

## 2.15 Zenitec Holdings Limited – Machinery

### Evaluation, Cover Sheet and Decision Form

<b>Project:</b>	Zenitec Holdings Limited – Machinery		<b>FOR:</b>	Approval
<b>Applicant:</b>	Zenitec Holdings Limited		<b>Pipedrive ID:</b>	Commercial Information
<b>Application type:</b>	PGF	<b>(A) Total Project Value:</b>	\$ Commercial Information	
<b>Funding type:</b>	Grant	<b>(B) PGF Funding Sought:</b>	\$130,000	
<b>Entity Type:</b>	Company	<b>(C) PGF Funding Recommended:</b>	Up to \$130,000	
<b>Region:</b>	Southland	<b>(D) Applicant Contribution:</b>	\$ Commercial Information	
<b>Tier:</b>	2 - Sectors	<b>(D/A) Co-contribution Rate:</b>	Comm %	
<b>Sector:</b>	Engineering			
<b>Application summary:</b>	<p>Zenitec Holdings Limited (Zenitec) is a Southland based family business specialising in the manufacture of specialty textile-based products such as chainsaw protective clothing. Zenitec's products mainly provide for the needs of the arboriculture and forestry industries. The applicant exports internationally to Commercial Information, it does not expect that its export ratio (Commercial Information % international, Commercial Information % national) will distort due to the purchase of the new equipment.</p> <p>The applicant seeks financial support for three pieces of equipment to remove significant bottlenecks and enable for better quality products to be manufactured. The pieces of equipment required are:</p> <ol style="list-style-type: none"> <li>1. Pattern stitcher</li> <li>2. Spreading machine and table</li> <li>3. Heat press with a laser head</li> </ol>			

#### It is recommended that SROs:

**Agree** to approve up to \$130,000 for a grant from the PGF towards the purchase of three specific pieces of engineering equipment because

- The equipment will enable to applicant to achieve productivity efficiencies through the removal of production line bottlenecks and improve the overall quality of its products. This aligns with the PGF objectives in regard to uplift in productivity, enhanced economic opportunities, more highly-skilled jobs (Commercial Information FTE) and resilient communities
- it aligns with the Southland and Otago Regional Engineering Collective objectives to build the capability and capacity of Southland and Otago manufacturing and engineering firms

Subject to:

- The applicant maintaining alignment to the Southland and Otago Regional Engineering Collective (SOREC) objectives evidenced by the continued reporting to the Ministry on its outcomes

- The applicant providing a written statement that assures that the new equipment will not adversely affect other firms
- Satisfactory financial analysis.

**Note** this funding request is part of the agreed PGF allocation for the Southland and Otago Regional Engineering Collective, in which <sup>Comm</sup> projects have already been approved by SRO's for grant funding.

### Section A: Triage – Assessment against PGF eligibility criteria

#### Is the project:

➤ an illegal activity?	No
➤ located in the three main metropolitan areas?	No
➤ seeking investment in large scale infrastructure of social assets?	No
➤ three waters	No

### Application description

The applicant seeks financial support for equipment to help accelerate productivity and reduce bottlenecks. The equipment the applicant requires are:

Item	Cost (excluding GST)
Pattern Stitcher	\$ <sup>Commercial Inform</sup>
Spreading Machine and Table	\$ <sup>Commercial Informa</sup>
Heat Press with Laser Head	\$ <sup>Commercial Informa</sup>
<b>Total</b>	\$ <sup>Commercial Information</sup> (of which PDU recommends funding <sup>Comm</sup> % - \$ <sup>Commercial Informatio</sup> )

PGF funding will enable the applicant to increase its productivity and meet customer demands in a timelier manner. The equipment sought not only contributes to the growth of the applicant, but the Southland manufacturing sector as a whole as well as those industries the applicant supports, services, and maintains.

Detail of the equipment and the benefits to the company are as follows:

#### 1. Pattern Stitcher – <sup>Commercial Information</sup>

This model of pattern stitcher is able to perform a pre-programmed stitching pattern anywhere within a 1200x800 sewing field. The applicant currently has a bottleneck in its production for overlocking pads cut from multiple layers of fabric. Currently, a skilled machinist moves the pads around to feed the edge being overlocked into the overlocker. The <sup>Commercial Inform</sup> pattern stitcher will allow for these pads to remain stationary while the sewing head of the machine moves around the pads while they're held in place.

#### 2. Spreading Machine and Table: <sup>Commercial Information</sup> with air flotation spreading table

This equipment would replace the applicant's current spreading machine and table which has been in

operation for over 20 years. The new model also incorporates modern features such as the ability to connect to the company network to access markers instead having to look these up on manually on separate computer. The new spreading machine will also be able to label pieces prior to cutting, eliminating costly mistakes such as mixing up sizes and styles.

