



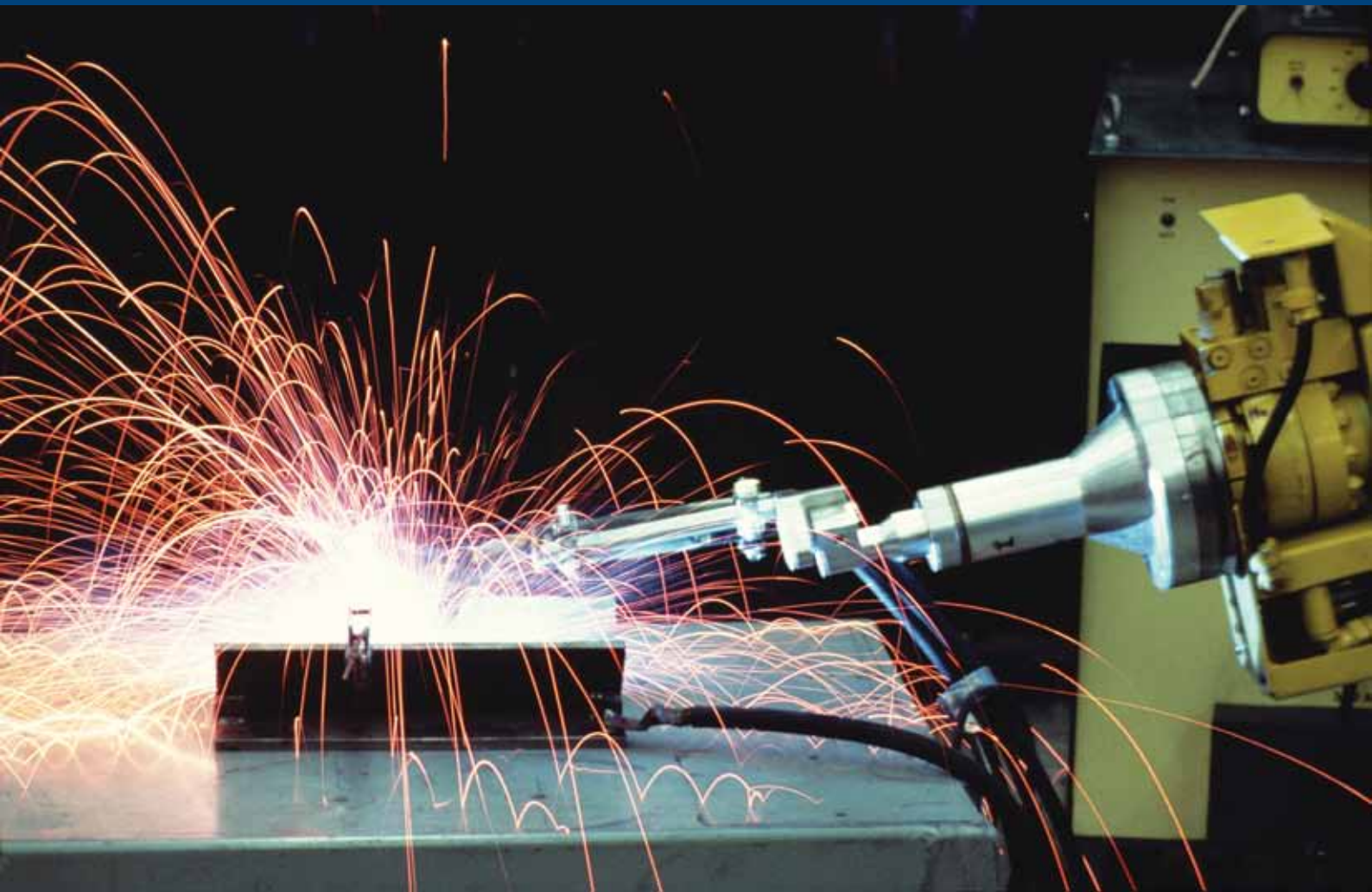
هيئة تشجيع الاستثمار الفلسطينية
Palestinian Investment Promotion Agency



