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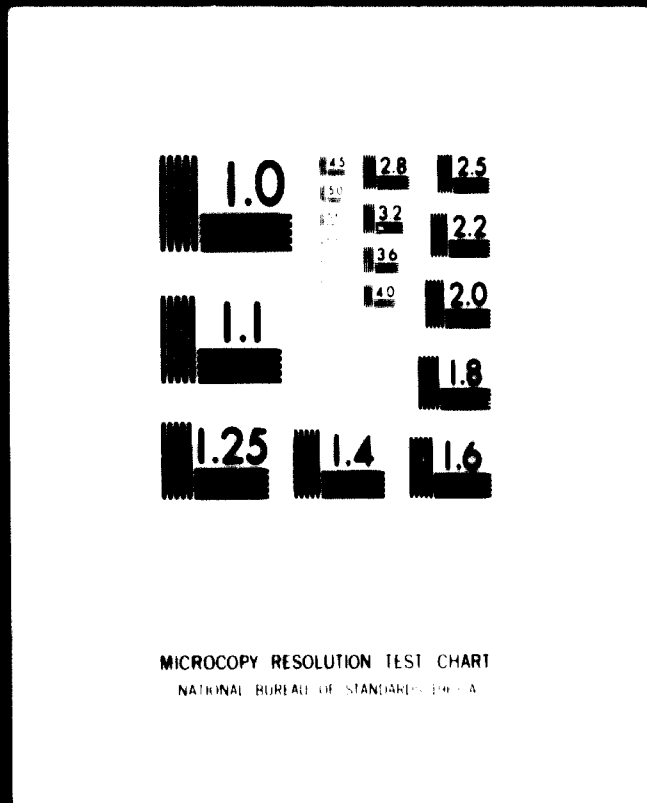
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Third Asian Meeting to Promote
Industrial Projects

Kuala Lumpur, Malaysia, 14-21 November 1973

Project Information Sheet

TANNERY PROJECT

COUNTRY

Fiji

PROJECT

Capacity: Cowhide Leather:
1.6 million sq. ft. p.a.
Splits: 945,000 sq. ft. p.a.
Total Investment: US\$ 890,000

FOREIGN CONTRIBUTION REQUIRED

Negotiable

Sponsored by: The Economic Commission for Asia and the Far East (ECAFP) and
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 PROJECT

I. THE PROJECT

The Government of Fiji is acting as a promoter on behalf of a local entrepreneur for the establishment of a new industry in Fiji to process local and imported hides and skins for the production of various types of leather and splits. The tanning capacity of the plant is approximately 2.5 million sq. ft. of leather and splits which is expected to be reached gradually as marketing outlets develop. Total investment in the project is estimated at US\$ 850,000.

Favorable investment incentives will be made available consisting of a 5-year exemption from income taxes and custom duty concession on imported raw materials and machinery.

II. ECONOMIC ASPECTS

The Government has a policy of encouraging export oriented industries aiming particularly at the Australian and New Zealand markets. For this purpose, generous tax concessions will be made available which together with the island's low wage rates would result in the establishment of a competitive and viable industry. The project would specifically generate foreign exchange earnings and it would give a good outlet for an increasing number of locally produced hides and skins, presently, rather primitively tanned by local craftsmen. With the expansion of the tourist industry, it is anticipated that the island's local demand for leather would grow substantially so that a greater part of the factory's output could be expected to be marketed locally.

III. COMMERCIAL ASPECTS

The plant will be the first tannery in the South Pacific. Unfortunately, a detailed market survey is not available so that it is not known how much of the output could be sold locally and how much would have to be exported. However, provided the industry is competitive there seem to be good prospects for a substantial export market in New Zealand and Australia. Presently, all quality leather used by the island's shoe industry and craftsmen is being imported.

As overseas market penetration will take time, it is being envisaged to build up the industry in phases, initially installing a capacity covering the domestic market only. As soon as the quality of the product has been recognised overseas, the implementation of Phase II of the project might be considered. For the sake of presentation, both phases have been covered in this information sheet.

<u>Estimated Profitability (full capacity)</u>	<u>US\$</u>
Total sales revenue	1,150,000
Cost of raw material	<u>650,000</u>
Gross profit	500,000
Operating expenses:	
Utilities	25,000
Direct and indirect wages/salaries	60,000
Factory and general overhead	40,000
Transport and selling costs	<u>100,000</u>
Trading profit	225,000
Financial expenses	45,000
Depreciation	90,000
Contingencies	<u>40,000</u>
Profit before tax	<u>100,000</u>

Profitability Analysis

Return on equity	28.6%
Return on invested capital	11.8%
Pay-back period	14.5 years
Cap-output ratio	00.74
Break-even point	US\$ 565,000

IV. PHYSICAL ASPECTS

Location

A site has already been selected for the factory and water and power connections have been installed. Waste water dispersal facilities are still to be created.

Raw Materials

Statistics from the livestock department indicate that the livestock population of the island is now about 150,000 head of cattle of which annually about 15 000 head are being slaughtered for beef production. No data is available on the island's goat and sheep population. Due to the limited production of hides and skins locally, most of the raw material will have to be imported from abroad (New Zealand and Australia).

At full capacity, raw material costs are estimated to amount to US\$ 650,000 per annum.

Labour

Management, supervisory and factory staff is expected to reach approximately 80 persons at full capacity.

