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OCCASION

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Govt. Regd. No. 18337/043

Mailing Address:

G. P. O. Box - 1578
Kathmandu.

93/079

f. No.

Date:

R E P O R T

Introduction

We at Yeti Pharmachem Distributors, Bag Durbar, Sundhara, Kathmandu, Nepal are promoting for a Pharmaceutical factory to be constructed at Hetauda, Nepal by the name of **Bel Medical Products** and was looking for the Joint Venture. With the Co-operation/United Nations Industrial Development Corporation, we participated /of in the Nepal Investment Forum organised by His Majesty's Government of Nepal, UNDP & UNIDO in November 30-December 4, 1992 in Kathmandu, Nepal. In that Forum we had signed the Letter of Intent with Sichuan Designing Institute of Pharmaceuticals, Chengdu, China for the establishment of new Pharmaceutical factory of total investment of US \$ 0.65 million at Hetauda, Nepal. The Letter of Intent was as follows :

Yeti Pharmachem Distributors (First Party)

We agreed to provide all necessary information for the establishment of new Pharmaceutical factory at Hetauda, Nepal. We will take 95 % of Equity share and go to Chengdu to sign the formal agreement at the earliest suitable time after getting the Preliminary brief report.

Sichuan Designing Institute (Second Party)

We will provide the project proposal and share 5 % Equity of Fixed assets. We will design the new factory and buy equipment, construction materials, train technical personnel, provide technology transfer and complete the trail production with mutual Co-operation with you.

According to the Letter of Intent, we received the Invitation from second party and went to visit Chengdu, China with the assistance of UNIDO.

Roshanwarthy

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Date:

Body

At Chengdu, China we had discussion on the project proposal by Sichuan Designing Institute of Pharmaceuticals. Contrary to our proposal of Total Investment of U.S.\$ 0.65 million they handed over the proposal of US \$ 2.0 million with hard ware of US \$ 1.737 and soft ware of US \$ 0.263 million, which is attached herewith. That proposal was much more bigger than our expected project. We explained the condition of our developing country Nepal, the reason for going in smaller scale industry as per the country's low per capita income, the technology we wanted to use etc. After that discussion they prepared another smaller project which was of US \$ 0.948 million with hardware of US \$ 0.757 million and software of US \$ 0.191 million. Both the quotation does not include cost of Land as well as working capital where as in our feasibility report we had included total fixed assets and working capital also in the US \$ 0.65 million.

At Chengdu the First party had got the opportunity to visit different pharmaceutical factory such as First Pharmaceutical Factory of Chengdu, Chengdu Pharmaceutical Factory No-2, Chengdu No 4 Pharmaceutical factory, Sichuan Pharmaceutical Plant etc. The fruitful discussion was also made with Deputy Director Mr. Xu Kuan-Ning of Sichuan Provincial Pharmaceutical Administration.

Finally, the First party gave the proposal to reduce the total project cost or increase the percentage of equity or to provide the soft loan by the second party. The second party assured the first party to give the detail work out in that aspect also in near future.

Conclusion

The second party had their plan to establish the new factory in High-tech way and charging very high amount for the software also, while the first party has plans to establish in low cost as the other existing pharmaceutical factory operating in the country. Due to this differences in opinion both party could not reach in final agreement. But/the above mentioned proposals will be worked out then there is a great chance for the joint venture between two parties.

/if

Roshan

Chapter 1. General Introduction of the project

1. Brief introduction: The final outputs of the project pharmaceutical factory will be :

- 75 million tablets per annum
- 15 million capsules per annum
- 3 million bottles of syrup per annum
(of 10 to 200 ml/bottle),

and the manufacturing of 22 kinds of products, at the estimated of 300 working-day at 8 hours work-shift.

2. Scope of the quotations:

2.1. Soft-wares part: The relevant documentation including:

- Engineering design
- Personnel Training
- Construction of the building at-site
- Inspections
- Management
- Trial & start-up operation of production, etc.

2.2 Hard-wares part: Civil and construction building include:

- Infra structure and facilities
- Water supply/drain systems (but not the waste treatment)
- Fire extinguish system
- Electric supply
- Ventilation
- Dust collecting (filtering)
- Biochemical analysis

*

The above quotation is not include the following items:

- The preparative work for plaining the land for factory building
- The geographical surveys
traffic means
- office accomodations
- raw, auxiliary, packaging and finished product warehouses.
- The water/electricity supply pipeline, sewage and road beyond the boundary of this project.

3. . Scope of the provision:

- 3.1. Detail specifications of the production and the instruction manual for the workers.
- 3.2. Documentations concerning with the quality control and analytical methods for the bulk and auxiliary material
- 3.3. The quality specification and analytical method for the finished products
- 3.4. Instruction manuals of the analytical instrument
- 3.5. Detail process control manuals for the key-steps for manufacturing products.
- 3.6. Documents of Engineering design of this project, including the planning design and work-up design

Chapter 2. Quotations

1. Hard-wares:

1.1 Factory construction structure:

This project comprises a 2-storey factory building.

The axis line of the factory: 12 x 33 metres and covers of an area of around 800 sq. m. The height of the factory building is 4.8 m, and 3.0 meter of height for those which need clean air system.

Construction cost was calculated at the rate of US\$ 400.--/sq.m.

Quotation of the construction building is US\$ 320,000.--

* Attached document: General plan of the building

1.2 Process equipment:

The process equipment of this project include:

Tabletting machines

Capsule filling machines

Syrup filling facilities and the necessary

Auxiliary equipment

Total amount to 41 sets of equipment.

Quotation of the process equipment is US\$ 178,000.-- (including freights, insurance, installation & pipe-line material).

* Attached document: List of equipment

1.3. Ventilation, dust collector and clean-air system:

The cleanliness of the production area levelled to 100,000 grade with no special requirement on temperature & relative humidity.

Total amount of equipment 85 sets

Quotaion of these articles is US\$ 99,000.-- (including freights insurance, installation and pipe-lines).

* Attached document: List of ventilation, etc.

1.4. Water supply / drain system (including fire extinguish)

Total quantity of equipment for this part is 40 sets.

Quotation is US\$ 31,000.-- (including freights, insurance, installation and pipe-lines).

* Attached document: List of the equipment needed for water supply / drain system etc.

1.5. Electricity:

Quotation of the electricity supply articles in this project is US\$ 45,000.--

* Attached document: List of the electricity supply articles

1.6. Analytical equipment:

Quotation of this part of equipment, including 80 sets of articles is US\$ 84,000.-- (including freights, insurance, installation & adjustment)

* Attached document: List of the analytical equipment

Sub total quotation of the hard-wares is US\$ 757,000.--

2. Soft-wares:

2.1. Technical KNOW-HOW : US\$ 65,000.--

2.2. Personnel training fee : US\$ 22,000.--

2.3. Engineering design : US\$ 61,000.--

2.4. Technical service (Senior Eng.) US\$ 25,000.--

2.5. Trial operation : US\$ 18,000.--

Sub total quotation of the soft-wares is US\$191,000.--

General Total quotation of Soft- and hard-wares is:

US\$ 948,000.--