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## OCCASION

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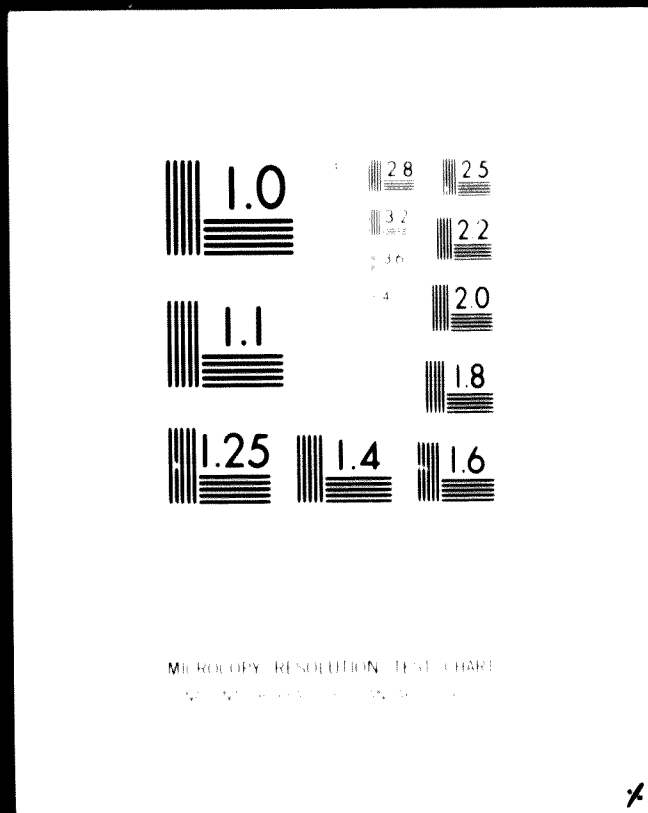
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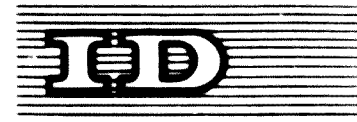
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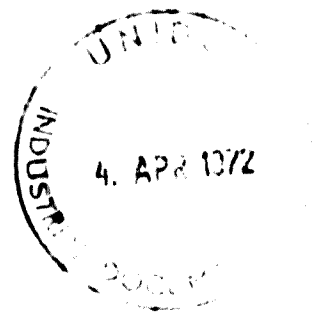
PROJECT INFORMATION SHEET

United Nations Industrial Development Organization

PAK-21-71

SECOND ASIAN MEETING TO  
PROMOTE INDUSTRIAL PROJECTS<sup>1/</sup>

SINGAPORE, 3-11 November 1971



INDUSTRIAL REFRIGERATION EQUIPMENT

COUNTRY	Pakistan (East)
PROJECT	Manufacture of industrial refrigeration equipment for cold storage, ice-making and freezing plants Capacity: 100 units per annum Investment: US \$2,000,000
FOREIGN CONTRIBUTION REQUIRED	- Equity (\$500,000 majority) - Loan (\$505,000) - Management - Know-how - Marketing

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<sup>1/</sup> 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.

INDUSTRIAL REFRIGERATION EQUIPMENT

I. INTRODUCTION

. The Project

This project envisages the manufacture of refrigeration and freezing equipment to be installed in food preservation facilities, such as cold storage, freezing plants and ice-making plants. The product will be initially sold to the domestic market and later will be exported to South East Asia and the Middle East.

. Government Attitude

Pakistan is a tropical country with a population of 112 million to meet the population's needs, food preservation is of prime importance. At present, the requirements for industrial refrigeration equipment is almost completely met by imports, for which local manufacture should be substituted, considering the current position of Pakistan's balance of payments. For the above-mentioned reasons, the government gives high priority to the project.

. Foreign Contribution Required

Out of the estimated total investment of \$2,000,000 a majority equity participation of \$500,000 and a loan capital of \$505,000 are needed as foreign contribution. The proponent also would prefer that management of the new company, marketing of the product and supply of technical know-how be undertaken by the foreign partner.