مؤتمر فلسطين للاستثمار
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INSPIRING BUSINESS



Manufacturing Sector

Al-Kassas Factory for Metal Profiles

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Project Number:	PIC-2010-IO-013
Project Name:	Al-Kassas Factory for Metal Profiles
Sponsor Company:	Al Kassas Co. General Trade Import & Export LTD
Contact Details:	Mr. Sameer Subhi Al-Qassas 621/5000 Salah Eldein St., Al Zaytoon, Gaza, Palestine Tel: +970-8-2800542 Tel: +970-8-2800541 Mobile: +970-59-9328854 E-mail: info@alkassas.net alkassas@alkassas.com samirs60@hotmail.com Website: http://www.alkassas.com
Total Cost of the Project:	US\$ 4,000,000
Investment by Current Owners:	US\$ 2,290,491
Required Investment:	US\$ 1,709,509

Project Description:

Al Kassas Co. General Trade Import & Export LTD is seeking a strategic partnership with an investor to help in the establishment of a new factory plant that is totally specialized in producing iron and steel profiles out of rolled steel. The new plant "Al-Kassas Factory for Metal Profiles" will be built on suitable land in Jabaliah and requires a total investment of US\$ 4 million.

The mother company "Al Kassas Co. General Trade Import & Export LTD" has extensive experience importing, producing and marketing a wide range of iron and steel products. Profiles are currently produced in limited amounts and cannot cover the increasing demand within the Gaza Strip. The idea of establishing a totally new factory specialized in producing iron profiles came as a result of efforts to cover the widening market gap resulting from the Israeli-imposed restrictions on imports of construction materials.

Mass production of standard and customized profiles within the Gaza Strip is highly recommended and will most certainly prove cost-effective for any rehabilitation and/or re-building projects in the future.

Project Development Phases

The building in which the plant shall be installed already exists. Furniture and equipment are yet to be purchased and will be installed as soon as the necessary financing is available.

The purchase of rolled iron can start as soon as financing is available. The company expects to require 500 tons to start operations.

Current Owners' Profile:

Al Kassas Co. General Trade Import & Export LTD was founded in 1999, and is one of the leading companies operating in Palestine. The importance of Al-Kassas Co. to the Palestinian economy can be seen by the number of products and services it provides to the construction sector, mainly in the Gaza Strip. All products are of the highest available quality, and are made according to international and local standards. This has been achieved by continuously working to improve production techniques, and enforcing strict quality control measures on all imported products to ensure they meet customers' expectations.

Al Kassas Co.'s goal is to obtain recognition for the highest international standards in its field, taking into account environmental and safety considerations. In addition, the company aims to be recognized as the first address for metal profiles for the public and private sectors, as well as international institutions working in Palestine.

Al Kassas Co. supplies its customers with a wide range of reliable roll formings and thin metal-wall sheets, in addition to corrugated sheets and C-channels for construction. The company manufactures products that are customized to customers' needs; including all kinds of pipes, profiles, angles, bridges, belts and beams.

Industry Highlights:

The metal industry is served by an association which represents 40 major firms working in the sector. A rough estimate of the number of firms working in this industry is 120. The average number of workers in the sector is estimated to be 1000.

Sector diversification

The sector is comprised of the following diversified fields: metal doors, aluminum profiles, iron and steel rods, welding and abrasive materials, nails and steel rods, metal furniture, scales, stone machinery, packaging machinery, lathing, agricultural machinery, municipal containers, kitchen wear, electric circuit boards and other specialized workshops.

