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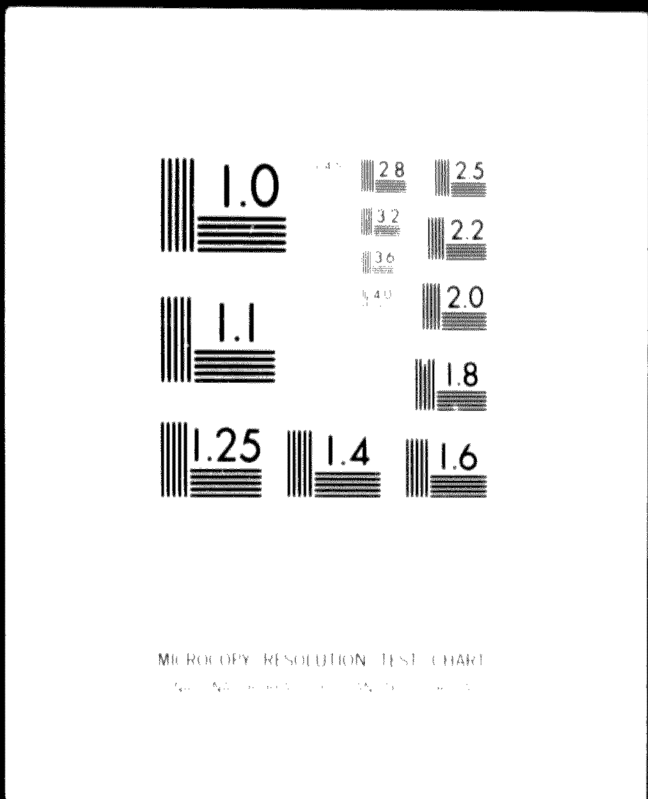

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PROJECT INFORMATION SHEET

United Nations Industrial Development Organization

PAK-13-71

SECOND ASIAN MEETING TO

PROMOTE INDUSTRIAL PROJECTS[1/]

SINGAPORE, 3-11 November 1971

ESSENTIAL VEGETABLE OIL, ESSENCES AND FLAVOURING EXTRACTS

COUNTRY	Pakistan (West)
PROJECT	Manufacture of Essential Oils, Essences and Flavouring Extracts Essential Oil 1,000 lbs. p.a. Peppermint 20,000 lbs. p.a. Flavouring Extracts etc. 200,000 lbs.p.a. Investment: $500,000
FOREIGN CONTRIBUTION REQUIRED	- Equity or Suppliers Credit ($100,000) - Know-how/Licence

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.

ESSENTIAL VEGETABLE OIL, ESSENCES AND FLAVOURING EXTRACTS

I. INTRODUCTION

- **The Project**

  This is a project to manufacture essential oils and flavouring extracts for domestic consumption and for export. The proposed productive capacities are:

Rose, narcissus (motia) and jasmine oil	1,000 lbs. p.a.
Peppermint	20,000 lbs. p.a.
Compound essences, perfumes and flavourings	200,000 lbs. p.a.

  The essential oils and peppermint will be mostly exported, while essences and perfumes are for the domestic consumption. A greater part of the raw materials are locally available and the rest will be imported until the projected plantation is implemented.

- **Government Attitude**

  According to the Government's industrialization plan the project is to be given first priority on account of its foreign exchange saving through import substitution and utilization of locally available raw materials.

- **Foreign Contribution Required**

  Foreign contribution in respect of equity participation, loan or suppliers credit totalling $100,000 out of the total investment of $500,000 and know-how including authorized use of the collaborator's brand name and blending formulae of their same products and export marketing is being sought. It is therefore preferred that an internationally well-known extractor or blender in this line become the collaborator.

II. COMMERCIAL ASPECTS OF THE PROJECT

- **Present Consumption**

  The world's present consumption is estimated at 30,000 lbs. per annum of essential oil and 9 million lbs. (4,000 tons) of peppermint. The figures for compound essence, perfume and flavouring are not available.

  The total domestic consumption for all these products is 150 tons per annum with a value of $1 million on the average and this is at present mostly met by imports.

- Present Sources of Supply

  There is very little domestic supply of the products at present and the domestic consumption is therefore met by imports from Europe and China. The present importation of 150 tons p.a. does not cater to the real consumption because of very strict import restrictions. The real consumption is therefore estimated at about 500 tons for all these products with a value of $3 million on the average every year.

- Prices of the Products

  Proposed prices (average)

Essential oil	$400 per lb.
Peppermint	$ 6 per lb.
Compound essences, perfume and flavouring	$ 1 per lb.

