



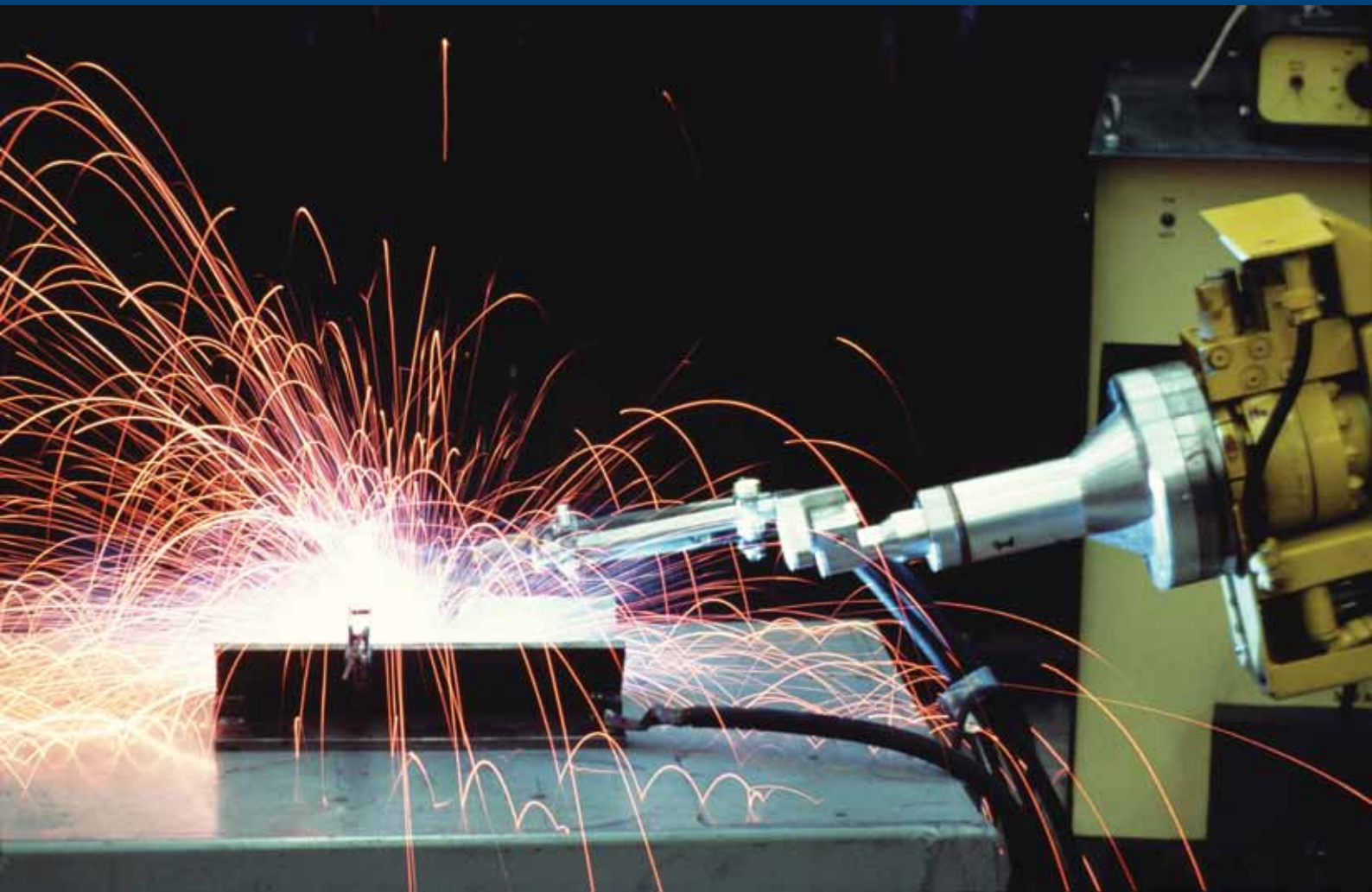
هيئة تشجيع الاستثمار الفلسطينية
Palestinian Investment Promotion Agency



