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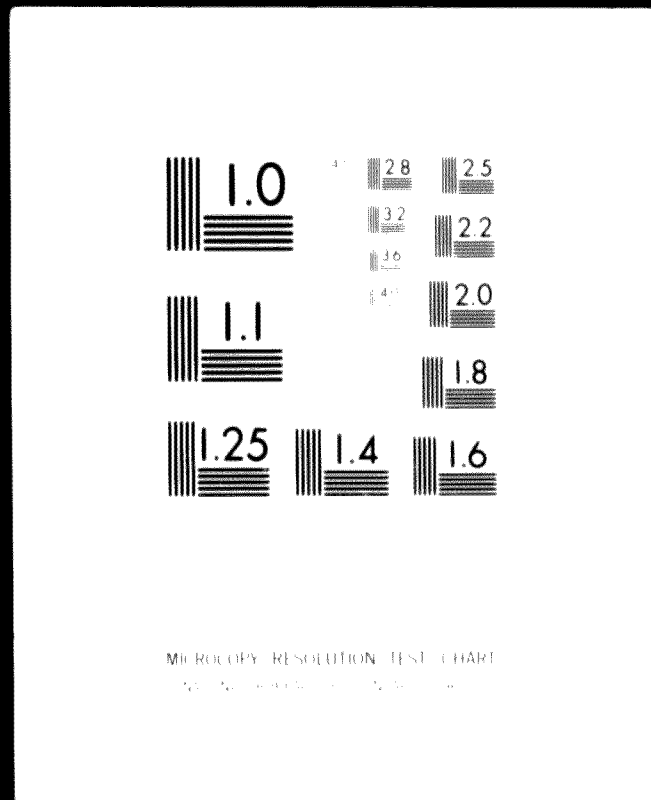
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PROJECT INFORMATION SHEET

PAK-35-71

United Nations Industrial Development Organization

SECOND ASIAN MEETING TO
PROMOTE INDUSTRIAL PROJECTS^{1/}

SINGAPORE, 3-11 November 1971



JUTE CARPET BACKING

COUNTRY

Pakistan (East)

PROJECT

Manufacture of carpet backing cloth
from jute
Total investment: US \$ 11,836,000
Capacity: 13,000 tons per annum

FOREIGN CONTRIBUTION REQUIRED

- Equity or loan US \$ 2,101,000
- Loan US \$ 4,437,000

^{1/} Sponsored by: The Economic Commission for Asia and the Far East
(ECAFE) The United Nations Industrial Development Organization (UNIDO).

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IMPORTANT NOTICE

The basic purpose of this meeting is to provide an Exchange or Market Place for the initiation of contacts on specific industrial projects between their proponents from the Asian countries and potential suppliers of capital, finance, equipment or know-how, as the case may be, from the industrialized countries.

This Project Information Sheet has been prepared as a basis for such contacts. Its purpose is not to present detailed information about the project but to provide the recipient with an outline sufficient to determine tentative interest in principle. Any further available information on the project will be furnished on request to interested parties at the Meeting.

Experience has shown that industrialists frequently prefer to carry out their own further investigations in detail into projects in which they are interested, but assistance from UNIDO in these matters can be rendered to the Asian country concerned on request.

This Information Sheet contains only the information supplied to UNIDO by the proponent of the Project. UNIDO can therefore take no responsibility for its accuracy.

JUTE CARPET BACKING

I. INTRODUCTION

. The Project

This project is for the manufacture of carpet backing cloth from jute to be exported mainly to U. S. A., Japan and Continental Europe.

. Foreign Contribution Required

The total investment required is roughly estimated at US\$ 11,836,000 of which a foreign exchange component of US \$ 4,437,000 will be needed in the form of loan to cover machinery and equipment. The proponent intends to form a new company with foreign equity participation of US \$ 2,101,000.

. Government Attitude

The project has been presented with the approval of the Government of Pakistan implying that the project has been given the green light for the implementation.

II. COMMERCIAL ASPECTS OF THE PROJECT

. Proposed Production Capacity

The proposed plant will have a capacity of 12,823 tons per annum.

. Local Production

Pakistan manufactures 120,000 tons of carpet backing cloth from jute during the month of February 1970 or an annual output of approximately 1.4 million tons.

. Proposed Price of Product

The price should conform with current international price standards since the product is export-oriented; taking this into consideration the proposed price of the product will be approximately \$590 per ton ex-factory.

III. PHYSICAL ASPECTS OF THE PROJECT

. Location

Rangoonia, near Chittagong, Pakistan (East)

. Land

77 acres of land has already been acquired for the project where factory building will be erected.

. Labour

Adequate skill of labour is abundantly available. Wages for skilled labour varies from \$74 to \$115 per month.

. Raw Materials

Ranroonia is surrounded by rich jute plantations, where raw jute of high quality is sufficiently available at an average cost of \$337 per ton.

Infrastructure/Utilities

Infrastructure and utility facilities are well provided.

IV. ECONOMIC ASPECTS OF PROJECT

. Motivation of the Project

The jute industry in Pakistan is a prime foreign exchange earning industry as well as the cotton textile industry and its development is the immediate objective of the State. A new industrial undertaking located in East Pakistan and export-oriented is favoured by the State by way of a longer period of tax relief and export bonus system, both of which could make the business profitable.

. Incentives

- a) There is no restriction on the remittance of current profit to the original country of investment.
- b) Foreign capital in approved industries may be repatriated to the extent of the original investment to the country of investment, in accordance with regulations in force at the time.
- c) Any part of profit accrued from foreign investment and ploughed back into an approved industrial project with government's approval, may also be treated as investment for repatriation purposes.
- d) Appreciation of any capital investment under (b) and (c) may also be treated for repatriation purposes. Repatriations will be subject to exchange control regulations in force from time to time.
- e) Import duty on capital machinery and their component parts have been fixed at 50% ad valorem, of which 30% is to be paid against customs clearance and the rest is payable by installments over two years.

- f) Depreciation is allowed at 25% on new plant and machinery. Extra allowance is also permissible at 50% and 100% of the normal rates for double and triple shift working.
- g) Six years tax holiday is granted to a new approved industrial undertaking in East Pakistan.

V. FINANCIAL ASPECTS OF THE PROJECT

. Composition of Investment (in US \$)

	<u>Local Cost</u>	<u>Foreign Exchange</u>	<u>Total</u>
Pre-investment cost	969,000	-	969,000
Assets			
Land	186,000	-	186,000
Buildings	2,158,000	-	2,158,000
Machinery	3,104,000	4,437,000	7,541,000
Others	126,000	-	126,000
Contingencies	226,000	-	226,000
Working capital	630,000	-	630,000
Total	7,399,000	4,437,000	11,836,000

. Proposed Financing Plan (in US \$)

	<u>Local Cost</u>	<u>Foreign Exchange</u>	<u>Total</u>
Equity	4,201,000	2,101,000 *	6,302,000
Loan capital	-	4,437,000	4,437,000
Debentures from Pakistan customs	710,000	-	710,000
Short-term borrowing	387,000	-	387,000
Total	5,298,000	6,538,000	11,836,000

* Foreign participation may be made in the form of local capital instead of equity participation if so desired.

VI. ADDITIONAL RELEVANT INFORMATION

- . The Project is Presented by
 Dawood Industries Limited
 Dawood Centre, Karachi-4
 Pakistan (West)

. Proposed Legal Structure

A public limited company named Dawood Jute Mills Limited will be incorporated for the implementation of the project.

. Documentation

A feasibility study report will be available at the Singapore Meeting.



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