



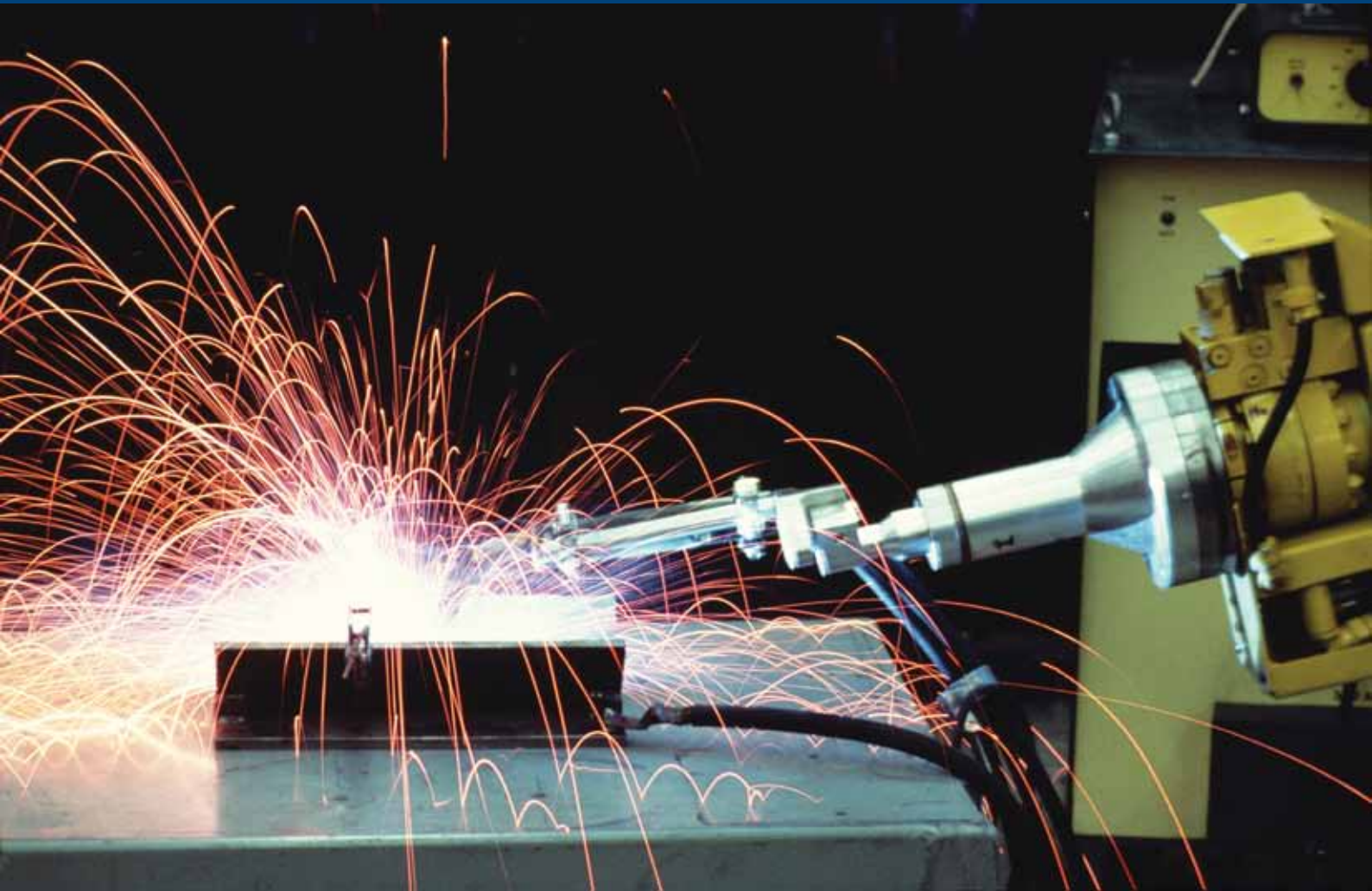
هيئة تشجيع الاستثمار الفلسطينية  
Palestinian Investment Promotion Agency



مؤتمر فلسطين للاستثمار  
Palestine Investment Conference



# INSPIRING BUSINESS



# Manufacturing Sector



Project Number:	<b>PIC-2010-IO-029</b>
Project Name:	<b>Reinforcing Bars Manufacturing</b>
Sponsor Company:	<b>Watan for Investment and Development</b>
Contact Details:	<b>Al-Irsal Street Ramallah Tel: 970-2-2965215 Email: jeri@palnet.com</b>
Total Cost of the Project:	<b>US\$ 23,555,000.00</b>
Investment by Current Owners:	<b>US\$ 23,555,000.00</b>

