



**USAID | AFGHANISTAN**  
FROM THE AMERICAN PEOPLE

## **Financial Access for Investing in the Development of Afghanistan (FAIDA)**

Date: 03 June 2013

Creator: Business Planning Team/ Windrock Group



## **Business Plan: Kabul Packages**

Name: Abdul Ghafoor  
Title: President  
Company Name: Kabul Packages  
Address: Bagrami, Industrial Park  
City: Kabul Afghanistan  
Tel: +93 (0) 799 33 00 22  
Email: kabulpackages786@yahoo.com

Name: KC Lawler  
Title: CEO  
Company Name: Windrock Group  
Address: 1085 W. Pleasant Drive  
City: Prescott, AZ  
Tel: +93 (0) 798 168 456  
Email: kclawler@windrockgroup.com

# Table of Contents

<b>EXECUTIVE SUMMARY .....</b>	<b>2</b>
<b>COMPANY OVERVIEW .....</b>	<b>3</b>
COMPANY INFORMATION .....	3
MANAGEMENT DIRECTORY .....	3
COMPANY HISTORY .....	4
PAST ACCOMPLISHMENTS .....	5
OWNERSHIP HISTORY .....	5
COMPANY UNIQUENESS .....	6
COMPANY ORGANIZATION .....	7
MANAGEMENT TEAM .....	8
<b>MARKET ANALYSIS .....</b>	<b>13</b>
MARKET OPPORTUNITY .....	13
MARKET FACTORS.....	14
COMPETITIVE ANALYSIS .....	15
PACKAGING MARKET .....	17
<b>INDUSTRY.....</b>	<b>19</b>
LOCAL INDUSTRY ANALYSIS.....	19
INDUSTRY SALES .....	20
AREA LOCATION .....	21
EMPLOYMENT OPPORTUNITIES.....	22
<b>EXTERNAL FACTORS .....</b>	<b>23</b>
GOVERNMENT REGULATIONS.....	23
INFLATION FACTORS.....	23
MARKET TREND .....	24
ANALYSIS .....	24
<b>EXPANSION PLAN .....</b>	<b>25</b>
INVESTMENT PLAN.....	25
NEW EQUIPMENT CHARACTERISTICS.....	26
NEW EQUIPMENT BUDGET.....	28
BUDGET ANALYSIS .....	28
<b>FINANCIALS .....</b>	<b>29</b>
ANALYSIS OF INCOME STATEMENT .....	29
ANALYSIS ON BALANCE SHEET .....	29
ANALYSIS ON DEPRECIATION CALCULATION.....	31
ANALYSIS ON CASH FLOW STATEMENT.....	31
RATIO ANALYSIS .....	33
<b>PROPERTY CERTIFICATION.....</b>	<b>34</b>
<b>ANNEX 1-NEW MANUFACTURING EQUIPMENT .....</b>	<b>35</b>
<b>ANNEX 2- EXISTING MACHINERY AND FACILITY.....</b>	<b>38</b>

## *Executive Summary*

Windrock Group is a business strategy consultancy firm that has been engaged by Kabul Packages Company to improve their perspicacity in business, to understand the opportunity in a situation where making a better planning decision now is likely to lead to a more desirable outcome long term as the private sector development begins to take hold in Afghanistan. Kabul Packages Company is in a high demand industry as the economy grows, box packaging will and is the single most important product used by manufacturers, agricultural growers, retailers or wholesalers who will operate in Afghanistan.

An investment of \$3 million dollars to purchase modern box packaging equipment will increase Kabul Packages production line capacity, giving them a larger market share of the already high domestic demand. This will also allow for the development of new box products for different industries, creating long-term jobs for men and women. At this moment, the imported box packaging products are monopolizing the domestic market, which stands at a record-breaking level of 80 million box-packaging products a year now imported for domestic sale inside of Afghanistan with most purchased and used by the food, beverage and agricultural sector

The rationale is simple; develop the capacity of the domestic box manufacturing industry to compete with the already huge number of imported products, which are robbing the domestic environment from any financial benefit. The challenge is minimal, the business is existing, and is profitable now, the domestic usage market is in place, there is no need to export the product to generate sales, the jobs will be easily filled and it will create community building as people who work, spend money on living sustenance.

This expansion project addresses all of the socio-economic aspects of development needed to create a domestically stable environment. If this is not important than what is? This project focuses on the social impact of economic change, socioeconomic impacts includes new technologies, which is achieved through bringing in new manufacturing equipment to a region desperate for growth and ripe with opportunity. In any population, the development of jobs creates change in terms of purchasing decisions and in the way in which the population chooses to spend their money and time. Although harder to measure, the changes in less-tangible factors should be considered such as personal dignity, freedom of association, personal safety and freedom and the extent of participation in civil society, providing funding to create these changes is imperative to the development of any culture.

## Company Overview

Company Name: Kabul Packages

Industry: Packaging

CEO: Abdul Ghafoor

Phone: +93 (0) 799 33 00 22

Email: [kabulpackages786@yahoo.com](mailto:kabulpackages786@yahoo.com)

[www.website.com](http://www.website.com)

Address: Bagrami, Industrial Park Kabul Afghanistan

### Revenue to Date:

2010: \$ 1.6 mil

2011: \$ 2.0 mil

2012: \$ 1.6 mil

### Funding Amount:

Loan: \$ 2,165,000

Grant: \$ 900,000

Equity: \$ 400,000

### Collateral:

Property: \$8,000,000

Machinery: \$200,000

### Investment:

Start up: \$ 300,000

Earnings: \$ 8,637,264

Balance: \$ 8,937,264

## Company Information

- Company name: Kabul Packages Company
- Date of formation: 2000
- Legal structure: Limited Liability Company
- Office location(s): Bagrami-Industrial Area, Kabul Afghanistan

## Management Directory

- Name – President : Abdul Ghafoor
- Name - Vice President : Mohammad Yosuf

## Current Revenue

Box packaging is calculated and priced globally in boxboard square meter. Kabul Packages has a daily sales capacity and volume of 5,000 boxboard square meters, at an average selling price of USD \$1.19 per square meter, (price average of 4 sizes) which works out to USD \$5,975 a day in sales volume; this translates into USD \$149,375 a month based on a 25 day month. Sales are broken down into different categories of sizes based on thickness:

- 3 ply - \$0.85 – represents 50% of the monthly sales
- 5 ply - \$1.00 – represents 47% of the monthly sales
- 7 ply - \$1.20 – represents 2% of the monthly sales
- 9 ply - \$1.40 – represents 1% of the monthly sales

## *Company History*

Kabul Packages Company has been registered with AISA in Kabul, Afghanistan since the year 2000 under the license No D-1230. The company started its activities from a preliminary start up stage with production at a lower capacity level compared to the existing packaging companies who were operating in Kabul. Since that time, Kabul Packages has grown their production level year in and year out by developing a better product with a loyal client base and has now surpassed the other packaging companies' capacities.

In the early stages of growth Kabul Packages was limited in production and could only produce three different types of cardboard box products but as the company management learned the cardboard box industry they were able to address the needs of clients. They have now grown their production line to produce five different type box products based on those customer demands in different industries and the ever growing demand in the local market as other businesses also needed box products.

Initially Kabul Packages Company did not have enough capacity and couldn't purchase the needed raw materials directly from the overseas paper supplier who had a minimum quantity level, so they were forced to purchase the materials from a middleman who imported from abroad, but as of now their manufacturing capacity has quadrupled which has allowed them to purchase directly from international paper companies in Switzerland and Australia this has had an enormous impact financially on the bottom line.

As they grew capacity, they learned to increase the quality of their product line and were able to successfully capture a larger share of the box market in Afghanistan. They provide customers with more options through a defined stable pricing structure, due to better purchasing power and a varied level of quality box products, whereas the competitors who had been operating in the same line of business for a longer period had not developed there manufacturing process the same, leaving the market to search for better products as demand grew, giving Kabul Packages an edge to expand on.

Now that the Kabul Packages Company has reached a level of growth to sustain a larger operation, they are supplying raw box material to smaller box companies operating in different districts and provinces in Afghanistan. Under contract, these smaller independent operations are buying their required supply items to produce boxes for their local customers, satisfying the demand for higher quality products.

Currently Kabul Packages Company has the capacity of producing 5,000 cartons on daily basis in their Kabul manufacturing plant in Bagarmi, but they also help the smaller provincial operations produce another 1000 cartons a day or more. Kabul Packages Company is equipped with old manual box making machinery which had been imported from China and India in the year 2000. Initially they invited the technicians from Pakistan to maintain and adjust the machineries for production, but over time the management of company has obtained the knowledge to be able to repair and adjust the machines and no longer require outside technical assistance.

Over the years the staff at Kabul Packages has grown from 22 to 67 staff members. They have all been trained by international mentors who have been invited from Pakistan and India to provide an increased knowledge of box manufacturing processes, they also get training from a capacity building team who specialize in teaching the latest industry standards, keeping the staff updated on the most current packaging industry information.

## *Past Accomplishments*

For many years the only way Afghanistan farmers and producers, especially the dry nut & fresh fruit companies, could move products was to pack their goods in wood crates, that was the dominant box type packaging available, but in the year 2000, that changed, with the establishment of Kabul Packages, who identified a market need and could satisfy that need by providing the business community an alternate more affordable product, the innovation of cardboard boxes came into existence in Afghanistan and companies could now pack their goods using heavy cardboard box cartons instead of wood crates. Kabul Packages immediately attracted customers by delivering an alternative more cost effective shipping box for the Afghanistan business community.

In 2008 – 2009 the UNDP had the first presidential elections and imported heavy box cartons and voting screens from Germany but for the second round UNDP had found Kabul Packages and approached them to provide over one hundred thousand heavy box cartons and voting screens to UNDP for the parliamentary and presidential elections, after being provided a sample from UNDP, Kabul Packages was able to duplicate identically the voting boxes and screens for the election committee. They satisfied the authorities that Kabul Packages Company was able to prepare the required cartons and vote screens to specification in Afghanistan.

From 2007 up to 2011 – Kabul Packages Company was asked to prepare special boxes for the Ministry of Education; this was a heavy nine ply box to be used for the shipping of school text books. Kabul Packages prepared over a hundred thousand of these type box cartons for UNICEF to pack the Ministry of Education School's textbooks. Kabul Packages Company has been approached over the years to make several unique box cartons for different purposes; they also produce a variety of box cartons for the business community that need packages for their goods.

