



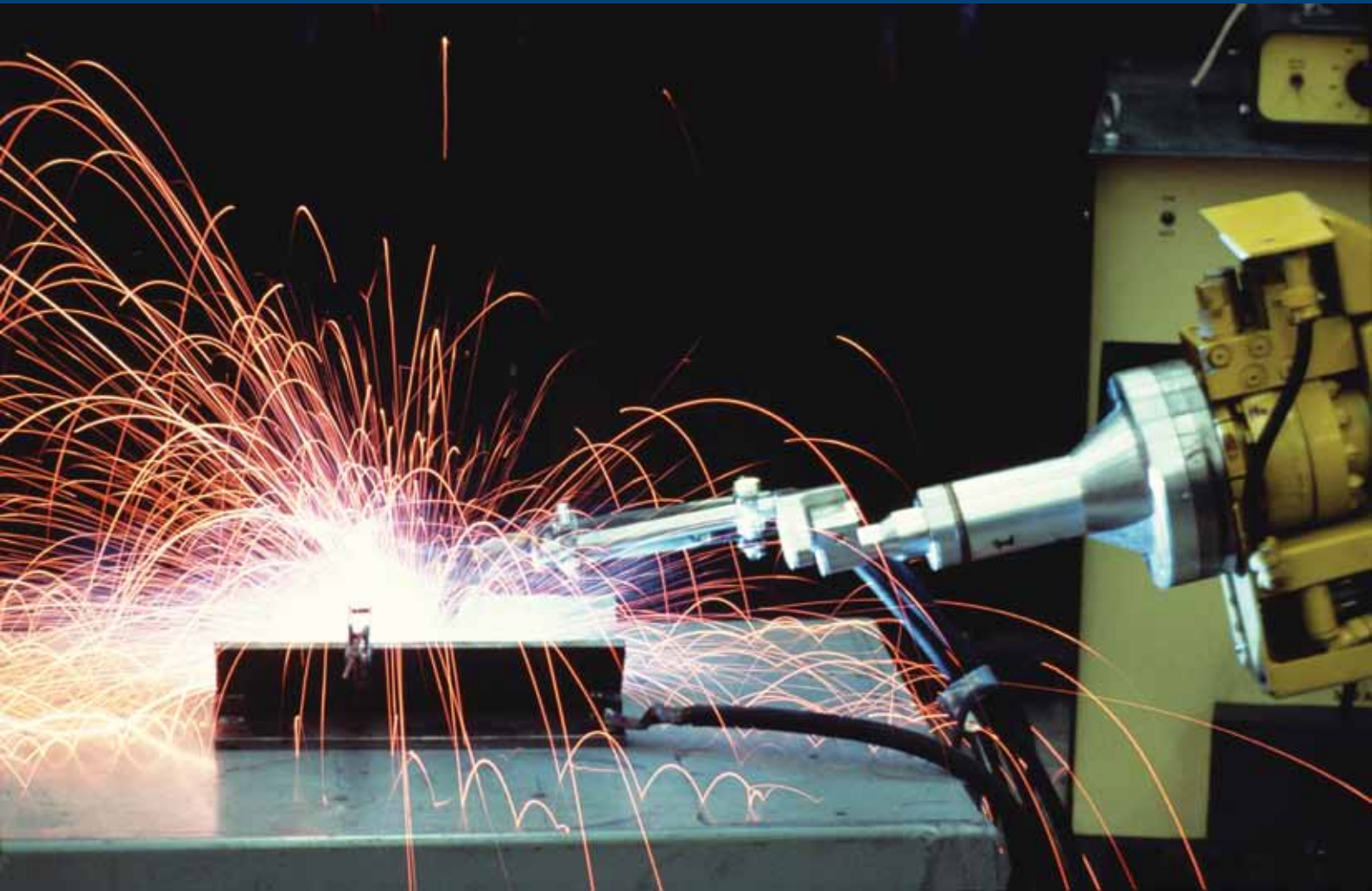
هيئة تشجيع الاستثمار الفلسطينية
Palestinian Investment Promotion Agency