## Project Description:

Watan for Investment and Development is seeking a financing partner to assist in establishing a company that will manufacture reinforcing bars, also known as rebar, which are produced all over the world and are used for various construction applications. The reinforcing bars are most commonly used to reinforce concrete and masonry units. Rebar is manufactured from steel billets through hot rolling mills. The company intends to manufacture the rebar in different sizes that range from 8 mm to 32 mm in length and from 6 m and above depending on the clients' requested size(s).

The company's primary target market will be the local construction industry, residential and housing, social, commercial and industrial construction sectors. The estimated size of the Palestinian market in 2007 was 336,000 tons, of which 236,000 tons were consumed by the West Bank and about 100,000 tons were imported by the Gaza Strip. In 2009, the construction and real estate markets were growing and the projects introduced new cities and neighborhoods along with affordable housing. As a result of new developments, the demand has increased and the consumption is estimated at 450,000 tons.

The company's competitive advantages include the following:

1. Location: The proximity of low labor costs, and low average income families makes Jenin suitable for a production facility;
2. Palestinian National Interests & Sustainable Development: The company will market the product as high quality steel for construction products, touting the strategic benefits of developing the local steel industry for the sake of Palestinian national interests and sustainable development;

3. **Excellent Customer Service:** Currently, local rebar producers suffer from a bad reputation following years of poor customer service;
4. **Economies of Scale:** Leveraging economies of scale will allow the company to keep operating costs down, passing the savings onto customers;
5. **Wide Product Range:** The factory will produce small-size diameters of 8 mm and 10 mm which are currently being imported at very high prices.

### **Project Development Time Table:**

	<b>Expected number of months from finance availability</b>
Operations Start Date	<b>18 months</b>

### **Current Owners' Profile:**

Watan for Development and Investment, an offshore holding company was founded in 2009, is involved in various commercial activities in Palestine and other Arab countries, including agriculture and industries such as construction and real estate development. Watan aims to contribute to the economic and social development of Palestine by building the economy and enhancing its competitiveness through the establishment of companies with potential for strong economic returns and positive community development impact.

Watan was registered in Palestine as a public shareholding company with a capital of US\$ 100 million. The founders and strategic partners own 75%, while the remaining 25% equity stake is shared among public shareholders.

### **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"> <li>Reinforcing bars are used worldwide and are essential for building</li> <li>Extensive industry experience</li> <li>Real estate development is booming in Palestine</li> </ul>	<ul style="list-style-type: none"> <li>Lack of fully equipped testing laboratories</li> </ul>

External Analysis	
Opportunities	Threats
<ul style="list-style-type: none"> <li>Growing demand for construction materials</li> <li>No end in sight for Palestinian residential and commercial real estate boom = ongoing demand for rebar</li> </ul>	<ul style="list-style-type: none"> <li>Political instability</li> <li>Difficulty to insure industrial investments in light of political risk</li> <li>Fluctuation of metal prices</li> </ul>

### Financial Projections in US\$

Indicators	2010	2011	2012	2013	2014
<b>Income statement Accounts</b>					
Revenues	0	82,160,000	116,800,000	154,940,000	162,687,000
Gross Profit	0	1,800,000	4,480,000	15,930,000	16,726,500
Net Income	0	796,500	3,466,500	14,906,500	15,698,500
<b>Cash Flow Accounts</b>					
Operating Cash Flow	0	(1,351,000)	3,101,000	14,409,750	16,341,488
Investing Cash Flow	(13,225,000)	0	0	0	0
Financing Cash Flow	23,555,000	0	(10,000,000)	(10,000,000)	(10,000,000)
<b>Balance Sheet Accounts</b>					
Total Assets	23,550,000	24,351,000	27,818,000	32,724,500	38,423,000
Total Liabilities	0	0	0	0	0
Total Equity	23,550,000	24,351,000	27,818,000	32,724,500	38,423,000
<b>Profitability Indicators</b>					
Return on Assets	0	3.27%	12.46%	45.55%	40.86%
Return on Equity	0	3.27%	12.46%	45.55%	40.86%

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