Central Department of Feasibility Studies
and Investment Costs Estimation

General Department of Economic Feasibility Studies

Summary of a Preliminary Feasibility Study on Manufacturing Jeans Pants



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INVEST IN EGYPT

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Summary of a Preliminary Feasibility Study on Manufacturing Jeans Pants

Textile Sector *

Project General Description

- The project aims at producing all sizes and shapes of jeans pants and other jeans clothing which meets the needs of the different consuming sectors (men, women and kids).
- The textile sector is one of the most important industrial sectors that plays a significant role in the Egyptian national economy. The textile and garment industry is the second largest industrial sector in Egypt after food industries. It also plays a key role in shaping the Egyptian economy, with the garment sector representing 3% of Egypt's GDP and 27% of industrial output. Additionally, 25% of total industry focuses on the textile production, including 12% in home textiles, 8% in cotton spinning, and 5% in other textiles.
- Egypt is considered one of the countries producing ready-made garments at various levels, ranging from medium quality to high quality intended for export. The necessary raw materials for this industry are available both locally and imported, with a variety of prices and quality grades.
- The ready-made garment activity, whether in manufacturing or trading, is rich in supply chain elements, including sourcing, production, transportation, storage, and sales. This provides numerous job opportunities at various stages of the process.
- The ready-made garment project is considered flexible in production, as the same production line can be utilized, with some adjustments, to produce different types of clothing. This serves as an advantage to initiate the project.

* The data mentioned in this study are preliminary, estimated, and indicative material retrieved from the competent authorities for the purposes of promoting the investment opportunities available at GAFI. Accordingly, they may not be used before banks, the judiciary, or any other government entity or any third party.

Project Products

- Jeans pants for men
- Jeans pants for women
- Jeans pants for kids
- Any types of jeans clothes can be manufactured (by order)

