



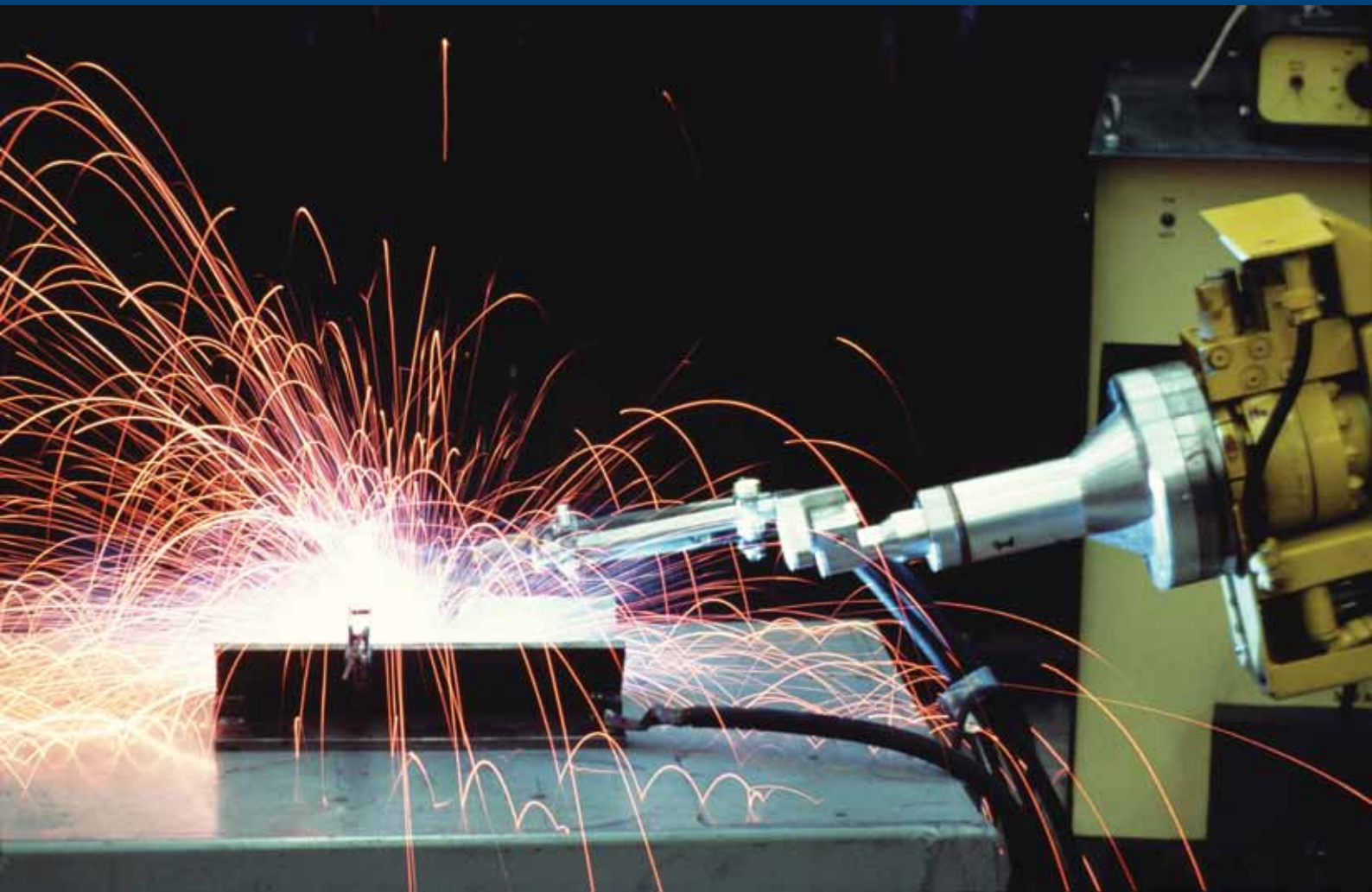
هيئة تشجيع الاستثمار الفلسطينية  
Palestinian Investment Promotion Agency



مؤتمر فلسطين للاستثمار  
Palestine Investment Conference

# INSPIRING BUSINESS





# Manufacturing Sector

Project Number:	<b>PIC-2010-IO-015</b>
Project Name:	<b>Stretch Factory</b>
Sponsor Company:	<b>ZmZm for Plastic Industries Co.</b>
Contact Details:	<b>Mr. Othman Ra'fat Hassouneh</b> <b>Beit Kahel, Hebron, Palestine</b> <b>P.O.Box: 771 Hebron</b> <b>Tel: +970-2-2298818/9</b> <b>Fax: +970-2-2298817</b> <b>Mobile: +970-59-9203250</b> <b>E-mail: manager@zmzmco.com or info@zmzmco.com</b> <b>Website: <a href="http://www.zmzmco.com">http://www.zmzmco.com</a></b>
Total Cost of the Project:	<b>US\$ 25,000,000</b>
Investment by Current Owners:	<b>US\$ 13,000,000</b>
Required Investment:	<b>US\$ 12,000,000 equity investment</b>

## Project Description:

Stretch nylon is used in the packaging of goods that are to be transported by truck. It is used for all types of industrial and commercial packaging for plastic products, food, cartons, etc. Its main purpose is to safeguard products' integrity (i.e. to keep them from falling, being damaged, or exposed to pollution).

The local Palestinian (and Israeli) market is in dire need of such a plant as there is currently only one such factory in Israel which meets 15% of both Israeli and Palestinian markets' demand combined. The rest is covered by imports from abroad, primarily from Turkey and Italy.