Initially the Kabul Packages Company was producing two types of carton 3 Ply and 5 Ply but as the company grew and the market demand increased the company adapted, they now manufacture five different products for their customer base, all to specification

1. 3 ply
2. 5 ply
3. 7 ply – due to poor equipment adding in more sheets allows for better rigidity
4. 9 ply - due to poor equipment adding in more sheets allows for better rigidity
5. Multiple shapes using die cutting

## *Ownership History*

In 1983 at the age of 19 years old Abdul Ghafoor established a shoe factory, one of the first in Kabul, but after realizing the shoe industry was not going to mature because the Russian back government stagnated the growth of the economy, he sold it. As the economic situation worsened, Mr. Ghafoor immigrated to Pakistan, where he found the reverse happening in Pakistan, it was booming, so he became one of the main suppliers for spare parts and raw materials exporting from Pakistan to Afghanistan for the manufacturing companies who still operated in Afghanistan, this import/export operation continued from Pakistan until mid-1993 when Mr. Ghafoor set his eyes on a new opportunity.

By 1993 Abdul Ghafoor had tested his export business skills and realized there was a better opportunity in Afghanistan, with an abundant amount of high quality fruits and nuts that were land locked with nobody pursuing outside markets, he began an export business from Afghanistan through Pakistan to specialty clients in London. In this export business he required a large amount of box cartons and could only order and purchase them from Pakistan companies, as there were none being manufactured in Afghanistan at this time. It did not take long for him to realize that not only did his export business need box cartons for shipping but every other business needed them to, and he soon found that Pakistan was providing close to 40 million cardboard boxes a year into Afghanistan for export shipping and domestic shipping within the country.

While running his export business he developed an idea to create a domestic box packaging company inside Afghanistan, to not only serve his own needs and reduce his cost but to also service and supply his own countrymen who were being dependent on finished cardboard box cartons produced in Pakistan. Abdul Ghafoor took the initiative, investing his own funds as there was no bank system per say at the time, and he established Kabul Packages Company in 2000. Soon others saw the opportunity and there were five more packaging companies established in Kabul within a few years. Because Mr. Ghafoor had been in the export business and had to buy and use box cartons, he understood the quality needed for the export businessmen and he produced a higher quality box than his competitors and in a volume capacity that kept the clients coming back. Looking to the future Abdul Ghafoor hired a foreign consultant to help him in the management of the company and guide him in the newer corrugated box manufacturing techniques; the company soon reached its manufacturing capacity and achieved sustainable customer satisfaction by providing higher quality products. Since the establishment and success of Kabul Packages, the owner Mr. Abdul Ghafoor, has gone on to open three more companies in Kabul over the last 5 years. They are all are joint venture companies with investors who own a (40%) forty percent stake in each company. They are all AISA Licensed and operating under the names of Right Choice Construction Company, Mahtap Furniture Production and Istanbul Restaurant, all three turn as good profit.

### *Company Uniqueness*

Kabul Packages Company has evolved over the past 13 years due to the forward thinking of Mr. Abdul Ghafoor, he realized that bringing in modern techniques to his plant in Afghanistan would not always be easy, and would require training for his staff to adapt to, so he endeavored to bring in outside experts from either Pakistan or India to provide training on a continued basis. This has provided the Kabul Package Company a substantial edge in the market, not only did he maintain a good packaging production staff, he also found his competitors staff were always trying to apply for positions at his facility.

Annually the company invites the international experts to come provide support training in the handling of paper to make better corrugation products used in box manufacturing, providing the latest quality standards, and keeping his facility updated on the latest industry techniques.

Kabul Packages Company went against the normal local import avenues and looked beyond Pakistan to obtain his raw material. Today Kabul Packages imports the highest quality paper stock from International paper companies located in the Netherlands, Sweden, Australia, and USA by doing so; this has resulted in a better box packaging production, which has produced a higher quality of box products being made. Kabul Packaging is known today for achieving client expectations.

Afghanistan has suffered over the years from having poor infrastructure, mainly electricity, and power is the one eminent need for any manufacturing facility, Kabul Packaging Company has been outfitted with four generators with a large enough KVA output to provide uninterrupted power for days at a time, making Kabul Packages one of the few stable production facilities in Kabul.

Over the past 13 years Mr. Abdul Ghafoor has utilized his success to pay for all of his property, buildings and equipment creating a debt free company that operates with a positive cash flow. This allows him better leverage when it comes to purchasing power for raw materials; he negotiates a better pricing structure with his international suppliers who give him preferential treatment making his box production costs lower.

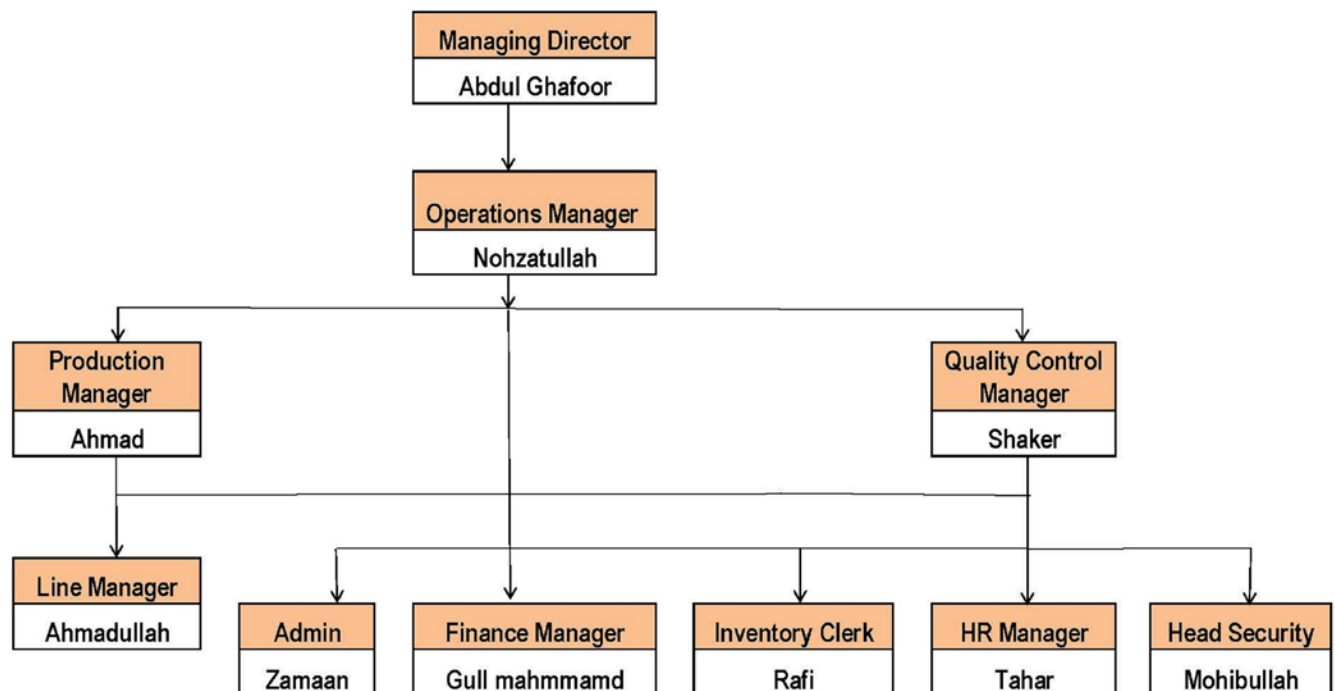
Kabul Package Company has a number of unique qualities as a business and has proven to be a true business model for what is possible for the private sector growth providing the right management and ownership is in place with the proper vision and determination.

### *Company Organization*

Kabul Packages Company has developed stable management with experience, training and expertise in the box packaging industry making them successful in

#### **KABUL PACKAGES COMPANY**

#### **COMPANY ORGANIZATIONAL CHART**





## *Management Team*

<b>Name: Abdul Ghafoor -</b>	
Title	CEO & Managing Director
Time with Company	13 years / Founder
Responsibilities	The chief executive officer / managing director is the most senior full-time executive of the Kabul Packages Company. There are no boards of Directors. Over the years, he has formulated and successfully implemented Kabul Packages policies to include directing strategy to achieve profitable growth of his company. He spent time early on developing sound company operating plans, that reflect his longer-term objectives and priorities he set. He has adopted adequate operational planning and financial control systems. He closely monitors the operating and financial results against his budgets daily. He has represented his company to major customers and professional associations since day one and has built and maintained an effective team over the years

<b>Name: Nohzatullah –</b>	
Title	Operations Manager
Time with Company	3 years
Responsibilities	Being the operations manager for 3 years has made him responsible for all the activities in Kabul Packages as they contribute to an effective box line production. He understands the CEO's strategic objectives and clearly envisions the goals of the company. Operationally he achieved the company goals through performance objectives, product quality, production speed, and cost control. Over the years he developed operational strategies using a set of guidelines that are align with the company's long-term goals. Due to the numerous decision-making involved his daily responsibility; he found it critical to design the operation's processes in determining the physical form, shape and composition of the box products. He is involved in deciding what the operations resources should be doing and making sure that it is done, continually monitoring and improving the overall performance of Kabul Packages operation.

## *Management Team*

<b>Name: Gull Mohammad –</b>	
Title	Finance Manager
Time with Company	3 years
Responsibilities	As the Finance Manager for the past 3 years, he has prepared the company's annual budget and financial forecasting to streamline cost at Kabul Packages Company. He has achieved the CEO's financial objectives by designing policies and procedures to facilitate internal financial control. He provides the CEO with a quarterly summarization of the financial position to reflect the company's income, expenses, capital usage and cash flow. He uses this financial information to forecast the purchase of raw material to be sure the stock inventory is at the right level to meet box production, in essence having effective cash flow management. He works with the Kabul Packages customers to get control of overdue accounts, reconciles the bank statements, sorting out the discrepancies and handles payroll issues. He monitors the companies budgets, comparing them with actual cost and revenues related to production and capital. Recently Kabul Packages Company's CEO sent him to get educated about the new Afghanistan tax rules, so now he is responsible for the filing of tax returns on a quarterly basis for income tax assessment.

<b>Name: Ahmadullah Ahmadzai –</b>	
Title	Production Manager
Time with Company	10 years
Responsibilities	Has started working at Kabul Packages 10 years ago as an equipment operator but has become the company's production manager, successfully managing a staff of 85 men to accomplish the company's manufacturing goals. He understands material management and quality control while meeting daily production targets. He continually reduces equipment downtime through proper day-to-day maintenance service scheduling. He has implemented safety procedures to reduce accidents. He ensures all customer orders are handled promptly on a production delivery schedule. Works with finance manager to establish quarterly budgets for estimating production costs that do not exceed sales and the production is cost effective for the company. He has established various equipment-training programs, with consideration of the production process to enhance employee skills.

