

# Georgia Case study

Construction machinery  
GLS EIC CU



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# GCC Service Ltd – construction machinery



- Country: Georgia
- Localization: North-West Georgia, Svaneti region
- Status of the project: Completed / Disbursed
- Date of finalizing: II quarter of 2019

- Financial model: Financial Leasing
- Total investment size: EUR 1 165 444
- Total energy related investment size: EUR 1 165 444
- Financing: 85% leasing and 15% own funds



The project calculations showed the following results:

- Total annual savings on diesel fuel - EUR 97170;
- IRR – 4.16%
- Simple pay-back period – 12 years;
- NPV – EUR (382 066)
- Annual CO2 savings – 405.37 tones
- Inflation rate – 3%
- Interest rate – 10%



- Primary energy savings: 1.63 GWh/a
- RES production: NA
- Other energy related benefits: Savings on fuel contributes to less GHG emissions thus reducing impact over environment



The company GCC Service LTD is the one of the largest construction company in Georgia that specializes on specific construction areas. The project aim is to purchase 4 units of crawler excavators (Caterpillar), 2 units of dozers (Caterpillar) and one backhoe loader (Caterpillar) for construction activities related to hydro power plant construction in North-West part of Georgia, in particular Svaneti region.

The company chose leasing financing model for purchase of heavy construction machinery because of its advantages over standard financing offers (commercial banks) and especially terms and conditions offered by the Georgian Leasing Company LLC in terms of rates, easiness and flexibility of the product.



Leasing company had few barriers to overcome during the financing:

- Hard to convince customer and local operators to purchase new equipment, as used ones are much cheaper and with very simple calculations (that frequently are misleading) may seem more attractive
- Leasing company had to offer very special and competitive conditions on financing, as on the other side there was an option for foreign investor to temporarily import its own used machinery
- Logistics was and still is huge headache, as financed machinery was meant to be located in heavy mountain area in Georgia, which is very hard place for monitoring purposes etc.



## Main risk mitigation measures:

- Precise preparation of the project to identify all the possible risks. Including thorough equipment choosing process (leasing company was fully involved in this process)
- Constant monitoring after disbursement
- Constant communication with the customer
- Insurance (special package) of the equipment

