



Consortium

# Rusky Textile

*A Russian financial-industrial group composed of restructured textile interests of Rosprom and a bank.*

**R**USSIAN TEXTILE INDUSTRY HAS CENTURIES-OLD TRADITIONS, AMPLE PRODUCTION CAPACITIES, skilled labor, research potential, and know-how. But recent years have seen a decline in its output and quality of its products, because of economic uncertainties, disruption of traditional ties, dated equipment, inadequate financing, and lack of marketing expertise. One answer to the situation is offered by consortium **Rusky Textile**.

The core of the consortium are textile factories that have been under the control of Rosprom, a holding set up by Menatep to manage the Bank's industrial acquisitions. Its objective is to produce high-quality moderately priced clothes for domestic and international markets. It manufactures and sells high-modulus (HM) viscose fiber, fabrics, and clothes designed by top-flight Russian fashion designers. It exports, mostly fiber, to Korea, Iran, Turkey, and the USA.

## **Legal status**

**Rusky Textile** is a financial-industrial group (FIG) incorporated in Moscow under the **Federal Law on Financial-Industrial Groups** of the Russian Federation. By and large, Russian FIGs are similar to those in Japan, Korea, or Germany. There are some departures, however. Unlike FIGs elsewhere, the Law endows a Russian FIG with the status of legal identity.

## **Government support**

In addition, the Law and the Government Decree of 23 April 1996 on Russian textile industries offer the consortium a wide spectrum of governmental support: **tax privileges** (specifically, its intracorporate supplies are exempt from VAT), **investment credits**, etc. Most important, the **Government grants its guarantees** to investors in a FIG.

## **Management**

The member-companies, although fairly independent, have their representatives on the Board and are involved in overall decision-making. Day-to-day management is

done by the Central Company. This strategy makes it easier to **harmonize intracorporate orders, supplies and payments**, and to manage operating costs, thus improving the Group's overall margins. Other advantages are easier **inventory management** and **economy of scale**.

## **Financial**

All the investments, banking and financial operations are handled by **Doveritelny i Investitsionny Bank** (Trust & Investment Bank). Although young, the Bank enjoys the highest efficiency rating among the banks of Moscow region (*Kommersant Daily*, 17 May 1995). Its specialty is trusteeship of clients' temporarily available assets and hard-currency transactions. The Bank regularly publishes its annual reports, and balance sheets. Its policy is absolute transparency.

The Bank exercises payment monitoring of member-companies of **Rusky Textile**, which is extremely important in an economy plagued by payment delays. In 1996-98 it is planned to invest **Rb600 billion**, some of the investments have already been made.

## **Aggressive pricing**

Harmonization of orders and supplies, unparalleled governmental support, ready availability of raw materials, etc., make it possible to improve the overall cost structure and manufacture goods with **high quality-price value**. The coordinated pricing program also encourages the member-companies.

## **Marketing**

Consumer business is inherently marketing-oriented, especially in a market economy. But after decades of so-called “planned economy” most Russian companies lack marketing knowledge and thinking. Experience of earlier Russian FIGs shows that **marketingwise this managerial structure is the best answer** for Russia. It enables *inter alia* the volume of marketing effort at member-companies to be dramatically reduced.

Marketing at **Rusky Textile** is for the most part being done by the Central Company, which also, on needs basis, draws on the resources of Rosprom’s **marketing department**. Inputs from Rosprom concern methodology, training, and market information.

A consistent marketing concept embraces all the production phases: fiber production, fabrics development and design, modeling, sewing, and distribution. Much attention will be paid to **marketing education** and training of personnel, especially managers. A coordinated **advertising** program for distributors and end users is being worked out.

## **Technology**

The project is based on a **vertically-integrated technological scheme**, from fiber to apparel. This makes operations much **simpler** and **cheaper**.

**Rusky Textile** includes the Institute of Cotton Industries, Russia’s leading research center in the field of cotton and its blends. The Institute’s developments are immediately commercialized by the Group.

## **High-modulus viscose fiber**

The scheme is centered around **high-modulus (HM) viscose fiber**, developed and manufactured in Russia. It is a unique natural material produced from softwood pulp. Clothes from HM viscose and its blends possess excellent mechanical, chemical, and textile properties. Especially noteworthy are its **tropical** qualities.

## **Products**

**Rusky Textile** produces and markets HM staple fibers and blends with cotton, wool, etc.; yarn, gray cloth, semi-finished and finished woven and knitted fabrics, men’s, ladies’ and children’s clothes.

## **Distribution**

**Rusky Textile** sells **fibers** and **yarn** to textile companies in Russia and abroad. **Fabrics** and **apparel** are distributed through the existing retail chain in the field. In addition, **Rusky Textile** is establishing its own chain in Russia and C.I.S. countries.

## **Plans**

The Group is negotiating several **acquisitions** in the pulp, chemical, and processing sectors in order to diversify its product line, to improve quality, and to reduce production costs. It is planning a **marketing program** to promote its goods and services.

## **Foreign participation**

The **Rusky Textile** project seems to be a promising opportunity for foreign investments, know-how, and other forms of cooperation. Among the attractions are:

- **Involvement of major Russian financial institutions**
- **Varied governmental support & guarantees**
- **Rosprom’s experience with diversified interests**
- **Ample supply of quality raw materials.**

It is also to be noted that the Russian Government is considering **raising in September import duties on fabrics and apparel**, which will make direct imports of those goods to Russia less profitable.

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