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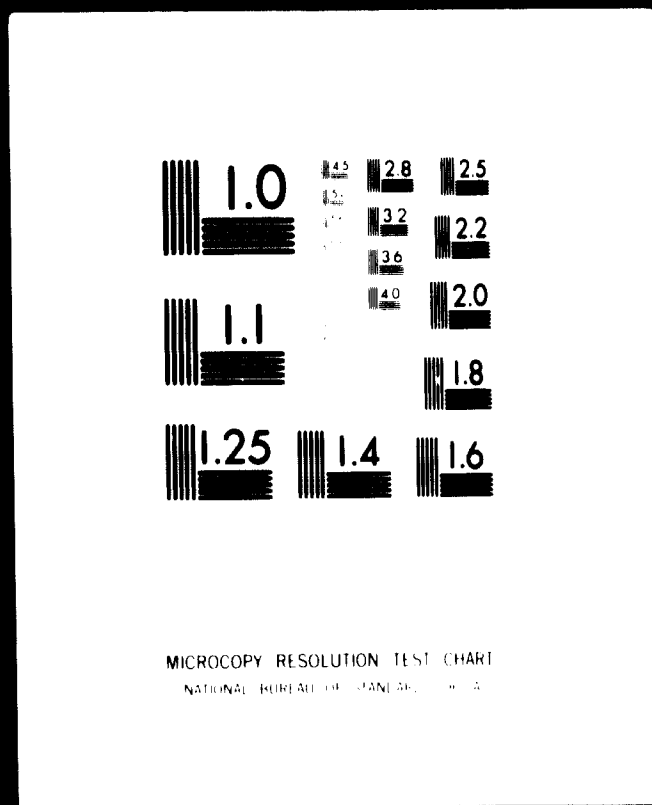
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United Nations Industrial Development Organization

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Third Asian Meeting to Promote
Industrial Projects

Kuala-Lumpur, Malaysia, 14-21 November 1973

Project Information Sheet

EIGHT TANNERIES

COUNTRY

Pakistan

PROJECT

Establishment of eight tanning factories
Capacity: 5,000 pieces/day each
Total Investment: US\$3,250,000 each

FOREIGN CONTRIBUTION REQUIRED

Technical Know-how
Licensing
Financing
Equity
Export Marketing

Sponsored by: The Economic Commission for Asia and the Far East (ECAFE), and
the United Nations Industrial Development Organization (UNIDO).

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.

EIGHT TANNERIES

I. THE PROJECT

The proponent, Hilal Tanneries Limited, under the overall management of its parent company, Service Industries Limited, currently covers total domestic demand equally with Beta Shoes (Pakistan) Ltd. He now contemplates the establishment of a phased project beginning with six to eight tanning factories located in different parts in Pakistan such as Rawalpindi, Lahore, Lyallpur, Multan, Hyderabad, Quetta and Karachi. The factories would later be integrated to include the manufacture of leather products such as jackets, suitcases, belts, camera cases, etc. mainly for export.

Although detailed plans of the project are subject to thorough feasibility studies to be jointly conducted with the foreign partner, the following background information, mainly dealing with the tanning factories, have been made available by the proponent.

Foreign Contribution Required

In line with the Pakistan Government's policy of adding value to its commodity exports by the encouragement of maximum processing of its raw material resources, the proponent seeks a broad collaboration with a foreign partner to include technical know-how, licensing, financing, and minority equity participation with emphasis on the development of large scale leather and leather products exports.

II. COMMERCIAL ASPECTS

Prices

Leather is subject to very sharp price fluctuations. Based on current upward market trends, the selling prices of the product are expected to be quoted at between US\$1.50 and 2.00 per sq. foot by the time the factories are in production.

Markets

Pakistan at present only marginally finishes light hides and skins from calf, sheep and goat, and exports most of its output in wetblue, as shown below, worth US\$30 million annually. Not more than five per cent of the sheep and goatskin output is being processed locally into finished leather for the production of linings of quality shoes and of leather garments for export.