## *Management Team*

Name: Ahmadullah –	
Title	Quality Control Manager
Time with Company	9 years
Responsibilities	Has been an active staff member at Kabul Packages for 9 years holding a variety of different positions, he has developed good sound quality assurance techniques with a keen attention to detail, supervising the identification and recommendation of alternate raw materials when needed. He has the ability to analyze production quality making his role at Kabul Packages very critical. He has developed an expertise in streamlining operations and increasing efficiency, he is very helpful in improving overall product quality of the company.

Name: Mohammad Shaker –	
Title	Line Manager
Time with Company	10 years
Responsibilities	As a Line manager at Kabul Packages Company, he has learned to run a shift and provide clear guidance, instruction and advice to other staff member. Promoted from within, he learned his management skills over the past 10 years of employment at Kabul Packages. He is accessible to the management and has a responsibility to the higher-level management for those employees working on his production line. He has the day-to-day people management on the production line. He provides technical expertise for equipment during production periods. He has the task of meeting the day-to-day production volumes for customer orders. At Kabul Packages Company, as the line manager, he carries out activities that have traditionally fallen within the role of HR such as providing coaching and guidance, undertaking performance appraisals and dealing with discipline and staff grievances. He also carries out tasks such as recruitment and selection of new equipment operators in conjunction with HR.

## *Management Team*

<b>Name: Mohammad Zamaan - Admin</b>	
Title	Admin
Time with Company	5 years
Responsibilities	At Kabul Packages, the administrative assistant has been providing office services and developing reporting procedures for 5 years. He has provided support in implementing company procedures under the guidance of the CEO. For 5 years, he has developed procedures for proper recordkeeping, designed office forms and controls personnel requirements. Kabul Packages has given him the responsibility to resolve administrative problems, coordinate reports with the finance manager and analyzing data. He provides company information by answering questions and requests from customers. He maintains supply inventory by checking stock to determine inventory level; anticipating needed supplies; placing and expediting orders for supplies; verifying receipt of supplies. He maintains reporting skills and administrative skills.

<b>Name: Mohammad Rafi –</b>	
Title	Inventory Clerk
Time with Company	3 years
Responsibilities	Kabul Packages Company has developed a sound inventory system over the past 3 years, their inventory clerk is responsible to compile and maintain records of quantity, type, and value of material, equipment, merchandise and supplies stocked in the warehouse. He counts material, equipment, merchandise, or supplies in stock and posts totals to inventory records on a monthly basis. He compares inventories to office records or computes figures from records, such as sales orders, production records, or purchase invoices to obtain current inventory. Verifies clerical computations against physical count of stock and adjusts errors in computation or count, or investigates and reports reasons for discrepancies.

## *Management Team*

<b>Name: Mohammad Tahir –</b>	
Title	HR Manager
Time with Company	2 year
Responsibilities	At Kabul Packages Company, the Human Resource Manager position is new and has only been part of the management team for 2 years. The HR manager has the responsibility to maintain and enhances the company's employee selection by planning company needs for staffing. He maintains the work structure by updating job requirements and job descriptions for all positions. He maintains the staff levels by establishing a recruiting and interviewing program.

<b>Name: Mohibullah –</b>	
Title	Security Manager
Time with Company	6 years
Responsibilities	The Kabul Packages Company has had the same Security Manager for 6 years, he is related to the CEO's family and has been trained in security protocol to maintain a safe and secure environment for customers and employees by establishing and enforcing security policies and procedures; supervising the security guard force. He is responsible for all management movement away from the manufacturing facility. He accepts ownership in accomplishing new and different requests; exploring opportunities to add value to job accomplishments.

# *Market Analysis*

## *Market Opportunity*

There has always been a great demand for cardboard boxes in the Afghanistan market place, one of the primary reasons is because the local market cannot afford the newer technologies in packaging material such as plastic and Styrofoam so cardboard boxes are used for all packaging plus the largest exported products are from the agricultural sector that has always depended on cardboard packaging for shipping, not to mention the food distribution industry which uses cardboard boxes to move food products.

Over the past 12 years of development and reconstruction, the demand for cardboard box packaging has skyrocketed, not only from the growth in the agricultural sector, which has been enormous but also because of the private sector business growth.

In a short period of ten years, Afghanistan has developed a domestic usage for boxes through the development of certain industries like the food distribution business or the drink production business, like Pepsi and Coca Cola that will import 7 million boxes or more a year.

The domestic usage is driving the market and the opportunity lies with the Afghanistan packaging industries ability to grow their capacity to address this demand or lose it to foreign imports. The sad part is the domestic box manufacturing capabilities cannot keep up with demand, they can only manufacture between 2 to 4 million boxes a year, if that, and the vacuum has been filled with imported boxes from Pakistan and Iran, which make up 90% of the cardboard box market.

Close to 80 million boxes a year are imported into Afghanistan now and that will rise, those imports rob the domestic market from opportunities not only to develop the box packaging industry inside of Afghanistan but it robs the opportunity to grow jobs and has an impact on the GDP.

The box industry has a natural downstream avenue for increased revenue, because of the lack of access to outside markets, and reduced purchasing volume the provincial box manufacturers and providers, which there many in the outlying areas who operate from their homes, must depend on the larger box manufacturers to provide the raw material for them to produce boxes and packaging, this is an opportunity for the larger manufacturers to buy an increased volume of raw material which reduces their cost.

Market research has shown the overall box market is potentially larger than the numbers reflect and has pointed to a real opportunity in Afghanistan, it is apparent; grow a country wide box packaging industry, creating a better finished box product which the domestic marketplace is demanding.

To realize this opportunity the domestic box industry needs to be upgraded with modern equipment, which would increase their capacity to capture a larger market share of the imported products and create more jobs in order to fulfill the volume, modern equipment has always been a catalyst to developing emerging market opportunities.

## *Market Factors*

Box packaging is the critical technology of enclosing or protecting finished products for distribution, storage, and sale. The use of which is important to the development of local industry but the packaging costs are a large expense to manufactures and businesses that ship products to domestic or export markets for distribution. Unfortunately in Afghanistan the available supply of domestically manufactured box packaging is not sufficient for the demand and the cost to import those box packaging products are rising. The box manufacturing market in Afghanistan is comprised of several local companies but like Kabul Packages Company they too are not equipped with modern automated line packaging equipment which means the domestic box industry cannot compete with the imported box products.

The domestic industry also suffers from higher operating cost because they have older manual equipment and experience a larger waste factor of material during production. The domestic box packaging industry as a whole experiences a (40%) forty percent waste factor in the manufacturing process because of the older inadequate equipment. This gives foreign companies outside the country an edge, they can supply a manufactured finished box product at a more economical price because they use modern automated equipment in production and only experience a (10%) waste factor which gives them a more competitive price in the market, even with a logistical cost to bring them in country, this drives the domestic clients, who want to reduce their business cost themselves, to purchase imported box packaging products from outside the country.

The large and medium sized Afghanistan companies who need large quantities of box cartons for their products are forced to order from companies in Pakistan or Iran. If the domestic companies could be outfitted with modern automated machines they could compete with the foreign imported box packaging products, not only through an increase in their production capacity through modernization of plant equipment but to do it at a more competitive price making their product economically more desirable which will increase sales, generate jobs and produce a GDP balance in building the economy.

There are many markets factors that affect the development of the Afghanistan manufacturing industry. In an emerging market barely able to sustain stable growth it is important to understand that the political issues within the country are a factor, the establishment of taxes are a factor, anything new that affects the general markets can be a factor in the development process, this is why it is critical to develop industries that have a local market but are competing with imported material, the less the country imports the more internal stability takes hold, through jobs and consumerism.

One of the biggest market factors is the development of industries that have shared dependency or associated dependency within their product development, as an example, the development of the agricultural sector goes hand in hand with the development of the packaging industry as they are both dependent on each other and if they can be linked together through a common goal, then the entire market benefits.

## *Competitive Analysis*

The competitive analysis in the Afghanistan cardboard box industry is quite simple; none of the domestic manufacturers have the capacity to compete with the imported volume of cardboard boxes being brought into the country. They are not competing against each other they are competing against the importers. The business strategy for each competitor is the same, make as many boxes as you can, there is no long-term business plan or strategy to capture more of the market. The purpose of a competitive analysis is to determine the strengths and weaknesses of the competitors within the market, all of the players in the domestic box manufacturing industry are in the same condition having the same weaknesses, be saddled with old equipment with small production volumes, they cannot grow new customers or diversify into new lines of packaging.

Our strategy for Kabul Packages is based on purchasing new equipment; this will provide them with a distinct advantage which can be exploited within the product development cycle. It will create barriers that can be developed in order to prevent competition from entering the market or exploiting their weaknesses if they are already in the domestic business. The first step in a competitor analysis is to identify the current and potential competition, which in this case are the importers of cardboard boxes.

The Afghanistan customer is looking for a cardboard box product to use and one that is affordable, common sense dictates that if a product is imported it would generally be a little higher in price, which says given all other things are equal, a domestic manufactured product should be acquired at a better price. To determine just what constitutes a key asset to make the playing field even, one has to look at the equipment being used to produce the manufactured product.

According to theory, the performance of a company within a market is directly related to the possession of key assets and skills. Therefore, an analysis of those key assets reveals we cannot be a strong performer without modern manufacturing equipment in place, confirming the key assets and skills are needed to be successful within a given industry and market segment.

Through our competitor analysis we have also created a marketing strategy that will generate an edge competitors do not have, which will provide us with a distinct and enduring competitive advantage. Since competitive advantages are developed from key assets and skills, we sat down and put together a competitive strength analysis. This lists all our major competitors' applicable assets and skills and reflects how Kabul Packages Company will fit on this scale to be able to determine just where they stand in relation to the other firms competing in the industry.

We have identified the key assets and skills necessary to succeed in the cardboard manufacturing industry and have defined the distinct competitive advantage in the purchase of new equipment for the manufacturing facility, using these key assets in a strategic manner will attract market share as well as defend it.

These competitive strategies fall into these five areas:

- Product – better made products and diversified product selection
- Distribution – easier to obtain, downstream smaller manufactures create a supply chain
- Pricing – better pricing, no logistical costs added into finished product
- Promotion – usually based on volume bought
- Advertising - Afghanistan made...buy Afghanistan products – save a job and create a job



Our conclusion theorizes that importing new box manufacturing machines from foreign countries to Kabul Afghanistan will allow Kabul Packages Company to increase their capacity to manufacture more boxes for the already bulging domestic market and begin to diversify into producing other type box packaging lines to bring to the marketplace to capture clients who are purchasing from abroad. There is an endless amount of cardboard box packaging needs in the domestic market and a large need for other box products to be manufactured domestically. There are only (4) four packaging companies of equal size that operate in Afghanistan with smaller micro facilities in provincial areas and cities.

