state administration and local authorities of Issyk-Kul region. The Company purchased and installed equipment from JUKI (Japan). Currently, the Company employs 105 people with a daily output of 150-200 units of clothing. There are 120 units of sewing equipment in the sewing shop. Aiko Seiko is the official distributor of 19 companies from Japan, USA, European countries and EAEU for technical fabrics, fittings and personal protective equipment.

The Company produces custom-made special clothing for large international organizations in Kyrgyzstan, Russia and Kazakhstan:

- ✓ Kumtor Gold Company CJSC
- ✓ Shnos LLC
- ✓ Gazprom OJSC
- ✓ Partner Neft LLC
- ✓ SC SCS under GKR



SUSTAINABLE COMPETITIVE ADVANTAGES OF THE ENTERPRISE AND PROJECT

- ✓ **Well-organized sales.** The Company has been operating in the special clothing market since 2004. For more than 17 years of operation the Company has managed to gain a firm foothold in the market of Kyrgyzstan and CIS countries. Currently, the Company is working at full capacity. Moreover, the Company receives orders for several months in advance. The Company produces uniforms not only for local customers inside Kyrgyzstan, but also for customers from Russia, Kazakhstan and Uzbekistan. Among large customers are Kumtor Gold Company CJSC, Kant Cement Plant OJSC, Gazprom Kyrgyzstan LLC, Manas International Airport OJSC, Mosinzhproekt Moscow.
- ✓ **Extensive experience and proven production technology.** Over the entire period of operation, the Company has established production technology according to international standards. Traditional garment production in Kyrgyzstan is provided by universal seamstresses, who produce a unit of clothing from start to finish. In Aiko Seiko Company, the whole clothing production process is divided into operations. Each seamstress produces a separate piece of clothing, which allows for faster productivity and optimized production costs. The Company modernized production in 2019 and now uses the most modern sewing equipment for the production of special clothing.
- ✓ **Official distributorship.** The Company is the official distributor of 19 companies supplying personal protective equipment, technical fabric, accessories from France, Austria, Germany, Denmark, Ukraine, Sweden, Czech Republic, Russia, Japan, USA and Belarus.
- ✓ **Numerous awards and prizes.** The Company has received various awards and certificates from both national and international organizations.
- ✓ **Industrial production volumes.** Installation of automated cutting complex, printing and embroidery equipment will allow not only to use it for internal production, but also to provide outsourcing services for other sewing shops.
- ✓ **Comfortable conditions for the Company's employees.** Aiko Seiko provides its employees with the most comfortable working conditions, thereby reducing the risk of staff turnover: high wages, social benefits, free meals during lunch, transportation of employees.

MANAGEMENT TEAM



KUVAN JUSUEV
Director General

- ✓ Higher education in economics, Kyrgyz-Russian Slavic University
- ✓ Since 2008 in the management of the Company
- ✓ Started career with the Company as a procurer, then moved to the sales department, currently - Director General
- ✓ Member of GIZ business programs
- ✓ Diplomas and letters of appreciation from the President of the Kyrgyz Republic, the Ministry of Industry of the Kyrgyz Republic

MANAGEMENT TEAM



NURBUBU SULTANBAEVA
Operations Director

- ✓ Higher education in economics, Samarkand State University
- ✓ Founder of the Company
- ✓ Advanced training in JICA programs
- ✓ Diplomas and letters of appreciation from the President of the Kyrgyz Republic, the Ministry of Industry of the Kyrgyz Republic
- ✓ Work experience in the Karakol garment factory: from accountant to chief engineer

THE COMPANY'S HISTORICAL FINANCIAL PERFORMANCE INDICATORS

Historical financial performance, USD	2016	2017	2018	2019	2020	2021, Q3
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Revenue	423 000	1 124 000	1 251 000	804 000	1 041 000	1 294 000
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The Company is engaged in tailoring special clothing and sales of a wide range of personal protective equipment.

