
U.S. TRADE AND DEVELOPMENT AGENCY



EXECUTIVE SUMMARY

**Business Plan and Market Analysis for Corrugated Metal Products in
Central and Eastern Europe**

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**U.S. Firm: Pacific Roller Die Company, Inc. (PRD)
Main Contact Name: Mr. Robert Miller
Current Phone: 510-782-7242**

**Project Sponsor: Salgotarjan Acelarugyar Shareholding Company
Main Contact Name: Laszlo Hopka
Current Phone: 36-32-316-466**

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SAC Rt./PRD Joint Venture

Business Plan and Market Analysis for Corrugated Metal Products in Central and Eastern Europe

1.0 Executive Summary

Salgotadani Acelarugyar Shareholding Company (SAC Rt.), a Hungarian government-owned manufacturing company and Pacific Roller Die (PRD), an American-owned company specializing in designing, building and supporting pipe manufacturing systems propose to establish a joint venture to manufacture and market corrugated metal products in Hungary and Central Eastern Europe. Under the terms of the agreement, PRD and SAC Rt. will jointly construct and develop an advanced manufacturing facility incorporating modern production equipment and processes for the production of a variety of corrugated steel products. As currently envisioned, the SAC Rt./PRD will initially focus on producing corrugated metal pipe to meet the growing demands of Hungary's expanding rail and roadway systems. The partners anticipate that, as the venture expands, the range of countries and product markets served will grow as well.

1.1 Market Overview

While corrugated metal products can serve a wide range of applications from use in guardrails to grain storage facilities, its most compelling application is in the form of corrugated metal pipe or CNIP. CNIP is well recognized as an economically and technically superior alternative to reinforced concrete pipe, particularly in the construction of drainage culverts in road and railway construction. Its lighter weight, longer life, and superior ease of installation make it a highly competitive to more traditional concrete pipes, particularly in emerging economies where transportation construction is a high priority and capital equipment for installation is relatively limited.

Research on current economic and construction trends suggests that Central and Eastern Europe will be an ideal market for corrugated metal pipe products. Hungary, Poland, the Czech Republic and their neighbors are all increasing their investment in large-scale road and railway transport infrastructure projects. Driven largely by these nations' desire to accelerate their economic and political integration with the West,

governments of the region are devoting scarce resources to bringing the road and rail networks up to European Union construction, safety and environmental standards. Road and rail new construction and rehabilitation will create a substantial market for pipes for culverts. Moreover, local conditions and geography make Hungary a cost effective base for manufacturing as well as an excellent hub from which to export corrugated metal products throughout the region.

1.2 Report Organization

The following report outlines the structure and operational configuration of the proposed joint venture, provides detailed information on the potential markets for the joint venture's products, and details pro forma financial statements for conservative revenue and operating scenarios.

2.0 General Company Description

Overview

Salgotajani Acelarugyar Shareholding Company (SAC Rt.), a Hungarian government-owned manufacturing company located outside of Budapest and Pacific Roller Die (PRD), an American-owned company based in Hayward, California propose to establish a joint venture to manufacture and market corrugated metal products in Hungary and Central Eastern Europe. The Joint venture will initially target Central and Eastern European road and rail construction companies, satisfying their requirements for cost effective and technically superior products. These products will meet demand associated with new road and rail construction projects as well as the growing need for rehabilitation of existing road and railways. In addition, as it expands, the joint venture will produce corrugated metal products to meet a diverse range of other applications, from guardrails to grain silos.

The joint venture will draw on the SAC Rt.'s long history of manufacturing experience and PRD's specialized expertise in pipe manufacturing equipment and in designing and building facilities. The Joint venture will be a newly established entity and will purchase manufacturing equipment with which to build new coating and lining facilities from PRD. As a result, the joint venture that will produce corrugated metal products and large-diameter corrugated pipes that meet the most rigorous international standards. The parties anticipate that the venture's central geographic location, lower cost structure, and high quality will allow it to capture a substantial market rapidly and expand quickly to export its products to meet demand in neighboring countries.

The two founding companies are ideal partners for the venture. With a strong manufacturing history and excellent reputation in metal goods production, SAC Rt. provides strong local management capabilities and expert knowledge of the local production environment. Moreover, given SAC Rt.'s central location in the heart of Central Eastern Europe, provides a strong regional presence and established channels of distribution. Additionally, SAC Rt.'s technical staff is already acquainted with the equipment and techniques that **PRD** will introduce to the joint venture.