### **Direct Competitor 1**

**Competitors Name:** Babak Packaging Company

**Product/Service:** Production is limited to only 3 ply box cartons

**Price:** \$ 0.87 per square meter of corrugated board

**Key Strength:** Owner in a raisin factory, supplying the box requirement through his own company.

**Key Weakness:** Company has only one type of corrugated box material for producing box cartons in only 3 ply thickness, the company has leased out the facility to outside management

**Revenues:** Production is only 1,500 square meters on a daily basis

**Starting date and Location:** Established in 1980, located in Pul-e-Charkhi, Kabul Afghanistan.

**Business reputation:** Reputation is fair but limited to the raisin trade. The box quality is poor in comparison to needed industry standard quality

### **Direct Competitor 2**

**Competitors Name:** Ehsan Packaging Company

**Product/Service:** Producing 3ply and 5 ply box cartons

**Price:** \$0.85 per square meter of corrugated board

**Key Strength:** Family operated business, sufficient past experience in the packaging field

**Key Weakness:** Manufacturing premise space doesn't have enough production space

**Revenues:** Producing 1,000 square meters on a daily basis

**Starting date and Location:** Established in 2008, located in Pul-e-Charkhi, Kabul Afghanistan.

**Business reputation:** Reputation is poor, limited space reduces efficiency and production capabilities

### **Direct Competitor 3**

**Competitors Name:** Amir Packaging Company

**Product/Service:** Producing 3ply and 5 ply box cartons

**Price:** \$0.85 per square meter of corrugated board

**Key Strength:** Services the Kandahar market and is a local from Kandahar.

**Key Weakness:** Weak management, poor production and the manufacturing premise is leased

**Revenues:** Production is 1,000 square meter on daily basis

**Starting date and Location:** Established 1995. It is located in Pul-e-Charkhi, Kabul Afghanistan

**Business reputation:** Reputation is limited, only provides to the Kandahar market and quality is poor

## **Direct Competitor 4**

**Competitors Name:** Baheer Packaging Company

**Product/Service:** Produces different sizes of cartons

**Price:** \$0.87 per square meter of carton

**Key Strength:** Sufficient working capital, also owns printing company, which prints box cartons in different color

**Key Weakness:** Lack of management experience, technically does know the box packaging industry, does not own the manufacturing premise.

**Revenues:** Production is 2,000 square meters on daily basis.

**Starting date and Location:** Established in 2011, located in Pul-e-Charkhi, Kabul, Afghanistan.

**Business reputation:** Very new to the box market, does not have stable experienced management, quality is not consistent

## ***Competitive Advantages***

Part of the market advantage that the Kabul Packages Company is experiencing is from the ability to buy and use high quality paper stock from Europe. The other packaging companies purchase a lower quality paper from Pakistan giving them a less quality finished product. Even though some of the competitor facilities were established years ago they are not well known and have not penetrated the market as Kabul Packages Company has with consistency in product quality.

Kabul Packages has skilled production workers who train in complying with the international standards and norms of box packaging while the competitors are far away from this process. Kabul Packages Company has a maintenance workshop on the premise of the manufacturing facility which allows them to maintain the machines on a scheduled basis; it is equipped with the proper tools to also recondition the machinery properly if any damages occur. The competitor companies do not have this type of facility.

## ***Packaging Market***

The packaging industry is a business sector involved with the design and production of packaging products. Packaging includes everything from shelf displays to crates used during shipment to protect goods while they are on the move. This industry is very large and provides employment opportunities to line workers, designers, engineers, attorneys, and many other professionals.

Packaging is necessary for the transport, protection, presentation, and display of items large and small. Some packaging companies in the industry focus on creating secure packaging to keep products safe from damage, such as corrugated cardboard wrap, molded cardboard and corrugated box products. This packaging is more practical than aesthetic, as the primary concern is protection rather than presentation. Other companies are more interested in the packaging used for display purposes to showcase products with appealing visuals to stimulate consumer interest.

Packaging may need to meet certain industry standards, like generic sizing to make it easier for distributors to handle products during storage and transport. Companies operating in the packaging industry are familiar with industry concerns.

Many focus on packaging specific types of products like food, children's toys, or medication. They develop expertise in a particular area to offer more services to their clients and may contribute input to the development of new packaging standards.

Companies in the packaging industry may be called upon to design packaging from scratch for custom applications and special clients. In other cases, they produce generic packaging imprinted with the desired branding and labeling, or supply raw packaging for labeling and customization by the client. Corrugated boxes for canned drinks, for example, can be produced in large batches and sold to numerous manufacturers.

Work opportunities in this sector can include designing new packaging products, modifying packaging to address client concerns, and developing streamlined methods of packaging production. People with experience in design, manufacturing, and environmental concerns like reducing waste or controlling dangerous substances can find a variety of open positions in the packaging industry. Salaries available depend on qualifications and the type of work performed, with high wages tending to go to designers working on aesthetics and presentation, while people working on the production line make less.

Cardboard boxes are industrially prefabricated boxes, primarily used for packaging goods and materials. Specialists in industry seldom use the term cardboard as a single description because it does not denote a specific material. The term cardboard may refer to a variety of heavy paper-like materials, including card stock, corrugated fiberboard, or paperboard. The meaning of the term may depend on the locale, contents, construction, and local industry standard

Paperboard, sometimes known as cardboard, is generally thicker. According to ISO standards, paperboard is a paper with a basis weight in grams above 224 g/m<sup>2</sup>, but there are exceptions. Paperboard can be single- or multi-ply. Corrugated fiberboard sometimes known as corrugated board or corrugated cardboard is a combined paper-based material consisting of a fluted corrugated medium and one or two flat linerboards.

Cardboard packaging is one of the most common types of product packaging used, and its uses are only limited by the imagination. Everything from the simplest of products to the most expensive often comes protected in cardboard. In addition to the benefits it offers consumers, this type of packaging can also have a positive impact on the environment, especially compared to other types of packaging. It is a natural product that is biodegradable and recyclable. The fact the material can also be reused provides yet another benefit for the environment, cutting down on the number of raw materials needed for new packaging.

The benefits to those using cardboard packaging are hard to overstate. The material is light and able to be made quickly and cheaply. Often, it's made locally or regionally, providing good-paying jobs and helping the local economy. In fact, entire companies exist with the sole purpose of providing cardboard boxes, bins and other types of products to manufacturers. Box packaging has also seen resurgence in popularity in recent years. Some consumers, frustrated by the difficulty of dealing with plastic bubble wrap have been demanding a change. Companies are starting to listen, and some use cardboard whenever they can do so. Some consumer goods come packaged in cardboard in nearly all cases. Most televisions come wrapped in cardboard containers as a first line of defense, for example.

Although the TVs may also have other types of protection within the packaging, the cardboard box plays a vital role in that system of protection.

This packaging is also used for a variety of groceries. In addition, cardboard is used to hold a variety of dry goods in the grocery store. For those who are moving, cardboard boxes are often the material of choice to protect their valuables. Even people who are planning on storing materials for a long period of time often use cardboard for the benefits it provides of protecting from elements and keeping things together. Also, those using this material for such reasons are often using the boxes as a secondary use, cutting down on the expense of buying more materials.

What gives corrugate its unique versatility are the thousands of different combinations of sizes, strengths and treatments you can apply, that can give you literally any package you need. The versatility of corrugate is limited only by what you need it for. A manufacturer can custom design corrugated boxes and containers or design custom packaging for any application or any product you have. There are any numbers of sizes and thicknesses you can achieve with corrugate. This starts with the thickness and strength of the paper (basis weight), then the size and thickness of the flutes (caliper). You can get anything from super thin to super thick heavy-duty corrugated packaging.

There are also numerous treatments and coatings available such as flame retardants, anti-static and even wax-type coatings. Corrugate is used almost exclusively for packaging and shipping because of it is light weight and it has superior tear and burst strength that can withstand most shipping pressures. Corrugate will withstand impact, drop and other damage and offers uniform stacking and weight distribution, allowing for easier, more stable transport. When printed with graphics or logos, corrugated containers become mobile advertisements and create product and company image wherever they go. Corrugated POP displays are graphic intense eye-catching units that can be set up quickly and easily and then can easily be recycled.

## *Industry*

### *Local Industry Analysis*

The Afghan packaging market has the same characteristics as the global market, with all the same industry customers who need the product for a variety of uses. In Afghanistan the difference is the packaging industry is comprised of mostly small-sized companies who don't have enough capacity to fulfill the demand of the local market needs, which is why the large and medium-sized companies who use box packaging material order their required cartons from abroad mostly from Pakistan. Packaging is essential for the preservation and movement of retail and industrial goods, with changing lifestyles and increased consumerism, packaging has acquired greater importance country wide, and the demand for packaging is growing at a fast rate in Afghanistan.

Afghanistan's packaging sector needs modern industry machineries to not only acquire a larger share of the market but to also have the opportunity to diversify into other aspects of the packaging industry. Currently Kabul Packages Company can only manufacture a small percentage of the entire local market demand. Based on their capacity they can only service smaller customer companies who

have a demand of cartons up to 5,000 daily, but with a change in production equipment they could service the large and medium-sized companies like Coca Cola and Pepsi who import big quantities of their requirement from abroad.

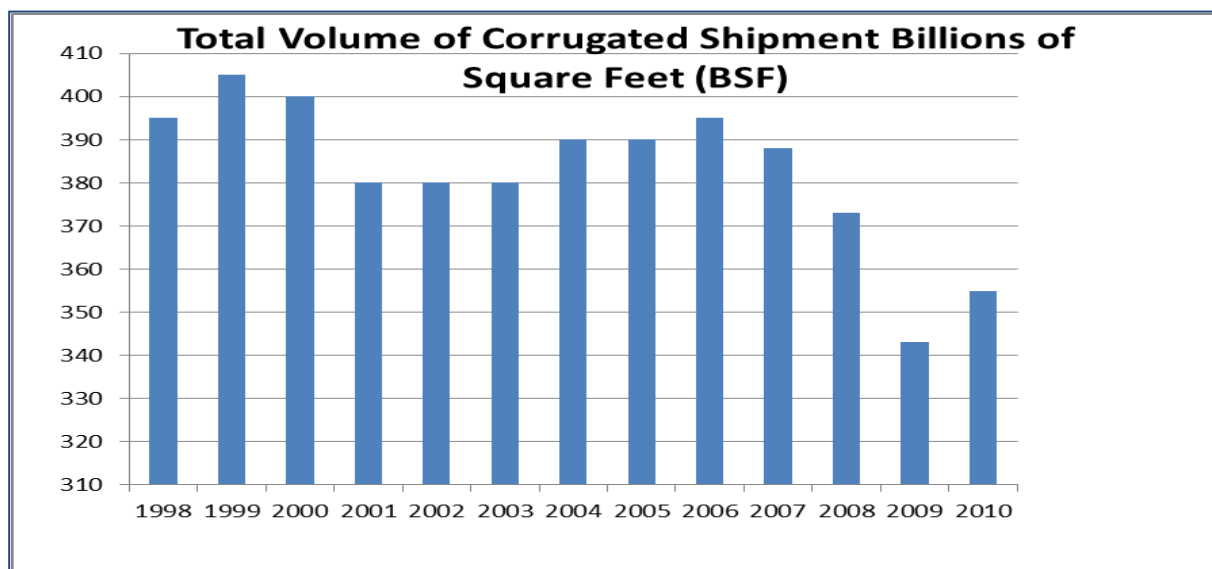
### ***Industry Sales***

A lot of different product manufacturers find it more cost effective to outsource the packaging of their products off site, rather than set up expensive packaging operations in-house. This is when they will contract with a contract packaging service. Contract packaging companies will package and label a manufacturers product for them, usually providing specialized packaging.

