

# Plant technology and financing from one source

The German engineering company Masa GmbH has gained an internationally acknowledged reputation as a supplier of machines and equipment for the manufacture of products of autoclaved aerated concrete, sand lime and concrete. For the plant operators, the world-class technology and the elaborate plant solutions are important factors for a partnership at eye level. One of the latest projects illustrates that Masa together with their business partner think outside the engineering box. On the basis of one of the central elements of foreign trade promotion of the Federal Republic of Germany, Masa, in cooperation with DZ BANK, developed a future-proof, tailor-made solution for the largest Uzbek private enterprise, AKFA Group.

With approx. 33 million inhabitants, Uzbekistan is the most populous country in Central Asia. Since the election of the new president, Mr. Shavkat Mirziyoyev, in 2016, the country is passing through an extensive wave of liberalization and reform targeting on the creation of convenient frame conditions for a growth-oriented economy. This makes the country attractive for investment and commerce. Even in the difficult year 2020, the Uzbek economy showed a remarkable resilience to crisis. According to the International Monetary Fund, the GDP grew by 0.7%.

## Made in Germany for portfolio enlargement in Uzbekistan

2020 also marked the starting point for the business relationship between AKFA Group and Masa. German machines and equipment traditionally have a high reputation in Uzbekistan. Therefore, it is not astonishing that AKFA approached Masa during the UzBuild in Tashkent. The AKFA Group, in the market since 2000, is the largest private enterprise in Uzbekistan. Presently, the company runs 20 modern production plants for the manufacture of various products, such as windows, doors, heating elements, solutions for residential building, and building materials. The products are exported to more than 20 countries.

AKFA had gone through many internal decision-making processes beforehand, as the management does not leave anything to chance. A highly efficient business and marketing division that is part of the R & D Department had thoroughly researched market trends and recognized the potential of autoclaved aerated concrete products in Uzbekistan. The R & D Department developed a structured business plan

that also comprised potential and particularly capable suppliers. Masa did not disappoint these expectations. Following the UzBuild, AKFA visited several factories to get an idea of the reliability, the technical sophistication and efficiency of Masa autoclaved aerated concrete plants. The factory tours organized, arranged and accompanied by the Masa team convinced AKFA of the high degree of professionalism of the individual project managers as well as Masa as a whole. This positive personal impression as well as the stability of the autoclaved aerated concrete production shift by shift and, last but not least, the excellent quality of the end products convinced AKFA to assign the investment in a production plant with a planned capacity of 1500 m<sup>3</sup> of autoclaved aerated concrete per day to Masa.

## The appropriate financing model as additional factor for success

Already now, Uzbekistan is regarded as a very important business partner for Germany in Central Asia. As more and more foreign investors and companies come to the country, the demand for loans is rising considerably. Generally, the growing demand for loans and financing cannot be covered by the local banks of the Central Asian republic alone. Because of their relatively small sizes and balance sheet totals, the banks reach their limits soon. However, for Uzbek companies with a sufficient financial standing that can be proven by annual financial statements according to international standards, it is possible to successfully conclude a contract with the help of a financing model that is covered by a public export credit insurance (ECA)<sup>[1]</sup>. The German supplier on the other hand has to prove the eligibility of the export transaction. This means, among others, that

<sup>[1]</sup> See LBBW: ExportManager, edition 3, 14th April 2021, p. 14, retrieved 27.01.2022 from [https://exportmanager-online.de/wp-content/uploads/2021/04/ExportManager\\_03-April-2021\\_L-003.pdf#page=13](https://exportmanager-online.de/wp-content/uploads/2021/04/ExportManager_03-April-2021_L-003.pdf#page=13)

