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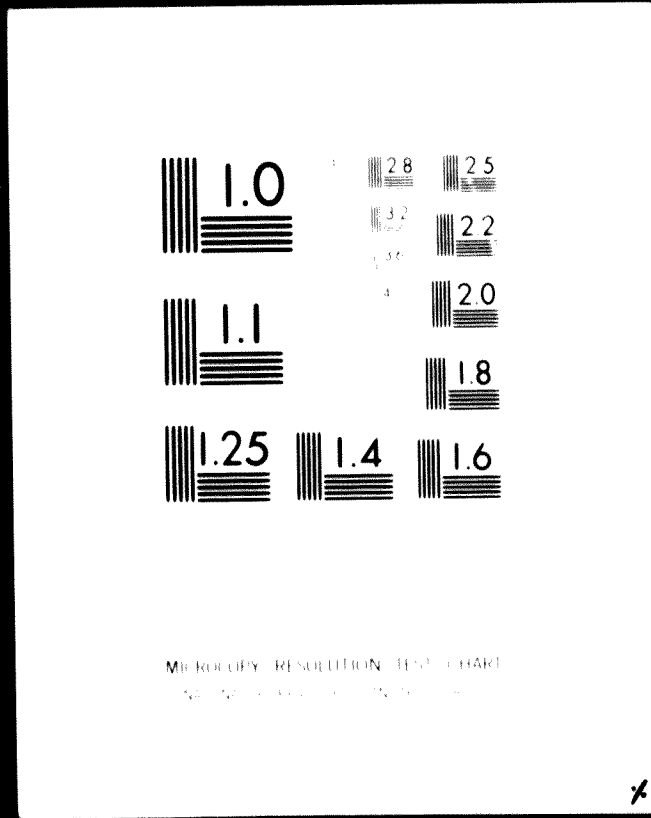
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PROJECT INFORMATION SHEET

United Nations Industrial Development Organization

PAK-25-71

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

SINGAPORE, 3-11 November 1971

TANNERY

COUNTRY	Pakistan (East)
PROJECT	Establishment of a mechanized tannery Total investment: \$885,000 Capacity: Hides 150,000 pieces per annum, Skins 1,500,000 pieces per annum.
FOREIGN CONTRIBUTION REQUIRED	- Equity (negotiable) - Loan/suppliers credit (\$243,800)

^{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.

TANNERY

I. INTRODUCTION

. The Project

The project envisages the construction and operation of a mechanized tannery in East Pakistan to manufacture the following from hides and skins:

- Sole leather
- Finished kips for suitcases
- Unfinished kips
- Blue chrome leather
- Corrected grain leather
- Box upper

. Government Attitude

Hides and skins tanning is one of the major export-oriented industries in Pakistan. The government attaches a prime importance to the project, because indigenous raw material is used in the process, foreign exchange is earned and additional employment is created.

. Foreign Contribution Required

Out of the total investment of \$ 885,000 a foreign exchange component of \$243,800 will be needed in the form of loan or suppliers credit. Equity participation up to 49% of the total equity is being sought. The percentage is open for discussion.

II. COMMERCIAL ASPECTS OF THE PROJECT

- Projected Plant Capacity (in pieces per annum)

Cow Hides

Sole leather	15,000
Finished kips for suitcase	25,000
Unfinished kips	5,000
Blue chrome leather	20,000
Corrected grain leather	50,000
Technical leather	10,000
Box upper	<u>25,000</u>
Total	<u>150,000</u>

Goat Skins

Finished leather	750,000
Blue chrome leather	<u>750,000</u>
	<u>1,500,000</u>

- Local Production

The total tanning capacity in East Pakistan is estimated at

Chrome leather	40 million sq. ft. per annum
Kips leather	4 million sq. ft. per annum
Sole leather	4 million sq. ft. per annum

- Export

During 1967/68 East Pakistan exported hides and skins, largely 'wet blue chromed' amounting to Rs. 25.20 million (\$5.6 million). Later figures are not available but the export is believed to show a consistent upward trend.

III. PHYSICAL ASPECTS OF THE PROJECT

- Location

Hazaribag, Dacca, East Pakistan

- Land

2.5 acres of land is estimated to be necessary, of which less than one acre will be taken up by buildings.

- Labour

Labour of various skills is abundantly available, at rates from \$25 to \$55 per month per worker.

- Raw Materials

The annual production of hides and skins in an average year in

East Pakistan is:

	<u>Pieces</u>
Cow	2,700,000
Buffalo:	1,060,000
Sheep	1,100,000
Goat	6,500,000

- Infrastructure
Railway, road and waste, water disposal facilities are available.
Chittagong port is 100 miles from the site.
- Utilities
Power, water and gas are available at the site.

IV. ECONOMIC ASPECTS OF THE PROJECT

- Importance
In East Pakistan there are more than 100 tanneries, of which only 65 are reported to be semi-mechanized. Export of hides and skins mostly in the form of blue chrome is a major source of foreign exchange earnings for East Pakistan. If the hides and skins would be exported in the form of finished leather processed by a mechanized tannery rather than blue chrome, the value added to the products would further contribute to the country's balance of payments. The government, therefore, attaches great importance to this project. A new, mechanized tannery could demonstrate to the leather industry in East Pakistan the latest production methods and possibly a reduction of manufacturing costs.
- 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 be repatriated to the extent of the original investment to the country of investment in accordance with government regulations, ruling at the time.
 - c) Any part of 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% ad valorem in East Pakistan (50% in West Pakistan) of which 15% is to be paid in cash during customs clearance and the remaining 15% is payable by installments spread over 2 years.
- f) A tax holiday of up to 6 years will be granted by government, depending on location and the classification of the enterprise.