### 3. Heat Press with Laser Head: Commercial Information

The main feature of the Commercial Information is the addition of a laser head that will enable the applicant to print the certifying body's logo onto each label prior to application. The new equipment will significantly improve label longevity and durability as the heat application allows for more stretchable labels that match the material used for garments. This is in contrast to the current thermal transfer process used to print labels on to a rigid fabric label, where the label is then stitched onto garments.

#### Co-Funding Table

Co-Funder	Pledged/Confirmed/Cash/In-Kind	Amount
Zenitech Holdings Limited	Cash	\$ <small>Commercial Information</small>
<b>Total</b>		\$ <small>Commercial Information</small>

#### Competitors

When discussing a possible application with the applicant the PDU asked about the firm's competitors (see duplication risk in the risk section.) The applicant has one competitor in Auckland who offers entry-level chainsaw protective garments.

#### Southland and Otago Regional Engineering Collective

The engineering and manufacturing sector has been identified by the RED Ministers as a key sector for PGF investment. Linked to this is the identification that Otago and Southland are two regions which possess a high number of firms in this sector.

Through previous funding provided by the PGF, an analysis was undertaken by Commercial Information to identify the 'pain points' currently being faced by engineering and manufacturing firms in Otago and Southland. From this, a document outlining the steps to addressing the perceived issues was developed titled the 'Southland and Otago Regional Engineering Collective'. The applicant was approached as part of the analysis, and now has the opportunity with the support of the PGF to address its current challenges, specifically around its ability to meet demand, and provide good employment options for low to high skilled employees and apprentices.

Please note that in August and September SRO's approved Comme Southland and Otago projects as part of the engineering package and this coversheet should be read alongside the other related SOREC projects and the cover briefing.

#### Overseas Investment Office

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|---|----|
| ➤ Is the application being made by a non-New Zealand based legal entity? (Foreign investment laws may apply and the Overseas Investment Office consulted) | No |
|---|----|

**Section B: Operational Assessment Criteria (Complete for EoIs and Applications)****(Rate and comment – 1= poor, 5 = very good - Provide the number for this project, not subsequent phases)****Fund and government outcomes**

Please highlight number below

**Would the project:**

➤ create permanent jobs?	The applicant currently has around <sup>Comm</sup> people working for them in Southland. Funding will enable <sup>Commer</sup> new sustainable jobs to be created. The <sup>Commer</sup> jobs created are at a low-skilled level.	Commercial Information
➤ deliver community benefits?	Indirectly, the creation of new sustainable roles will have flow on effects to the local community.	Commercial Information
➤ increase utilisation of and returns on Maori assets?	Not evident.	Commercial Information
➤ enhance the sustainability of natural assets?	Not evident.	Commercial Information
➤ mitigate climate change effects, or assist with the lowering of emissions?	Not evident.	Commercial Information

**Additionality****Would the project:**

➤ add value by building on what is already there, without duplicating effort?	Manufacturing is a strong sector in Southland which has been constrained due to the inability for companies to meet demand through the lack of efficient equipment.	Commercial Information
➤ be a catalyst for productivity potential in the region?	With the purchase of the new equipment, the applicant will be able to increase productivity as it will have the equipment it needs to accelerate the production and output required to meet the demands of its customers.	Commercial Information

**Connected to regional stakeholders and frameworks****Does the project:**

➤ align with regional priorities, such as frameworks, or regional plans?	The applicant aligns with the objectives of the Southland and Otago Regional Engineering Collective (SOREC). SOREC is the incubator for building the capability and capacity of the Southland and Otago manufacturing and engineering Firms. SOREC will grow the region by increasing collaboration to	Commercial Information
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	successfully compete for new work, adopt new technologies or methodologies, and increase the calibre and number of regional apprentices.	
➤ have the support of local governance groups (councils, iwi and hapu)?	Southland District Council and Great South (Southland Regional Development Agency) are supportive of PGF's investment in the Southland engineering/manufacturing sector.	Commercial Information
<b>Governance, risk and project execution</b>		
<b>Does the application show:</b>		
➤ robust project management and governance systems?	The project will be managed by the Zenitec production manager. Zenitec are an established company and so have experience undertaking similar projects. The Board of Zenitec will monitor expenditure and require operations reports from the production manager.  Risks are identified and mitigated appropriately.	Commercial Information
➤ plans for future ownership and operational management?	The applicant will own the equipment.	Commercial Information
➤ how the project will be delivered and managed?	Appropriate plans and personnel are in place to deliver the project.	Commercial Information

**Section C: Risk Management Evaluation**

Does this application demonstrate consideration of the following risks?			<b>Yes</b>
<b>Type of risk</b>	<b>Risk description</b>	<b>Mitigations</b>	<b>Risk Rating</b>
Duplication	PGF funding may lead to the applicant purchasing equipment that competes directly with another engineering firm.	The PDU has sought assurance the new equipment will not adversely affect other firms, at times checking with those other firms. We will also seek a written statement from the applicant where this confirmation wasn't explicit in the application.	Commercial Information