EXPORTS (from 1 January 1972 - 31 December 1972)

<u>Items</u>	<u>Quantity</u> <u>(pieces)</u>	<u>(US\$)</u> <u>Value</u>
Wetblue or vegetable tanned goatskins	6,692,768	14,281,172
Wetblue or vegetable tanned sheepskins	4,066,187	7,208,700
Other wetblue or vegetable tanned hides	<u>2,848,260</u>	<u>10,963,302</u>
Total	<u>13,607,215</u> =====	<u>32,453,174</u> =====

The proponent is optimistic with regard to the export marketing of finished leather in view of the likely shortage of leather on the world market and based on the assistance the prospective foreign partner is expected to provide for overseas marketing.

III. PHYSICAL ASPECTS

(a) Production Capacity

Each tanning factory will process about 5,000 pieces of raw hides and skins per day for 300 working days a year.

(b) Site

A suitable site of about 15 acres of land per tannery, will be selected in the said eight locations where the necessary facilities, utilities and communications would be available.

(c) Waste Disposal

The site could be located near rain water drainages. If this were not the case, special tanks would have to be built to neutralize the waste water by appropriate treatment.

(d) Raw Materials

Raw hides and skins, lime, chromium, dyes and pigments are locally available. Other manufacturing materials would be imported.

(e) Labour

Initially the tanneries should be operated under foreign supervision.

The following are the estimated personnel requirements per tannery and respective wage scales:

<u>Personnel</u>	<u>Number</u>	US\$	
		<u>Monthly Wage per Capita</u>	
Top Manager (Foreign)	1	1,500 - 2,000	
Engineer (Foreign)	1	1,500 - 2,000	
Technicians	3	80 - 150	
Mechanic	1	80 - 150	
Commercial Manager	1	300 - 400	
Marketing Manager	1	300 - 400	
Clerks + Typists	8	40 - 80	
Foremen	8	50 - 80	
Skilled Labour	40	30 - 60	
Semi-skilled Labour	100	25 - 40	
Unskilled Labour	50	20 - 25	

IV. FINANCIAL ASPECTS

Estimated Investment

(US\$)

	<u>Local Currency</u>	<u>Foreign Exchange</u>
Site development	20,000	-
Buildings + Ancillaries	70,000	-
Machinery + Equipment including spares, delivery and installation	450,000	1,800,000
Pre-investment cost	30,000	50,000
Start-up expenses	30,000	-
Contingencies	50,000	-
Working Capital	<u>750,000</u>	-
	<u>1,400,000</u>	<u>1,850,000</u>
Total Investment		3,250,000 *****

Proposed Financing Plan

(US\$)

	<u>Local Currency</u>	<u>Foreign Exchange</u>
Equity	459,000 (51%)	441,000 (49%)
Loans + Credits	<u>941,000</u>	<u>1,409,000</u>
	<u>1,400,000</u> *****	<u>1,850,000</u> *****

All the above figures are for one tannery. It is open for consultation with the prospective foreign partner as to whether each tannery forms an independent company or the eight tanneries form one company.

V. OTHER RELEVANT INFORMATION

Proponent

Hilal Tanneries Limited
80 E/1 Main Boulevard
Gulberg 111, Lahore
Pakistan
Phones: 83891, 81837, 83890
Cables: TRAVELKIT
Telex: SERVIS LH 893
Bankers: Habib Bank Ltd.
Opp. High Court
Lahore

Hilal, a public limited company with a paid-up capital of Rs. 2 million (US\$200,000), is already engaged in leather processing, from tanning to footwear manufacture, mainly for domestic consumption. In the year ending at December 3, 1972, the company recorded a turnover of US\$1.9 million and yielded a net income after taxes of US\$100,000.

