



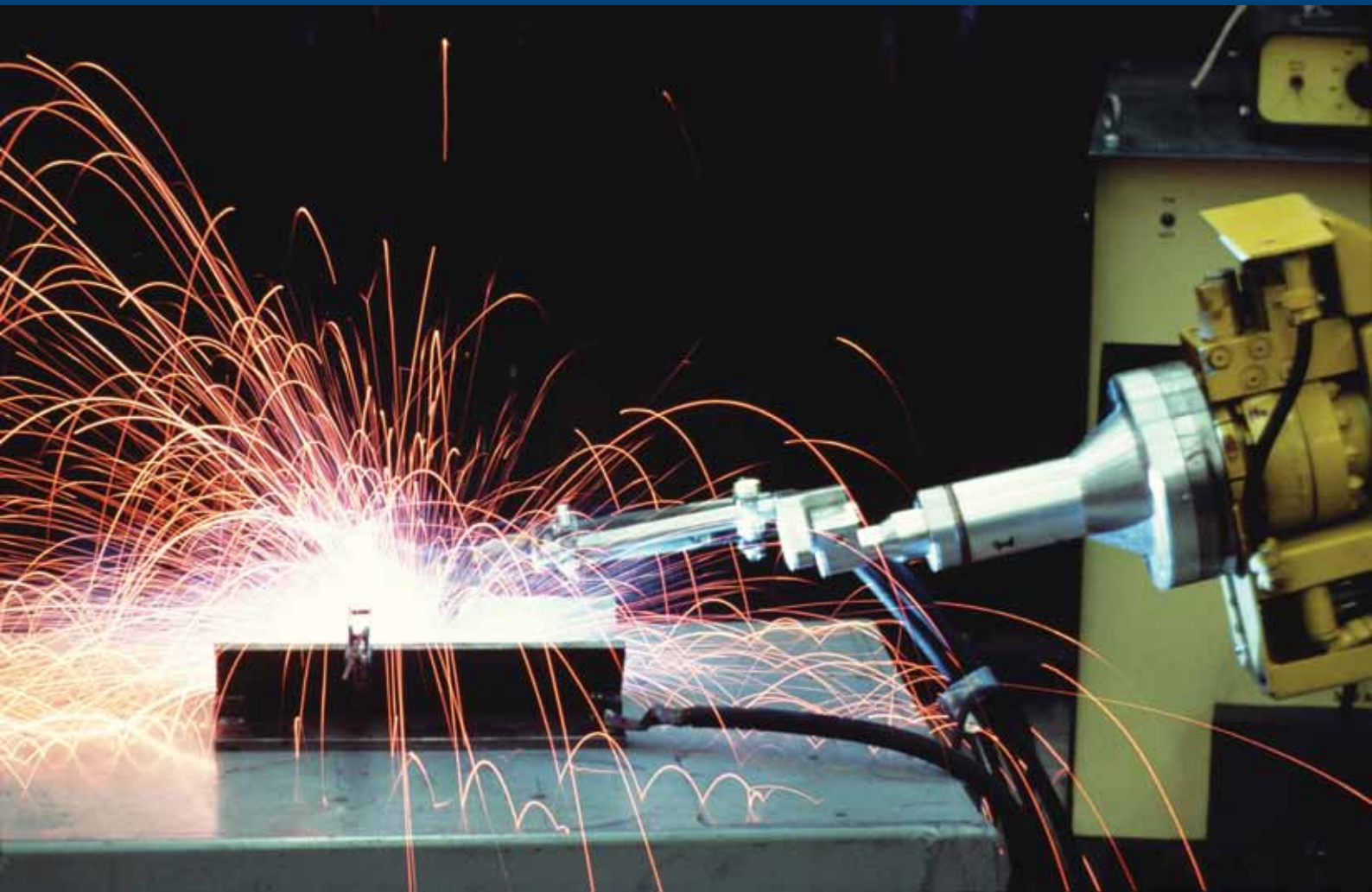
هيئة تشجيع الاستثمار الفلسطينية  
Palestinian Investment Promotion Agency