مؤتمر فلسطين للاستثمار
Palestine Investment Conference

INSPIRING BUSINESS





Manufacturing Sector

Manufacturing of Iron Pipes

Project Number:	PIC-2010-IO-008
Project Name:	Manufacturing of Iron Pipes
Sponsor Company:	Future Iron Pipes
Contact Details:	Mr. Ahmad K. Naser Future Iron Pipes Hebron Main Road Dura, Hebron Tel: +970-2-2286808 Email: ahmad@a-brothers.com
Total Cost of the Project:	US \$7,800,000
Investment by Current Owners:	US \$1,500,000
Required Investment:	US \$6,300,000

Project Description:

Future Iron Pipes (FIP) is seeking a financing partner to assist in the establishment of a company that will manufacture the following products: steel pipes with diameters 3",4",5",6",8", as well as rectangular sections sized 20x20, 20x15, 60x60, 80x40,30x30, 40x20, 80x80, and 120x40.

FIP currently produces coating and lining for steel pipes, while now they wish to venture into manufacturing steel pipes themselves rather than continuing to outsource them exclusively from the only 3 Israeli suppliers in the region. By manufacturing these steel pipes in-house, FIP will significantly cut its shipping and time-related costs while decreasing the company's overhead. It will enable the company to produce their own high-quality pipes and expedite their existing coating process in a much more cost-efficient and timely manner.

FIP will be the only company in the Palestine to manufacture these steel pipes; it will also seek to increase their exports as there is a high demand for such pipes worldwide. The Palestinian market alone consumes thousands of tons of steel piping annually. Even Israeli manufacturers are importing from Turkey to satisfy their own domestic market demand, as their production capacity can't keep up. This is due to a boom in real estate development and construction, which constantly require steel piping.

Establishing the first steel piping manufacturing plant of its kind will truly assist in the overall development of Palestinian economy, as it helps it become more self-reliant for all aspects of the construction phase, of which building materials are a crucial component. The Palestinian public sector will rely exclusively on FIP for the steel pipes and their coating process, since these pipes are used for water, gas and oil lines.

Project Development Time Table:

	Expected number of months from finance availability
Establishment of Company	12

Current Owners' Profile:

Future Iron Pipes (FIP) was founded in 2009 using the latest technology as the first privately-owned large scale manufacturer of coated steel pipes. It has since come to play a prominent role in the marketplace and actively participates in the global coating and lining industry.

FIP provides 3 types of external anti-corrosive layer coating, and internal cement lining for steel pipes of up to 16" diameter for different applications, including: water, wastewater, gas, and oil. FIP's policy is to provide the customer with optimum quality and workmanship within their requested delivery schedule. Their experience workforce is dedicated to providing the highest quality product and customer service.

Fully prepared to meet the demands generated by the expansion of water distribution systems, natural gas, oil pipelines and related projects, Future Iron Pipes supplies external anti-corrosive, 3 layered PE/PP coating according to the international and Palestinian standards, and internal cement mortar lining for pipes.

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"> • The first and only Palestinian company that will manufacture steel pipes • Public sector reliance on steel piping for basic infrastructure needs • Construction sector reliance on steel piping and ongoing upward trend in WB real estate development 	<ul style="list-style-type: none"> • Lacking sufficient financial resources
External Analysis	
Opportunities	Threats
<ul style="list-style-type: none"> • High regional and international demand • No Israeli restrictions on importing necessary equipment 	<ul style="list-style-type: none"> • Political instability

Financial Projections in US\$

Indicators	2010-2011	2012	2013	2014	2015
Income statement Accounts					
Revenues	0	13,000,000	16,000,000	16,800,000	17,640,000
Gross Profit	0	4,240,000	5,440,000	5,616,000	5,896,600
Net Income	0	3,021,996	4,202,000	4,305,000	4,793,400
Cash Flow Accounts					
Operating Cash Flow	0	3,801,996	4,982,000	5,085,000	5,573,400
Investing Cash Flow	(7,800,000)	0	0	0	0
Financing Cash Flow	7,800,000	(2,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
Balance Sheet Accounts					
Total Assets	7,800,000	8,821,996	10,023,996	11,328,996	13,122,396
Total Liabilities	0	0	0	0	0
Total Equity	7,800,000	8,821,996	10,023,996	11,328,996	13,122,396
Profitability Indicators					
Return on Assets	0%	34%	42%	38%	37%
Return on Equity	0%	34%	42%	38%	37%

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