

ValueAdd Recycling Sources Trading Cooperation

Business Proposal in 2007

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ValueAdd

- Make the best use of everything-

Team 5- HighlyUnited

Jovita Seiliute (Lithuania)

Ignotas Salavejus (Lithuania)

Xian Huang (United States)

Summer Jones (United States)

Sharifah Wardah Binte (Singapore)

Sharifah Huseinah Binte (Singapore)

Yuan Zhang (New Zealand)

EXECUTIVE SUMMARY

Economics experts and various studies conducted across the globe envisage India and China to rule the world in the 21st century. ValueAdd Recycling Sources Trading Corporation aims to explore efficiency in second hand sewing machines from United States to India. The recycling business, nowadays, has become popular because it saves primary materials and time to manufacture. It will definitely also cut down the cost of production. Our corporation will provide the sewing machines in good conditions that were eliminated by fashion factories in United States. India owns many fashion factories and the production process is labor-intensive. The sewing machines that ValueAdd provides will help the factories decrease the cost of manufacturing and increase productivity

Objectives:

- Establish networks between ValueAdd and Indian local fashion factories
- Seek potential markets and market trends in India
- Set up an honest working atmosphere with local firms
- Set up strategies to compete with worldwide competitors

NATURE OF THE VENTURE

1. Background

Sewing machines were the first machines at home. When first introduced, sewing machines were considered to be miracles. These machines forever changed the world, not only in world of fashion, but also in commerce, society and much more. The development and manufacturing of the sewing machine even shaped the Industrial Revolution and the Women's movement. With such powerful history, ValueAdd wishes to continue on such history and change, by recycling sewing machines of the past to India.

2. The product / service

ValueAdd will provide used or second hand sewing machines from United States to India. These machines will be sold and distributed to fashion factories in India. Local factories who want to continue to provide low cost garments and locals who want to set up their own independent factories can contact Value Add in India will order these used machines at bargaining prices. Secondly, ValueAdd will aid in its shipping and its repairing, by employing its own group of local repairers. Finally, ValueAdd will also buy back machines which have reached its end of life, so that this disposition of machines is done according to the highest environmental standards.

3. Location of venture

ValueAdd will have offices in United States and India. It will also have a website to centralize the communication between itself and its stakeholders such as suppliers and customers.

The U.S. office will focus on searching for suitable suppliers to provide the machines and transportation to its partners in India. This office will also care for the financial strategies employed by ValueAdd. With its website and proximity to suppliers, ValueAdd U.S. can contact its suppliers more efficiently than its partners in India.

The office in India will look after marketing and distribution by ensuring contact with local factories, and repairers. This office will also prepare the necessary documentation required for the entry of the machines to India and manage the flow of machines and potential bureaucracies and barriers faced by ValueAdd India.

MARKET TRENDS & TARGET MARKET

Since ValueAdd will be fixing and selling the sewing machines in India, the corporation will have to venture into different demographic trends. Although all the machines from United States will be carefully checked by experts, it is inevitable some machines will fail to work in the future, therefore, fixing could be done at a cheap price anywhere in India. By targeting the repairing of these machines locally, the corporation could decrease the cost by using the native labor force, meanwhile, it will help to improve their living standard.

The ValueAdd will mainly focus on the medium size fashion factories, who are keen to adopting cost- leadership strategy. These factories are focused on cutting cost and gaining more profit. The sewing machines from ValueAdd will be a fantastic selection because of the amazing low prices compared to buying new ones.

DESCRIPTION OF PRODUCTS/SERVICES

1. Description of the product

The main products which we will offer to the target market are industrial sewing machines. Once used in the USA, they will be recycled and introduced to India. As the technologies develops rather quickly, companies in well developed countries change the equipment into ones and the old ones are disposed of or sold. Still such equipment would be very useful in less developed countries like India, Nigeria and other.

To conquer the target market in India, we will offer used recycled industrial sewing machines, which will help to increase entrepreneurship in India, so they could produce both more and of better quality textile products.

The main advantages of such products are:

- Creations of links between USA and India;
- Promotion of textile industry in India;
- Industrial sewing machines if used twice reduce the pollution and etc.

2. Additional services

As the offered product is technologically cumbersome, we will offer such services as transportation, repairing and etc. If the potential customers need other various equipment of textile industry, our company will provide second-hand necessary equipment from USA.