Resource	The ability for the company to find employees to fill the roles may delay the productivity potential of the applicant.	While still in its infancy, SOREC will aim to work with manufacturing firms to understand the current employee shortages, and then work with tertiary educators, employment agencies, and social development agencies to fill the employment gaps. The equipment suppliers also provide extensive training.	Commercial
Timing	The lead time to purchase the new equipment ends up delaying the creation of new roles and means the increase in productivity is not achieved.	Zenitec will utilise existing equipment to mitigate this risk as production will not be required to stop. Detail regarding timeframes for the delivery of the equipment will be sought from the supplier.	Commercial

Section D: Funding and financial analysis		Please highlight number below
<b>Does the application show:</b>		
➤ How strong is the financial position of the applicant organisation?	The company has a strong financial position. For further information please refer to Annex One of this coversheet. <small>Withheld - Commercial Information</small>	Commercial Information
➤ How does the scale of the project compare to their overall business?	The successful implementation of this project is well within the capabilities of the applicant's business.	Commercial Information
➤ Why is Crown funding being sought rather than commercially-available funding?	Commercial Information	Commercial Information
➤ What does the independent financial analysis/ business case	N/A	Commercial Information

indicate?		
<p>➤ Is the funding model requested appropriate? Is the PDU recommending a different model?</p>	<p>Due to the level of funding sought (\$130,000) the PDU recommends that a grant (with <sup>Comm</sup> % co-contribution) would be the most appropriate funding model for this Engineering/Manufacturing package. Commercial Information</p>	<p>Commercial Information</p>
<p>➤ Has the applicant provided evidence of market pull for this project?</p>	<p>A visit by members of the PDU to the applicant's business verified that there are clear bottlenecks to production that would be resolved through investment in new equipment.</p>	<p>Commercial Information</p>
<p>➤ Has the applicant provided evidence that their supply chain is secure?</p>	<p>The applicant has noted that final costs are not confirmed and variances to estimated costs will be covered by the applicant. The applicant does have existing relationships with the suppliers identified and equipment was chosen based on these prior dealings.</p>	<p>Commercial Information</p>
<p><b>Summary of funding and financial analysis:</b></p>	<p>Free and frank opinions</p> <p>If funding is approved for this equipment it is clear that it would impact significantly on efficiencies, job opportunities and would accelerate production to meet customer demand. Free and frank opinions</p>	<p>Commercial Information</p>

**Funding arrangements**

Suggest a grant of up to \$130,000 from the PGF fund towards the purchase of three pieces of manufacturing equipment.

Proposed deliverables for negotiation during contracting include:

#	Deliverable	Due Date	Associated Payment (ex-GST)
1	Funding Agreement executed and any pre-conditions are met or waived	Commercial Information	\$ <sup>Com</sup>

2	Pattern Stitcher installed	Commercial Information	\$ Commercial Inform
3	Pattern Stitcher operational	Commercial Information	\$ Com
4	Spreading Machine and Table installed	Commercial Information	\$ Commercial Inform
5	Spreading Machine and Table operational	Commercial Information	\$ Com
6	Quarterly report 1 of 4 submitted	Commercial Information	\$ Com
7	Heat Press with Laser Head Installed	Commercial Information	\$ Commercial Inform
8	Heat Press with Laser Head operational	Commercial Information	\$ Com
9	Quarterly report 2 of 4 submitted	Commercial Information	\$ Com
10	Quarterly report 3 of 4 submitted	Commercial Information	\$ Com
11	Quarterly report 4 of 4 submitted	Commercial Information	\$ Com
12	Final Report submitted	Commercial Information	\$ Com
<b>Total</b>			\$ Commercial Informat

**Conflicts of interest and T&Cs**

Due diligence has been undertaken and nothing of note was found.

**Consultation from partner agencies undertaken or implications**

Feedback from MFAT.

Provided:

- a. the funding is not contingent on export performance or the use of domestic over imported inputs; and
- b. firms receiving PGF funding sell to other NZ firms at normal commercial prices

Then MFAT has no material concerns from an international obligations perspective.



### Summary statement of Peer Review undertaken

The following Peer Review has taken place in connection with this application:

All applications are discussed between the Regions Team and Investment Team during the assessment process and prior to submission to SROs / IAP.

Consultation with the relevant partner agencies has occurred allowing them to provide any relevant technical advice with any feedback included verbatim within this application form.

In the development of this form:

- i. A peer review by an Investment Director has taken place and included the following to the satisfaction of the peer reviewer:
  - a. An evaluation against the PGF criteria;
  - b. Financial analysis;
  - c. A risk assessment, highlighting any relevant or key risks;
  - d. Conflicts of interest have been noted and accepted
 and the peer reviewer concurs with the recommendation proposed.
- ii. The Head of Investment has reviewed this recommendation.
- iii. This application has been reviewed by the PDU SLT.

Peer Review has been completed

Yes

**Supporting proposal:** Yes

**Appendices:** Yes - Annex One and application is attached

Withheld - Commercial Information

**Author of paper:** MN, Investment Analyst, PDU Investment Team  
PS, Investment Director, PDU Investment Team