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MINISTRY OF LIGHT INDUSTRIES
HANOI EXPORT LEATHER SHOES FACTORY

20058

**FEASIBILITY STUDY
OF
GILINA - 3 T JOINT VENTURE
COMPANY OF LEATHER JACKET AND
SHOE PRODUCTION**

0/75

Hanoi 1/1993

CONTENTS

Page

1. Introduction of the parties in Joint-Venture
2. Market
3. Reasons for the establishment of Joint-Venture
4. Production scale and program
5. Technology and machinery
6. Requirement of material and other "input"
7. Workshop, office and warehouse requirement
8. Production organization
9. Labour force and salary
10. Schedule of Investment implementation
11. Duration of Joint-Venture
12. Financial analysis
13. Economic analysis
14. Social and Environmental impact
15. Conclusion on the feasibility of the project
16. Recommendation

ANNEX

1. Introduction of the Parties to the Joint Venture

* First Vietnamese Party: Hanoi Export Leather Shoes Factory

- Address: Linh nam - Thanh tri - Ha noi
- Telephone: 2.62256, 2.62246, 2.62247
- Telex: 411-295-GILINA-VT
- Representative: Mr Trinh Ngoc Boi - Director
- Established since 1958, specialized in the manufacture of the leather shoes, leather products and similar - leather articles for export.
- Total existing labour force: 700
 - Of which: + direct production workers: 644
 - + indirect employees : 56

Most factory workers have been trained, 35% of which have had previously operated advanced technological lines for shoes production abroad - in FR of Germany, Republics of Czech, Slovakia, CIS...The average professional level of workers attains 4/7, the staff of experienced technicians and specialists comprises 25 engineers, there are 10 highly skilled workers able to manufacture products according to catalogues.

- The overall land area of the factory extends on 10,000 sq.m of which 6,216 sq.m built area with various kinds of roof including 2,954 sq.m of office. The factory can dispose of stable power and water sources.

* Second Vietnamese party : Ha Nam Ninh Export Frozen Meat Enterprise.

- Address : Nang Tinh district, Nam Dinh city, Nam Ha province.
- Telephone : 8448, 8449
- Representative : Mr. Tran Huy Nam - Director
- Purchasing buffalos, oxen, pigs for meat processing then a large quantity of hide is available.
- Are available a large area of premise and shops, an own electric and water network.
- Representative : Mr. Trinh Ngoc Boi, Director of Hanoi export leather Shoes Factory.

* Foreign party : 3T SRL Italy, a liabilities limited Company with registered capital : 99,000,000 lyres.

- Address : Via Cortine 65 83029 Solofra (AV) ITALY.
- Telephone : 0825/534323.
- Representative : Mr. Mario Grimaldi, President.
- Area of activities/business :
 - + Technical assistance and technology transfer of tanning of manufacturing Italian leather products. Accurate planning for partial or whole supply of machines and equipment for tanning technological line and for manufacture of leather products.
 - + Commercial activities and investment business in the field of tanning and manufacture of leather products in other countries.

- + 3T SRL has got presently Joint Venture for the manufacture of leather shoes and jackets in Russia and China.
- + 3T SRL had participated in the Forum on Foreign Investment held in Ho Chi Minh City on March 1991.

2. Market Research

2.1. International market :

- Leather shoes and sandals occupy the first place in international trade of leather and leather shoes and sandals annually traded in world market (not including the centrally planned economies) amounted to over US\$ 10 billion. the USA is the largest importer of shoes and sandals, sharing 42% of international shoes and sandals market, followed by FR Germany (12%), Britain (7%), France (6%) .

- In 1987, France imported about 200 million pairs of shoes (70% of Domestic consumption) of which 45% imported from Southeast Asian countries, mainly from China (over 40 million pairs), South Korea (20 million pairs), Taiwan (10 million pairs).

- Erstwhile Soviet Union was a large shoes market. The annual value of shoes and sandals imported by Soviet Union amounted to hundreds of US dollars. In the period from March 1988 to April 1989, Soviet Union imported from India over US\$ 200 million of leather shoes and sandals, from Vietnam 15 - 20 million pairs of upper shoes leather. Certainly, after getting out of the present crisis, CIS shall be again a large market for leather shoes and other leather products.

- Recently, by successes in socio-economic development by a vigorous growth of per capital income, of urban population, Southeast Asian countries and many other Asia - Pacific nations become very attractive leather shoes markets.

- Meanwhile, supply sources grow slowly and are changing markedly.

+ During two past decades, South Korea, Hong Kong, Brazil were large exporting countries. In 1988, South Korea possesses over 220 shoes-marking enterprises, employing over 166,000 workers, with an annual capacity of 530 million pairs, an annual shoes export value of US\$ 2 billion. A salient feature of South Korea in the field is the Production and export of medium quality and low cost shoes.

Hong Kong exports yearly over US\$ 1.4 billion of leather shoes and sandals, mainly with medium and high quality.

Brazil's annual production is over 500 million pairs of shoes, of which over 50% of leather shoes (nearly 300 million pairs). Export-import value of leather shoes and sandals of Brazil amounts to some US\$1 billion.

Besides, Taiwan, China, Thailand will be important exporters of leather shoes.

- However, at present the local labour cost and service expenses are increasingly higher by the policy of economic restructuring oriented to technology-intensive branches, a wide range of

countries and territory as South Korea, Taiwan, Hong Kong... have gradually dwindled the production and export of leather shoes or even transplanted leather shoes production facilities to other territories. Thus, the growth of "traditional supply sources" slows. Meanwhile, the less developed countries eager to boost production and export of this kind of product do not have a smooth way. Because, in spite of the fact that this branch of production does not require large invested capital and sophisticated, time consuming, technology, the export of its product demand much effort to establish relations with potential consumers, and much time for the transfer of marketing technology.

Therefore, in practice, there exists a gap between the increase of supply and that of demand in the world market on leather products in general and on leather shoes and sandals in particular.

2.2. Vietnamese market

In Vietnam, demand of leather shoes and sandals is increasing, specially in the cities. If only 10% of 15 million people, who is living in the cities, town ..., buy one pair of leather shoes, the demand of the order of 1.5 million pair/year. However, it must be considered as a modest assumption if taking into account that all military and police officers, teacher and government officers - total amount is not less than 2 million, have to use uniforms, in which, leather shoes are indispensable.