ZmZm anticipates that the establishment of this new plant will immediately capture a 20% local and Israeli combined market share. ZmZm is seeking a strategic partner to take advantage of this opportunity and support the establishment of this new plant. ZmZm's owner is prepared to invest US\$ 13 million, which accounts for more than half the estimated establishment costs, and is seeking an additional investment of US\$ 12 million.



## Project Development Time Table:

	Expected number of months from finance availability:
Infrastructure Development	6 months
Building and Construction Date	12 months
Building and Construction Completion Date	18 months
Furniture & Equipment Procurement	18 months
Operations Start Date	18 months (January 2012)

## Current Owners' Profile:

ZmZm for Plastic Industries is one of the main sister companies of Hassouneh Industrial and Commercial Group, which was established in 2005 based on the founders' 32 years of experience in the consumable plastics industry. From day one, ZmZm based its operations on the latest global technology and international best practices for production line management.

ZmZm has procured the finest equipment from around the world in terms of quality and product diversity based on market studies done to cater to various market segments and consumer preferences. In so doing, management has prepared the company to cover regional and potential international markets, in addition to the local Palestinian market. Company management has also addressed concerns to protect the environment from plastic waste by obtaining licenses from international organizations to use sophisticated technology designed to make plastics biodegradable within the environmental cycle; thus rendering plastic waste as environmental friendly as possible.

## Industry Highlights:

The plastics industry is represented throughout the West Bank with a focus on plastic pipe manufacturing in Hebron and Ramallah. According to the sector's association records, the total number of industrial facilities is 100 firms employing 1000 workers with a total average of 10 workers per firm. The working labor varies from 5 to 20 workers with the exception of 4 factories employing more than 50 workers.

## Sector diversification:

The sector is comprised of a wide range of products. These include: plastic pipes and fittings, sanitation fittings, plastic bags and sacks, multipurpose plastic containers, drinking water containers, polystyrene, rubber and kitchen wear.

## Quality as an advantage:

Quality is a matter of high interest for construction related products (water and sanitary applications) and for food packaging materials. For other products, quality is a matter of raising the competitive advantage of the firm. Competition is high among the local producers and less effective with the exported products because of the price considerations; also because many exported items have similar competing products produced locally. There

is an increasing tendency towards quality and certification in the sector. Apart from the construction and food related products, firms need not to acquire certificates, but they are more in need of formulating simple and reliable operating procedures to ensure higher rates of quality.

### **Technical position and capacity:**

The industry is working at 49% of its total capacity and has great potential to develop and diversify its products. Training for skilled labor is needed, and ways of decreasing the electrical power consumption rate is worth considering as electricity is a major cost component. Disposing of and/or recycling the industry's waste properly has a dual positive impact on the total productivity of the firms and on the environment.

### **Marketing position:**

The industry sales are distributed over the West Bank (66%), Gaza Strip (15%), Jerusalem (2%) and Israel (10%). It is clear that the local market is the core of the industry. Exports are rare, however many industry experts feel that exports to countries like Syria, Jordan and Iraq are possible. Additional research needs to be carried out in order to confirm whether exports are viable or not. This assessment should explore issues such as: regulations, certificates, competitiveness, quality and marketing channels. Promotional kits for potential firms are seen as an important element for enabling their marketing capabilities. Such kits might include website design, catalogues, and brochures. Participating in international trade fairs could be another tool for building up knowledge of the global and regional industry.

## SWOT Analysis

Internal Analysis	
Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Extensive experience in plastic production and distribution</li> <li>• Sole producer of plastic stretch materials in Palestine</li> <li>• Proven ability and distribution network to market products within Israeli market</li> </ul>	<ul style="list-style-type: none"> <li>• Currently lacks necessary financing to bring project to fruition</li> </ul>
External Analysis	
Opportunities	Threats
<ul style="list-style-type: none"> <li>• High demand and low supply of product in local &amp; Israeli markets</li> </ul>	<ul style="list-style-type: none"> <li>• Israeli obstacles to exports due to security measures</li> <li>• Political unrest</li> <li>• Price volatility of raw materials</li> <li>• Moderate Israeli competition and wide availability of imported alternatives</li> </ul>

## Financial Projections in US\$ for the whole project (old and new investments)

Indicators	2010/2011	2012	2013	2014	2015	2016
<b>Income statement Accounts</b>						
Revenues	-	10,405,400	15,608,100	20,810,800	23,412,150	25,753,365
Expenses	-	9,567,141	14,350,712	19,134,282	20,473,682	21,906,839
Gross Profit	-	838,259	1,257,389	1,676,518	2,938,468	3,846,526
Taxes	-	125,739	188,608	251,478	440,770	576,979
Net Income after Tax	-	712,520	1,068,780	1,425,040	2,497,698	3,269,547
<b>Cash Flow Accounts</b>						
Operating Cash Flow	-	712,520	1,068,780	1,425,040	2,497,698	3,269,547
Investing Cash Flow	(20,000,000)	(5,000,000)				
Financing Cash Flow	20,000,000	5,000,000	(534,390)	(712,520)	(1,248,849)	(1,634,773)
<b>Balance Sheet Accounts</b>						
Total Assets	20,000,000	25,712,520	26,246,910	26,959,430	28,208,279	29,843,053
Total Liabilities		7,713,756	6,299,258	5,176,211	4,332,792	3,667,114
Total Equity	20,000,000	17,998,764	19,947,652	21,783,220	23,875,488	26,175,938
<b>Profitability Indicators</b>						
Return on Assets	-	2.77%	4.07%	5.29%	8.85%	10.96%
Return on Equity	-	3.96%	5.36%	6.54%	10.46%	12.49%

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