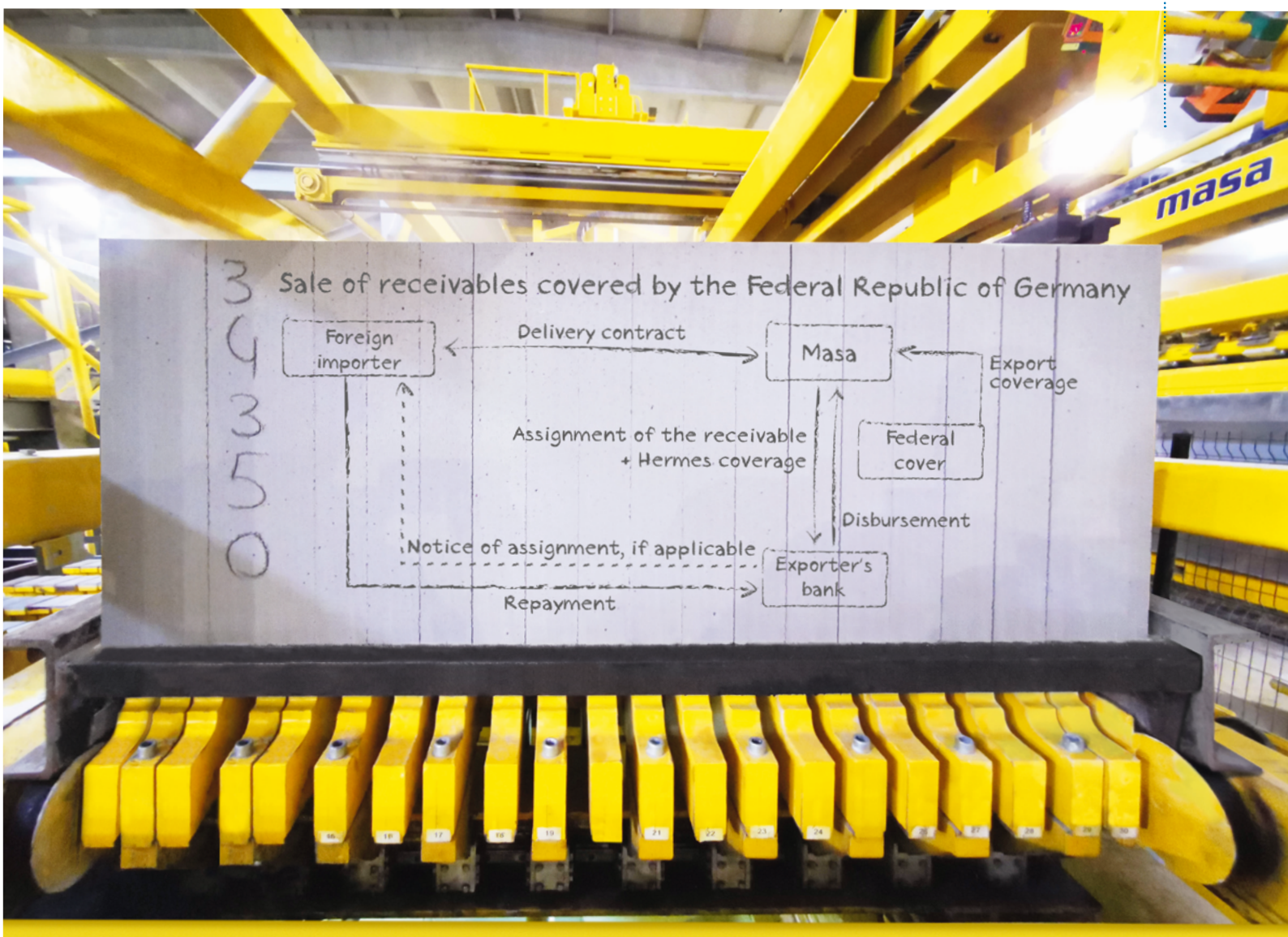
the export transaction has to create value for Germany, secure or generate jobs in Germany, promote German small and medium-sized businesses and to comply with international environmental and social standards. Masa as a medium-sized engineering company with two production sites in Germany (Andernach and Porta Westfalica) and a high value creation in Germany satisfies these requirements. For good reason, the long-established company has for many years pursued the philosophy "Engineered and made in Germany". German craftsmanship still is a serious promise for the global player Masa.

AKFA Group has an excellent reputation as supplier of building elements and building materials far beyond the Uzbek borders. Looking for a cost-efficient and risk-minimized possibility to finance this ambitious project, it was soon clear for the Masa project managers that AKFA might well be qualified for an ECA-covered financing model. Parallel to the preparation of the technical layout of the plant by

the Technical Department, the financing structure was worked out by the Commercial Department thus. The considered model for this case was based on a financing by means of a supplier's credit in combination with a public export credit guarantee of the Federal Republic of Germany and the forfeiting of the same. Due to Masa's decades of experience with sales financing by means of publicly secured supplier's and also buyer's credits, it was possible – thanks to the excellent cooperation with DZ BANK – to ensure the refunding of the supplier's credit at the same time. An alternative, the so-called "covered buyer's credit", would also have been possible, but was not pursued any further in the course of negotiations between Masa and AKFA Group.

In the course of the financing application procedure, the responsible persons of AKFA and Masa GmbH collected and compiled the required documents for the financing model to comply with the requirements of the public credit securing agency.

*Example of ECA-covered financing model*







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In December 2020, Euler Hermes gave the go-ahead for the application – the project "AAC production plant in Tashkent" could be started. Since mid-2021, the progress of the project can be watched on the building site every day.

Mr. Volker Zurheide, CFO of Masa GmbH, appeared to be very pleased: "We are looking forward to the co-operative business relationship with AKFA Group and are proud that we could convince this important new customer with our technology and the tailor-made financing solution. I thank AKFA Group for their trust in us. We will do our utmost to fulfill their expectations. Last but not least I thank all colleagues involved in this project as well as DZ BANK for their – not for the first time – successful structuring of the "Hermes financing", in particular Mr. Michael Böken."



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