

A FEASIBILITY STUDY FOR A PROJECT APPLYING FOR INVESTMENT PROMOTION

For a Project with Investment Capital of over 750 Million Baht (Excluding Cost of Land and Working Capital)

A feasibility study for the project must consist of the following details:

1. Summary of the Project

Summary of the project in brief: The applicant's products, investment capital, factory location, the number of workers, raw materials in use, technology, etc.

2. Industry Overview

2.1 The linkage between the products for which investment promotion is requested with other industries. Explain the general situation of these industries both in Thailand and in foreign countries.

2.2 Demand for the project:

2.2.1 Domestic demand:

- Import statistics for the preceding five years.
- Production quantity of other manufactures for similar products (if any).
- The quantity and future trend of the industries using the products for which investment promotion is requested, as their raw materials.
- The demand and future trend of the products.

2.2.2 Major export markets and future trend of these markets

2.3 Local production capacity of similar products:

- The number of non-promoted manufacturers, their product quality and productivity.
- The number of promoted manufactures and utilization of production capacity (at full scale).

3. The Appropriateness of the Project

3.1 Investors:

- Explanation of business and industry experiences of Thai and foreign investors and the company's executives, and the investment ratio of all investors concerned.
- Progress in the negotiations between investors: at the initial stage of negotiation or the contract is signed.
- In the case of utilizing an existing company by not setting up a new one, explanation of the shareholders, business, profit and loss, and the preceding balance sheets of the existing company.

3.2 Financial aspects:

- Source of funds: The amount of equity and/or debt, local and from foreign countries.
- Utilization of investment capital: For land construction, machinery, working capital, etc.
- Cash flow, net present value and internal rate of return (IRR) in the case of exempted corporate income tax and non-exempted corporate income tax.
- Progress in the financial institute's consideration of the application for debt: is it still under consideration or is the debt approved?

3.3 Competitiveness:

- Suitability of import duties and business taxes on the products and the main raw materials.
- Average production cost at 50%, 80% and 100% of production capacity.
- CIF process and cost of imported similar products.
- The advantages of manufacturing the products in Thailand.
- Sensitivity analysis: The effects on the viability of the project of changes in the projection of the raw materials' selling price and changes in the rate of taxes and duties on the main raw materials.

3.4 Technical aspects:

- Available production techniques, the advantages and disadvantages of each technique, techniques used in various countries, the reasons why the project chose the specific technique(s).
- Explanations of technical support, aspects which they assist.
- Conditions and limitations of technology transfer, the cost of know-how.
- The appropriateness of production process.
- The appropriateness of production scales in comparison to those used in factories in other countries.
- Sources and adequacy of raw materials, including opportunities to produce raw materials in Thailand.
- Factory location: reasons for choosing the province as the factory location; the adequacy of water, electricity and other infrastructure.
- Utilization of labor at various levels, training courses.
- Effects on the environment:
 - Will the raw materials of the products or production process cause environmental problems?
 - Measures to eliminate or control pollution, investment capital for machinery and for expenses of implementation of pollution control plans.
- Research and Development (R&D): Explanation of R&D plan.
- Improvements on production quality and production design.
- Improvements on productivity in conserving raw materials and employees.
- Improvements on production process.
- Improvements in the quality of the raw materials in use.

4. Effects on the Overall Economy

4.1 How much will the government lose in revenue by promoting the project?

- Corporate income tax.
- Import duties on machinery.
- Import duties on raw materials.

4.2 Benefits to the overall economy

- Domestic value-added.
- Saving or bringing in net foreign currency.
- Increases in domestic employment.
- Factory establishment in provincial areas.
- Benefits to linked industries.

5. Assistance from the Government

5.1 The necessity to apply for promotional privileges: requested incentives.

5.2 The degree of necessity to adjust import duties on raw materials and finished products.

5.3 Is it necessary to request special protection from competition from foreign countries or is it necessary to limit the number of local manufacturers?

5.4 Government assistance in various aspects, such as electricity, water, infrastructure etc.