II. COMMERCIAL ASPECTS OF THE PROJECT

- Domestic Demand

Approximately 50 units with a value of \$2.5 million are purchased every year by newly established or existing ice-making plants, cold storages and freezing plants, as new units or for additional installation or for replacement.

- Present Sources of Supply

Out of the total of \$2.5 million, \$2 million worth of equipment is imported from USA, UK, Denmark and the remaining \$0.5 million is manufactured by an existing small unit in Lahore, West Pakistan. However the unit manufactures only compressors for ice-making plants.

- Projected Production Capacity  
The projected production capacity is 100 units per year with a value of \$5,000,000 at 100% capacity. Increase of production to achieve full capacity will be implemented gradually, based on careful market analysis both for domestic and export markets. The type of the equipment will vary according to the customer's requirement. However, the most common type of product will be a cold storage unit of 1,000 ton storage capacity of goods.
  
- Price of the Product  
Proposed price: \$50,000 per unit ex-factory  
Imported price: \$60,000 per unit landed  
(based on refrigeration units of 1,000 tons storage capacity)

### III. PHYSICAL ASPECTS OF THE PROJECT

- Location  
Tongi Industrial Area  
Dacca  
East Pakistan
  
- Land/Building  
3 acres of land, of which 10,000 sq. ft. will be necessary for the building.
  
- Labour  
Labour of various skills is available at the following wages per day/8 hour shift:

Unskilled	\$1.00	per worker
Semi-skilled	\$2.00	per worker
Skilled	\$5.00	per worker
  
- Raw Material  
Steel is locally available from a steel mill at Chittagong, which is 100 miles from the site.  
Special steel, alloys and other semi-manufactured materials are to be imported.
  
- Infrastructure  
Railway and road facilities are available at the site. Chittagong Harbour is 100 miles from the site.

- Utilities

Power, water and fuel oil are all available at the site.

IV. ECONOMIC ASPECTS OF THE PROJECT

- Importance

The Government of Pakistan encourages the establishment of new industries in East Pakistan, which, as a mainly agricultural province it considers an "industrially backward" region. The employment of mechanics and their training in engineering manufacturing is of socio-economic value to the country. By producing locally refrigeration equipment for food preservation and for ice-making plants, the needs of the food industry, in particular the fishing sector, could be eased. Most important of course is the saving of foreign exchange by substituting imports of equipment by domestic production.

- Incentives

- a) There is no restriction on the remittance of current profits to the original country of investment.
- b) Foreign capital in approved industries may at any time be repatriated to the extent of the original investment to the country of investment.
- c) Any part of the profit accrued from investment and ploughed back into approved industrial projects with the 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. Repatriation will be subject to exchange control regulations in force from time to time.
- e) Import duty on capital machinery and component parts has been fixed at 30% in East Pakistan, 20% of which is to be paid in cash against customs clearance and the remaining 10% is payable in instalments spread over two years.

- f) Depreciation is allowable at 25% on a new plant and machinery. Extra allowance is also admissible at 50% and 100% of the normal rates for double and triple shift work periods.
- g) A six year tax holiday is granted to new industrial undertakings in East Pakistan.

V. FINANCIAL ASPECTS OF THE PROJECT

- Composition of Investment

	<u>(in US \$)</u>		
	<u>Local Cost</u>	<u>Foreign Exchange</u>	<u>Total</u>
Pre-investment cost	10,000	5,000	15,000
Assets:			
Land	40,000	-	40,000
Building	100,000	-	100,000
Machinery	400,000	1,000,000	1,400,000
Working capital	<u>445,000</u>	-	<u>445,000</u>
Total	<u>995,000</u>	<u>1,005,000</u>	<u>2,000,000</u>

- Proposed Financing Plan

	<u>(in US \$)</u>		
	<u>Local Currency</u>	<u>Foreign Exchange</u>	<u>Total</u>
Equity	250,000	500,000	750,000
Loan	<u>745,000</u>	<u>505,000</u>	<u>1,250,000</u>
Total	<u>995,000</u>	<u>1,005,000</u>	<u>2,000,000</u>

VI. ADDITIONAL RELEVANT INFORMATION

- The Project is presented by

Mr. M.A. Jabbar  
Pioneer Engineering Works Ltd.  
21 Notijheel Commercial Area  
Dacca 2, East Pakistan

