



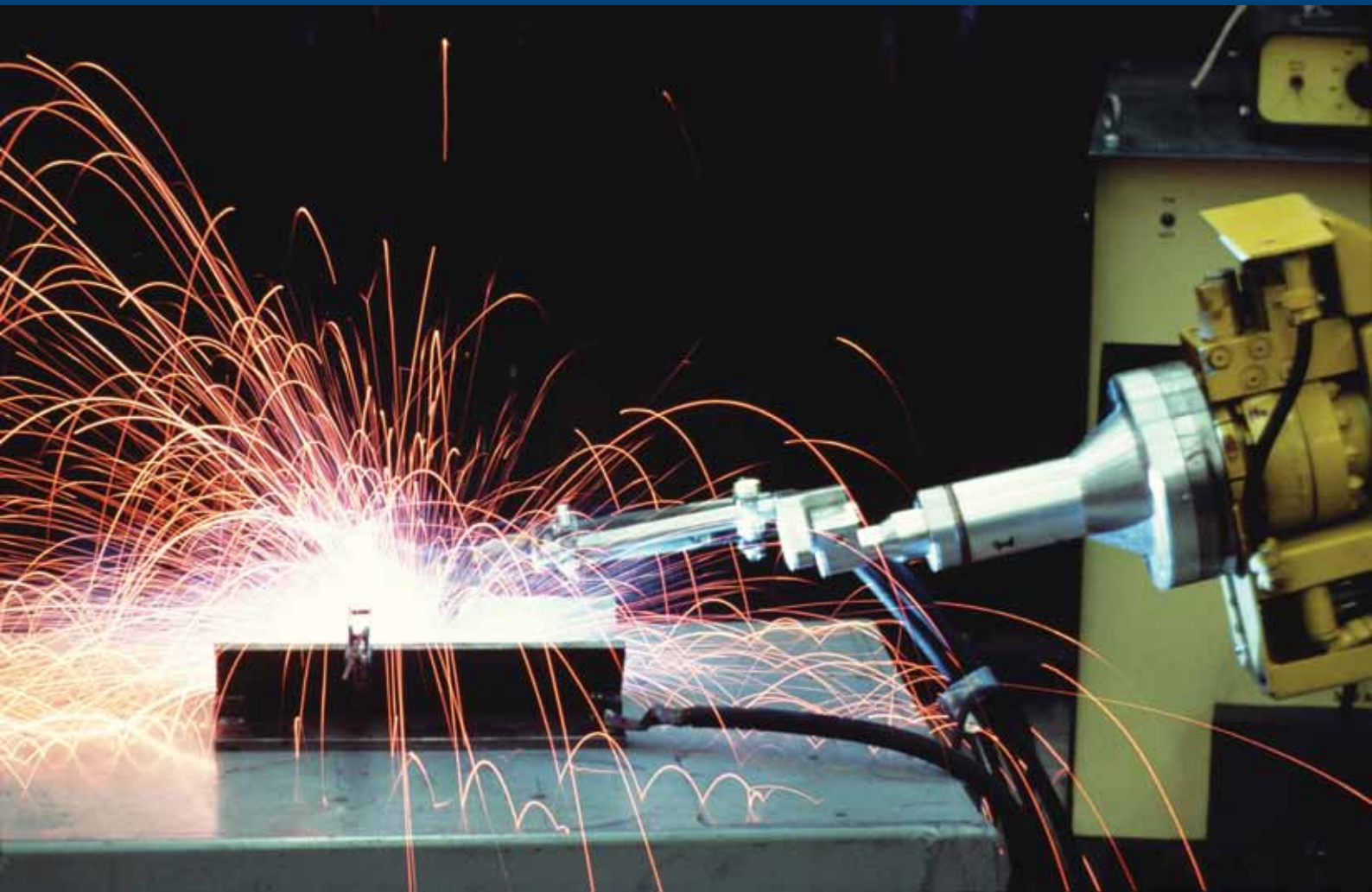
هيئة تشجيع الاستثمار الفلسطينية
Palestinian Investment Promotion Agency



مؤتمر فلسطين للاستثمار
Palestine Investment Conference

INSPIRING BUSINESS





Manufacturing Sector

Expansion of Saba Co. for Industrial Investment

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Project Number:	PIC-2010-IO-012
Project Name:	Expansion of Saba Co. for Industrial Investment
Sponsor Company:	Saba Co. for Industrial Investment
Contact Details:	Tel: +970-2-2759277 Fax: +970-2-2759278 Mobile: +970-59-9330332 Email: info@saba-stone.com Website: www.saba-stone.com
Total Cost of the Project:	US\$ 714,000
Investment by Current Owners:	US\$ 178,500
Required Investment:	US\$ 535,500

Project Description:

The project is not the first of its kind in the area but it will be the only one that has the latest machines and equipment that distinguish stone with high qualities. The project will target the local market which is the main market, and it targets the Israeli market, Jordanian market and the US market.

Saba works according to international standards in order to produce high quality stone but this require continuous investment in modern technology, constant upgrading of human skills, and the use of the most efficient machinery. Saba for Industrial Investment has over the past years made remarkable progress and development in these areas hoping to create a new culture in the stone business, one that is based on quality assurance in production and management.

Project Development Time Table:

Land Purchase	Directly after funding
Construction	4 months after funding
Equipment Procurement	1 month after funding
Equipment Installation	2 months after receiving the equipment

Current Owners' Profile:

Saba for Industrial Investment is an international company established in 2002. The company's exports cover many countries in the world. The company has taken huge strides in being at the head of the competitive world, and has carved a niche on the international market.

Saba for Industrial Investment sells quality products at competitive prices to satisfy a large share of its markets' tastes and needs. However, consignments of stone are delivered punctually, and in perfect condition that guarantee customers' satisfaction.

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
• The use of latest technology in production	• Lack of additional financial resources from the current owner
• Saba already exist and have local and international markets	
• The experience of the owners	
External Analysis	
Opportunities	Threats
• Demand for marble and stone is increasing	• Political instability and ongoing conflict
• High demand for houses in the West Bank	• Competition from other regional and international producers

Financial Projections in US\$

Indicators	2010	2011	2012	2013	2014
Income statement Accounts					
Revenues	-	3,288,000	3,288,000	3,288,000	3,288,000
Gross Profit	-	1,638,720	1,638,720	1,638,720	1,638,720
Net Income	-	220,870	220,870	220,870	220,870
Cash Flow Accounts					
Operating Cash Flow		229,430	104,765	182,927	163,401
Investing Cash Flow	(586,500)	-	-	-	-
Financing Cash Flow	714,000	-	-	-	-
Balance Sheet Accounts					
Total Assets	586,500	807,370	1,028,240	1,249,110	1,469,980
Total Liabilities					
Total Equity	586,500	807,370	1,028,240	1,249,110	1,469,980
Profitability Indicators					
Return on Assets	-	27%	21%	18%	15%
Return on Equity	-	27%	21%	18%	15%

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