



هيئة تشجيع الاستثمار الفلسطينية
Palestinian Investment Promotion Agency



مؤتمر فلسطين للاستثمار
Palestine Investment Conference



INSPIRING BUSINESS



Stone & Marble Sector

Establishing a New Factory for Stone and Marble

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Project Number:	PIC-2010-IO-112
Project Name:	Establishing a New Factory for Stone and Marble
Sponsor Company:	Al-Fawagra for Stones and Marbles
Contact Details:	Mr. Issa Al-Fawagra Mobile: +970-59-9574777 Email: alfawagra@yahoo.com
Total Cost of the Project:	US\$ 2,720,300
Investment by Current Owners:	US\$ 990,300
Required Investment:	US\$ 1,730,000

Project Description:

Al-Fawagra is seeking a partnership with a strategic/financing partner that can help in establishing a new factory using advanced technology for producing stones and marbles in order to produce the same products with lower cost and better quality according to the international standards and requirements.

The company aims to utilize its long experience in the stone and marble industry and acquire additional machinery and equipment to help in establishing a cost advantage through reducing the waste and production expenses, and at the same time respond to the needs of the export markets.

The expansion project aims to strengthen the company's position in targeting new and current export markets such as Europe, Middle East, America, and East Asia.

Project Development Time Table:

Land Purchase	Completed
Stone Quarry Purchase	Completed
Infrastructure and Construction	1 year after funding
Equipment Ordering	7 months after funding
Receiving the Equipment	3 months of ordering
Equipment Installation	2 months after receiving it

Current Owners' Profile:

Al-Fawagra Co. is located in Bethlehem, and was established by the businessman Ibrahim Al-Fawagra in 1978. The company produces marble slabs, stones and tiles. Total number

of full time and part time employees working for the company is 100. The company started recently targeting the European, Arab, and American markets in addition to the Israeli market that was targeted by the company since establishment.

Industry Highlights:

The stone and marble industry is considered the biggest industry in terms of number of firms, sales volume, employment rate and total investment. In recent years the industry showed a linear decline in production, sales and returns. The total number of manufacturing firms is around 700 firms, and the total number of workers is estimated at 8000 workers. The industry is spread over the West Bank regions but focused in the regions of Bethlehem and Hebron.

Sector diversification:

Stone and marble industry refers to the stone manufacturers and the quarries. The stone manufacturers are categorized as small, medium and large scale producers. Workshops are another category of buying slabs and cutting it into small size pieces. The main composites of final products are external cladding, internal cladding and tiles, cut to size products, decorative products, special products and tomb products.

Quality as an advantage:

The sector's major competitive advantage is its dependency on local raw materials. Quality is an important issue in selecting the materials as well as in the surface finish of the final product resulting from proper manufacturing practices. The basic competitive features of the products are color and texture. Quality and price are interchangeable factors in the sector. More quality means more costs in the manufacturing and supply chain.

The sector has invested in testing samples of final locally produced products in internationally recognized laboratories in Italy and the results were published in a product catalogue book for the whole industry. Local tests for certain specifications are being performed in local laboratories. Although 50% of the interviewed sample requested the implementation of ISO standards, but in reality only one out of six companies in the sector was able to keep and maintain the ISO certificate after five years of obtaining it.

Technical position and capacity:

Technologically speaking, the sector has an easy access to the most updated and advanced technologies in the international market. Few of the manufacturers develop and upgrade their machinery regularly. There are substantial differences in operating the machines and in the process orders and scheduling. The sector has the capacity to manufacture up to 35 million square meters; actually it operates only at a capacity of about 30% of their total capacity, i.e. 12 million square meters. The sector needs to be better informed about the advancements in abrasives, tools and other needed accessories for production. Maintenance is another problem affecting the continuity of operations.

Marketing position:

The marketing mix is shifting towards export in the last 7-8 years. The composition of the market is classified as: 65% Israel, 25% local market in West Bank and 10% for export. The marketing of these products highly depend on the design specification done by engineering offices. So, networking with engineers and contractors is vital for the survival and growth of these companies. Competition among local producers is severe, whereas competition with imported products in the local market is weak, and almost negligible with external cladding products. Competition in the international market is high especially with economies of low manufacturing costs such as Jordan and Turkey. Palestinian stone and marble has built its image in more 33 countries all over the world. Proper promotional tools are not widely used in the sector. Continuously improved product catalogues and other promotional materials are needed.

Financial position:

The initial investments in the sector exceeds the amount of 400 million dollars and are mostly generated by own savings and family resources. Severe competition and reductions in total sales have influenced payment terms and affected the cash flow of the industry. Most firms depend on commercial banks for facilitation. When factory owners were asked about their priorities in financing, the answer was to buy new machines and develop new markets.

SWOT Analysis

Internal Analysis	
Strengths	Weaknesses
<ul style="list-style-type: none"> • The company is a well established player in the markets • Continuous success since 1978 	<ul style="list-style-type: none"> • Lack of additional financial resources from the current owner

External Analysis	
Opportunities	Threats
<ul style="list-style-type: none"> • Demand for stone and marble is increasing 	<ul style="list-style-type: none"> • Political instability • Competition from other regional and international producers

Financial Projections in US\$

Indicators	2010	2011	2012	2013	2014
Income statement Accounts					
Revenues	-	450,000	2,100,000	2,400,000	2,550,000
Gross Profit	-	270,000	1,260,000	1,440,000	1,530,000
Net Income	-	112,500	525,000	600,000	637,500
Cash Flow Accounts					
Operating Cash Flow	-	118,125	551,250	630,000	669,375
Investing Cash Flow	(1,360,150)	(1,360,150)	-	-	-
Financing Cash Flow	2,720,300	-	(250,000)	(250,000)	(250,000)
Balance Sheet Accounts					
Total Assets	1,360,150	2,832,800	3,107,800	3,707,800	4,345,300
Total Liabilities	-	-	-	-	-
Total Equity	1,360,150	2,832,800	3,107,800	3,707,800	4,345,300
Profitability Indicators					
Return on Assets	-	3%	16%	16%	15%
Return on Equity	-	3%	16%	16%	15%

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