ValueAdd Company has foreseen the possibility to buy back the sewing machines we sold when they will be out of order and down. On the one hand we will use exploitable details and parts of these industrial sewing machines as spare parts and will provide them to the customers. On the other hand, totally unusable equipment will become our responsibility and

we will organize both safe storage and liquidation of twice used and absolutely useless industrial sewing machines.

3. Other possible products

In case of success we will offer other textile equipment for India's target market, such as Auto cone winders, open-ended spinning units, CAD systems, single-cylinder knitting machines, continuous fusing machines, air-jet looms, and texturizing machines. So we could enlarge our sales also giving a possibility to create a developed textile industry in India.

OBJECTIVES AND GOALS

1. Long term goals objectives and goals

The primary long-term objective of ValueAdd is to become the largest supplier of second hand sewing machines into India's textile industry. Such activities will help India's textile industry to phase out from quotas regime and to double its capacities till 2010. As a subsequence due to the importance of textile industry a significant contribution into the sustainable economical and social development of India will be done. In parallel, ValueAdd will explore the possibilities of expanding its activities geographically and elaborate the variety of exported machinery.

Whereas textile sector is developed in a number of Asian countries (most significant are textile markets in Pakistan and China), the great potential lies in the adaptability of proposed model in the wider territory. Therefore after the first success the ValueAdd will establish regional offices which will be used for the adaptation of the above described model in the markets of these countries. This will help ValueAdd to become the new leader in the second hand textile machinery export sector. Also ValueAdd will seek to expand the geography of its resources in the other developed countries.

The second dimension will be the elaboration of the variety of exported machinery. As the sewing is just one of the stages of manufacturing leading from the raw materials till the final product ValueAdd will not limit its activities with sewing machines and will export other kinds of textile machinery such as textile winding or reeling machines; textile spinning machines; weaving machines; etc. like so will seek to dominate in all kinds of second hand textile machinery exports.

2. Short-term objectives and goals

Short-term objectives of ValueAdd are to establish permanent contacts with potential sewing machines suppliers in United States and large and medium size textile manufacturing enterprises all over the India; to analyze and monitor the situation in United States and India markets and to create effective marketing strategy (information campaigns, etc.). All activities should emphasize the positive mutual impact on the economical and social development and sustainability. All above mentioned tasks will be fulfilled by the personnel of ValueAdd offices in United States and India.

MARKETING STRATEGY

1. Effectively acquiring used machinery from US manufacturers.

Our acquisition team in the US has the task to set up contacts with major textile manufacturers in the US. To do this, we have to incorporate a proactive approach where the acquisition team contacts (cold call and also physically pay visits to) the plants to set up a stronger relationship based on mutual benefits and trust.

Also, another important part of our marketing strategy is to be prominent listed in the most common search engines on the internet. This involves hiring a specialized company that can ensure us a high listing.

Mainstream media advertisement is something that we will not consider in the early stage of our business. The main reasons are the huge expenses and the rather small size of our target market.

Because all big companies in the US have to incorporate a certain percentage of their business in sustainable development, doing business with VA is an excellent opportunity to fulfill this need. Our primary selling point to the US manufacturers is that we are offering an environmentally sustainable service while at the same time helping these companies to dispose their redundant machinery.

2. Targeting small to medium textile manufacturers in textile clusters in India.

The most effective way to reach Indian textile companies is to set up offices in concentrated textile clusters. These clusters are mainly located in MAHARASHTRA, and Gujarat. Our local offices have the task to approach the local textile businesses and to offer them the opportunity to produce much more effectively by using our used sewing machines. An easy to access website needs to be set up, where buyers can request certain types of machinery and also have a look at our inventory. A ways to reach them is through various advertising channels:

- Mailings and flyers.
- Outdoor advertising in strategic locations.
- Online advertising.

The message to these small companies is that: “ValueAdded is here to help your company.” We are convinced that through the positive word of mouth and by operating ethically and openly, we will be able to reach our sales goals.

HUMAN RECOURSES STRATEGY

In US office will work with several experts of different fields, who will organize and manage all the basic activities of ValueAdd Corporation. In India's office will work some marketing and trading specialists, and the main responsibilities of them will be spreading information (advertisements, information publications and etc.) and deal directly with target market. Also in India we will hire some employees who will work in equipment repair unit.