Quality as an advantage

Product quality in this sector is usually measured in terms of life-span. The majority of the products are either used in support of the industry itself, or as complementary parts to other businesses. Given how much other working parts in any construction or industrial process rely on their metal counterparts, quality is extremely important. PSI standards and specifications are valid only for some of these products; ISO certificates and fire prevention certificates have been acquired by some but not all of the firms in the sector.

Technical position and capacity

The total production capacity barely reaches 40% among the sampled companies. Technically speaking there is a significant variation in the level of technology used in the

sector. The industry needs to be equipped with testing facilities and know-how to cope with increasing technological and quality-related specifications. Academic networking with the industry is also vital to the development of this industry.

Marketing position

The metal sector has been involved in the export market for decades, and continues to be despite the heavy restrictions on movement imposed by Israeli authorities. Welding materials and abrasives have traditionally been the main exports. However, the opportunity exists for moving into new export markets with a wider variety of metal products, such as metal doors, stone machinery and packaging machinery. Locally, there is strong competition from Israeli and imported materials, mainly Chinese. Unfortunately, PSI is not active with regards to verifying the quality of imported materials. It would be beneficial to set strict regulations with regards to competing imports in order to maintain fair competition in the market.

Financial position

There are no precise figures indicating the total level of investment in the sector. However some industry experts have stated that the total amount of investments exceeds US\$ 100 million. According to the sample firms, 100% of them would like to invest in new machinery and 80% will invest in seeking new markets.

Industry problems and needs

This industrial sector's most pressing needs can be summarized by the following points:

- Increasing industry regulations in order to promote fair competition;
- Designing a package of promotional and technical assistance to assist in opening new export markets;
- Equipping the industry with proper testing facilities and linking companies properly with relevant academic institutions;
- Investing in development of alternatives energy sources and to decrease power-related costs;
- Encouraging more environmentally-friendly practices such as industrial waste recycling.

SWOT Analysis

Internal Analysis	
Strengths	Weaknesses
<ul style="list-style-type: none"> Extensive experience producing and marketing steel and iron products for construction and other purposes Comparatively low prices Direct importing of raw materials reduces production costs Skilled at product customization to suit any and all customer preferences 	<ul style="list-style-type: none"> High initial capital requirement

External Analysis	
Opportunities	Threats
<ul style="list-style-type: none"> Eventual major rebuilding effort in the Gaza Strip shall create high demand for construction materials including iron profiles Potential access to the West Bank market will lead to dramatic increase in sales 	<ul style="list-style-type: none"> Continuation of current Israeli-imposed blockade on Gaza Strip prevents boom in construction Potential for new rivals entering the market, especially bigger companies from the West Bank

Financial Projections in US\$ for the whole project (old and new investments)

Indicators	2010	2011	2012	2013	2014
Income statement Accounts					
Revenues	300,000	900,000	900,000	900,000	945,000
Direct Expenses	150,000	450,000	450,000	450,000	472,500
Gross Profit	150,000	450,000	450,000	450,000	472,500
Indirect Expenses	114,359	343,078	343,078	343,078	348,938
Net Income after Tax	35,641	106,922	106,922	106,922	123,562
Cash Flow Accounts					
Operating Cash Flow	(302,333)	278,000	598,000	142,167	665,473
Investing Cash Flow	(3,500,000)	0	0	0	0
Financing Cash Flow	4,000,000	0	0	0	0
Balance Sheet Accounts					
Total Assets	4,035,641	4,182,563	4,249,486	4,360,575	4,479,971
Total Liabilities	0	40,000	0	4,167	0
Total Equity	4,035,641	4,142,563	4,249,486	4,356,408	4,479,971
Profitability Indicators					
Return on Assets	0.88%	2.56%	2.52%	2.45%	2.76%
Return on Equity	0.88%	2.58%	2.52%	2.45%	2.76%

P.O.Box 1984, Ramallah, Palestine
Phone: +970 2 2988791/2, Fax: +970 2 2988793

E-mail: info@pipa.gov.ps
Website: www.pipa.gov.ps