



# Invest in Lesotho's **Knit/Woven Fabric Mill**

## **LESOTHO**

Serve Africa, EU  
and North American  
markets with knit/woven  
fabric mills in Lesotho.  
Welcome to Lesotho's  
textiles industry cluster!

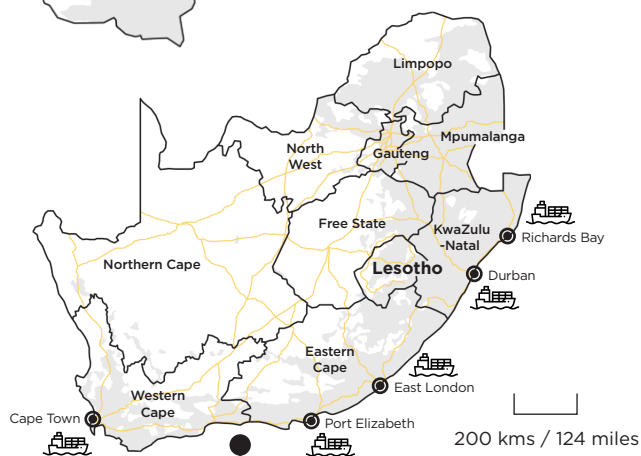
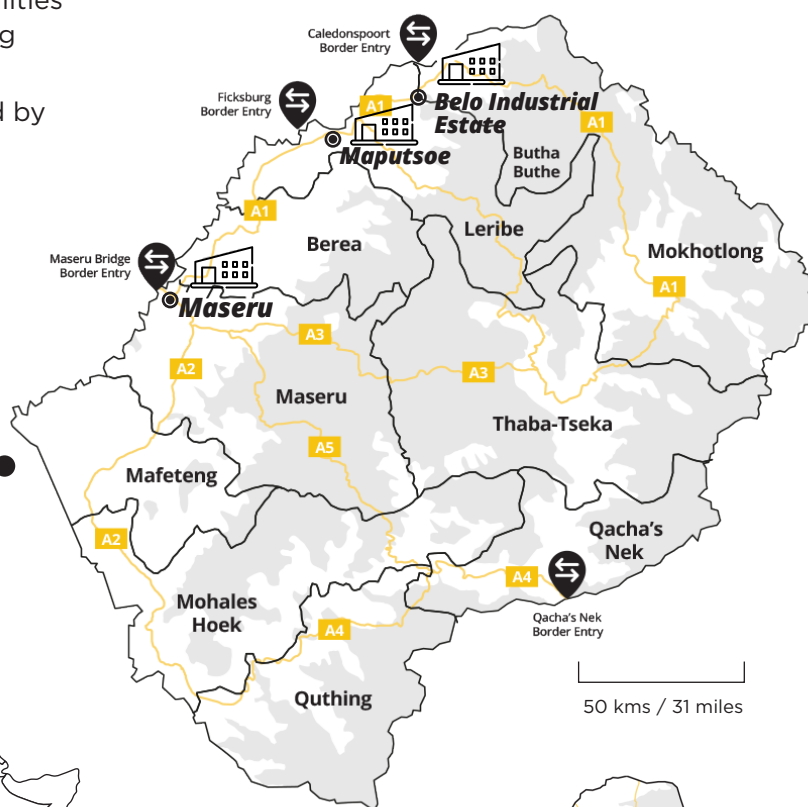


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**Lesotho's attraction for knit/woven fabric mills investments include:**

4. Government incentives that support investment and training costs.
5. Raw materials can be accessed from the SADC region or easily imported through ports in South Africa.



- GLOBAL MARKET
- WASTEWATER TREATMENT
- HIGH LABOUR PRODUCTIVITY
- GOVERNMENT INCENTIVES
- LOCAL RAW MATERIALS

## Strengths & Opportunities

**Lesotho is an ideal location for further investments in knitted/woven fabric mills for export markets. The government-owned Lesotho National Development Corporation (LNDC) operates eight industrial parks in the country dedicated to providing modern leasehold textiles production units, and to assist in dedicated knit/woven fabric mill infrastructure needs.**

More than 200,000m<sup>2</sup> of serviced plots are available for development in established textiles industrial locations, along with more than 100,000m<sup>2</sup> of fully serviced, modern industrial units of variable sizes.