V. FINANCIAL ASPECTS OF THE PROJECT

- Composition of Investment

		<u>US \$</u>	
	<u>Local Cost</u>	<u>Foreign Exchange</u>	<u>Total</u>
Assets:			
Land	37,500	-	37,500
Building	80,000	-	80,000
Machinery	275,700	243,800	519,500
Working capital	<u>248,000</u>	<u>-</u>	<u>248,000</u>
Total	<u>641,200</u>	<u>243,800</u>	<u>885,000</u>

- Proposed Financing Plan

The financing plan is left open for future discussion, however the proponent prefers that the foreign collaborator participate in equity up to 49% of the total equity of \$641,000. The loan/suppliers credit of \$243,800 is to cover the foreign exchange part of the machinery to be imported, whereas the local cost of machinery of Rs. 275,700 includes, besides certain equipment available in Pakistan, the custom duty and ancillary expenses at the time of importation.

VI. ADDITIONAL RELEVANT INFORMATION

- Project presented by

East Pakistan Industrial Development Corporation

EPIDC House

Dacca ?

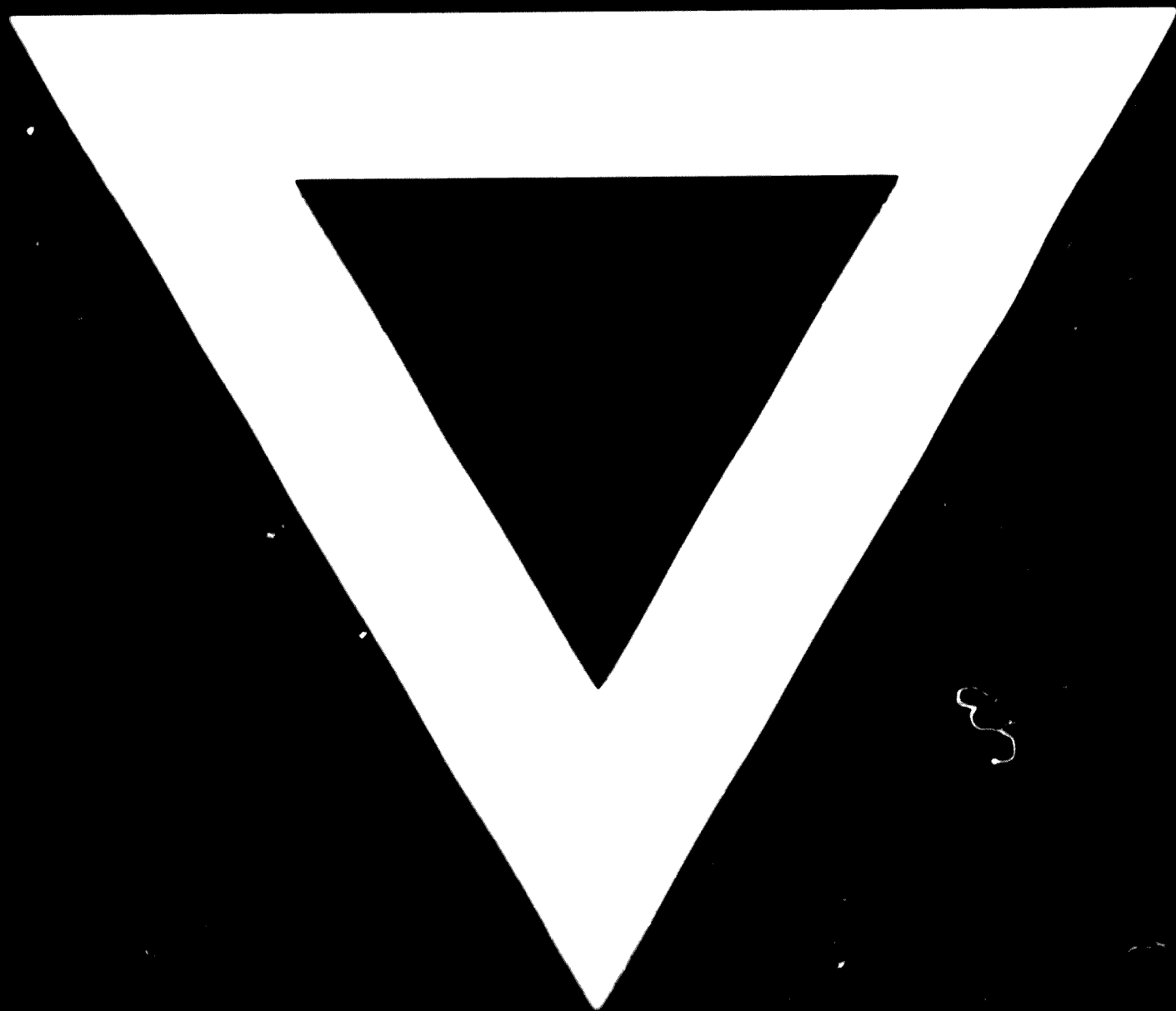
Pakistan

- Legal Structure

A private limited company is to be formed with participation of local partners, of which several have expressed their serious intentions to take part in this enterprise.



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