



# WE MAKE **IDEAS** WORK

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## 6 STEPS to allocation of production in Russia



Go / no go?



Direct investment or partnership?



Region selection



Site selection



Cost estimation



Project strategy

## STEP 1. Go / no go decision

### Market-driven factors

- market volume;
- growth rates.

### Regulatory environment-driven factors

- import restrictions;
- incentives for local manufacturers.

### Industries that have impact from regulatory environment:

- Pharma
- Chemicals
- Machine-building
- Food & Agro



## STEP 2. Direct investment or partnership

	Building own production facilities	Partnership with local producers
Pros	<ul style="list-style-type: none"><li>• Relative independence</li><li>• Full control over production process</li><li>• Relative flexibility in terms of management</li></ul>	<ul style="list-style-type: none"><li>• Short-term localization</li><li>• Lower entry costs</li><li>• Availability of qualified personnel</li><li>• Established networking and sales channels</li></ul>
Cons	<ul style="list-style-type: none"><li>• High investment costs</li><li>• Long-term</li><li>• Requires significant sales volumes</li></ul>	<ul style="list-style-type: none"><li>• Limited control</li><li>• Heavy dependence on local partner</li></ul>

## STEP 3. Select a region

Main factors for selection are:

- proximity to consumers/ suppliers;
- availability of qualified employees.

Ratings of Russian regions evaluating investment potential and business climate are available: *the NRA report Investment attractiveness rating of Russian regions*

There is strong competition for investors among Russian regions



## STEP 4. Select a site

- Greenfield VS Brownfield;
- More elaborated options such as built-to-suit, industrial parks are available;
- Site limitations to be considered:
  - town-planning,
  - legal,
  - environmental,
  - utility risks.



## STEP 5. Make cost estimate

**BIM INTEGRATED IN ALL STAGES OF THE PROJECT**



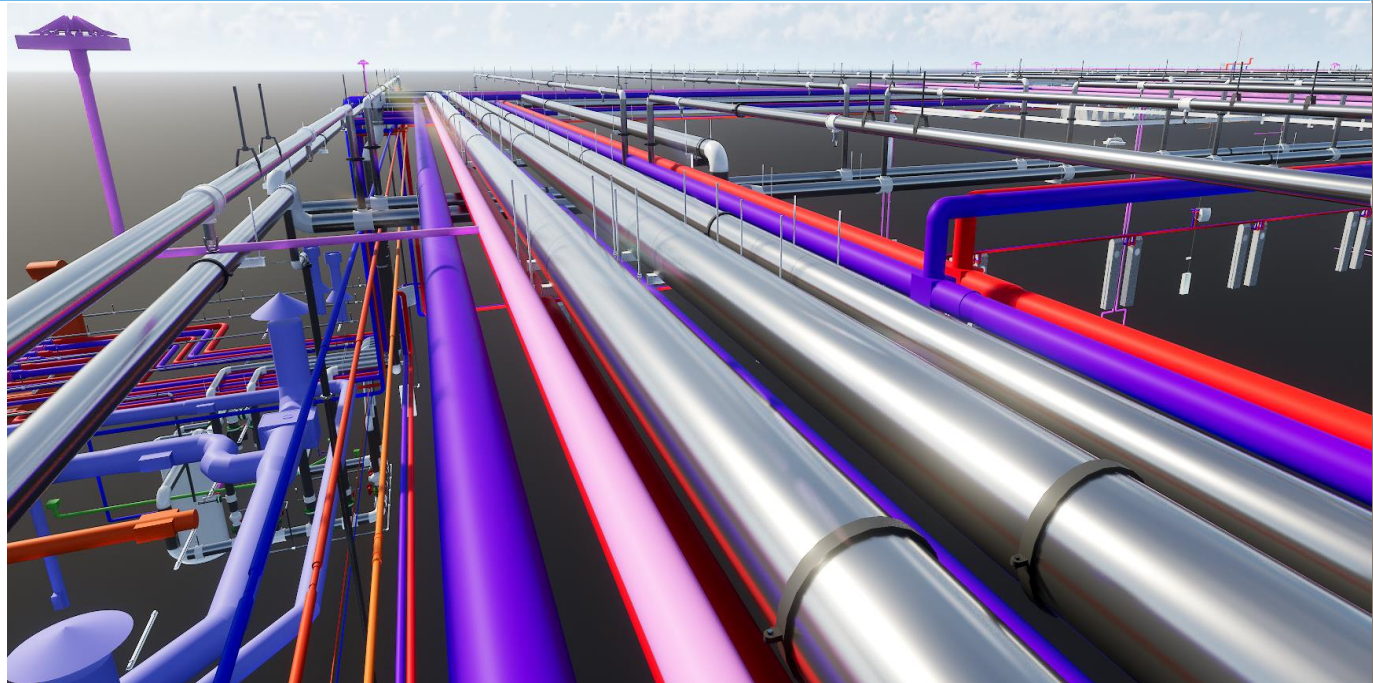
**CAPEX & OPEX EFFICIENCY**

**10%**  
saving of the  
contract value

**3%**  
cost estimation  
accuracy

**7%**  
reduction of  
project time

**80%**  
time reduction  
taken to generate  
a cost estimate



*\*Based on Stanford University center for Integrated Facilities Engineering*

## STEP 6. Select project strategy

### PMC

**+ design & build contractor**

**Project:** Tar pitch production plant

**Scope:**

- Procurement of General Contractor
- Project and Construction management over multiple contractors (nominal function of General Contractor)

Cherepovets, 2015-2016

### EPCm

**Project:** Construction of a new production facility of boilers

**Scope:**

- Conceptual design
- Basic design,
- Tender package
- Author supervision
- Construction management

Lipetsk, 2015-2017

### EPCm

**+ nominated subs**

**Project:** Tire manufacturing plant

**Scope:**

- Conceptual, Basic and Detail design
- Procurement of General contractor
- Construction management (incl. site management, permitting, construction supervision, commissioning management)

Ulyanovsk, 2013-2016





*Hedging risks is our specialism!*

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