In addition to that, with "RENOVATION" and "OPEN DOOR" policy, middle class, at present, seize of over 2% in 70 million populations. It can be predicted that this ratio will be increasing about 1% per annum. As a results, the number of consumer of leather shoes and leather goods being increased. Recently, most of leather shoes consumed in Vietnam are imported through un-official trade channels from Thailand, China and Eastern- European countries (East-Germany and former Czechoslovakia). However supplies from Eastern Europe have been stopped. Shoes produced from China and Thailand now not suited Vietnamese desire and is not highly appreciated by the customers - some domestic producers, mainly small-scale belong to private sector in Ho Chi Minh City, started production and marketing such kinds of products. But due to the lack of experiences and low level of technology, their products still have low durability, poor patterns and slow marketing.

From above situation, it could be concluded that the establishment of a leather shoes producing facility in Vietnam at this time will bring onto a bright prospects in term of markets (domestic and overseas market), if the facility has enough necessary conditions.

3. Reasons for the founding of the Joint Venture :
among Hanoi Export Leather Shoes Factory, Ha Nam Ninh Frozen Meat Enterprise and 3T-SRL Company.

The three-sided Joint Venture will have necessary conditions for the exploitation of all potential of the international and Vietnamese market by :

+ Using the appropriate technology of 3T-SRL and generally speaking of Italy in the production of finished leather and leather products; the characteristics of this technology being : high quality and uniformity of products, combination between mechanization and automation done with selection, creativeness and dexterity of the worker, flexibility in changing the pattern to meet the requirement of different strata of consumers.

+ Making the fullest use of the equipment of workshop building and the existing infrastructure of the two Vietnamese sides having the following characteristics : young, healthy, educated, having sound professional knowledge (a number of them, qualified and very qualified), easily trained, hard working and ready to accept quite modest wages as compared with other countries of the region.

+ Promoting the lasting relationship and reliability between 3T-SRL and well known leather and leather product business circle of the world and the region in order to bring products into the international market; by this way, gradually grasping the know-how and market technology of 3T-SRL and Italy so as to enlarge the market.

+ Advancing towards processing hide produced by Ha Nam Ninh Export Frozen Meat Enterprise into high quality tanned leather on the basis of 3T-SRL modern technology with a view to being self-sufficient in a part of material, increasing the profit rate for the Joint Venture and raising the production capacity of Ha Nam Ninh Export Frozen Meat Enterprise.

These constitute necessary and sufficient conditions for the three-sided Joint Venture to obtain a steady position in the world competition and also the convincing reasons for which the three sides can have their mind at ease to proceed to the founding of the Joint Venture.

- Finished leather for Joint-Venture will be mainly imported from China and SNG (by Joint-Enterprise of 3T-SRL at these countries). A small percentage of local finished leather (with lower quality if compared with imported leather) will be procured from domestic manufacturers such as Thuy Khue Leather Factory, Sai Gon Leather Factory.

After 3 to 5 years starting from beginning of leather shoes and jacket exportation, Joint-Venture anticipates to invest for setting up a leather tanning workshop at Ha Nam Ninh Export Frozen Meat Factory. Material for this tanning production line is raw skin acquired from the Factory itself (now these materials are treated very wastefully) and available source of raw skin - to be appreciated as good material - nearby the Factory. At that time, imported skin is only additional part.

4. Production scale and programme :

According to :

+ Possibility of market entering and sharing due to existing relationships of 3T-SRL Company and Hanoi Export Leather Shoes Factory.

+ Possibility of foreign exchange balance for material, equipment, accessory import.

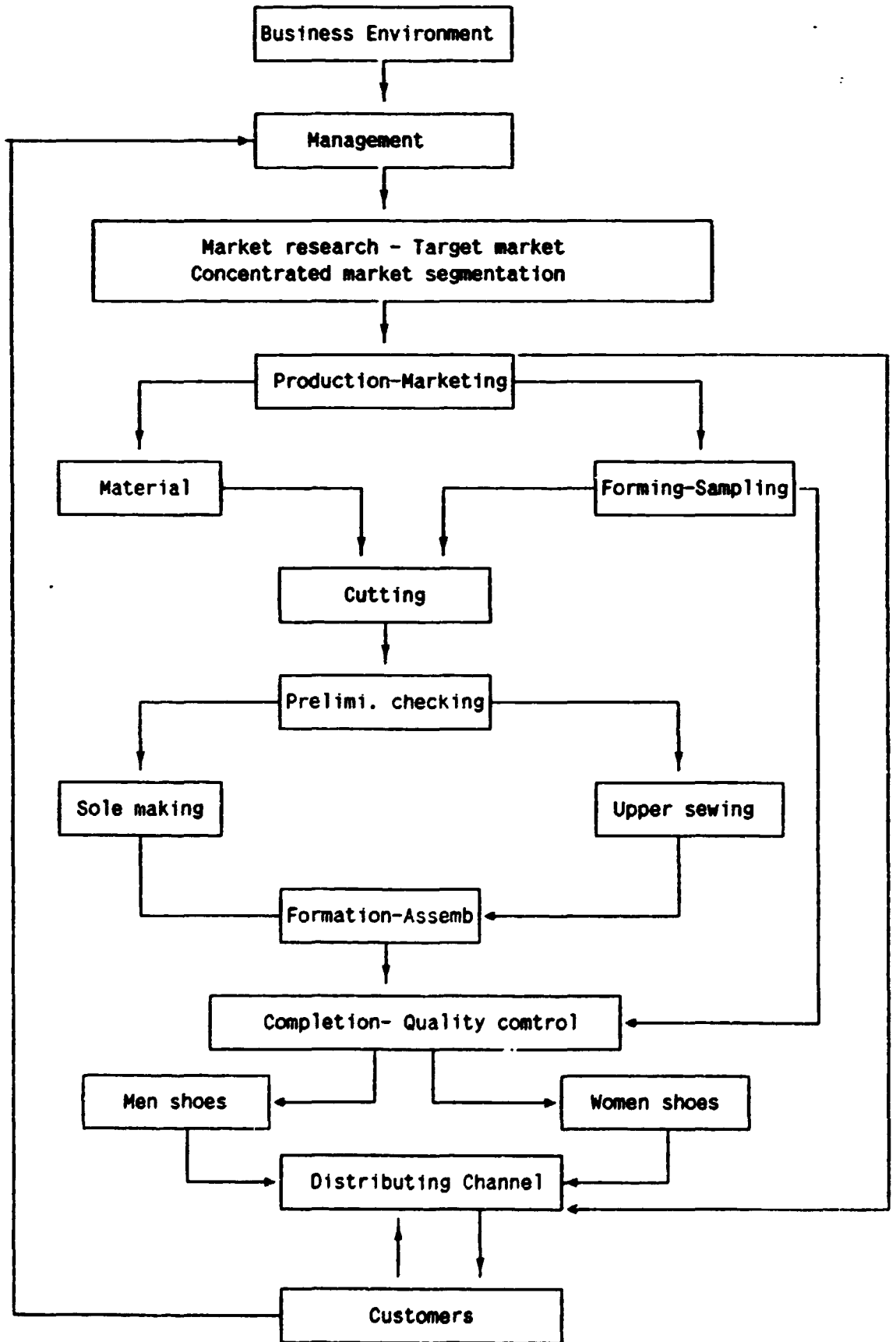
+ Conditions of existing equipment, buildings and workshops, infrastructure facilities at Hanoi Export Leather Shoes Factory, Ha Nam Ninh Export Frozen Factory and limitation of additional investment.