مؤتمر فلسطين للاستثمار
Palestine Investment Conference



INSPIRING BUSINESS



Manufacturing Sector

Iron Pipes Manufacturing

| | |
|-------------------------------|---|
| Project Number: | PIC-2010-IO-020 |
| Project Name: | Iron Pipes Manufacturing |
| Sponsor Company/ Individual: | Mr. Faraj Ahmed Al Khesi |
| Contact Details: | Al Shagth Street Al-Shaja'eya, Gaza, Palestine Tel: +970-8-2802614 Mobile: +970-59-9301806 |
| Total Cost of the Project: | US\$ 1,380,000 |
| Investment by Current Owners: | US\$ 380,000 |
| Required Investment: | US\$ 1,000,000 |

Project Description:

Faraj Ahmed Al Khesi is seeking a financing partner to assist in establishing a company that will manufacture iron pipes in various sizes and profiles.

The iron pipes specifications will range from 16-115 mm in length with a width of 0.04 - 4.00 mm display and rolls of 155 cm. These iron pipes can be used for industrial, agricultural, commercial and domestic roofing purposes such as greenhouses, parking lots, homes, etc.

The company aims to target construction companies, wholesalers, retail shops, building material dealers, and contractors in the Gaza Strip.

The company will face no local competition in Gaza, therefore the company will increase its market share to more than 95%. There are no local companies in Gaza that currently manufacture these roofing iron pipes, however there are few companies that manufacture plastic pipes.

The company's products will be priced in a competitive range with a reasonable profit margin in order to compete with similar imported products from Israeli companies as well as other countries. Additionally, the company's final products will ensure high quality in order to establish an excellent reputation for the company and increase the customer base.

These iron pipes will be very cost effective, light in weight and most important they will be fast and easy to install.

Project Development Time Table:

| | Expected number of months from finance availability |
|-----------------------|---|
| Operations Start Date | 5 months |

Current Owners' Profile:

Faraj Ahmed Al Khesi was born in Gaza in 1975. Mr. Al-Khesi founded and established Al-Khesi Company in 1994 which develops and builds water systems and water wells. Additionally, Mr. Al-Khesi has been working for Gaza's Government to improve and better develop Gaza's roads and water systems. Mr. Al-Khesi has extensive experience in this industry and is always attempting to find ways to better develop Gaza, create job opportunities and improve the people's standards of living.

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"> Limited local competition | <ul style="list-style-type: none"> Lack of financial resources needed to complete all phases of the project |
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| External Analysis | |
|--|--|
| Opportunities | Threats |
| <ul style="list-style-type: none"> Increasing demand in export market Limited number of companies in the region manufacturing these products | <ul style="list-style-type: none"> Political instability and blockade on Gaza |

Financial Projections in US\$

| Indicators | 2010 | 2011 | 2012 | 2013 | 2014 |
|----------------------------------|-------------|-----------|-----------|-----------|-----------|
| Income statement Accounts | | | | | |
| Revenues | 1,136,800 | 3,410,400 | 3,751,440 | 4,135,963 | 4,342,761 |
| Gross Profit | 165,256 | 495,768 | 545,345 | 572,612 | 601,243 |
| Net Income | 93,389 | 279,168 | 321,005 | 344,118 | 368,374 |
| Cash Flow Accounts | | | | | |
| Operating Cash Flow | 101,653 | 357,000 | 392,232 | 413,326 | 434,682 |
| Investing Cash Flow | (1,380,000) | 0 | 0 | 0 | 0 |
| Financing Cash Flow | 1,380,000 | (400,000) | (400,000) | (400,000) | (400,000) |
| Balance Sheet Accounts | | | | | |
| Total Assets | 1,569,389 | 1,848,557 | 1,779,262 | 1,728,660 | 1,702,578 |
| Total Liabilities | 96,000 | 96,000 | 105,600 | 110,800 | 116,424 |
| Total Equity | 1,473,389 | 1,752,557 | 1,673,662 | 1,617,780 | 1,586,154 |
| Profitability Indicators | | | | | |
| Return on Assets | 5.95% | 15.10% | 18.05% | 19.91% | 21.64% |
| Return on Equity | 6.34% | 15.93% | 19.19% | 21.27% | 23.22% |

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