Lesotho has an established textiles industry cluster that offers immediate knit/woven textiles business opportunities, possibly in the form of long term joint ventures. To support international knit/woven fabric mills investment and production, LNDC will assist with data and business introductions that will permit a full due diligence. Investors are assured of ministerial level access to help guarantee high level commitment for long term investments in Lesotho.



### UNIQUE LABOUR AND SKILLS PROFILE

The country offers a unique labour and skills profile dedicated to textiles. An established skills pool of more than

# 250 000

## WORKERS

is supported by community based training resources. Sustainable and quality employment is encouraged at internationally competitive labour costs.

### LOCAL EXPERTISE

**will support investors in such matters as:**

- Initial planning and production requirements, setting up of the spinning mill.
- Assistance in planning the knitting/weaving functions for labour.
- Machinery and facilities.
- Advice can be offered for dyeing, cutting, sewing and finishing.
- As part of more sustainable industry standards, LNDC will advise and support fabric recycling, waste management and re-utilisation.

Finally, LNDC services include advice and referrals in terms of government incentives and industrial financing to ensure a swift and efficient knitting/weaving mill investment through to full production.



# Knit/Woven Fabric Mill



## Strengths & Opportunities

**The government of Lesotho welcomes and fully supports socially compliant textiles production as one of its most important priorities of the 2020s.**

### (WRAP)

World Responsible Accredited Production (WRAP) certified businesses in Lesotho's textiles industry cluster employ over

# 5,000

PEOPLE

Lesotho has a proven and growing demand for knitted, crocheted (HS60) or woven fabrics (HS54 HS55) the majority of which is for export. 25% of Lesotho's established textiles cluster exports are of knitted/crocheted apparel and clothing (HS61).

### LESOTHO'S MAIN EXPORT PARTNER AT

# 80%

## IS SOUTH AFRICA

and other SADC countries are (6.5%). About 14.3% of exports go to the United States mainly consisting of textile and apparel products under the AGOA facility.



Belo Industrial Park, Buthe Buthe.

Apparel and textiles accounted for 46.6% of exports, of which more than half were articles of apparel and clothing accessories (knitted or crocheted). (Lesotho Bureau of Statistics, 2016).

Lesotho makes for an ideal location for knit/woven fabric mill operators seeking to secure their access to Africa, Europe and North America. Exports are set to grow further in coming years as AGOA, and its replacement agreement and the EU EPA agreement present opportunities for international trade.

Lesotho presents investors with a stable and democratic business environment. Although a developing country, Lesotho benefits from high standards of political governance and local industrial infrastructure. South Africa and neighbouring countries are easily served by overnight truck. International market access, through the Port of Durban, is just six hours trucking time away.



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## Project Assumptions

Knit/woven fabric mill investors will find serviced industrial plots inside established industrial areas. Investments are facilitated by Lesotho's LNDC, through industrial site provision, introductions to the local industry cluster and potential partners/suppliers. Support will be given to apply for investment incentives and training grants.

The local value chain for garments and textiles is continually developing. It is with this in mind that Lesotho supports the use of sustainable, environmentally friendly materials and processes as well as 100% recycled raw materials to reduce the dependence on petrochemical raw materials.



Knit/Woven Fabric Mill.



# Knit/Woven Fabric Mill



## Financial Analysis

### TOTAL INVESTMENT

A total investment of approximately:

**LSL\* 192m**

comprising fixed assets of LSL 182m, pre-production expenditure of LSL 800k and initial working capital of LSL 9.1m will be required for the establishment of the Knit/Woven Fabric Mill enterprise. The graphs below illustrate a financially viable operation with the opportunity expected to generate a profit throughout its operational life.



Tikoe Industrial Park, Maseru.

In addition to the positive NPV and IRR, the initial investment cost of the project is expected to be fully recovered in just under 7 years. The investment opportunity also responds favourably to the Country's developmental objectives through its positive socio-economic impact in terms of employment creation, economic agglomeration and potential forex earning opportunities.