+ Characteristics of machinery system envisaged to install for implementation of technology transferred by 3T-SRL. Production Scale and Programme of Joint - Venture are determined as follows :

Year	1st	2nd	3rd	4th	5th
Quantity of products:					
- Leather shoes (pair)	0	400,000	700,000	900,000	1,000,000
- Leather jacket (piece)	0	20,000	35,000	45,000	50,000

5. Technology and machinery

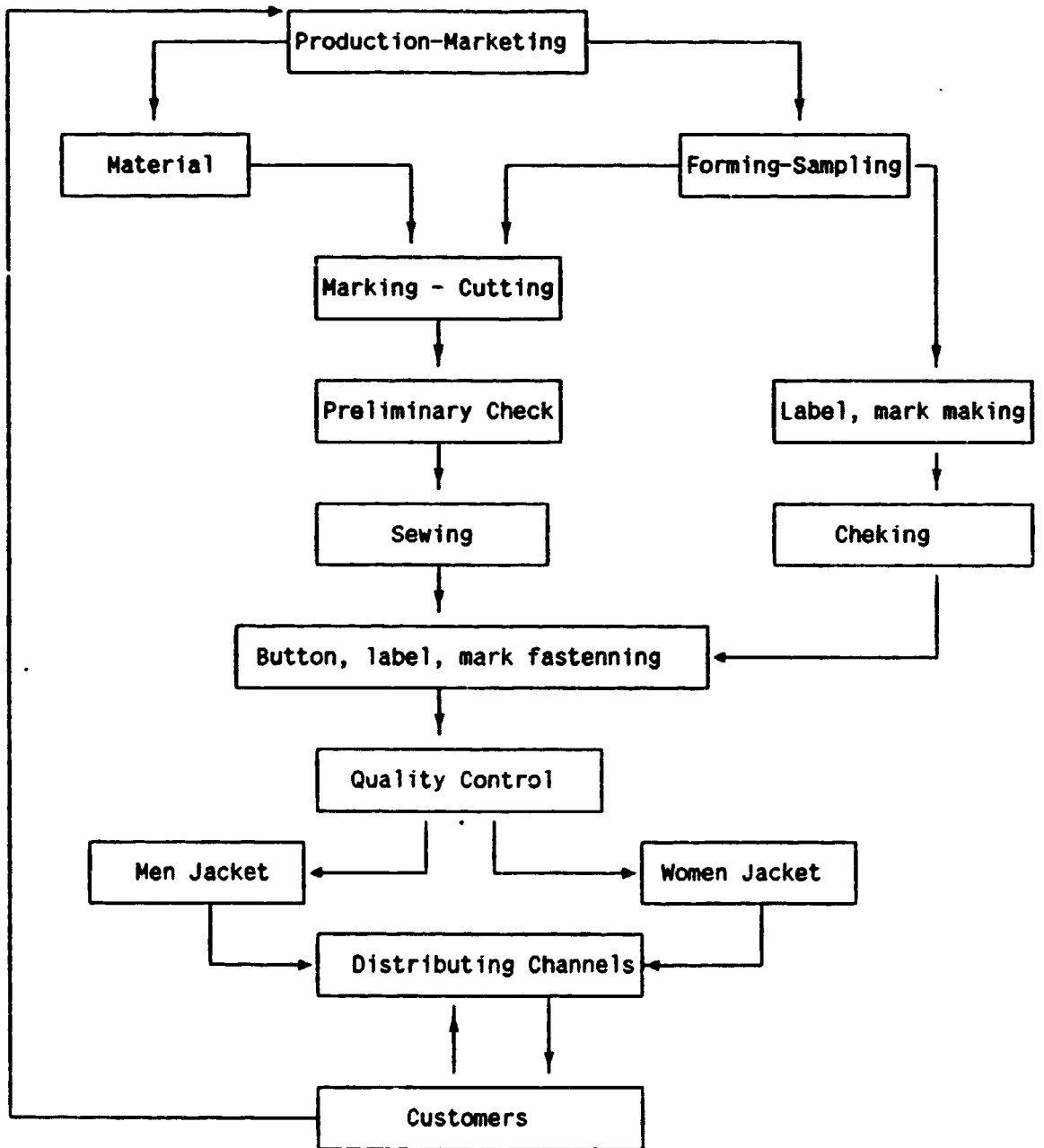
5.1. Leather shoes production process :



Technology to be applied by Joint - Venture is based on glueing - pressing method. In comparision with other method, particulaly with spraying - pressing method. This technology has following advantages :

- Low level of investment for equipment and moulding device.
- Flexibility in model changing in corresponding with the change of demand and taste of customers.
- Flexibility in using many kinds of material, such as PVA, PV, PVC... for sole making in order to make the shoes lighter and more durable.;

5.2. Leather Jacket Production Process :



5.3. Machinery Selection (see Annex enclosed).

MATERIAL AND OTHER INPUT REQUIREMENT

6.1. Material for shoes production (for the year of stable production)

No		RATE	QUANTITY	MA. REQUIREMENT
I MAIN MATERIAL				
1	Upper shoe leather			1.852.500 pied
	- Man shoe	2.2 pied/Pair	500.000 Pairs	1.100.000 pied
	- Woman shoe	1.505 pied/Pair	500.000 Pairs	752.500 pied
2 Lining leather				
	- Man shoe	1.00 pied/Pair	500.000 Pairs	500.000 pied
	- Woman shoe	0.86 pied/Pair	500.000 Pairs	430.000 pied
3	Sole leather	0.4 kg/Pair	500.000 Pairs	200.000 kg
4	Plastic sole	1 Pair	500.000 Pairs	500.000 Pairs
5	Insole leather	0.15 kg/Pair	500.000 Pairs	75.000 kg
AUXILIARY MATERIAL				
1	Sewing thread	25 m/Pair	1.000.000 Pair	25.000.000 m
2	Glue	0.025 kg/Pair	1.000.000 Pair	25.000 kg
3	Oseir	12 Piece/Pair	1.000.000 Pair	12.000.000 Piece
4	Nail	0.008 kg/Pair	1.000.000 Pair	8.000 kg
5	Toe-pulf+backcounter	0.08 kg/Pair	1.000.000 Pair	80.000 kg
6	Last	5000 VP/Nil.Pai	1.000.000 Pair	5.000 Pairs