The Company's tangible assets include:

- ✓ Production complex in Bishkek, including a land plot
- ✓ Production complex in Karakol, including a land plot
- ✓ Sewing equipment
- ✓ Laundry equipment
- ✓ Equipment for a canteen
- ✓ Machinery and vehicles

In 2019, the Company received an investment loan from the Russian-Kyrgyz Development Fund to modernize the factory in Karakol.



FORECAST PROJECT FINANCIAL INDICATORS

Sales plan in kind, thousand pcs.	2022	2023	2024	2025	2026
Special clothing, thousand pcs.	23,5	24,1	24,4	25,0	25,0
Knitwear, thousand pcs.	150,0	180,0	250,0	300,0	350,0

Key financial indicators, USD	2022	2023	2024	2025	2026
Sales	1 885 170	2 005 185	2 252 587	2 457 077	2 627 077
EBITDA	282 776	401 037	518 095	638 840	761 852

- ✓ IRR - 15.19%
- ✓ Payback period - 3.12 years, Discounted payback period - 4.05 years

FUNDING SOURCES AND USE OF FUNDS

Funding sources	Amount, USD	Use of funds	Amount, USD
Financial investor	825 000	Building and equipment	800 000
Project Initiator	800 000	Construction of a warehouse	150 000
		Automated cutting complex	150 000
		Production automation	300 000
		Equipment for silk screen printing	25 000
		Embroidery equipment	150 000
		Equipment for sublimation printing	50 000
Total:	1 625 000	Total:	1 625 000

The Project Initiator's contribution is to provide the assets of the existing factory in Jany-Aryk village, Ak-Suu district, Issyk-Kul region.

BRIEF OVERVIEW OF THE SEWING MARKET IN KYRGYZSTAN

Light industry is one of the leading sectors of Kyrgyzstan's economy in terms of its volume, multiplier effect, as well as its importance in solving social problems.

The share of the sector in the structure of the entire industry is 3% by the end of 2019. The industrial production of the Kyrgyz Republic (total production in 2019 was 278 billion KGS) is traditionally dominated by the production of precious metals by volume. If we exclude the component «Production of basic metals» (51% in total industrial production in 2019) from the total industrial production, the share of light industry would be 7% of industrial production.

The Kyrgyz Republic's exports of apparel and textile products totaled just over \$150 million in 2018. This was the maximum volume of product exports in recent years. As the table shows, in 2019, even before the COVID-19 pandemic, exports for commodity groups 61, 62, and 63 decreased almost one and a half times.

Group code	Description	2015	2016	2017	2018	2019	6 mon. 2020
61	Clothing and clothing accessories, machine or hand knitted	48,7	56,8	98,9		73,3	29,4
62	Articles of clothing and clothing accessories, except machine or hand knitted	47,9	15,8	19,8	9,1	25,2	4,9
63	Other finished textile products; kits; clothing and textile products	1,3	1,4	2,6	1,9	2,6	1,1
Total:		97,9	74,0	121,3	151,5	101,1	35,4

In the total volume of exports in 2019, export of products in groups 61, 62, and 63 of TNVED EAEU amounted to 5.1%. The main export of manufactured products goes to the EAEU countries - 98% in 2019, the main sales market is Russia.

Since 2005, a patent system has been introduced for enterprises of the industry, which allowed the absolute majority of enterprises to work openly. Coming out of the shadow was supported by enterprises of the industry and, obviously, was associated with the achievement of such a stage of development when working in the shadow brings more costs than benefits.

INVESTMENT PROPOSAL

LEGAL MECHANISM

✓ Limited Liability Company

FUNDING TYPE

✓ Direct investment in capital or loan

AMOUNT

✓ USD 825,000

TERM

✓ 5-7 years

NUMBER OF TRANCHES

✓ Tranche 1 - advance payment for equipment

✓ Tranche 2 - construction

✓ Tranche 3 - payment of the remaining amount for equipment

COLLATERAL

✓ 100% share of the Company