### NET PROFIT

The project's annual net profit after tax increases from approximately:

**LSL 23.5m**

in year 1 to approximately:

**LSL 34.1m**

in year 10. Similarly, the projected cash flows of the envisaged project indicate that it will generate positive net cash flows throughout the 10-year operational period.

#### NET PROFIT



YEAR 1

**LSL 23.5m**

#### NET PROFIT



YEAR 10

**LSL 34.1m**

\*1 LSL = 1 ZAR

15 LSL = 1 USD (as of April 2021)

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## Financial Analysis

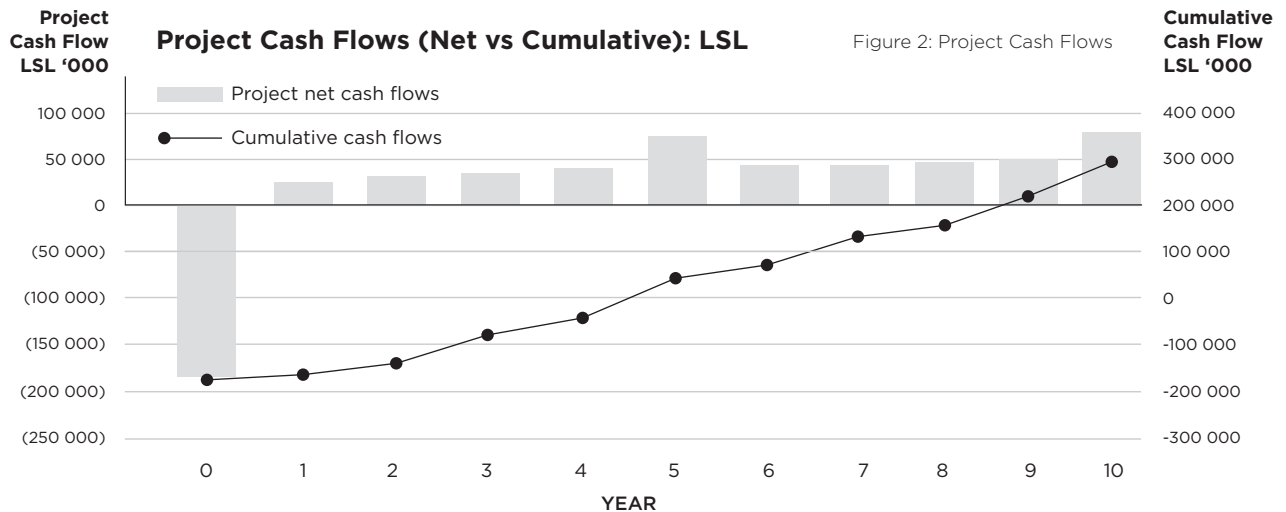
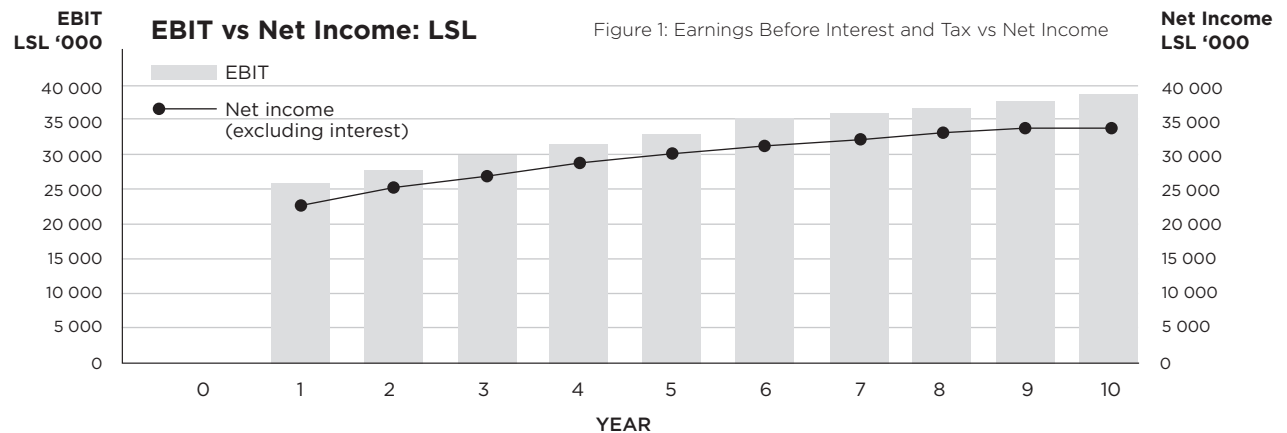