6.2. MATERIAL FOR JAKKET PRODUCTION (for the year of stable production)

No		RATE	QUANTITY	MA. REQUIREMENT
I MAIN MATERIAL				
1	Leather	28 pied/Piece	50.000 Jackets	1.400.000 pied
2	Lining clother	17 pied/Piece	50.000 Jackets	850.000 pied
II AUXILIARY MATERIAL				
1	Sewing thread	120 m/Piece	50.000 Jackets	6.000.000 m

6.3. Electricity consumption (for the year of stable production)

a. Electricity for production

- For shoes workshop : $0.5 \text{ kwh/pair} \times 1.000.000(\text{pair}) = 500.000 \text{ kwh}$
 - For jacket workshop : $0.3 \text{ kwh/piece} \times 50.000(\text{piece}) = 15.000 \text{ kwh}$
- 515.000 kwh

b. Electricity for lighting :

$0.3 \times 515.000 \text{ kwh} = 154.500 \text{ kwh}$

Total electricity consumption : 669.500 kwh.

6.4. Water consumption : (for the year of stable production)

- Water for production : 100 m³/day
- Water for normal using : 150 m³/day

Total water consumption per day : 250 m³/day.

At present, HaNoi Export Leather Shoes Factory already has one transformer station with capacity of 320 KVA with stable electricity supply and one water system (including one pump' station 80 m³/h of water - treating station 25 m³/h). These capacities absolutely meet the requirement of the Joint-Venture with no need of additional investment.

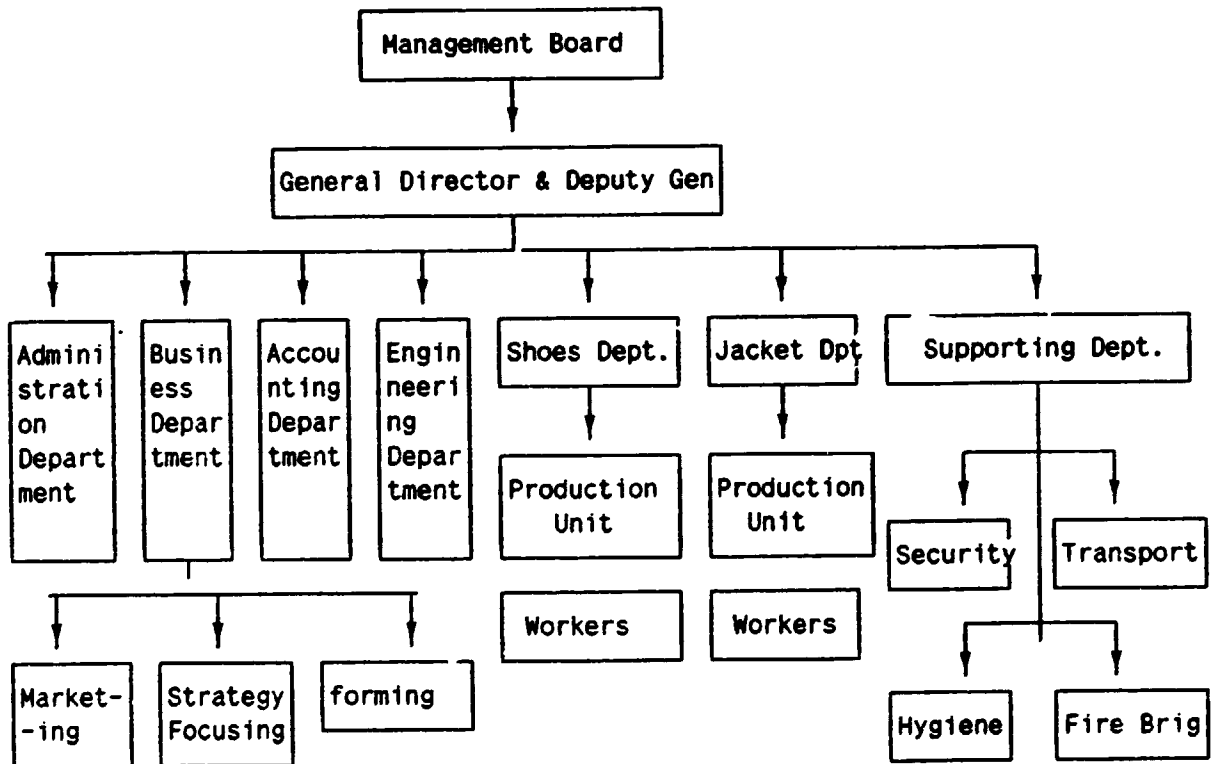
7. Requirement of workshop, office and warehouse :

- 7.1 Workshop for leather shoes production line : 2.500 m²
- 7.2 Workshop for leather jacket production line : 1.000 m²
- 7.3 Office : 200 m²
- 7.4 Warehouses : 200 m²

Existing buildings and infrastructure facilities of Hanoi Export Leather Shoes Factory are available and acceptable for these requirements without any need of additional construction.

8. Production Organization :

Organization Scheme of Joint-Venture :



9. Labour force and salary

9.1. Joint Venture needs 500 employees for its normal running

In which :

- + Board of Directors : 3 persons (1 General, 2 Deputy General)
- + Manager : 10 persons
- + Technician : 10 persons
- + Repairer, driver : 12 persons
- + Direct worker : 465 persons

9.2. Salary for employees :

- + General Director : US\$3000/month
- Deputy General Director : US\$500/month
- + Manager : US\$300/month
- + Technician : US\$200/month
- + Repairer, driver : US\$100/month
- + Direct worker : US\$100/month

10. Schedule of Investment implementation

- + Selection of machinery supplier and finalization of supplying contract : 01 month
- + Transportation : 01 month
- + Installation, adjusting, test operating : 03 months
- + Technology transfer and trial production : 04 months

- Duration of investment implementation : 12 months

11. Duration of the Joint - Venture :

Duration of Joint - Venture is proposed to be twenty (20) years. This duration can be extended by Vietnamese parties and foreign party upon mutual agreement subject to approval of competent authority of Vietnamese Government.