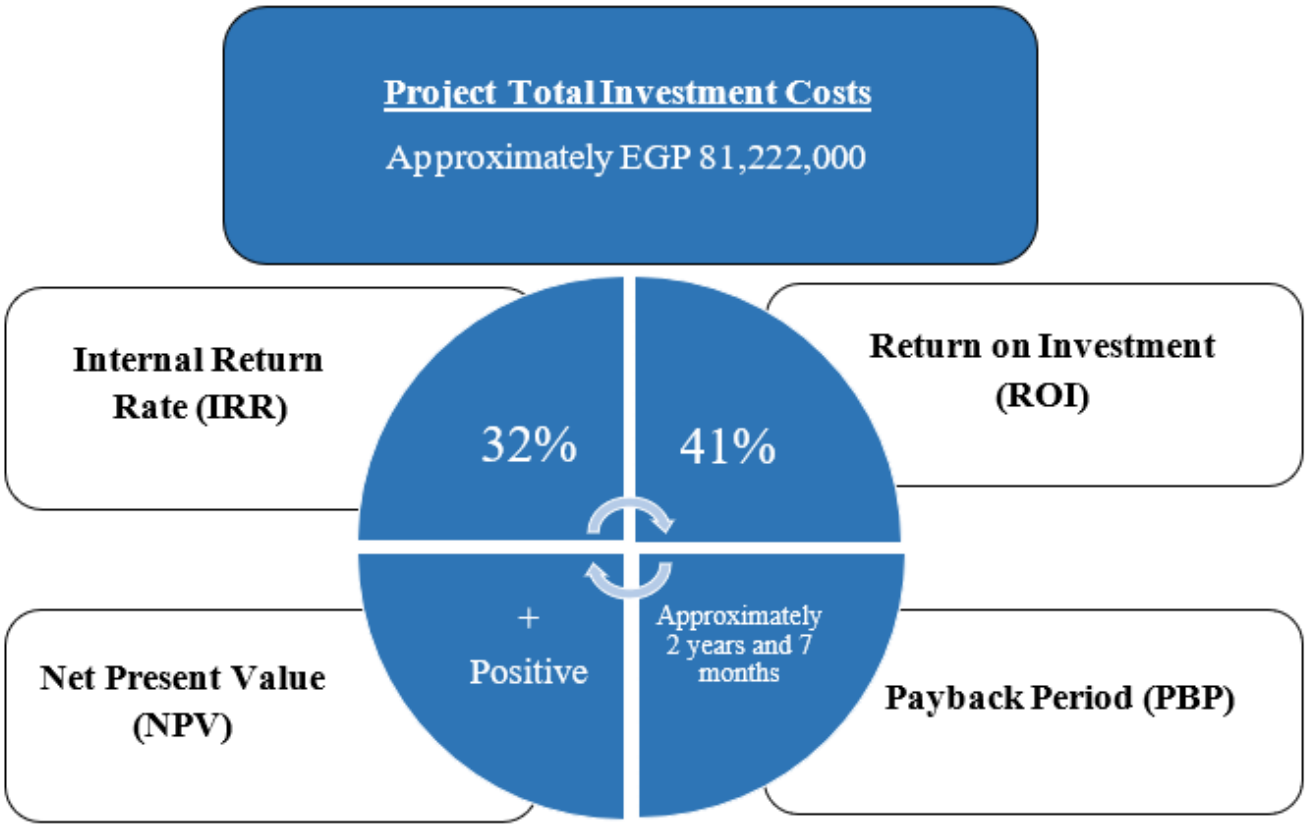




The Investment Opportunity and the Location of the Project

- It is proposed to establish the project in the Industrial Zones where it is allowed to establish textile projects, taking into account making the necessary adjustments in the costs of the feasibility study.
- According to what is available on the Investment Map, the project can be established on a surface area ranging from 250 m^2 to 1200 m^2.
- The project may be established under usufruct agreement.

Project Key Financial Indicators



The Outcomes of the Legal Feasibility Study

- The textile sector is governed by the provisions of Investment Law and, as a result, receives significant attention from the government through various incentives.
- Depending on the choice of its owners, a company that would like to carry on textile activity may be incorporated as per Investment Law, Companies Law or Trade Law.
- The company that would carry on this business may take the form of a sole proprietorship, a partnership, a limited liability company, or a joint-stock company.
- When obtaining an operational license from the relevant authorities, there are legal requirements that must be met as follows:
  - The applicant must satisfy the requirements of the governorate as well as the local administrative unit/city hall in whose jurisdiction the project site is located.
  - The applicant must also satisfy civil defense and fire department requirements.
- According to Law 15/2017, the Industrial Development Authority (IDA) introduced a streamlined licensing system for industrial activities that pose minimal risk to health, environment, safety, or security. Under this system, businesses can obtain operational licenses simply by notice, without undergoing complex approval procedures. The Executive Regulations of the Law further simplified the process by outlining the necessary steps to acquire such license. These steps include the following:
  - The applicant submits an application to IDA for carrying on the specific industrial activity.
  - A recent official copy of the commercial registry [of the company that would engage into that activity];
  - Evidence that the applicant paid the fees applicable to issuing the operational license and that they obtained a copy of the Industry Engagement Guide; and
  - A copy of the deed of possession of the project site (a deed of title, a lease agreement, or a usufruct agreement).
- In case the applicant is going to engage into export operations, they must obtain an import and export card indicating the type and description of the products, or export through an intermediary company that undertakes the export and customs release procedures on behalf of the project.

The Outcomes of the Environmental Feasibility Study

- The environmental feasibility study is defined as the study that explains the degree of protection and maintenance achieved for the environment, by taking into account its absorptive capacity or its maximum capacity to withstand human activities aimed at exploiting environmental resources without the occurrence of environmental degradation or depletion on the short and long term, whether directly or indirectly.
- Environmental feasibility studies are one of the pillars of environment protection and maintenance. Paying attention to environmental feasibility studies for different development projects is an absolute necessity to achieve sustainable development. This is as important as paying attention to the project's economic feasibility studies

whose sole purpose is to ensure that the project achieves the greatest amount of material benefits, without taking into account any potential negative impacts on the environment on account of the project.