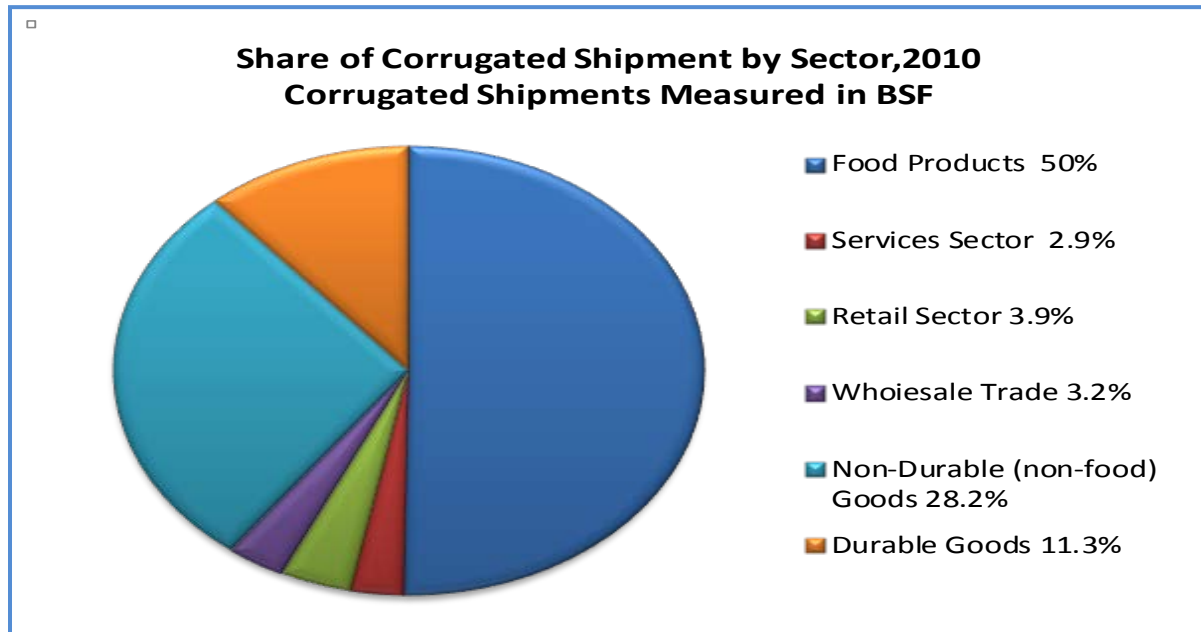
Kabul Packages Company packaging services can take the manufacturers products and design the most functional, cost effective, attractive, sales generating package for that particular product. These packages will then usually be placed through a rigorous testing process to ensure their strength and durability all the way to the market. Contract packaging services meet the needs of a wide variety of industries, and an even wider variety of products and applications.

Contract packaging services quickly and inexpensively provide the specialty packaging services needed in today's Afghanistan marketplace. Kabul Packages Company services can design a project and package for any product from the heaviest to lightest and the largest to smallest products. Contract packaging services can package and label bulk and original equipment manufacturer (OEM) shipments, industrial equipment, machinery, military and aerospace equipment, medical and surgical equipment, auto parts and chemical and petrochemical supplies. Other examples include: consumer electronics of all kinds, health and beauty aids, pharmaceuticals, soaps and cleansers, clothing and paper goods, CD's, videos, software and thousands of other consumer goods.

The global corrugated box industry faced significant headwinds in the past few years with shipments declining at an average annual rate of 0.6% from 2008-2010. However, in 2010 corrugated box shipments rebounded, making a healthy gain of 3.6% over 2009 to reach 357 billion sq. ft. - valued at more than US\$34 billion.



Demand for corrugated boxes traditionally fluctuates with the growth of a wide range of consumer products industries - including both durable and non-durable manufactured goods. While such growth reflects the resilience of the global market there have been unexpected expansions and contractions among the various end-use markets. The largest aggregate end user of corrugated boxes is the food and beverage industry, accounting for 51% of shipments in 2010. As per the statistics in Afghanistan the annual demand for box packaging for fresh fruits industry is 30 Million and dry fruits 20 Million, for other industries annually 30 Million



The sales opportunity in the box packaging industry is enormous in Afghanistan but due to the low capacity in manufacturing capabilities of the local packaging companies they are not able to fulfill but only a small percentage, so the larger end users order large quantities of their requirement from foreign countries. The Afghanistan box packaging demand is estimated at 80 Million boxes ordered annually, in considering the average sale price of each carton at \$ 0.87 \* 80 M = USD\$ 69Mil annual sales volume . That number will increase by 40 – 60% over the next 3 years as the private sector develops industries and associated businesses.

Kabul Packages Company has an additional outlet to generate sales in the downstream business of the packaging industry. Kabul Packages Company is the primary supplier of raw material to the provincial businessmen who build cardboard box packaging in different outlying areas of Afghanistan, by increasing Kabul Packages Company capacity with new machinery, it also allows them to service and provide more support to the downstream smaller provincial players in the market, so instead of servicing (5) five associated regional box makers, they will be able to service up to (30) thirty regional box makers, which will increase raw material sales for Kabul Packages Company and also giving them better buying leverage for those raw materials

### ***Area Location***

Kabul Packages Company is located in the Bagرامي District; this is an Industrial Area in the Kabul region of Afghanistan. Located in this area are mid-size to large manufacturing facilities and plants,

all supplying a variety of products. Bagrami is home to the Coco-Cola bottling plant, who is a tentative customer for Kabul Packages Company in the future, a glass manufacturing plant, a plastic manufacturer, a Styrofoam manufacturer, and a textile mill. This area has (20) twenty well established manufacturing facilities and plants. Road access is easy, making deliveries a simpler process. The availability of skilled worker is abundant with a large portion of the Kabul population living in the surrounding area around Bagrami and the fact that this specific population has had over 30 manufacturing facilities teaching skill sets for a long time. The Bagrami area is the ideal location for the Kabul Packages Company as it has many customers within a stone throws distance from their front door. All of the manufacturing facilities and plants need or use box packaging in some way.

### ***Employment Opportunities***

Kabul Packages Company has a very unique employment opportunity to which they can expand on if they can move ahead with a new manufacturing facility. Situated on a 22,000 sq. meter piece of ground, in a basic rectangle shape, the Kabul packages company has diversified the usage of that property into several income producing avenues, to which all have created employment opportunities within the community. Starting first along the Bagrami road in front if the Kabul Packages Company, the management has built (60) sixty small store front retail spaces, all have been rented out to local vendors who employ (2) people in each store, this row of retail shops are all owned by Kabul Packages and not only are they the landlord of these retail spaces but they provide any and all corrugated sheet board or boxed material for them to use in their daily business.

Kabul Packages has also built a second facility on the property and has diversified into making specific handmade wood furniture, this facility employs (50) fifty skilled workers on a (6) day a week schedule and uses card board packaging to wrap and ship finished products, of course the Kabul Packaging Company is a manufacturing facility, in its own rights and employs about (60) sixty trained workers who also work a (6) six day a week schedule.

The Kabul Packaging Company also employs (4) trained security guards on a 24hr / 7day a week schedule. In total the Kabul Packages Company now directly touches the lives of over (234) two hundred and thirty four people in Bagrami alone with an employment opportunity, not to mention the other created jobs downstream through his associated businesses in the provincial regions that are supported directly from Kabul Packages Company, who also employ staff in their smaller packaging facilities, which as of now is about (100) one hundred employees working on a job, spread out between (6) six smaller box packaging facilities.

If an expansion plan is initiated, the impact on the community would be beneficial not only in means of direct jobs to individual and their families but also in the consumerism that is created through those jobs. Kabul Packages Company expansion plan is to build a new manufacturing facility, on the existing piece of property, in doing so it would immediately require buying building supplies to erect the new facility and to hire a skilled labor force, in which an estimated (90) ninety workers would be employed for up to 5 months to build this new factory facility, then once complete Kabul Packages Company would then hire up to (200) two hundred workers to be trained in operational duties within the new facility, of which (80) of those workers will be women.

This will make the direct community impact reach over (525) five hundred and twenty five people who will benefit directly with jobs, increasing community consumerism. Once the expansion is complete, Kabul Packages Company will also grow their downstream associated business relations from (6) six vendors now to over (30) thirty vendors, in areas like Pol-e-Charke, Jalabad, Kandahar, Herat and Mazar-e-Sharif , who will provide well over (600) six hundred jobs in total directly to men and women, stimulating consumerism in those areas as well.

## ***External Factors***

### ***Government Regulations***

The government of Afghanistan is a developing entity and is the beginning stages of learning how to support the emerging industries inside the country. Just recently the Afghanistan government issued a letter to the local business community suggesting they may initiate an import tax on finished products that come into the country that compete with the same local made products. This would balance prices and allow the local companies to get a foothold in their domestic market.

The Afghanistan government has also suggested it would decrease the customs duty tax on raw material being imported into the country by local industries manufacturing finished products using those raw materials, again helping to balance the pricing in the domestic market. Kabul Packages Company will directly benefit by this as they import large quantities of raw paper material from Europe to manufacture board packaging for boxes and their primary domestic market is dominated by foreign imported finished box material. The Afghanistan government has suggested a (1% to 3%) one to three percent reductions in custom duty tax as well as a (10%) ten percentile increase on imported manufactured finished products. Both of these Government regulations will aid the domestic manufacturing industries to grow and have a chance to sustain that growth.