12. FINANCIAL ANALYSIS

1. INVESTMENT CAPITAL

Unit : USD

COMPONENTS		
A : FIXED CAPITAL		
1. Preparation cost		10000
2. Existing buildings and workshop		430000
3. Machinery and equipment		2170000
4. Technology transfer		500000
5. Transportation means		80000
6. Office equipment		10000
7. Other cost		20000
B : WORKING CAPITAL		
		980000
TOTAL		980000
INCLUDING :		
- LEGAL CAPITAL		1440000
- LONG - TERM LOAN		1960000
- SHORT - TERM LOAN		800000

2. PRODUCTION EXPENDITURE

Unit : USD

STT	YEAR	1st	2nd	3th	4th	5th
1	RAW MATERIALS	Investment	3961740	6933045	8913915	9904350
	MAIN RAW MATERIALS	Implemen-	3758900	6578075	8457525	9397250
	AUXILIARY MATERIALS	tation	202840	354970	456390	507100
2	FUEL		1740	3045	3915	4350
3	POWER		18746	32805.5	42178.5	46865
4	WATER		6100	10675	13725	15250
5	SALARY		345600	513000	651600	680400
6	SOCIAL INSURANCE		34560	51300	65160	68040
7	REPAIR AND MAINTENANCE		80700	80700	80700	80700
8	DEPRECIATION		369667	369667	369667	369667
9	LAND RENT		13460	13460	13460	13460
10	MANAGEMENT EXPENSE		58500	80000	93650	100898
11	ASSET INSURANCE		39550	63300	79170	87100
12	DISTRIBUTION COST		35381	35381	35381	35381
13	TECHNICAL ASSISTANCE		70000	70000	70000	70000
14	INTEREST		316000	273800	237600	198400
15	OTHER COST		280240	447040	559520	611750
16	SALES TAX		26400	46200	59400	66000
17	LOST OF PRECEDING YEAR			758384		
TOTAL			5658384	9026418.5	11289042	12352411

3- REVENUE

UNIT : USD

	FIRST	SECOND	THIRD	FOURTH	FIFTH
	YEAR	YEAR	YEAR	YEAR	YEAR
1. Sales from production of shoes		4400000	7700000	9900000	11000000
2. Sales from production of jackets		1200000	2100000	2700000	3000000
REVENUE FROM ANNUAL PRODUCTION		5600000	9800000	12600000	14000000
INVENTORIES AT THE BEGINNING OF YEAR		700000	1400000	1400000	1400000
INVENTORIES AT THE END OF YEAR		1400000	1400000	1400000	1400000
TOTAL REVENUE		4900000	9800000	12600000	14000000

4. LOSS/PROFIT ACCOUNT

UNIT : USD

	YEAR	FIRST	SECOND	THIRD	FOURTH	FIFTH
ITEMS	YEAR	YEAR	YEAR	YEAR	YEAR	YEAR
1 Revenue		4900000	9800000	12600000	14000000	
2 Total expenditures		5658400	9784800	11289000	12352400	
3 Gross profit		-758400	15200	1311000	1647600	
4 Income tax (21%)			0	3200	257300	346000
5 Net profit			0	12000	1035700	1301600
Financial rates						
a Turnover of working capital						
- Working capital			980000	980000	980000	980000
- Additional short-term credit				100000	300000	500000
- Turnover of working capital			5	9.07	9.46	9.46
b Net profit/Revenue (%)			0	0.12	8.22	9.30
c Net profit/Legal capital (%)			0	0.83	71.92	90.39
d Net profit/Total invested capital			0	0.29	24.66	31.00

MATERIAL AND OTHER INPUT REQUIREMENT
(For the year of stable production)

No		RATE	QUANTITY	UNIT PRICE	TOTAL (USD)
I	MAIN MATERIAL				
1	Upper shoe leather				4260750
	- Man shoe	2.2 pied/pair	500000 pairs	2.3 USD/pied	2530000
	- Woman shoe	1.505 pied/P.	500000 pairs	2.3 USD/pied	1730750
2	Lining leather				744000
	- Man shoe	1.00 pied/pair	500000 pairs	0.6 USD/pied &	400000
	- Woman shoe	0.86 pied/pair	500000 pairs	1.00 USD/pied	344000
3	Sole leather	0.4 kg/pair	500000 pairs	5 USD/kg	1000000
4	Plastic sole	1 pair	500000 pairs	1.2 USD/pair	600000
5	Leather	28 pied/piece	50000 pieces	1.8 USD/pied	2520000
6	Lining clother	17 pied/piece	50000 pieces	0.1 USD/pied	85000
7	Insole leather	0.15 kg/pair	500000 pairs	2.5 USD/kg	187500
	MAIN MATERIAL COSTS				9397250
II	AUXILIARY MATERIAL				
1	Sewing thread				15500
	- Shoe	25 m/pair	1000000 pairs	0.0005 USD/m	12500
	- Jacket	120 m/piece	50000 pieces	0.0005 USD/m	3000
2	Glue	0.025 kg/pair	1000000 pairs	4.8 USD/kg	120000
3	Oesir	12 piece/pair	1000000 pairs	0.002 USD/piece	24000
4	Nail	0.008 kg/pair	1000000 pairs	1.2 USD/kg	9600
5	Toepulf+backcounter	0.06 kg/pair	1000000 pairs	2.5 USD/kg	200000
6	Zipper	1 piece/piece	50000 pieces	1 USD/piece	50000
7	Last	5000 P/M.pairs	1000000 pairs	10 USD/pair	50000
8	Others				38000
	AUX. MATERIAL COST				507100
	TOTAL MATERIAL COST				9904350

5- BALANCE SHEET

UNIT : USD

ITEMS	YEAR				
	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR
A RECEIPTS	THUC	5880000	9800000	12800000	14200000
	HIEN				
1 1. Revenue	DAU	4900000	9800000	12600000	14000000
2 2. Contributed capital	TU				
3 3. Loan : - Short - term		880000	100000	200000	200000
- Long - term					
B EXPENSES		5735100	9819890	12415160	13761980
1 Cost of production and management		5000700	9092100	10622300	11718300
2 Interest to be reimbursed		316000	276800	237600	198400
3 Principal to be reimbursed		392000	392000	392000	392000
4 Preparation cost					
5 Fixed assets and office equipment					
6 Working capital					
7 Tax		26400	49390	334700	412000
8 Benefit to be divided		0	9600	828560	1041280
C INCREASED CREDIT AMOUNT IN THE YEAR:		144900	80110	384840	438020
- Credit at beginning of year		0	144900	234900	1448300
- Credit at end of year		144900	225010	619740	1886320