- As the project does not involve any dyeing or chemical operations, it is classified as a Category (A) project, as it is listed as no. (23) in the environmental classification list of projects issued in accordance with the provisions of Item No. 7 of Article (14*bis*) of Law No. 105 of 2015 issued on October 19, 2015 amending Environment Law No. 4 of 1994 and its Executive Regulations, and in accordance with Minister of Environment Decree No. 16 of 2016. The project has to prepare environmental impact assessment studies, and the inspections and standards have to be carried out in accordance with the environmental classification category (A) and the requirements of the environment law, taking into account satisfying the governmental fees prescribed for such category.

- The expenses associated with addressing the project's environmental impact, managing industrial waste disposal, and implementing environmental protection measures are accounted for within the raw materials expenditure, as elaborated on in this study.

The Outcomes of the Social Feasibility Study

- The project assists in eliminating unemployment problems in society through its contribution to providing about 60 direct job opportunities for different types of workers, especially uneducated groups; in addition to its contribution to providing indirect job opportunities through the supply and distribution chains that the project deals with.
- The project has an added value to the national economy by contributing to the GDP, increasing exports, minimizing the deficit in trade balance, and providing foreign exchange.

The Outcomes of the Marketing Feasibility Study, Growth Drivers, and Competitiveness

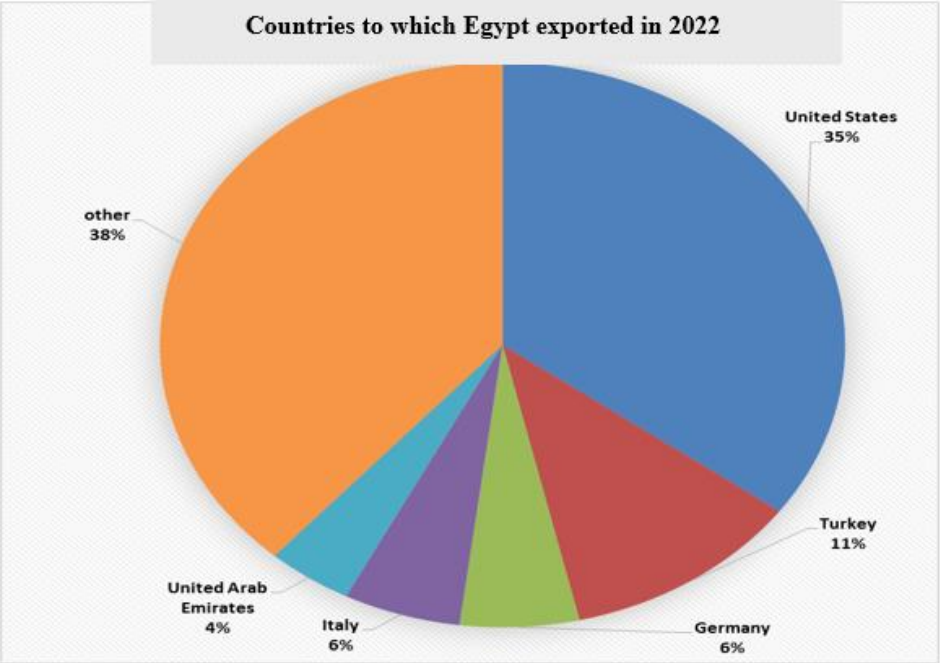
1. **Marketing Feasbility Study Outcomes based on Growth Drivers and Competitiveness:**

- The project aims to bridge the significant gap in the high demand for garment industry, which is increasing annually in line with population growth rates.
- One of the growth drivers and competitive strength of this activity is the availability of the main raw materials locally, including the availability of Egyptian cotton (LSF), which is internationally appreciated for its high quality.
- The annual growth rate of the ready-made clothing industry in Egypt ranges between 9% and 10%.
- Egypt is also considered the only vertically integrated home for the textile industry in the Middle East, starting from raw materials to final products of clothing and home textiles.

