



# **INVESTMENT OPPORTUNITY**

## **Muthana Cement Plant**

**(Muthana Governorate)**

### **– Invitation**

The Ministry of Industry and Minerals (MIM) / Investment Department invites Investors and international competent companies to invest in rehabilitation of Al-Muthana cement plant at Muthana Governorate, that is to finance and implement the activities to rehabilitate the plant and making the necessary modification in accordance with modern technology of cement industry (i.e. Upgrading the plant by using new technology and adding new equipments to achieve the target of the rehabilitation) to operate and management control the factory at the investor expenses against a share of production.

### **– History of the Plant**

The plant is one of the Cement plants operated by the state company of southern Cement (totally owned by the State).

The original contract of the plant was signed with the German Company (K.H.D Humboldt Wedag) on 30/3/1981. The plant was operated by (K.H.D Engineering) for the period beginning 1984 till mid 1986. The plant is designed on Dry process and produce sulphate resisting Cement at a design capacity of 1960 000 ton clinker and 2000 000 ton cement / year. Plant operation is controlled by computer and provided with advanced quality control systems compared to other Iraqi cement plants.



Due to shortage of financial resources and the Embargo imposed on Iraq during nineties, a low quality spare parts were used and poor maintenance was implemented which caused reduction in the production capacity and the necessity to rehabilitate and modernize the plant to cope with new development in Cement Industry, and to bring the plant to its design capacity. Muthana Cement plant is one of two cement plant run by the state Company of cement for the southern region (one of the state companies of the Ministry of Industry and Minerals). The plant consists of two clinker production lines.

Due to shortage of funds and the Economic Embargo imposed on Iraq during 1990-2003. Poor maintenance was performed with absence of standard spare parts. This situation prevailed till now. The result was low productivity of the plant. It needs badly large scale rehabilitation and modernization work to bring the plant to its design capacity according to modern development Technology in cement Industry.

#### – **Investment Concept**

The concept is that the investor shall implement the activities to rehabilitate the plant in accordance with modern technology, manage and operate the plant against share of accomplished production, for a certain period.

#### – **Plant Data:**

- **Design Capacity**

The original design capacity is 2000000 ton /year

- **Target Capacity**

90% of the design capacity.

#### – **Economic Data:**

- **Strong Points of the Opportunity:**

- ❖ **Local Market Demand**

There are (17) established cement factories in Iraq. All of them are the property of the State. Their total design capacity 19000000 ton/year, however, the actual production capacity currently is around 3000000 ton/year only.

The gap between demand and production is wide. Local demand is growing in large scale and quickly while production is not improving.

The prediction for cement consumption shows that the consumption may reach 27 million ton/year in the coming years, based on the wide program



for reconstruction, infrastructure requirements and large scale housing scheme accordingly there is a strong investment opportunities in rehabilitation of existing cement plants and for new plants as well.

#### ❖ **Availability of Labor Force**

Iraq possess an accumulated technical experience in cement industry, both in dry and wet process, especial in Al-Saddah area where the plant was founded in 1954, where experience is represented in a number of engineers, technician, skilled and semi-skilled labors working in operation and maintenance activities, in addition to other management and accounting experienced personnel. However, the investor may hire experts and specialists from outside Iraq for supervising rehabilitation works and training Iraqi staff on new technologies if required.

#### ❖ **Availability of Raw Material**

All raw materials are locally available in the region of Muthana cement plant.

#### ▪ **Estimated Cost of Rehabilitation**

115 million US. \$



## – Special care

The investor is requested to pay special attention to the following points when preparing and submitting his proposal:-

1. The aim is to rehabilitate and upgrade the plant by modern technology, to reach targeted production capacity, all at the "investor" expenses, against share of the product for certain period of time to be agreed upon with Ministry of Industry & Minerals.
2. The rehabilitation works shall be comprehensive for all production lines of the plant and facilities to ensure that the plant shall work at the targeted capacity.
3. The "investor" in cooperation with his supporters, specialized in concerned industry, shall depute technical experts to visit the plant site to evaluate the technical requirements of rehabilitation & conclude detail investigation at the same time. The plant management shall provide all needed assistance to help the expert's team to perform the technical investigation of the plant including providing technical data and drawings.
4. The investor shall present his investment proposal containing the details of the rehabilitation work that he shall perform, procedure for implementing the work, the final and stages production capacity targeted, the period of the investment agreement, the share of the Ministry of the production that he offers and the procedure to operate and manage the plant after completing the rehabilitation work (see General Condition for detailed terms of the eventual agreement).
5. The proposal shall contain the undertaking to supply, install, and operate power generation unit (s) sufficient to meet the plant needs.
6. It is preferable for the interested investors to arrange seminar for the project team and the related staff, to show his qualification and experience and points of view for the rehabilitation approach.
7. The proposal shall contain the undertaking to keep the plant personnel, pay their salaries and allowances throughout the agreement period.



## – Evaluation criteria

A specialized team from the Iraqi side shall study all the proposals submitted by the investors and select the best proposal, negotiate the investor of the best proposal to finalize the agreement to be signed with the Ministry.

The evaluation criteria for selecting the winner investor shall be:-

1. The share of MIM as a percentage of the production.
2. The scope and level of rehabilitation works and technological modification offered by the investor.
3. Readiness of the investor to install power generation unit/(s) of a certain capacity to cover the need of all activities in the plant as the national grid is no more sufficient.
4. Readiness of the investor to keep the existing workforce of the plant paying their salaries & incentive according to the production increments.
5. The period planned to implement the rehabilitation activities to achieve the targeted production capacity of the plant.
6. Minimum period of the investment contract agreement.
7. Maximum production capacity undertaken to be fulfilled by the investor.
8. The investor financial capability to fulfill his undertaking to rehabilitate the plant supported by :-
  - Financial statements for the last three years.
  - Supporting letter from banks and financial houses showing the investor financial capabilities.
  - Documents on the financial capabilities of the investor partners or the supporting parties.
  - Documents on financial facilities that banks may grant to the investor.
9. The technical and managerial capacity of the investor and his supporting partners (Engineering Companies, Vendors, Site Work Contractors), to achieve the rehabilitation works, operate and manage the plant after completion the rehabilitation and organizational structure of the investor/group of investors (to be provided).
10. The similar experience of the investor and his supporting companies in similar works with documental references.
11. The readiness of the investor to accept and fulfill the conditions and obligations mentioned in the rehabilitation file.
12. The Applicable standards (Weights) for the evaluation of each accepted offers will be according to the following marks:-



<b>The Standards of the Criteria</b>		<b>Marks Assigned %</b>
	Financial Capability: - Providing a certificate from the banks or financial body/institution with other documents that support the financial capabilities of the investor and his partners.....	20
<b>1</b>	-The documented financial facilities presented by the banks to the investor.....	<b>10</b>
	-Evaluating the financial position of the investing company and the partners, through studying financial data's of the last three years.....	5
	Technical capability: -Similar project works of the investing company and his partners (Implementation and operation).....	20
<b>2</b>	-Presenting documented information on the engineering companies cooperating with the investing company.....	<b>10</b>
	-Authentic documents related to the original suppliers of materials, equipments foreseen dependable by the investing company.....	5
	...	5
<b>3</b>	The production share given by the investing company to the Ministry of Industry and Minerals .....	25
<b>4</b>	The targeted production capacity offered by the investing company.....	10
<b>5</b>	The period required by the investing company for the rehabilitation works.....	10
<b>6</b>	The scope of works specified by the investing company in the investment plan.....	10
<b>7</b>	The specific period of the investment agreement offered by the investing company.....	5

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