FINANCIAL STRATEGY

ValueAdd could fund the company in various ways.

- First, we shall use our own private savings and private networks to gather a starting capital.
- Secondly, we shall look for venture capitalists in the US to support our business. Our noble goals and mission combines with the sustainable factor of our business should convince them to invest in ValueAdd.
- Last, we also see opportunities for Indian government funding/ subsidies; the increased globalization, especially the post 2005 trade regime of the WTO, has put the whole Indian textile industry under pressure. Strong export-led countries, such as China, have unleashed a global flood of textile products. To aid the Indian textile industry, the Indian government has drawn roadmaps to promote the development of all the sectors of the textile industry, called the National Textile Policy 2000. Since one of the main goals of our business is to help textile companies in India, there is strong incentive for the government to help us fund our business.

FINANCIAL INFORMATION (All converted to US Dollars)

1. First year costs

ValueAdd will recycle industrial sewing machines which will cost us anywhere from \$500 to \$3250. The price on the used machines will vary significantly due to: age, manufacture, features, and capabilities. Due to the fact that industrial sewing machines are extremely diverse in options and capabilities, we will tailor our selection of machines based on customer needs. We will receive orders first, obtain a contract from the customer, and then proceed to fill it using our relationships with suppliers established in the US.

First Year Expenses

\$36,000 US Salary

\$15,000 Miscellaneous US expense

\$22,000 Office and Storage Facility in India

\$30,000 India Salaries (Sales executives)

\$22,000 Miscellaneous India Expenses

TOTAL FIRST YEAR COSTS: 125,000

In the US, our representative will telecommute from their home offices to initially save funds. Start up costs in the US will also include miscellaneous expenses such as communication costs, meeting expenses, and local transportation cost. India will have higher miscellaneous expenses because they will be responsible for marketing and distribution. All shipping costs will be absorbed by the customers.

2. First Year Profits & Losses:

960 units (Conservative estimate of units sold.)

\$672,000 Gross Revenue

(537,600) Cost of Goods Sold

(125,000) Expenses

\$9,400 Profit After first year

We expect sales to increase 15% a year and inflation to increase at 3% Therefore profit in

Year 2 to would be \$25,810 and \$29,800 in Year 3. The profit increases dramatically because overhead remains stable with an increase in sales.

3. Break-even point: 893 Units

There is a elevated need for manufacturing quality sewing machines in India. We are assuming an average sale price \$700 dollars (excluding shipping). These new machines, range from \$1200 to over \$10,000. In order to estimate a break even point, we are assuming a profit margin of 20% profit margin. Because the goods are used, and sometimes even discarded, we believe we can easily obtain this margin. Therefore, our break even point is within the first year of operations.

4. Future Outlook

ValueAdd will continue to minimize costs and expenditures to save funds for expansion. All profits will be reinvested in establishing locations in other foreign target markets.

To add additional revenues in the future, we plan on partnering with an industrial sewing machine repair company. Initially, we will subcontract our repairs to them. Not only will and be able to offer warranties and service on the machines, this will also give us the option of buying used sewing machines and refurbishing them. By decreasing cost of goods sold and offering more support on the sewing machines, we will be increasing our market share.

BENEFITS TO INDIA

There are 21.8% of poor Indians living in deep poverty. Hence, these individuals could be targeted as potential workers for the repair of the sewing machines. Uttar Pradesh has the highest number of people living under the poverty line at 45.8%. Hence, this state could be targeted as the base of our operations in India.

Several ways could be taken so as to improve the livelihood of these individuals and increase sustainable development.

1. The poor would be given the tools to repair the sewing machines for free and then would be given a sum of money for their work. The repaired sewing machines would then be sold in small, medium sized or multi-corporations. Otherwise, the poor could run their own business selling these machines with the sewing machine as a start-up. We would be given a small percentage of their profits.

2. Another way is to allow these poor to repair and own the sewing machines. We would then give them several old donated saris or clothes in which they could use to make newer saris and clothes. They could then sell them to us, which would in turn sell these clothes to our home country at a higher price. Hence, by giving them the resources, we would be able to earn a profit and these individuals would be able to remove themselves from poverty.

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