Kabul Packages Company would derive an instant reduction in operating cost. The import tax would tilt the scale in favor of the domestic manufactured box packaging and if Kabul Packages Company could acquire new modern equipment that reduces the waste of material and increases their overall capacity, they could establish a very sustainable foothold in the Afghanistan market place for the growing need of box packaging as the economy develops.

### ***Inflation Factors***

Afghanistan has experienced inflation over the past few years on many of the day to day commodities. Much of the inflation in prices has been caused by raw material costs rising globally and higher logistical costs. Kabul Packages Company has a slight inflationary cushion, especially if the import tax and duty tax are implemented. They can withstand a (5%) five percent increase in increased raw material costs without increasing their finished product prices, but if the price of raw material rises more than (10%) ten percent they would be forced to increase prices on their finished products. Kabul Packages Company could withstand more pressure by using modern equipment



which would reduce the waste from (40%) forty percent down to (10%) ten percent resulting in reduced cost and a higher efficiency factor in raw material usage, this savings could be passed into the consumer but more so offer a deflationary factor into their price adjustment levels.

### ***Market Trend***

The economic trend in the packaging industry reflects a worldwide growth as the global economies begin to recover from the past recession, with newer packaging material coming available in plastics and styrene products there is a very large growth potential specifically in Afghanistan. As the Afghanistan emerging market begins to take hold and private the industry sectors grow it will need increased amounts of product packaging. The first and largest emerging industry in Afghanistan is the agricultural sector to be followed by the mining sector, with gas and oil.

Kabul Packages Company stands to directly benefit from the growth of the economy on all fronts but especially in the Agricultural sector which has always been a big user of box packaging and this will increase exponentially as the agricultural sector develops in Afghanistan. The overall trend in box packaging use will grow side by side with the growth of private sector business and will become more modern with the demand for color printed labels and heavier box designs.

Box packaging has always been a driver in product marketing, as the large open space on boxes makes for the perfect advertisement area for not only the manufacturers but the associated businesses as well, one example is the breakfast cereal boxes in America, and the printed box packaging has driven the cereal marketing advertisement for years. As the private sector develops the local manufacturing companies will want special made boxes for their products and will demand printed color labeling.

The trend in packaging will grow as different type packaging will be needed and desired, Kabul Packages Company will be in a position to evolve and grow with the use of modern automated packaging equipment which can produce a variety of different packaging products with integrated printing capabilities for design. One of the future trends will be the graphic design features that will be in demand from manufacturers and private businesses and in recycling efforts, as the environment develops the ability to provide recycled box material will become more popular, driving cost down

### ***Analysis***

Kabul Packages Company has reached maximum growth capacity with sales volumes that warrant an investment in modern corrugated box board machinery. The machinery will be purchased from European manufacturers allowing innovative technology to be imported into Afghanistan. The modernization of the manufacturing facility will allow them to capture a large portion of the import market which will increase sales from sixty to eighty percent (60-80%) and reduce waste from forty percent 40% down to ten percent 10% reducing operational costs tremendously. Making the operation very efficient and profitable

Based on the latest investment plan, the total budget required for purchasing the machinery is three million four hundred sixty five thousand dollars (3,465,000). Based on an ROI projection the investment can be recouped in 4 years. The company would like to invest four hundred thousand dollars (400,000) cash and use the real property and equipment as collateral to secure outside financing from either a donor grant or financial loan to finance the expansion plan.

## ***Expansion Plan***

### ***Investment Plan***

Kabul Packages Company is planning an expansion of their business; to not only grow sales through obtaining a broader range of customers but to also expand company operations into other regions of Afghanistan.

The most important phase in this expansion plan is to modernize the existing Kabul manufacturing facility, by purchase a new automated corrugated box line machine and a 4-colorFlexo print die cutting machine. These new manufacturing machines will be purchased from the Champion manufacturer in Taiwan.

By installing automated machines, the Kabul Packages Company will be in an optimal position to gain the largest share of the domestic box market with sales growing at an exponential rate of approximately 20+ percent per year the first 5 years.

1. **Providing Job Opportunities:** Approximately 125 new jobs will be created
2. **Quality:** The highest quality box packaging will be produced
3. **Reduction in Price:** Domestic box packaging prices will be reduced by 25% or more
4. **Standardization:** Box packaging can be standardized for several agricultural sectors
5. **Enhancement of Kabul Packages Company:** The Company will be able to provide better raw material for 20 smaller package factories inside Afghanistan.
6. **Income Tax:** Imported raw materials are subject to tax, a benefit will go to the Government of Afghanistan
7. **Opportunity for creation of other associated businesses:** Recycling, Kabul Packages Company will have a larger recycle need and would be a purchaser of recycled paper
8. **Security:** Jobs create a stable environment, giving communities a leg up economically

## *New Equipment Characteristics*

### **New Double Wall (5ply) Corrugation Equipment CP 1520 D**

No	Machine's Specifications	Quantity	Production Capacity	Size	Remarks
1	Double Wall (5ply) Corrugation Equipment CP 1520 D	1set	Production speed for 3 ply: 150m/min, for 5 ply: 120m/min	Effective Paper Width /: 2000 mm.	
2	Steam Boiler	1 set			

#### **REMARK 1**

##### **A. Buyer's Scope**

A-1 Steam supply (Boiler) for Corrugated Machine, if not supply from Seller

Steam Boiler requires needs 3300kg/hr capacity and 12 kg/cm<sup>2</sup> of pressure to machine side.

A-2 All Steam and Condensate Piping connecting and thermal insulating layer works from the Boiler to the Machine side

A-3 All Pneumatic Air Piping connecting from the Compressor to the Machine side

Pneumatic Air from Compressor requiresneeds:

- Air Working Pressure: 7~8 kg/cm<sup>2</sup>
- Air Exhausting: 1000 L/min
- Power: 15 HP

A-4 All Glue Piping connecting from the Glue Kitchen to the Machine side

A-5 All Water Supplying Piping connecting to the Machine side

A-6 Total horse power: Around 500 HP

A-7 All Electric Power Cable wiring from the Power Source Station through the Breaker Distribution box to the Machine side. Also the Electric Control Cable wiring between machines which indicated from the seller's Electric drawing.

A-8 All Machine Foundation Civil work must finish before machine arriving

A-9 Cooperation and follow with Seller's Installation Schedule must assist to finish in the schedule.

If the delay caused by the Buyer, the Buyer has to bear the extra charge of expend and daily pay of each engineer USD250.00 per day.

##### **B. Seller's Scope**

B-1 Provide detail Steam, Condensate, Pneumatic Air, Water, Glue, Cable Wiring and Foundation layout

B-2 Provide Instruction Manual and the instructing leading during the installation

B-3 Provide Installation schedule for cooperation

B-4 Provide Training during the Installation, test running and commissioning

**REMARK 2**

1. Max. Machine Speed /:150 m/min.  
Max. Production speed for 3 ply: 150m/min, for 5 ply: 120m/min
2. Max. Effective Paper Width /: 2000 mm.
3. Term of Payment: By 100% of irrevocable at sight L/C in seller's favor.
4. Time of Delivery: Within 180 days after receipt of L/C.
5. Term of Delivery /C.I.F. Karachi
6. The price quoted above is not including any inspection by the third party.
7. Buyer should bear the cost of food, lodging and transportation for engineer during installation.
8. Warranty: one year after installation.
9. Validity: Within 30 days after the issuing date of this quotation.

**New 4 Colors Flexo Printer Slotter Die –Cutter and Stacker-  
Model- FPSD-4080**

No	Machine's Characteristics	Quantity	Production capacity	Size	Remarks
1	4 Colors Flexo Printer Slotter Die –Cutter and Stacker FPSD-4080	1 set		1270 x 2500 MM	

**Remarks 1**

1. Machine size: 1270 X 2500 MM
2. Kicker Feeder Type
3. MAX Machine Speed: 180 Sheets/MIN
4. MAX Sheet Size (Regular Feed): 1170 X 2450 MM
5. MAX Sheet Size with Skip Feed: 1550 X 2450 MM
6. MIN Sheet Size: 310 X 820 MM

### *New Equipment Budget*

No	Description	Non Tradable Budget	Total Budget USD \$
1	Cost of Double Wall (5ply) Corrugation Equipment CP 1520 D	USD 1.4 mil	1,430,000
2	Boiler Steam Plant	USD 330k	330,000
3	Cost of 4 Colors Flexo Printer Slotter Die –Cutter and Stacker FPSD-4080	USD 550k	550,000
4	Spare Parts		125,000
5	New Manufacturing Building	USD 828k	828,000
6	Transportation Cost from Karachi		170,000
7	Administrative and Consulting Service		32,000
<b>Total Budget Required</b>			3,465,000
<b>Equity Investment (Cash Injection)</b>			400,000
<b>Funds Required</b>			3,065,000
<b>Loan Required</b>			2,165,000
<b>Grant Required</b>			900,000

### *Budget Analysis*

Client's expansion plan is to purchase automated corrugated line machines from Taiwan:

- 1) Double Wall (3ply) (5ply) Corrugation Equipment: Model - CP 1520 D
- 2) 4 Colors Flexo Printer Slotter Die –Cutter and Stacker: Model - FPSD-4080.
- 3) Steam Generator for power source

The total budget required for purchasing this new manufacturing equipment is USD 3,465,000 and Kabul Packages Company will need to procure raw material to operate the new equipment, which will cost USD 860,000. Kabul Packages Company would be able to contribute a cash injection of USD 400,000 into the project with the balance needed coming from grants and financial institutions

Through the acquisition of modern box packaging equipment the production capacity of Kabul Packages will increase from 5,000 boxboard cartons to over a 50,000-carton capacity on daily basis. This gives Kabul Packages Company the ability to fulfill the not only the demand of his customers now but will be able to attract new clients with a competitive price for much higher quality products. Kabul packages is now in conversation to get a commitment letter from Coca-Cola and Pepsi who both import 16 million cartons a year for distribution of their beverage line

**\*Refer to Annex 1- pictures of automated manufacturing equipment**

**\*Refer to Annex 2 - pictures of existing manual machines**

## Financials

### Analysis of Income Statement

The figures below in the Income Statement were taken from the actual financial records of the Kabul Packages Company. The sales turnover is based on the current production capacity of company, with a gross profit margin of 25%, which is stable yearly, only the international commodity price of paper can have an effect on that margin, and with new equipment that reduces waste from 40% to 10%, we anticipate a higher margin as the company expands operations.