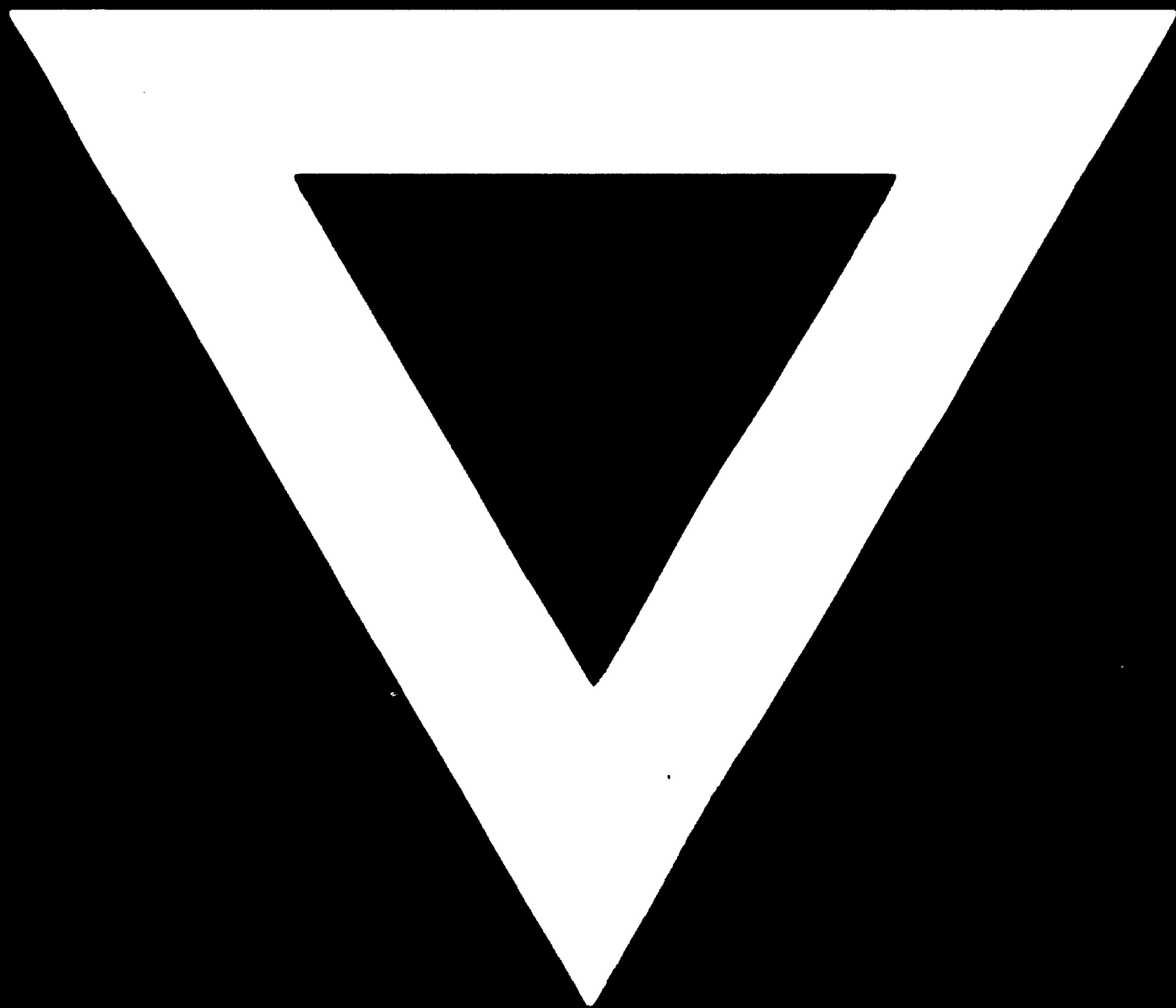
Mr. Choudry Nizar Mohammed, Hilal's President, is one of the leading businessmen of the country and is the current President of the Federation of Pakistan Chambers of Commerce + Industry for 1973.

Proposed Organizational Set-up

Preferably a new enterprise, public limited company, quoted on the stock exchanges of Lahore and Karachi.



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