V. FINANCIAL ASPECTS

<u>Estimated Investment</u>	<u>Local Currency US\$</u>	<u>Foreign Currency US\$</u>	<u>Total US\$</u>
Fixed Assets:			
Land and site development	50,000	-	50,000
Buildings and ancillaries	150,000	50,000	200,000
Machinery and equipment incl. transport, installation, etc.	-	350,000	350,000
Vehicles, office equipment etc.	5,000	25,000	30,000
Preliminary and pre-production costs	40,000	35,000	75,000
Working capital	100,000	-	100,000
Contingencies	<u>20,000</u>	<u>25,000</u>	<u>45,000</u>
Total:	<u>365,000</u>	<u>485,000</u>	<u>850,000</u>

<u>Proposed Capital Structure</u>	(US\$)
Equity	350,000
Long term loan/supplier's credit	400,000
Bank overdraft	<u>100,000</u>
Total:	<u>850,000</u>

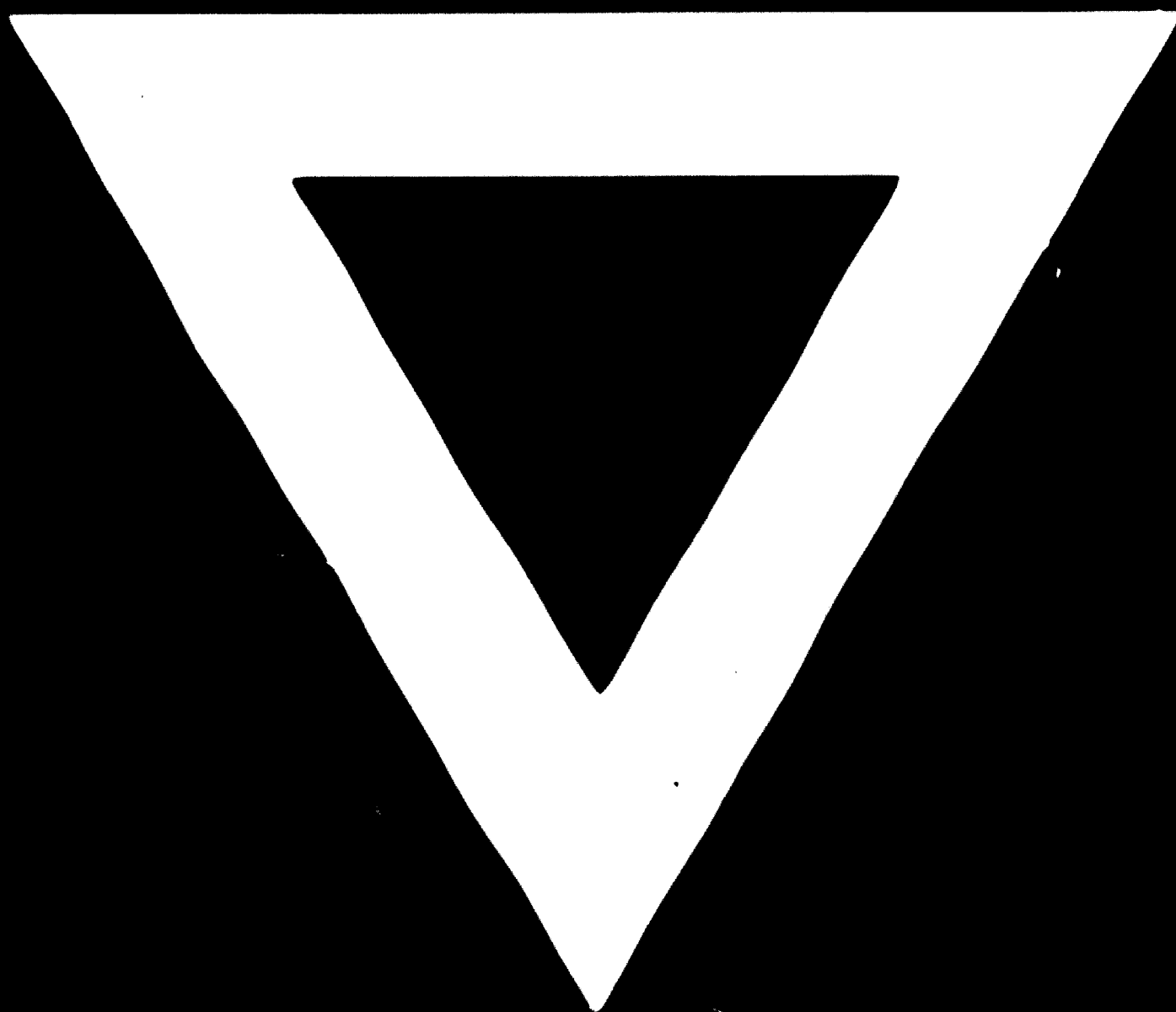
VI. OTHER RELEVANT INFORMATION

This project has been under investigation by the Government of Fiji. Preliminary studies made indicate that the project is viable. A centre for Leather Trading Development and Promotion has been started by the Government in conjunction with UNDP/UNIDO. A local investor has expressed a serious interest in executing the project.

Main proponent: Ministry of Commerce, Industry and Co-operatives, P.O. Box 2018, Suva, Fiji. Telephone: 211656.
Cable: MINCOMIND.



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