- Egypt’s strategic location helps in exporting to Asia, Africa, Europe and North America.
- Among the growth factors and competitive strength of such activity is Egypt’s possession of more than 15 commercial ports, which helps in exporting; in addition to signing free trade agreements with European Union, COMESA, the Mercosur Agreement, and the QIZ Agreement.
- Egypt holds a leading position in the textile and garment industry among countries worldwide, especially in high-quality cotton textiles. The textile and garment industry contributes over 12% of Egypt's total exports. Egypt is also the largest producer of long-staple cotton in Africa.
- Egypt pays special attention to the textile industry, aiming to deepen the national spinning and weaving sector by utilizing the latest global technologies and keeping pace with international developments in this regard. Additionally, it focuses on developing value chains for the spinning and weaving sector, enhancing the system of supporting industries, and establishing specialized cities and clusters to contribute to this, including the establishment of Sadat City for textiles, covering a surface area of 3 million square meters.

2. Supply Volume

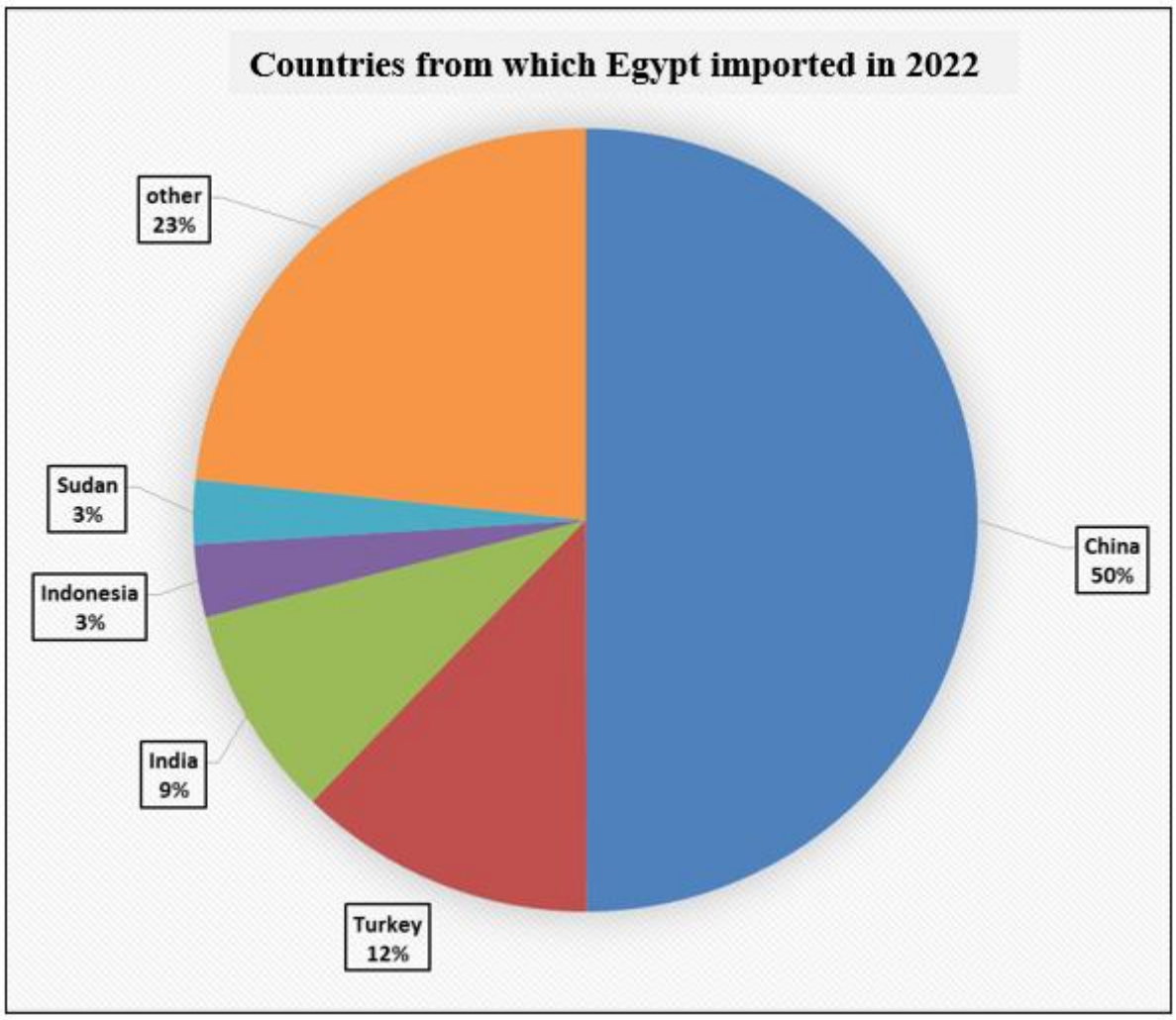
- The number of companies incorporated in the textile sector in Egypt during the period between (2014 and 2021) are about 6740 companies with an issued capital that reached EGP 10.5 billion.
- According to the System of Customs Tariffs, the textile sector comprises ten customs chapters with a total of 575 customs items. When classified by industrial application or commercial use, the sector includes over 30 sub-products of fibers, yarns, fabrics, and technical textiles. The public sector dominates the production industry, accounting for 50% in spinning, 60% in knitting, and 60% in textiles. Meanwhile, the private sector owns 90% of the garment industry, in addition to the dominance of the textile sector over large industries with a strong influence from the public sector.
- According to World Bank data, Egypt ranked 31st globally in textile exports in 2022 out of a total of 164 countries, with total exports from the sector amounting to $5477 million, representing 0.58% of total global exports. This makes it the third largest category of products exported from Egypt. The ranking and key importing countries from Egypt can be illustrated in the following chart:



