



Construction of a factory for brick-made products on the location of "Maljevac" near the town of Pljevlja

The factory will mainly produce all types of brick-made products, except for tiles. We wish to point this out from the reason that at this moment we cannot submit necessary data about a tile production plant within the factory for production of brick-made blocks. This production is extremely profitable, taking into account the best quality clay deposits on the location of "Maljevac" and "Maoce" near the town of Pljevlja, which would guarantee a high quality produced tile.

PGM "Breznik" (Building Material Producer, Ltd.) is a company with 100 % private capital. Its main activity is production of building material, i.e. brick-made products. The manufacturing process is carried out with out-of-date technological equipment, keeping the company on the brink of profitability. The factory was built in 1948 and produce in continuity until 1987, when it was closed due to considerable financial losses over a longer time period. In 1994 Building Material Producer "Breznik" Ltd. Took on lease the empty factory from its owner G.P "Gradjevinar" (Building Company) from Pljevlja. "Breznik" made substantial finance investment, renovated the tiling and started the manufacturing process in the same year. In spite of out-of-date technological equipment, difficult operational conditions caused by increased costs of production and price decrease of final products, the company managed to double the production volume in the years of 1994 and 1995. Larger scale of production improved the quality of final products and the company now has no difficulty in placing its products on current markets. The company's operations on the brink of profitability and the lack of its own capital accumulation are the main reasons for which the company could not start any specific activities for modernizing the existing tiling or realizing any project of building a new plant.

With the aim of creating conditions to realize the project of a factory for brick-made products on the location of "Maljevac" near Pljevlja, Building Material Producer "Breznik" Ltd. Made a pre-investment study in cooperation with the company "Midas" Ltd. From Belgrade. The study comprises of three books/parts:

1. Technological-electro-mechanical study,
2. Building/construction study and
3. Economic study

There is also a detailed report about clay deposits on the location of "Maljevac" near Pljevlja, with all relevant data about the clay stocks and quality.

The production line of this future factory will have a wide range of brick-made products, except for tiles. The project is in full compliance with the environmental criteria. The coal grounds from the coal-mine of Pljevlja with crude oil will be used as energy power in a tunnel furnace.

Estimate production capacities of this factory are 90.000.000 kg. of baked brick material, i.e. 15.000.000 brick block units of 19x19x25 dimens. The estimate production capacity would cover only 30 - 40 % of Montenegro market demands. The fact that, due to high transport costs, foreign manufacturers cannot be competitive with their prices to the domestic producers leads to the conclusion that the placement of the future plant products can be accomplished at considerably favorable market conditions. A number of final products could be exported to the neighboring markets such as: BiH Federation (Bosnia and Hercegovina), Albania, Kosovo and south-west Serbia.

Location: The factory would be built on the location of clay deposits of "Maljevac" near the town of Pljevlja. The vicinity of thermal power plant "Pljevlja" would facilitate the construction of infrastructure facilities.

Estimate Project costs for building up this factory with the capacity of 90.000.000 kg. of baked brick material are EUR 12.000.000, 55 % of which would be used for the equipment provision, and the remaining 45 % for building structures and infrastructure facilities for the future factory.

The factory itself would employ 73 workers; the accompanying infrastructure (palette production, transport of final products, representative offices, storages) would employ additional 100 workers.

Estimate period of is 18 - 24 months. 30 % of total estimate investment should be provided immediately, while the remaining 70 % investment would be provided in equal monthly amounts.

The total revenue of the plant would be **EUR 4.500.000**, calculated on the project production volume basis, i.e. 15.000.000 pcs. of 19x19x25 brick blocks, and according to the current market price of this product in the amount of 0,30 EUR. Taking into account the fact that the price of the brick-made products is rather inappropriate, a product price increase up to 70 % is realistically expected, which will have positive effects on the total revenue and profitability increase.

Operational costs of the future plant, according to the standard labour costs, material, power etc., are estimated as of **EUR 2.500.000**.

Average net salary for the employees in the future factory would be **EUR 500**; on the annual basis the funds for covering the salary costs would be **EUR 438.000 EUR**.

Invested funds return period is 6 years. With expected product price increase in the years coming, the return period could be significantly shorter. The profitability of the future plant will considerably improve if a tile production line is installed during the second stage of investment.

All parties interested to participate in this project realization - construction of a factory for brick-made products - can address any further questions to "Breznik" building material producer, Ltd, contact people:

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