6. BREAK-EVEN POINT (FOR THE YEAR OF STABLE PRODUCTION)

UNIT : USD

1 Revenue	14000000
2 Total expenditures	12352411
3 Fixed expenditures	1047617
4 Variable expenditures	11304794
5 Revenue at break-even point	5441750
6 Break-even point (%)	38.87

7. CASH FLOW

7.1 AVERAGE USING-COST OF CAPITAL

	PERCENTAGE IN TOTAL CAPITAL (USD)	USING-COST OF EACH KIND OF CAPITAL	AVERAGE USING-COST
Owned capital	4200000	10 %	10.5 %
Long-term loan	1980000	10 %	
Short-term loan	800000	15%	

7.2 (DISCOUNTED) NET PRESENT VALUE

UNIT :USD

YEAR	INVESTMENT	GROSS VALUE	NET VALUE	DISCOUNT RATE	NPV
1	4200000	0	-4200000	1	-4200000
2		685000	685000	0.9050	619909.50
3		658500	658500	0.8190	539301.00
4		1640000	1640000	0.7412	1215505.74
5		1870000	1870000	0.6707	1254274.22
6		1870000	1870000	0.6070	1135089.79
7	1200000	1870000	670000	0.5493	368045.18
8		1870000	1870000	0.4971	929620.43
9		1870000	1870000	0.4499	841285.46
10		1870000	1870000	0.4071	761344.31
11		1870000	1870000	0.3684	688999.37
12	1200000	1870000	670000	0.3334	223403.38
13		1870000	1870000	0.3018	564279.50
14		1870000	1870000	0.2731	510660.18
15		1870000	1870000	0.2471	462135.91
16		1870000	1870000	0.2236	418222.54
17	800000	1870000	1070000	0.2024	218564.53
18		1870000	1870000	0.1832	342517.59
19		1870000	1870000	0.1658	309970.67
20		1870000	1870000	0.1500	280516.44
	7400000	32803500	25503500		17481645.733

7.3 PRESENT VALUE BENEFIT/PRESENT VALUE COST RATIO

UNIT : USD

YEAR	INVESTMENT	OPERATING COST	TOTAL COST	TOTAL BENEFIT	DISCOUNT RATE	PRESENT VALUE COST	PRESENT VALUE BENEFIT
1	4200000	0	4200000		1	4200000	0
2		4214300	4214300	4900000	0.9050	3813848	434389
3		9141500	9141500	9800000	0.8190	7486743	8026044
4		10957000	10957000	12600000	0.7412	8120912	9338642
5		12130000	12130000	14000000	0.6707	8136014	9390288
6		12130000	12130000	14000000	0.6070	7362909	8497998
7	1200000	12130000	13330000	14000000	0.5493	7322451	7690496
8		12130000	12130000	14000000	0.4971	6030105	6959725
9		12130000	12130000	14000000	0.4499	5457108	6298394
10		12130000	12130000	14000000	0.4071	4938560	5699904
11		12130000	12130000	14000000	0.3684	4469285	5158284
12	1200000	12130000	13330000	14000000	0.3334	4444727	4668130
13		12130000	12130000	14000000	0.3018	3860273	4224552
14		12130000	12130000	14000000	0.2731	3312464	3823124
15		12130000	12130000	14000000	0.2471	2997705	3459841
16		12130000	12130000	14000000	0.2236	2712855	3131078
17	800000	12130000	12930000	14000000	0.2024	2618990	2833555
18		12130000	12130000	14000000	0.1832	2221785	2564303
19		12130000	12130000	14000000	0.1658	2010665	2320636
20		12130000	12130000	14000000	0.1500	1819607	2100123
	7400000	218392800	225792800	251300000		93135004	100619507

PRESENT VALUE BENEFIT/PRESENT VALUE COST = 1.0804

7.4 INTERNAL RATE OF RETURN

UNIT :USD

YEAR	INVESTMENT	GROSS VALUE	NET VALUE	DISCOUNT RATE		NPV	
				R1=29,5 %	R2=29,6 %	For R1	For R2
1	4200000	0	-4200000	1	1	-4200000	-4200000
2	0	685000	685000	0.7722	0.7716	1528957.53	1528549.38
3		658500	658500	0.5963	0.5854	1392659.62	1392053.90
4		1640000	1640000	0.4605	0.4594	1753152.28	1753405.60
5		1870000	1870000	0.3556	0.3545	1664909.49	1662859.68
6		1870000	1870000	0.2746	0.2735	1513443.62	1511465.80
7	1200000	1870000	670000	0.2120	0.2110	1142054.89	1141398.50
8		1870000	1870000	0.1637	0.1628	1306163.37	1304513.53
9		1870000	1870000	0.1264	0.1256	1236419.59	1234964.14
10		1870000	1870000	0.0976	0.0970	1182563.39	1181299.49
11		1870000	1870000	0.0754	0.0748	1140975.59	1139891.59
12	1200000	1870000	670000	0.0582	0.0577	39003.84	38674.06
13		1870000	1870000	0.0450	0.0445	84062.90	83287.84
14		1870000	1870000	0.0347	0.0344	64913.44	64265.31
15		1870000	1870000	0.0268	0.0265	50126.21	49587.43
16		1870000	1870000	0.0207	0.0205	38707.50	38261.90
17	800000	1870000	1070000	0.0160	0.0158	17102.81	16892.88
18		1870000	1870000	0.0123	0.0122	23081.05	22780.15
19		1870000	1870000	0.0095	0.0094	17823.20	17577.28
20		1870000	1870000	0.0074	0.0073	13763.09	13562.71
						11883.42	-4706.83

IRR = 29.57 %

7.5 PAY - BACK PERIOD

	1st	2nd	3th	4th	5th	6th
TOTAL CAPITAL	4200000					
DEPRECIATION & AND NET PROFIT	0	685000	658500	1640000	1870000	1870000
CUMULATIVE	0	685000	1343500	2983500	4853500	6723500
DISCOUNTED RATE	1	0.9050	0.8190	0.7412	0.6707	0.6070
DISCOUNTED TOTAL CAPITAL	4200000					
DISCOUNTED DEPRECIATION AND NET PROFIT	0	619910	539301	1215506	1254274	1135090
CUMULATIVE	0	619910	1159210	2374716	3628990	4764080