- The five main countries that imported from Egypt in the textile sector in 2022 were: the United States ($1918 million), Turkey ($623 million), Germany ($308 million), Italy ($304 million), and the United Arab Emirates ($221 million), with other countries accounting for $2104 million.

3. Demand Volume:

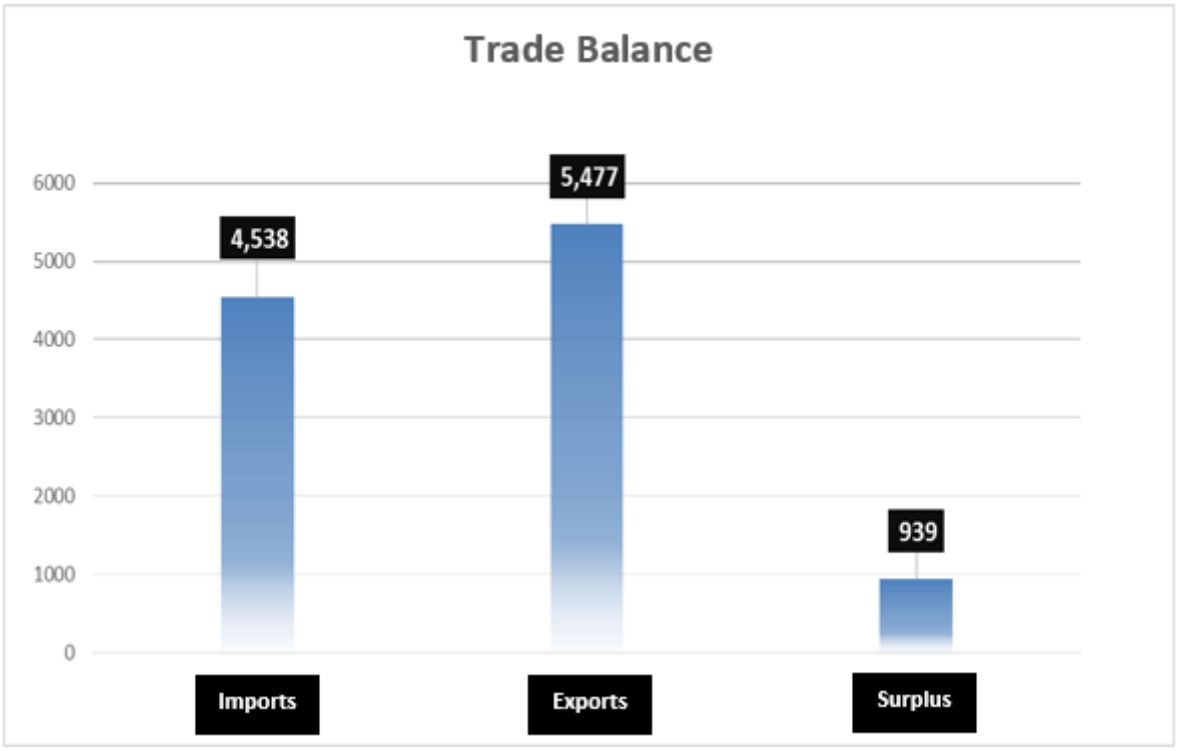
- According to data received from the relevant authorities and the World Bank, Egypt imported textiles in 2022 valued at $5597 million from a total of 139 countries, making Egypt the 45th largest textile importer in the world. The countries from which Egypt imported can be detailed as follows:



- Egypt primarily imports textiles from: China ($2267 million), Turkey ($557 million), India ($397 million), Indonesia ($136 million), Sudan ($120 million), and other countries ($1059 million).

4. Trade Balance

- According to the above, it is clear that there is a surplus in the trade balance of the textile sector, which serves as an advantage for the project to pursue exports abroad.
- The global market is expected to register a compound annual growth rate of over 4% during the forecast period (2022-2027).
- The total exports from the textile sector in 2022 amounted to $5477 million, while total imports for the same sector reached $4538 million, resulting in a trade surplus of $939 million, as detailed below:



5. Local Market

- The main goal of the project is to export abroad; however, the project will also help meet part of the local demand, contributing to fulfilling the growing needs of the domestic market due to population growth. The annual growth rate for demand for ready-made garment products in Egypt ranges from 9% to 10%.
- It is expected that the average spending for the ready-made garment industry will reach $7 billion. The average spending on ready-made garment per household is projected to be $204 annually. Women's clothing sales were approximately $0.9 billion in 2018, while men's clothing sales were around $0.5 billion in 2018. Total clothing sales amounted to approximately $9.5 billion in 2018.

6. Potential Markets

- It is possible to expand to enter other foreign markets, provided that production meets specific specifications that cater to the needs of the target export countries and at competitive prices. In addition to the Middle East, the Gulf region, and African

countries, the main proposed export markets include addressing the needs of the largest importing countries in the world for the project's products, which are:

- ✓ The United States, whose textile imports in 2022 amounted to approximately $147684 million.
- ✓ Germany, whose textile imports in 2022 amounted to approximately $69296 million.
- ✓ Japan, whose textile imports in 2022 amounted to approximately $35301 million.
- ✓ France, whose textile imports in 2022 amounted to approximately $35171 million.
- ✓ The United Kingdom, whose textile imports in 2022 amounted to approximately $33667 million.
- ✓ Italy, whose textile imports in 2022 amounted to approximately $31822 million.
- ✓ China, whose textile imports in 2022 amounted to approximately $27771 million.