Kabul Packages Company Income Statement For Three Years Ended				
Sales	2010	2011	2012	Total
Cash sales	1,615,731	2,044,316	1,640,139	5,300,186
Sales on credit	-	-	-	-
<b>Total sales</b>	<b>1,615,731</b>	<b>2,044,316</b>	<b>1,640,139</b>	<b>5,300,186</b>
<b>Direct Expenses</b>				
COGS	1,211,798	1,533,237	1,230,104	3,975,140
COGS on credit	-	-	-	-
Total direct costs	1,211,798	1,533,237	1,230,104	1,325,047
<b>Gross Profit</b>	<b>403,933</b>	<b>511,079</b>	<b>410,035</b>	<b>1,325,047</b>
<b>Indirect Expenses</b>				
Employee Salaries	40,824	37,885	43,600	122,309
Executive Salary	5,400	21,000	18,000	44,400
Food Expense	8,096	8,400	7,900	24,396
Fuel Expense	12,000	9,554	14,100	35,654
Electricity, Water	20,558	22,000	20,100	62,658
Maintenance and Repair	2,460	3,100	2,200	7,760
Communication, Internet and Mobile	2,674	2,400	2,600	7,674
Transportation and Repair	12,982	4,600	13,100	30,682
Depreciation	10,936	10,936	10,936	32,808
Other Expenses	1,500	3,400	1,300	6,200
<b>Total indirect costs</b>	<b>117,430</b>	<b>123,275</b>	<b>133,836</b>	<b>374,541</b>
<b>Operation Profit (EBIT)</b>	<b>286,503</b>	<b>387,804</b>	<b>276,199</b>	<b>950,506</b>
Financial costs	-	-	-	-
Taxes 20%	57,301	77,561	55,240	190,101
<b>Net Profit (EAT)</b>	<b>229,202</b>	<b>310,243</b>	<b>220,959</b>	<b>760,404</b>
<b>Gross profit margin</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>
<b>Net profit margin</b>	<b>14%</b>	<b>15%</b>	<b>13%</b>	<b>14%</b>

### Analysis on Balance Sheet

Kabul Packages Company started with an initial cash injection of USD 300,000 to open the doors for business 13 years ago. Since then Kabul Packages Company has been operating and producing packages successfully year in and year out. The operation over the years has now created a retained earnings of USD 8,637,264, which is a direct reflection, that Kabul Packages Company has the ability to be profitable on a long term basis.

Kabul Packages Company	
Balance Sheet	
31 December, 2012	
<b>Assets</b>	
<b>Current assets</b>	
Cash on Hand	\$ 500,000
Bank Acc	\$ -
Accounts receivable	\$ -
Stock	\$ 950,000
Prepaid	\$ -
<b>Total Current Assets</b>	<b>\$ 1,450,000</b>
<b>Fixed assets</b>	
Building and Property (21,000 Square Meter)	\$ 7,000,000
Carroguation	\$ 77,000
Hand Cutting Machine	\$ 6,100
Pasting Machine	\$ 17,300
Rotary Machine	\$ 14,100
Salad Machine	\$ 11,200
Printing Machine	\$ 31,400
Dye Cutting Machine	\$ 22,500
Stapler Machine	\$ 10,500
Waste Press Machine	\$ 11,300
Bundling Machine	\$ 5,400
Dye Maker Machine	\$ 3,600
Kharadi Machine	\$ 11,700
Milling Machine	\$ 10,400
Shipper Machine	\$ 11,300
Drill Machine	\$ 11,100
Wolding Machine	\$ 7,200
Stamp Molding Machine	\$ 11,300
Fore Clift 2.5 ton	\$ 23,000
Electric Fork Lift 1.5 ton	\$ 10,000
Generator 150 KV	\$ 32,000
Generator 70 KV	\$ 10,000
Generator 12 KV	\$ 5,000
Generator 5 KV	\$ 1,800
Electric Station 630 KV	\$ 63,000
Conainer 40 foot	\$ 25,000
Truck Hino	\$ 30,000
Corolla 2010	\$ 17,000
Corolla 1997	\$ 8,000
Depreciation	\$ 10,936
<b>Total Fixed Assets Less Depreciation</b>	<b>\$ 7,487,264</b>
<b>Total assets</b>	<b>\$ 8,937,264</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable	\$ -
Payroll accrual	\$ -
<b>Total short term liabilities</b>	<b>\$ -</b>
<b>Long-term liabilities</b>	
Borrowings	\$ -
Other long term liability	\$ -
<b>Total long term liabilities</b>	<b>\$ -</b>
<b>Total liabilities</b>	<b>\$ -</b>
<b>Owner's equity</b>	
Initial Capital	\$ 300,000
Retained earnings	\$ 8,637,264
<b>Total Equity</b>	<b>\$ 8,937,264</b>
<b>Total Liabilities</b>	<b>\$ 8,937,264</b>

### *Analysis on Depreciation Calculation*

In order to reflect the accurate depreciation amount in the income statement, the above table developed to show the methodology of depreciation calculation for the existing machineries. Kabul Packages Company purchased the initial manufacturing equipment in 2001. They are functioning still operating and are in good condition due to the maintenance program. They could be used to expand the operations into another area

Depreciation Calculation of Existing Machineries								
Details	Purchase Price	Year	Age	Remaining life-	% A.D.	Annual Depreciation	Book Value	Market Value
Carroguation	\$ 77,000.00	2001	12	13.0	4	\$ 3,080.00	\$ 40,040.00	\$ 40,040.00
Hand Cutting Machine	\$ 6,100.00	2001	12	13.0	4	\$ 244.00	\$ 3,172.00	\$ 3,172.00
Pasting Machine	\$ 17,300.00	2001	12	13.0	4	\$ 692.00	\$ 8,996.00	\$ 8,996.00
Rotary Machine	\$ 14,100.00	2001	12	13.0	4	\$ 564.00	\$ 7,332.00	\$ 7,332.00
Salad Machine	\$ 11,200.00	2001	12	13.0	4	\$ 448.00	\$ 5,824.00	\$ 5,824.00
Printing Machine	\$ 31,400.00	2001	12	13.0	4	\$ 1,256.00	\$ 16,328.00	\$ 16,328.00
Dye Cutting Machine	\$ 22,500.00	2001	12	13.0	4	\$ 900.00	\$ 11,700.00	\$ 22,500.00
Stapler Machine	\$ 10,500.00	2001	12	13.0	4	\$ 420.00	\$ 5,460.00	\$ 10,500.00
Waste Press Machine	\$ 11,300.00	2001	12	13.0	4	\$ 452.00	\$ 5,876.00	\$ 11,300.00
Bandling Machine	\$ 5,400.00	2001	12	13.0	4	\$ 216.00	\$ 2,808.00	\$ 5,400.00
Dye Maker Machine	\$ 3,600.00	2001	12	13.0	4	\$ 144.00	\$ 1,872.00	\$ 3,600.00
Kharadi Machine	\$ 11,700.00	2001	12	13.0	4	\$ 468.00	\$ 6,084.00	\$ 11,700.00
Milling Machine	\$ 10,400.00	2001	12	13.0	4	\$ 416.00	\$ 5,408.00	\$ 10,400.00
Shipper Machine	\$ 11,300.00	2001	12	13.0	4	\$ 452.00	\$ 5,876.00	\$ 11,300.00
Drill Machine	\$ 11,100.00	2001	12	13.0	4	\$ 444.00	\$ 5,772.00	\$ 11,100.00
Welding Machine	\$ 7,200.00	2001	12	13.0	4	\$ 288.00	\$ 3,744.00	\$ 7,200.00
Stamp Molding Machine	\$ 11,300.00	2001	12	13.0	4	\$ 452.00	\$ 5,876.00	\$ 11,300.00
<b>Total</b>	<b>\$ 273,400.00</b>							<b>\$ 197,992.00</b>

### *Analysis on Cash Flow Statement*

Currently Kabul Packages Company has a production capacity of 5,000 cartons on daily basis and this figure is based on the existing equipment and customers of the company. When we look at the potential of increased operations due to new manufacturing equipment, we can set up a projection based on the new capacity and customers available. We created a projection in the first year by using a conservative box production rate of 25,000 box cartons on daily cycle. We than increased sales for the second year by only 10% and by 15% for the 3<sup>rd</sup> and 4<sup>th</sup> year, we feel this is conservative and creates a good picture of what is possible.