THE THEORETICAL PAY-BACK PERIOD OF THE PROJECT IS NEARLY 5 YEARS

THE PAY-BACK PERIOD OF THE PROJECT TAKEN IN CONSIDERATION OF DISCOUNTED VALUE IS NEARLY 6 YEARS

13. ECONOMIC ANALYSIS

13.1. VALUE ADDED OF THE PROJECT

YEAR	1st	2nd	3rd	4th	5th
1. Value added (USD)	Invest. 722560	902500	2324760	3762040	
2. Present value added (USD)	imple- 653917	739148	1723112	2523200	
Present value added	menta-				
3. Total capital	tion 0.156	0.176	0.410	0.601	
Material consumption					
3. Value added		5.52	7.73	3.86	2.65

13.2. Employment and Employee's Income

YEAR	1st	2nd	3rd	4th	5th
1. Total number of employees		221	361	454	459
2. Total income of employees		309600	477000	579600	644400
3. Average income of employees		1400.9	1321.3	1276.7	1291.4
4. Inves. rate for 1 working place (for the year of stable produ)					8416.8 USD

13.3. CONTRIBUTION TO VIETNAMESE GOVERNMENT

Unit : USD

YEAR	1st	2nd	3rd	4rd	5rd
1. Sales Tax	0	26 00	46200	59400	66000
2. Income Tax	0	0	3200	275300	346000
3. Land rental	13460	13460	13460	13460	13460
4. Permitance tax	0	0	403	34800	43700
TOTAL CONTRI. TO VIETNAMESE GOVER.	13460	39860	63263	382960	469160

13.4. FOREIGN EXCHANGE BALANCE

Unit : USD

YEAR	1st	2nd	3rd	4th	5th
1. Total foreign exchange incomes	THUC	4838000	9338000	12006000	13340000
2. Total foreign exchange expendi.	HIEI	4227500	6749800	8759475	9224750
	DAU				
FOREIGN EXCHANGE BALANCE	TU	408500	2588200	3246525	4115250

14. ENVIRONMENTAL AND SOCIAL IMPACT

All activities of Joint-Venture comprising production, technology transfer, product distribution don't create any factor that would impact negatively to Vietnamese environment and society. In contrary, the operation of Joint-Venture can make positive impact on these aspects : creating a sound employment for labourers (499 persons) with relatively fair average income (US\$1291,4/year)

15. CONCLUSION ON FEASIBILITY OF THE PROJECT.

1. Joint-Venture for leather shoes and jacket being named GILINA-3T is feasible on financial aspect :

- Internal Rate of Return until the last year of the project being 29,57% (while capital cost and opportunity cost is only 10,5%) is very compromising.

- In the year of stable production (corresponding revenue is US\$14.000.000/year) break-even point is 38,87% , it means that the project has rather high financial security.

- Annually, (from the fifth year of operation) financial rates of Joint-Venture being:

+ Net profit/ Revenue: 9,3%

+ Net profit/total investment capital /31%

is relatively high in comparison with other projects invested in the same area of production.

- Theoretical payback period of Joint-Venture being nearly 5 years and payback period defining from discounted calculation (Present Value) being nearly 6 years is normal if compared with other projects invested in the same area of production

2. The project is feasible and positive on economic aspect :

- Annual Value added of the project is equivalent to more than 60% of total investment capital.

- The project provides 499 working places for Vietnamese labourers in the year of stable production, not mentioned the employment created by "input" suppliers and "output" distributors due to this project.

- Annually, the project contributed to the budget of Vietnamese Government a significant figure : US\$469,160.

16. RECOMMENDATION

Basing on the feasibility on all aspects : financial, economic, social and environmental of the project, the parties hereto respectfully propose State Commission for Cooperation and Investment (SCCI) and competent Vietnamese Authorities to consider and issue Investment License so as the Leather Shoes and Jacket Joint-Venture GILINA -3T can be established and the parties can develop promptly necessary activities to put the Joint-Venture into operation.

Hanoi, 10 January 1993

HANOI EXPORT LEATHER SHOES FACTORY

PROPOSER



GIÁM ĐỐC

Phạm Quốc Mạnh

Phạm Quốc Mạnh

PHAM QUOC MANH

DANH MỤC THIẾT BỊ MACHINERY LIST

Công suất : 1.000.000 đôi giày/năm
50.000 áo /năm

Capacity : 1.000.000 pairs/year
50.000 pieces/year

STT Item	Ten thiết bị Description	Số lượng Quantity
A. Phòng mẫu - Model department		
1	Máy nhàn cờ Auto.grading M/C table 500x500	1
2	Patterns - Máy cắt dương Patterns cutting M/C	1
3	Patterns - Máy cắt dương có tạo góc Pattern beading MC	1
4	Máy dệt tán rive Treadle machine with long arm	1
5	Máy lấy áo nòng chom có hẹn giờ Last - forming mould with timer	1
6	Máy kiểm tra độ kéo đứt Tensile tester	1
7	Máy kiểm tra độ bẻ uốn Bending tester	1
8	Máy mài bề mặt da mu Crook meter	1
9	Máy đo độ bền uốn Flexing resistance tester	1
10	Máy kiểm tra độ bền Use meters ref "Ig.abr.din"	1
Tổng giá trị : USD 76.000 Total : USD 76,000		10

STT Item	Tên thiết bị Description	Số lượng Quantity
B. Phân xưởng pha cắt - Cutting department		
1	Máy chạt thủy lực có đầu trượt di động Cutting press with movable trolley	1
2	Máy đẩy nguyên liệu 1600 mm Auto. al-feeder hand disconnection roll	2
3	Giá đỡ cuộn nguyên liệu 8 chỗ Roll holder 8 places 1500 x 1600	2
4	Máy chạt thủy lực có cần quay Clicking press table turn : arm	14
5	Máy chạt thủy lực Tiệp Tsechsko - clicking press	1
6	Máy cắt vải vòng Round cutting machine	1
7	Máy cắt vải cầm tay Handle cutting machine	1 -----
Tổng giá trị : USD 81.757 (Đã lắp đặt sẵn)		
Total : USD 81,757 (installed)		