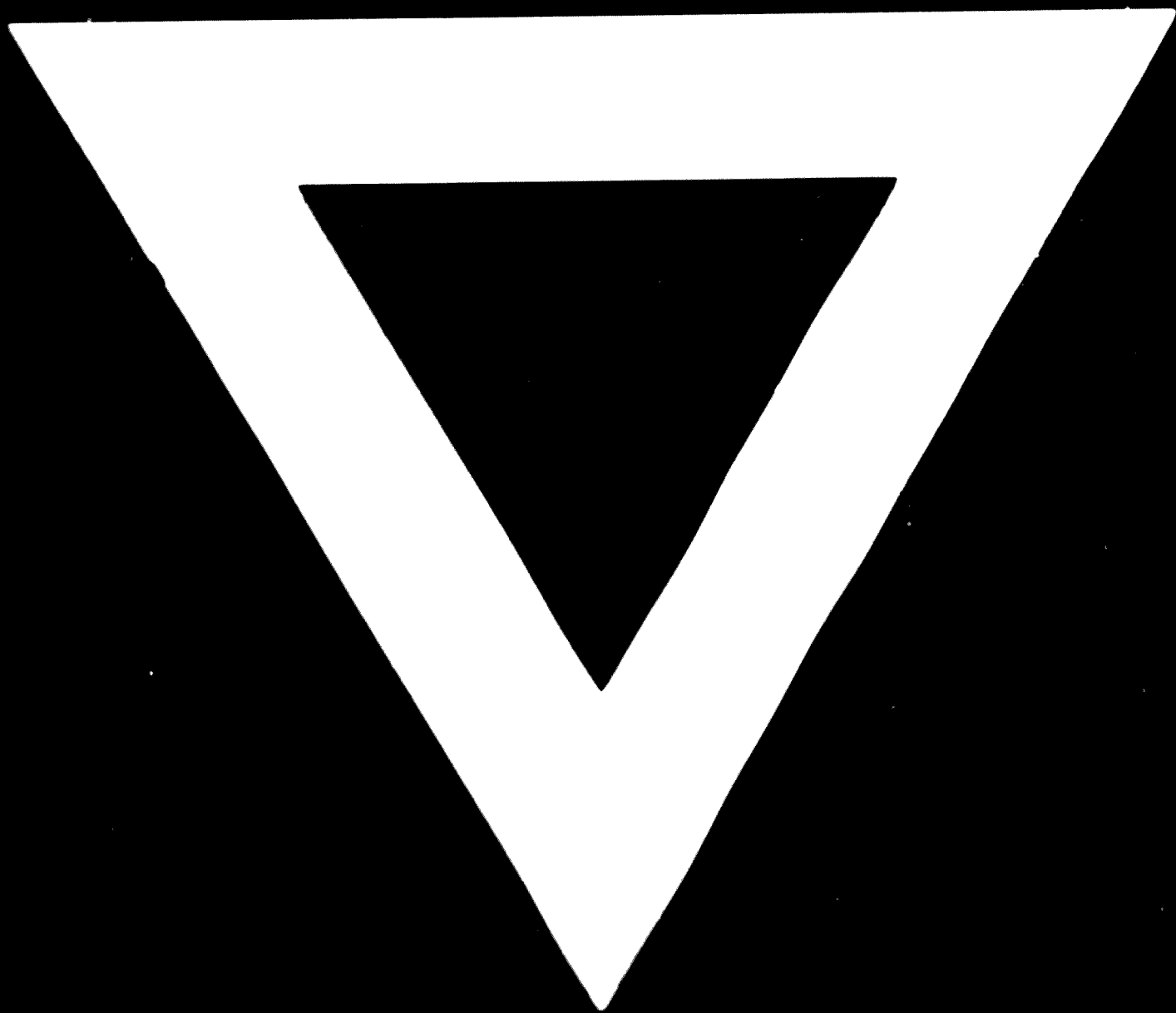
- Proposed Legal Structure

A public limited company will be incorporated with equity participation by the foreign partner, the proponent, and public shareholders.





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