- Imported prices

  C + F prices are the same as the proposed prices, but the landed prices become three times the C + F prices after payment of import duty of 200%.

- Local competition

  There is no production unit at present in Pakistan.

- Export Market

  Essential oil will be mostly for export. Pakistan is at present not an exporter of any of the essential oils which are exported by other developing countries. The proposed capacity of 1,000 lbs. per annum of essential oil will supplement around 1% of the world supply. Essential oil is in short supply on the present world market, so there should be no difficulty in marketing if the products maintain good quality and are sold under the well-known brand name of the collaborator.

III. PHYSICAL ASPECTS OF THE PROJECT

- Location

  The refinery and formulation plant will be sited at Karachi.

- Land/Buildings

  $2\frac{1}{2}$ acres of land and 10,000 sq. ft. of coverage will be needed.

- Labour

Both skilled and unskilled labourers are available at wages ranging from $40 to $200 per person a month. 20 skilled and 30 unskilled labourers will be required.

- Infrastructure

An international harbour, trunk railway, trunk road and waste water disposal are all available.

- Utilities

Water, power and natural gas are available at the plant site at the following rates:

Water	$0.20 per 1,000 gallons
Power	$0.04 per KWH
Gas	$0.60 per 1,000 cu. ft.

- Raw Materials

Rose, jasmine, narcissus and peppermint are abundantly available within a 100 mile radius of the site. Rose is in bloom throughout the year, jasmine and narcissus have a 3 to 6 month season every year and peppermint has a crop twice a year. Other raw materials such as dill, japanese mint, lemon grass, kewra, vanilla and juniper are also available. Prices of the raw materials vary from $0.10 to $0.30 per kg. according to their season and quality available from contracted farms.

V. ECONOMIC ASPECTS OF THE PROJECT

- Importance

The importance of the project lies in utilisation of the locally available agro-based raw materials, export promotion and import substitution all resulting in foreign exchange savings. A project along these lines is given first priority by the government.

- Incentives

• Import duty of 50% on imported machinery is to be charged, which can be paid in installments spread over 2 years from the time of importation.

• Income tax exemption for 4 years from the commencement of operation will be granted.

- Repatriation of the foreign capital will be allowed in the form of a convertible foreign currency without any restriction. Payment for know-how could be made within a certain limit which the government imposes after evaluation of a project.
- Remittance of current profit in the form of dividends will be allowed without any restrictions.
- Depreciation is allowed at a rate of 25% on a new plant and machinery. Extra allowance is also permissible at 50% and 100% of the normal rates for double and triple shift working respectively. Foreign nationals employed in Pakistan are allowed to make monthly remittance for the maintenance of their dependents in their home countries at a maximum rate of 50% of their net salary of Sterling £150 per month whichever is less.
- A bonus voucher of 45% of C + F value will be given to exports. The voucher is convertible for payment against import of necessary components of the project including raw materials and machinery parts or transferable with 200% premium.

VI. FINANCIAL ASPECTS OF THE PROJECT

- Composition of Investment

	Local Cost	Foreign Exchange	Total
Pre-investment cost	$ 5,000	$ 5,000	$ 10,000
Assets			
Land	20,000	-	20,000
Buildings	80,000	-	80,000
Machinery	95,000	95,000	190,000
Working capital	200,000		200,000
Total	$400,000	$100,000	$500,000

- Proposed Financing Plan

	Local Cost	Foreign Exchange	Total
Equity	$200,000	-	$200,000
Loan capital	200,000	-	200,000
Supplier's Credit	-	100,000	100,000
Total	$400,000	$100,000	$500,000

VII. ADDITIONAL RELEVANT INFORMATION

- Project Presented By

  Development Institute Pakistan
  506 Muhammadi House
  1.1 Chundrigar Road
  Karachi, Pakistan
  on behalf of the proponent
  Atlas Industries Ltd.
  Karachi, Pakistan
  The proponent has at present a unit manufacturing flavouring extracts.

- Legal Structure

  A private limited company will be newly incorporated and it will absorb the existing unit with reasonable assessment in value. Equity participation by the foreign collaborator will be accepted by the proponent.

- Documentation

  Survey reports on the raw materials and domestic marketing will be available at the Singapore meeting.

- Other Information from the Proponent

  In a later scheme of the project the new company will consider having its own plantation for those raw materials which can be grown in Pakistan and thus will be able to provide greater control over quality and quantity of raw materials.

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