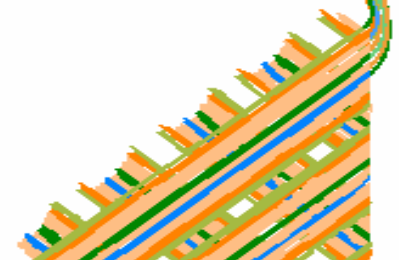
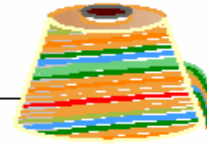


Investment & Business Opportunities

Financing of Fiber To Fabric

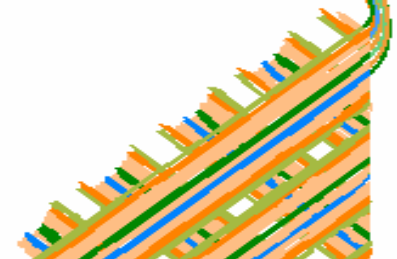
Yotam Longwe - PTA Bank

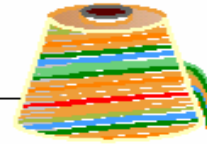




ISSUES IN FINANCING SUB-SECTOR

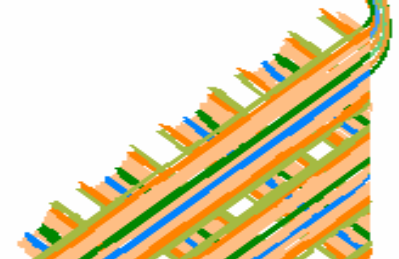
- Capital attracted by right combination of opportunity, risk & profit:
 - Institutional framework support
 - Industry or sector attractiveness
 - Selective intervention in value chain
 - Bankable players and bankable commercial activities

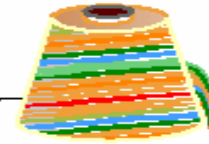




UPSTREAM TO DOWNSTREAM FINANCING

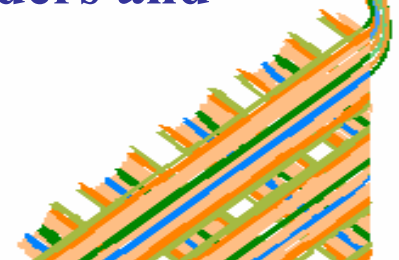
- Finance follows the value chain:
 - ❑ Cotton Production – Seed Cotton
 - ❑ Ginning – Lint
 - ❑ Spinning & Weaving – Yarn and Fabric
 - ❑ Cut & Stitch – Apparels and Garments
 - ❑ Consumer Traders – wholesalers and retailers

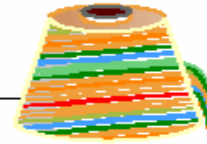




FINANCING SEED COTTON PRODUCTION

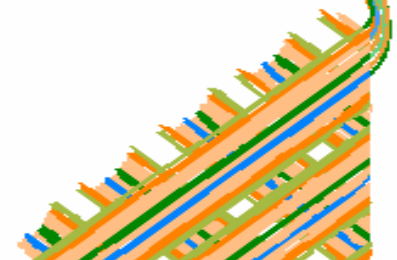
- Agricultural finance – long term undertaking:
 - ❑ Uncertain future outputs and market trends
 - ❑ Players: large scale corporate farmers & small scale households
 - ❑ Risk of crop failure, poor quality, price volatility
 - ❑ Set up capital – equipment, technology – long term finance DFIs and ECAs – collateralised lending
 - ❑ Operating capital – inputs – short term finance DFIs, ECAs and commercial banks
 - ❑ Financial support from governments, also traders and ginners – going upstream

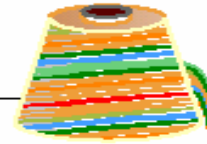




FINANCING GINNING OPERATIONS

- Primary value addition – bankable activity:
 - ❑ Characteristic of players – corporate
 - ❑ Risks - poor quality, uncertain contracts
 - ❑ Require equipment, modern and suitable technology – long term finance
 - ❑ Purchase of seed cotton and support to growers – trade finance
 - ❑ Inventory and warehouse finance – structured finance

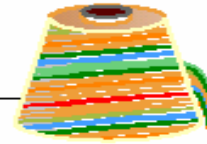




FINANCING SPINNING & WEAVING OPERATIONS

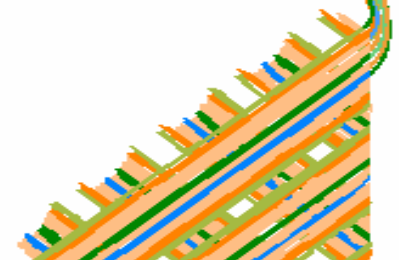
- Production for industry - improved value and prospects:
 - ❑ Characteristic of players - mostly corporate
 - ❑ Risks: weak supply, poor off take
 - ❑ Finance for equipment & technology – long term from ECAs and correspondents
 - ❑ Finance for working capital (lint and yarn) – short term– factoring, bill discounting, L/Cs etc

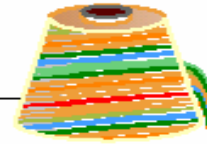




FINANCING APPAREL & GARMENTS MANUFACTURING

- Financing factories:
 - ❑ Characteristics of players – corporate and cottage
 - ❑ Set up capital – buildings, technology, equipment, skills through asset finance
 - ❑ Operating capital – textile, accessories through working capital finance - collateralised





FINANCING THE MERCHANTISERS

- Suppliers to the retail and consumer markets:
 - ❑ **Players – corporate and cottage**
 - ❑ **Risks: particularly slow moving goods**
 - ❑ **Short term revolvers suitable – inventory finance from commercial banks**
 - ❑ **Supported by consumers off take**