STT Item	Tên thiết bị Description	Số lượng Quantity
C. Phân xưởng may - Stitching preparation department		
1	Máy bàn 1 kim Flatbed 1-needle sewing MC	52
2	Máy bàn 2 kim Flatbed 2-needle sewing MC	12
3	Máy trụ 1 kim Single-needle postbed sewing MC	48
4	Máy trụ 2 kim 2-needle postbed sewing M/C	36
5	Máy zigzag Zigzag sewing M/C	12
6	Máy dầy da Skiring M/C	16
7	Máy ống viền Binding sewing MC	10
8	Máy sửa đế Đức Single needle shoe repairing MC	2
9	Máy đính ô dè Eyelet fastening MC	3
10	Máy in số Stamping MC	3
11	Máy lạng da Leather equalizing MC	1
12	Máy ép pho nóng Heat pressing MC for counter	1

STT Item	Tên thiết bị Description	Số lượng Quantity
13	Máy quét keo Cementing MC stell roll	4
14	Máy quét keo latex Latex glueing MC	2
15	Máy lạng da mũ vạn năng El. universal splitting MC	2
16	Máy gấp mép nhiệt Thermo-folding for uppers	4
17	Máy đặt băng tăng cường Reinforcing applying MC	2
18	Máy xén lót Trimming MC for lining and uppers	4
19	Máy dán mũ và lót Upper lining coupling MC	4
20	Máy in lót mặt Pnen sock stamping MC	2
21	Máy đục lỗ ô dè Making hole machine for lacing shoe	2
22	Băng chuyền may mũ Complete electric conveyer for uppers	2
23	Bàn vạch dấu chuẩn Marking table for upper stamping stich line	2
Tổng giá trị : USD 667.793		----- 226
Total : USD 667,793		

STT Item	Tên thiết bị Description	Số lượng Quancity
D. Phân xưởng gò ráp - Lasting department		
1	Máy gá đế trong Pneumatic insole nailing MC	2
2	Máy tạo hình pho hậu Back part monlding MC	2
3	Máy sấy mũ và pho mũi Heating MC for upper and toe puff.	2
4	Máy gò 9 ngoàm kẹp Pulling over and lasting MC 9 pincers	2
5	Máy gò mang Side lasting MC	2
6	Máy gò hậu bằng đinh Heel seat lasting MC with nail and tool	2
7	Máy là ổn định nhiệt trên băng tải Ironing stabilizing MC with conveyor	2
8	Máy đập phẳng chân gò Shoe bottom pounding for man upper	2
9	Máy đánh nhám có hút bụi Scouring MC with aspirator	2
10	Bàn quét keo có hút khí Glueing table with aspirator	4
11	Máy quét keo đế Sole cement reactivating MC	2
12	Máy ép đế vạn năng Universal sole pressing MC	2

STT Item	Tên thiết bị Description	Số lượng Quantity
13	Máy tháo phom Oil dynamic last slipping MC	2
14	Máy là giày phun hơi nước nóng Ironing MC with air hot steam digi temper	2
15	Buồng phun hơi nước có màn che Water spray cabinet one veil	2
16	Máy mài có hút bụi Brushing MC with aspirator	2
17	Máy quét keo Glueing MC for sock with late	2
18	Thiết bị là tự động có 2 bàn là Auto. ironing aparatus with 2 flat irons	2
19	Máy in hộp điều khiển bằng hơi Box making MC pneumatic command	2
20	Dây chuyền gò lắp ráp Complete el.conveyor for lasting dot.	2
21	Máy khâu diều Blake Blake sole sewing MC	1
22	Máy xẻ rãnh đế Channeling MC	1
23	Dụng cụ mở rãnh đế Channel opening device	1
24	Dụng cụ đóng rãnh đế Channel closing device	1
25	Máy khâu giả giày mocasin Mocasin imitation sewing MC	1
		----- 47
Tổng giá trị : USD 556.060		
Total : USD 556,060		

STT Item	Tên thiết bị Description	Số lượng Quantity
E. <u>Phân xưởng sản xuất đế và gót - Sole and heel making department</u>		
1	Máy xay đế sơ bộ Soles pretrimming MC	1
2	Máy đột dập chặt đường Nibling MC for iron plate	1
3	Máy đóng đinh gót Pneu. automatic heel nailing MC for soles factory	1
4	Máy lạng da đế Equalizing MC for leather soles	1
5	Máy đánh nhám và làm phẳng đế da Auto. roughing and equalizing MC	1
6	Máy mài có hút bụi Brushing MC with aspirator	1
7	Máy ép dán gót hơi Pneumatic press for normal heel	1
8	Máy quét keo hai mặt đế Cementing MC with flex, roll for double side	1
9	Máy bán tự động đục lỗ và khoét cửa khâu gót Semiauto. MC suitable to make hole and heel breast	1
10	Máy làm cong chân đế Machine for arch of foot	1
11	Máy mài phẳng gót Ironing heel MC	1
12	Máy in đế, gót và cho đế bán thành phẩm Marking MC for sole and heel for prefinished sole	1
Tổng giá trị : USD 138.200 Total : USD 138,200		<hr style="width: 50%; margin: 0 auto;"/> 12

STT Item	Tên thiết bị Description	Số lượng Quantity
G. Phần xưởng may áo - Garment department		
1	Máy hai kim có xén chỉ Double needle sewing MC combined with shaving MC	25
2	Máy may hai kim Double needle sewing MC	5
3	Máy chẹt Clicking press	2
4	Máy xén Trimming MC	2
5	Máy tán ó dè tự động Automatic eyeleting MC	2
6	Bàn cắt 2000x3000 Cutting tables 2000x3000	15
7	Bàn cắt lót Linning tables 5000x1200	40
8	Bàn cắt bằng đá Marble tables 1000x500	15
9	Bàn thường Table	15
10	Dụng cụ dao kéo đặc biệt Special scissors-knives apparatus	50
11	Máy là chuyên dụng Special ironing MC	4
12	Máy là Ironing MC	4
13	Thước nhân cỡ Pantograph Pantograph	1
Tổng giá trị : USD 465.190 Total : USD 465,190		----- 180

- H. Phụ tùng thay thế : USD 137.000
Spare parts : USD 137.000
- I. Lắp đặt chạy thử : USD 50.000
Installation, maintenance : USD 50,000
- K. TỔNG GIÁ TRỊ TOÀN BỘ : USD 2.172.000
TOTAL AMOUNT : USD 2,172,000

Trong đó :
In which

- * Thiết bị đã lắp đặt tại chỗ: USD 212.000
Local installed machinery: USD 212,000