مؤتمر فلسطين للاستثمار  
Palestine Investment Conference

# INSPIRING BUSINESS





# Manufacturing Sector



# ZmZm Plastic Industries Co.

Project Number:	<b>PIC-2010-IO-014</b>
Project Name:	<b>ZmZm Plastic Industries Co.</b>
Sponsor Company:	<b>ZmZm 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</b> <b>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\$ 18,322,527</b>
Investment by Current Owners:	<b>US\$ 13,327,823</b>
Required Investment:	<b>US\$ 4,994,704 Equity Investment</b>

## Project Description:

ZmZm Plastic Industries Co. is seeking a strategic investment partner that can profit from working with ZmZm to increase its current production capacity, diversify its range of products, and increase its competitive advantage especially within export markets. ZmZm is seeking to leverage economies of scale in its production of plastic products such as plastic bags, plastic plates, and industrial sponge.

ZmZm is anticipating a production capacity growth rate of 56% following a new investment, raising its production value from around US\$ 7 million per annum to around US\$ 10.8 million. It is expected that the new production capacity can extend ZmZm's target market to cover regional countries in addition to the local Palestinian and Israeli markets, which currently account for 100% of the company's production.

ZmZm is seeking an additional US\$ 7.5 million to be injected over the next two years: US\$ 5 million during the first year, and US\$ 2.5 million in the second year. This will cover the cost of four new machines priced at US\$ 1.5 million each.

## Project Development Time Table:

	Expected number of months from finance availability:
Infrastructure Development	<b>3 months</b>
Building and Construction Date	<b>3 months</b>
Building and Construction Completion Date	<b>8 months</b>
Furniture & Equipment Purchase	<b>9 months</b>
Operations Start Date	<b>10 months from finance availability</b>

## 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 sectors' 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 labour varies from 5 to 20 workers with an 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, and 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>• Well established, productive company</li> </ul>	<ul style="list-style-type: none"> <li>• Low financial possibilities, especially for higher production</li> </ul>
<ul style="list-style-type: none"> <li>• Ability to sell all products while at full output capacity</li> </ul>	<ul style="list-style-type: none"> <li>• The need for long term investments and improvements (coping with international producers and standards)</li> </ul>
<ul style="list-style-type: none"> <li>• High quality through state-of-the-art machinery and adherence to international best practices</li> </ul>	

External Analysis	
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Possible market shares in Israel and regional markets</li> </ul>	<ul style="list-style-type: none"> <li>• Israeli-imposed obstacles to exports</li> </ul>
<ul style="list-style-type: none"> <li>• Adding new product lines creates economy-of-scale thereby reducing production costs</li> </ul>	<ul style="list-style-type: none"> <li>• Political unrest</li> </ul>
	<ul style="list-style-type: none"> <li>• Price volatility of raw materials</li> </ul>

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

Indicators	2010	2011	2012	2013	2014
<b>Income statement Accounts</b>					
Revenues	7,100,000	11,120,000	13,344,000	14,011,200	14,711,760
Cost of goods sold	6,528,000	10,095,432	12,003,954	12,656,921	13,262,739
Gross Profit	572,000	1,024,568	1,340,046	1,354,279	1,449,021
Taxes	85,800	153,685	201,006	203,141	217,352
Net Income after Tax	486,200	870,883	1,139,040	1,151,138	1,231,669
<b>Cash Flow Accounts</b>					
Operating Cash Flow	520,234	931,845	1,218,773	1,231,718	1,317,886
Investing Cash Flow	(5,000,000)	(2,500,000)	0	0	0
Financing Cash Flow	5,000,000	0	0	0	0
<b>Balance Sheet Accounts</b>					
Total Assets	12,969,863	13,618,356	14,026,906	14,239,004	14,519,535
Total Liabilities	4,462,910	3,592,028	2,452,989	2,282,989	2,222,989
Total Equity	8,506,953	10,026,328	11,573,917	11,956,015	12,296,546
<b>Profitability Indicators</b>					
Return on Assets	3.75%	6.39%	8.12%	8.08%	8.48%
Return on Equity	5.72%	8.69%	9.84%	9.63%	10.02%

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