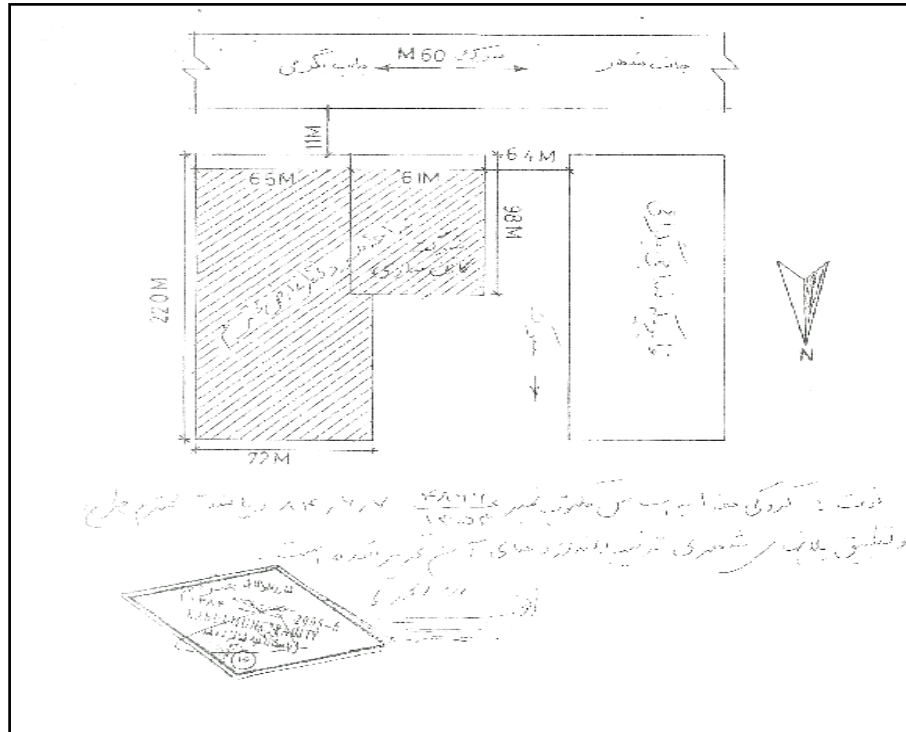


Kabul Packages Company					
Cash Flow Projection for the Coming Four Years					
Concept/ Years	2013	2014	2015	2016	Total
<b>A. Beginning balance</b>	\$500,000	-\$877,535	\$117,694	\$1,457,341	\$1,197,500
<b>B. Sales</b>					
Cash sales	\$7,830,000	\$8,613,000	\$9,904,950	\$11,390,693	\$37,738,643
Collection from customer	\$0	\$0	\$0	\$0	\$0
<b>Total sales</b>	<b>\$7,830,000</b>	<b>\$8,613,000</b>	<b>\$9,904,950</b>	<b>\$11,390,693</b>	<b>\$37,738,643</b>
<b>C. Operational outflows</b>					
<b>Direct Costs</b>					
Cost of good sold	\$5,872,500	\$6,459,750	\$7,428,713	\$8,543,019	\$28,303,982
Cost of good sold (investment)	\$0	\$0	\$0	\$0	\$0
Direct labour costs	\$0	\$0	\$0	\$0	\$0
Other direct costs	\$0	\$0	\$0	\$0	\$0
Customs	\$0	\$0	\$0	\$0	\$0
Transport	\$0	\$0	\$0	\$0	\$0
<b>Total direct costs</b>	<b>\$5,872,500</b>	<b>\$6,459,750</b>	<b>\$7,428,713</b>	<b>\$8,543,019</b>	<b>\$28,303,982</b>
<b>Indirect Costs</b>					
Salaries	\$102,060	\$113,655	\$130,800	\$366,927	\$713,442
Executive salaries	\$5,940	\$23,100	\$21,600	\$48,840	\$99,480
Food expenses	\$28,336	\$29,400	\$27,650	\$85,386	\$170,772
Fuel Expense	\$42,000	\$33,439	\$49,350	\$124,789	\$249,578
Communication, Internet and Mobile	\$3,476	\$3,360	\$3,900	\$11,511	\$22,247
Transportation and Repair	\$16,877	\$6,440	\$19,650	\$46,023	\$88,990
Insurance, maintenance and repair	\$3,690	\$4,960	\$3,740	\$13,192	\$25,582
Electricity and Water	\$102,790	\$110,000	\$100,500	\$313,290	\$626,580
<b>Total indirect costs</b>	<b>\$305,169</b>	<b>\$324,354</b>	<b>\$357,190</b>	<b>\$1,009,958</b>	<b>\$1,996,671</b>
<b>Total operational costs</b>	<b>\$6,177,669</b>	<b>\$6,784,104</b>	<b>\$7,785,903</b>	<b>\$9,552,977</b>	<b>\$30,300,653</b>
<b>D. Net operational cash flow (B-C)</b>	<b>\$1,652,331</b>	<b>\$1,828,896</b>	<b>\$2,119,048</b>	<b>\$1,837,715</b>	<b>\$7,437,990</b>
<b>E. Extraordinary inflows</b>					
Sales of fixed assets	\$0	\$0	\$0	\$0	\$0
Other extraordinary inflows	\$0	\$0	\$0	\$0	\$0
<b>Total extraordinary inflows</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>F. Extraordinary outflows</b>					
Investment in fixed assets	\$3,100,000	\$0	\$0	\$0	\$3,100,000
Investment in working capital	\$2,000,000	\$0	\$0	\$0	\$2,000,000
<b>Total extraordinary outflows</b>	<b>\$5,100,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,100,000</b>
<b>G. Net extraordinary cash flow (E-F)</b>	<b>-\$5,100,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>-\$5,100,000</b>
<b>H. Net cash flow, before loan payment (D+G)</b>	<b>-\$3,447,669</b>	<b>\$1,828,896</b>	<b>\$2,119,048</b>	<b>\$1,837,715</b>	<b>\$2,337,990</b>
<b>I. Financial inflows</b>					
Financial Inflow (Bank Loan)	\$2,165,000	\$0	\$0	\$0	\$0
Financial Inflow (Grant)	\$900,000	\$0	\$0	\$0	\$0
Business contribution (beginning balance)	\$400,000				
<b>Total financial inflows</b>	<b>\$3,465,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,465,000</b>
<b>J. Financial outflows</b>					
Loan repayment (Principle)	\$721,667	\$721,667	\$721,667		\$2,165,000
Interest expense (8%)	\$173,200	\$112,000	\$57,733		\$342,933
Other financial outflows	\$0	\$0	\$0	\$0	\$0
<b>Total financial outflows</b>	<b>\$894,867</b>	<b>\$833,667</b>	<b>\$779,400</b>	<b>\$0</b>	<b>\$2,507,933</b>
<b>K. Net financial cash flow (I-J)</b>	<b>\$2,570,133</b>	<b>-\$833,667</b>	<b>-\$779,400</b>	<b>\$0</b>	<b>\$957,067</b>
<b>L. Net cash flow for period (H+K)</b>	<b>-\$877,535</b>	<b>\$995,229</b>	<b>\$1,339,648</b>	<b>\$1,837,715</b>	<b>\$3,295,056</b>
<b>M. Ending cash balance (A+L)</b>	<b>-\$877,535</b>	<b>\$117,694</b>	<b>\$1,457,341</b>	<b>\$3,295,056</b>	<b>\$3,992,556</b>

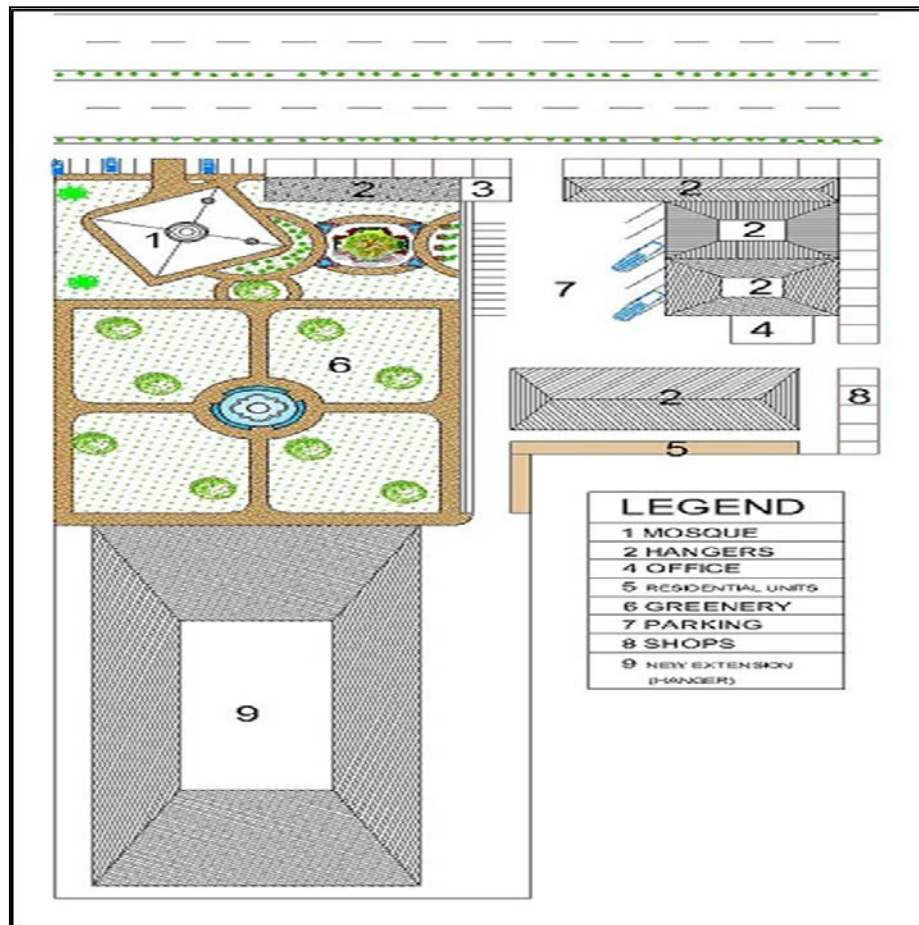
## Ratio Analysis

Current Financial Ratio Analysis					
Financial ratios	2010	2011	2012		Formula
Debt ratio	0.00%	0.00%	0.00%		Total liabilities / total assets x 100
Short-term indebttness	0.00%	0.00%	0.00%		Current liabilities / current assets x 100
Inventory turnover	38.27	48.42	23.52		30 / (COGS/Inventories)
Return on investment	3%	4%	3%		Net Income / Total Assets *100
Assets turnover ratio	18%	23%	59%		Sales / Total Assets *100
Gross profit margin	25%	25%	25%		Gross profit / total sales x 100
Net profit margin	15%	15%	14%		Net profit after taxes / total sales x 100
Cash Flow Project Ratios					
	2013	2014	2015	2016	
Operating cash flow ratio	54%	46%	37%	0	Cash Flows From Operations/Current Liabilities
Short term debt coverage	54%	46%	37%	0%	Operating Cash Flow/Short term Debt
Cash flow margin ratio	21%	21%	79%	16%	Cash flow from operating cash flows/Net sales
Capital Expenditure Coverage	35%	39%	45%	39%	Operating Cash Flow/Capital Expenditure

## Property Certification



## Property Layout



## *Annex 1-New Manufacturing Equipment*

**MILL ROLL STAND**



**CARRIER RAIL AND PAPER HOLDER**



**TOP VACUUM CASSETTE SINGLE FACER**



**CORRUGATING ROLLS CARTRIDGE**



**PRE-HEATER UNIT**



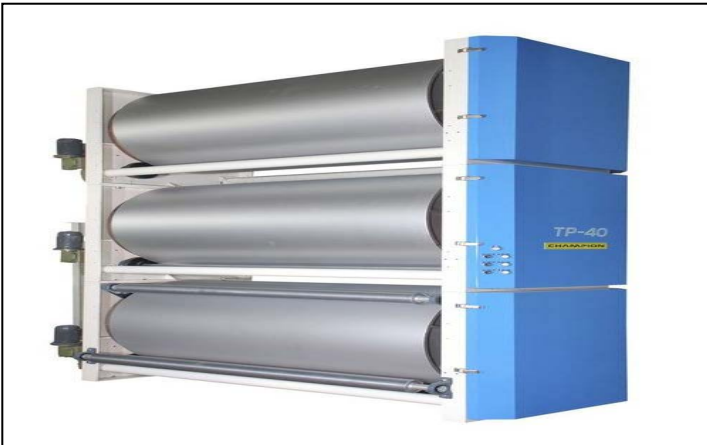
**PRE-CONDITIONER UNIT**





## *Annex 1*

**TRIPLEX PRE-HEATER**



**GLUING STATION**



**BRIDGE CONVEYOR**



**SUCTION BRAKE STAND**



**DOUBLE FACER**



**BELT DRIVE UNIT**



## *Annex 1*

**COMPUTERIZED SLITTER & SCORER**



**N.C CUTTER**



**SHEET COLLECTOR & SIDE DELIVERY**



**GLUE PREPARING EQUIPMENT**



**PIPING OF STEAM SYSTEM**



**MAIN MOTOR AND CONTROL PANEL**





## *Annex 2 - Existing Machinery*



## *Annex 2 - Existing Facility Setup*