Table 1: Investment Indicators

The projected future cash flows generated by the enterprise are discounted at a rate of 10%. The outcome of the discounted cash flow analysis is summarized in Table 1.

Net present value (NPV)	<b>LSL 98.9m</b>
Discounted payback period	<b>6.90 years</b>
Internal rate of return (IRR)	<b>19.76%</b>
Profitability index (PI)	<b>2</b>

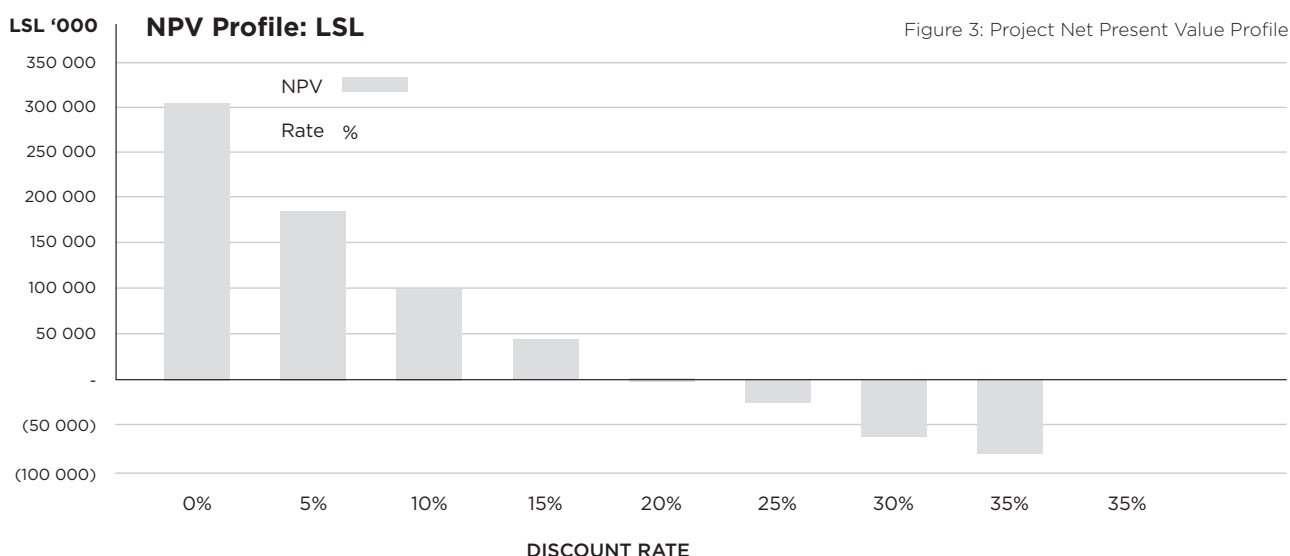


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## Financial Analysis

The positive NPV at a discount rate of 10% corresponds to an IRR of 19.76% highlighting the financial viability of the Knit/Woven Fabric Mill investment opportunity.



Belo Industrial Park, Butha Buthe.



Nyenye Industrial Park, Maputsoe.

### NOTES

The financial analysis of the Knit/Woven Fabric Mill investment opportunity is computed over a ten-year period. Revenue and expenditure projections are in line with industry growth prospects and market potential and have been informed by and benchmarked against industry standards and norms. In addition, assumptions relating to inflation; depreciation and salvage value; and company tax have been worked out based on the existing laws

and directives of the country. The figures above represent high level estimates as of January 2021 and are not derived from a full feasibility study. Investors are advised to conduct their own due diligence.

### For more information please contact:

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