



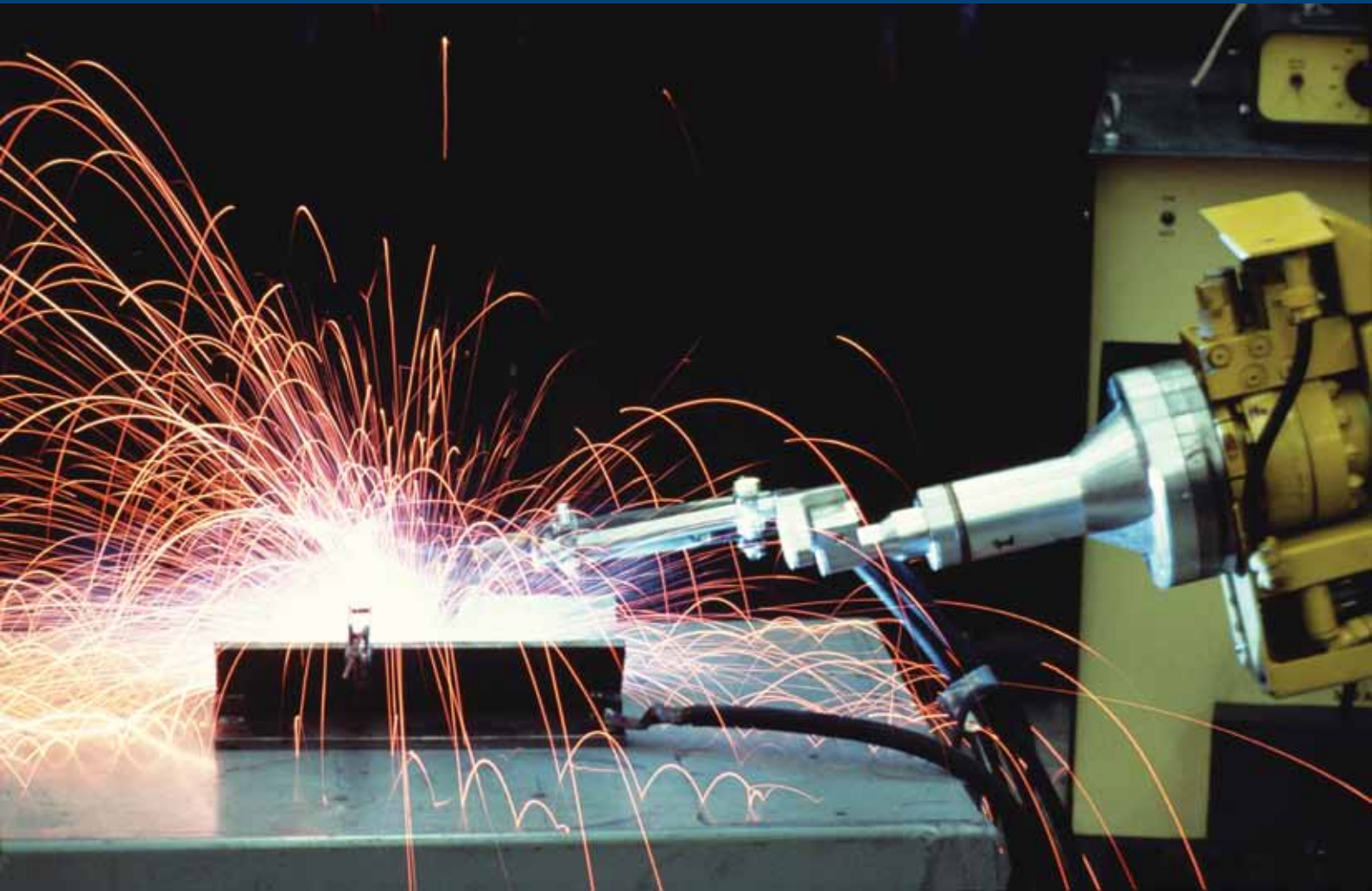
هيئة تشجيع الاستثمار الفلسطينية
Palestinian Investment Promotion Agency



مؤتمر فلسطين للاستثمار
Palestine Investment Conference



INSPIRING BUSINESS



Manufacturing Sector

| | |
|-------------------------------|--|
| Project Number: | PIC-2010-IO-019 |
| Project Name: | Concrete Pipes and Manhole Factory |
| Sponsor Company: | El-Khaesie Co. for Industry, General Trading & Contracting Ltd. |
| Contact Details: | Mr. Yaser El-Khaesie Sha'af Embead, Gaza, Palestine Tel: +970-8-2802614 Fax: +970-8-2802614 Email: alkhasi_co@hotmail.com |
| Total Cost of the Project: | US\$ 820,000 |
| Investment by Current Owners: | US\$ 420,000 |
| Required Investment: | US\$ 400,000 |

Project Description:

El-Khaesie Co. for Industry, General Trading & Contracting Ltd. is seeking a partnership with a strategic/financing partner that can help in the establishment of concrete pipes and manhole factory in the city of Gaza.

The factory will be offering a family of concrete pipes (80cm and 100cm) and manholes in different sizes to be used mainly in infrastructure projects for both private and public sectors that are implemented in the different cities of the Gaza Strip. The main prospective clients of the factory include: contractors, municipalities, Ministry of Housing, engineers and project developers.

