

Capellaro Investments Ltd

Zambia

Overview

Capellaro Investments Ltd trading as (Kabwe Industrial Fabrics Corporation) KIFCO Packaging has been in the packaging business for 45 years. Capellaro Investments Limited (CIL) was initially called Kabwe industrial Fabrics before it was transferred to the ownership of Gevano and Workington who renamed it to Capellaro. In 2009, TechNet acquired 95% of the company, with 5% remaining with Workington.

The company, located in Kabwe, specialises in the production of Polypropylene (PP) bags that are widely used in bagging of grains, sugar, etc. The company employs 170 workers.

The product

The company produces the following product range: Plastic bags, Balers, Milk sachets, Laundry bags, Carrier bags, Liners, Black sheeting material (UV stabilizing is done on request).

The company produces a wide range of inexpensive uses plastic bags, including supermarket packaging plastics, milk sachets, waste-bin liners, laundry bags, black sheeting material (UV stabilizing can be done on request).

- Polyethylene Terephthalate products (PET) – products such as carbonated drinks bottles, peanut butter and jam jars, microwavable plastics, plastic films etc.
- High-Density Polyethylene products (HDPE) – These include detergent bottles, milk jars, molded plastic cases (e.g. Breweries and Parmalat plastic cases).

The market

Demand for plastic packaging material is expected to grow as Zambia's economy continues to remain stable and production of goods that require our packaging materials grows. The total annual size of the Zambian market for polymer products is estimated to be 200,000,000 and 59,000,000 for 50kg bags and 25kg bags respectively. The growth of the industry has been derived from increased demand in agriculture and the manufacturing products. Zambia spends about US\$30 million annually on importing packaging material. Direct importers of finished bags from China, India and Middle East complement the polypropylene national capacity, and contribute to less than 10 percent of the estimated market demand.

The demand for the company products emanates from the milling companies, cement producers, sugar manufacturers and other users of packaging materials. The market can be deemed to be in the growth phase owing to a number of new entrants in the milling industry and the general growth in grain production in the country. Maize production averages 2.6 million metric tonnes per year. Production in cane sugar continues to expand fuelled by growing investment in the sub-sector coupled with expansion in the land under cultivation due to growing out-grower schemes.

Key facts

Name of Organization	Capellaro Investments Ltd
Country of operations	Zambia
Headquarters	HQ: Lusaka OP: Kabwe
Website	Under construction
Year operational	1973
Sector	Industrial (Polypropylene products)
Legal structure	Private limited company
Number of employees	170 people
Revenues	USD 1.8 Million

Proposed investment structure

Proposed investment amount	USD 70,000 000
Type of investment	Debt/ Equity
Type of investor needed	Short term investor
Use of proceeds	<ul style="list-style-type: none"> • Liquidation of KIFCO debt (US\$ 1.7 million) • Recapitalization of company (US\$ 5.3 million) • Increase weaving capacity of PP plant • Rehabilitate PE plant • Purchase of raw material stock for five months

NO ACTION TAKEN BY ITC SHALL BE CONSTRUED TO CONSTITUTE AN OFFER OR SALE OF SECURITIES IN ANY JURISDICTION. ITC MAKES NO REPRESENTATION REGARDING THE ACCURACY OR COMPLETENESS OF THE INFORMATION PROVIDED AND IS NOT LIABLE FOR ANY DAMAGE OR LOSS OF ANY KIND OR NATURE, WHICH MAY BE INCURRED AS A RESULT OF ANY CONTACT WITH PARTIES INTRODUCED BY OR THROUGH ITC. ITC DOES NOT ADVISE ON THE MERITS OR RISKS OF INVESTING AND INVESTORS MUST CONSULT AND RELY UPON ON THEIR OWN PROFESSIONAL ADVISORS FOR ANY INVESTMENT DECISIONS.



The competition

With the commissioning of DANGOTE Cement plant on the Copperbelt, cement production has increased tremendously, creating business growth opportunities for KIFCO. The market for PE products is highly fragmented (including more than twenty small operators), but estimated to be around 2,500 tons per annum. However, the top three companies namely; Lamasat, Habib, and Polythene Products Limited dominate the supply market. The company currently is unable to meet all its orders efficiently partly due to limited working capital and partly due to limited capacity in the weaving section for PP products and in the PE section where operational capacity is low. The company requires funds to acquire more looms to increase weaving and expand PE productivity. The working capital will ensure the flow of raw materials is stabilised. Only around 1% of the firm's production is exported—to the Democratic Republic of the Congo, Mozambique and Zimbabwe, or through foreign traders who come to Zambia to buy.



Management & Advisors

- **Dr. Lameck Banda, Chief Executive Officer** – Mr. Banda has been in charge of the company operations for over 15 years. He has over 28 years of experience mostly in corporate management positions. He has a Degree in Chemical Engineering and a Master's in Business Administration.
- **Mr. Chabala Mutuna, Production Manager** – Mr. Mutuna is qualified in Production Management and is also trained in Quality Management. He has previously worked as Supply Chain Manager and as Production Manager in the last 20 years. He has successfully consistently improved operations over the years using innovative methods and upgrading of technologies.
- **Mr. Gilbert Tembo, Finance Manager** – Mr. Tembo is a qualified chartered accountant with requisite experience in corporate finance and financial management. With over 15 years' experience he brings on board financial oversight based on sound management of financial resources and company assets. He holds an ACCA full qualification professional certificate.



Investment Proposal

Capellaro is seeking viable equity partnerships to help to recapitalize operations and achieve optimal asset utilisation and productivity. The company is open to consider options for outright sale, partial sale and a joint venture arrangement.

Option – 1 Purchase of 35% shares by limited Chinese partner

Option – 2 Purchase of 51% shares by limited Chinese partner

Option – 3 Undertake a Joint venture

The investment outlay to liquidate the existing debts, expand PP plant, rehabilitate the PE production lines and acquire 5 months stocks. The outlay will be implemented over a six-month period after which the company will normalize production. As a result of these outlays, the company will begin to realise returns on the investment in the second year of up-scaled operations. This is justified by the turnover which will increase from the current US\$180,000 to US\$ 230,000 per annum and increase in market share to 20% in the PP market and 5% in the PE market. The average ROI is estimated at 14% over the next five years and the payback period for the investment at 3.5 years.



Social Impacts

The Company currently employs 170 people and is estimated to provide over 10,000 indirect jobs.

Transfer of knowledge and skills. KIFCO plays a significant role in supporting the development of the agricultural and manufacturing industries and has tremendous potential to contribute to several other economic sectors. The upgrade of technology will improve the productivity of the company and reduce operation costs hence improving profit performance and reduction of waste.

Financial details

Company's financials are available upon request.

NO ACTION TAKEN BY ITC SHALL BE CONSTRUED TO CONSTITUTE AN OFFER OR SALE OF SECURITIES IN ANY JURISDICTION. ITC MAKES NO REPRESENTATION REGARDING THE ACCURACY OR COMPLETENESS OF THE INFORMATION PROVIDED AND IS NOT LIABLE FOR ANY DAMAGE OR LOSS OF ANY KIND OR NATURE, WHICH MAY BE INCURRED AS A RESULT OF ANY CONTACT WITH PARTIES INTRODUCED BY OR THROUGH ITC. ITC DOES NOT ADVISE ON THE MERITS OR RISKS OF INVESTING AND INVESTORS MUST CONSULT AND RELY UPON ON THEIR OWN PROFESSIONAL ADVISORS FOR ANY INVESTMENT DECISIONS.