

## **DOLCE VITA IN THE KRASNODAR REGION**

### **RSEFP helps chocolate factory reduce energy costs and increase production**

The Kuban Confectionery Company in the town of Timoshevsk in the Krasnodar region was one of the first recipients of Energy Efficiency financing through the IFC Russia Sustainable Energy Finance program. In total eight projects received financing under IFC's initial \$4 million credit line to the Southern Russia regional bank Center Invest. Chocolate factory Kuban was among them.



Over the last two years Kuban was rapidly losing capacity. Market research helped identify the most prospective segment for growth - production of the new premium quality candies. However, the factory lacked new equipment which would have permitted production of the new type of high quality candies.

Looking for more efficient equipment, cost reduction and quality enhancement, the factory's management decided to purchase a new technological line by AVEMA, which would allow them to manufacture a variety of chocolates and sell them in boxes as well as individually. Before the upgrade, candies were produced manually which incurred significant labor and energy costs as well as taking up a large amount of space. The new equipment allowed the Kuban to increase production capacity 15 times and increase quality substantially. As a result of this investment, output of chocolates has increased 12 times while energy costs decreased by 41% and labor costs – by 85%.

The new line was purchased for \$236,000 via a 3 year leasing agreement. The real payback period may be less than 2 years as the estimated annual savings from the new machine could reach \$216,000. Financing was provided in April by Center Invest Bank, which took a \$4m IFC credit line earmarked for energy efficiency loans. Experts of the Russia Sustainable Energy Finance Program (RSEFP) helped assess the energy efficiency potential and overall benefits of the project in order to give Center Invest Bank an idea of what cash flows would result from the investment.

Following on the successful cooperation with IFC and Center Invest Bank on the AVEMA deal, factory management is now considering further energy efficiency investments in its heat and water systems.