Project Development Time Table:

| | Expected number of months from finance availability |
|---|--|
| Preparing the Land | July 2010 |
| Building and Construction Starting Date | July 2010 |
| Building and Construction Completion Date | September 2010 |
| Equipment and Furniture Procurement | August 2010 |
| Operations Start Date | September 2010 |

Current Owners' Profile:

El-Khaesie Co. for Industry, General Trading & Contracting Ltd. was established in 1995 by Mr. Yaser El-Khaesie, as a company working in the field of construction. Today, Mr. El-Khaesie is considered one of the leading contractors in the Gaza Strip.

El-Khaesie Co. is classified by Palestinian Contractors Union in the following field:

- Public work: First
- Electro Mechanics: First
- Water and Sewerage: First
- Roads: First B
- Building: Second

The company is owned by Yaser El-Kaesie (70%) and Abdel Hakeem El-Khaesie (30%).

Industry Highlights:

It is roughly estimated that the total number of industrial firms working in the construction sector equals 350 working facilities, regardless the size and the field of specialty. The construction industry is still in its infancy, with an estimated age of 15 years.

Sector diversification

This industry is mostly composed of five major fields and hence product types. These are ready mix concrete, bricks, stone crushers, asphalt products, cement precast manholes, cement pipes, carpe stone and cement tiles.

Quality as an advantage

Quality is key differentiator in this sector. Quality in most cases is a requirement by the designer and it is one of the procurement qualification criteria. Not all firms have obtained compliance with the Palestinian Standards (PS) for their products, and even those who obtained it are hardly able to maintain it. Apart from ISO 9001:2000, which is requested by some industry operators, most of the international certifications are not mandatory. Environmental management systems are needed in this industry since some parts of it are considered as pollutant industries; ISO 14000 could be suitable for large firms only. It is worthy to mention that the country is moving towards reconstruction and rehabilitation processes in Gaza Strip which will need a huge amount of building materials. Moreover, the plans to build new cities and boroughs will also double the potential demand for construction materials. The cluster is so important for growth since it carries significant forward and backward linkages.

Technical position and capacity

The percentage of demand supplied by this sector is estimated at 45%, while, the average employed labor force is estimated at 22 workers per firm. This means that any increase in production capacity will increase substantially the number of workers in the sector. It is quite noticeable that there are certain deviations in the technology and capacity of production in some fields, for example bricks production, whereas the deviation in other fields such as ready mix concrete is negligible. Construction is a cluster with strong growth potential and readiness for collective action and with above-average performance on key factors related to West Bank and Gaza circumstances. Its strong growth potential ratings are based not only on global forecasts but also on the local context, which includes a diversified product and service base. Likewise, the past collaboration of its firms and support institutions

translate into relationships that should propel fruitful and immediate coordinated activities. With history of labor absorption reaching more than one-fifth of workforce, construction is positioned to resume its vital role in job creation, although the cluster's fortunes do fluctuate with the political context.

Marketing position

The industry's main market is the West Bank. It comprises 73% of the total market share. Whereas, Israeli construction products constitute 23% of the market, and the remaining is sold in Gaza markets. It is obvious that the industry does not export any of its products; due to the extensive heavy transport costs required. Jordan could represent a potential country for export because of proximity, but the whole costs and requirements need to be checked.

Financial position

The majority of operating firms request financial resources for buying new machinery, whereas almost half of the industry need investment in developing their products, developing their market and get involved in some strategic partnerships with other related or inter-related industries.

SWOT Analysis

| Internal Analysis | |
|--|---|
| Strengths | Weaknesses |
| <ul style="list-style-type: none"> Long experience in construction and contracting The company will provide 50% of the initial fund needed | <ul style="list-style-type: none"> Large funds is needed |

| External Analysis | |
|--|---|
| Opportunities | Threats |
| <ul style="list-style-type: none"> Demand on construction and infrastructure material is growing Rebuilding Gaza following the Israeli military operation Medium level of local competition | <ul style="list-style-type: none"> Current political and security conditions in Gaza Economical and political instability in the Gaza Strip Lack of raw materials (cement) due to Israeli blockade on the Gaza Strip |

Financial Projections in US\$

| Indicators | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| Income statement Accounts | | | | | |
| Revenues | 333,333 | 1,400,000 | 1,848,000 | 2,106,720 | 2,212,056 |
| Expenses | 229,368 | 928,104 | 1,199,589 | 1,361,391 | 1,429,090 |
| Gross Profit | 103,965 | 471,896 | 648,411 | 745,329 | 782,966 |
| Depreciation | 21,867 | 65,600 | 65,600 | 65,600 | 65,600 |
| Net Income | 82,099 | 406,296 | 582,811 | 679,729 | 717,366 |
| Cash Flow Accounts | | | | | |
| Operating Cash Flow | (89,368) | 98,563 | 426,277 | 616,937 | 653,698 |
| Investing Cash Flow | (740,000) | 0 | 0 | 0 | 0 |
| Financing Cash Flow | 820,000 | 0 | (500,000) | (500,000) | (500,000) |
| Balance Sheet Accounts | | | | | |
| Total Assets | 942,099 | 1,348,395 | 1,435,205 | 1,617,135 | 1,836,810 |
| Total Liabilities | 40,000 | 40,000 | 44,000 | 46,200 | 48,510 |
| Total Equity | 902,099 | 1,308,395 | 1,391,205 | 1,570,935 | 1,788,300 |
| Profitability Indicators | | | | | |
| Return on Assets | 8.71% | 30.13% | 40.61% | 42.03% | 39.05% |
| Return on Equity | 9.10% | 31.05% | 41.89% | 43.27% | 40.11% |

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