

CHEMI AND CONTEX INDUSTRIES LIMITED



BUSINESS PLAN FOR INHOUSE TOOTHPASTE TUBES MANUFACTURING

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INTRODUCTION

CHEMI AND COTEX INDUSTRIES

Chemi and Cotex Industries is a leading FMCG company in Tanzania with growing presence in many other parts of African continent. The Company is renowned as a house of brands and boasts of multiple brands in categories as distinctive as dental care, skin care, healthcare and fledgling interests in foods.

The company was initially founded in the late 1970s but expanded rapidly from 2000 with the merger of Chemipack and Cotex Industries to create ChemiCotex and establish a modern facility in Mbezi in Dar es Salaam. The plant has seen significant investments in the latest technologies to ensure our products offer outstanding quality. The regional headquarters remain on the same site.

Internationally ChemiCotex started exports in 2009 and now has a full subsidiary in Rwanda, Uganda and Kenya, with partner distributors who manage our brands in South Africa, Zambia, Burundi etc.

A tribute to the manufacturing skills and practices is the fact that they have won the prestigious 'President's Manufacturer of the Year' for several years up to 2019.

The company's largest and best known brand is Whitedent toothpaste which is used by more than 20 million Tanzanians everyday! Whitedent is the market leader in Tanzania and is also available to consumers in Uganda, Rwanda, Kenya, Zambia, Malawi and South Africa.

In skin care Bannister's Glycerine is used every day by families to protect and care for their skin. Other leading brands in the skin care portfolio include Bodyline ,U &Me and Siri creams while and Zawadi Zanzibar are the key petroleum Jelly and Pomade lines. Body Guard is health care brand available broadly in retail outlets and pharmacies. Chemi and Cotex Industries LTD also has a range of hair care brands under the name Tressa.

The company operates a food division in Tanzania selling and marketing - Chemi-Cola squashes which have been used by Tanzanian families for decades and the Simba Chef range of ingredients that consists of bi-carbonate, baking soda, vinegar, jams and pickles.

Over the years, the Company has achieved a strong Branding of its products which are household names familiar to Tanzanians and are market leaders in their categories.

Collectively, the Company has 6 core-brands and around 120 SKUs resulting in an annual turnover of over 50 million USD and target growth rate of 20%.

The company's core business is manufacturing and distribution of FMCG products in Tanzania. 75% of the company's products are sold through direct channel up to the level of a sub-wholesaler.

The company has sales operations in Uganda, Rwanda, Zambia and Kenya either directly or through exclusive dealers who represent the company's brands.

The Company promotes their brands aggressively through mass-media and BTL activities. The Company is headquartered in Dar es Salaam and has manufacturing plants in Tanzania, with the total employee strength being around 1200.

The products of the Company are re-distributed through a network of 14 Branches in addition to Dar Es Salaam. All Branches are fully equipped with Warehouses, Distribution vehicles, sales and support staff.

From the branches, the products are directly distributed by the Company to outlets through a fleet of Company owned vehicles, covering all areas of Tanzania.

The vision of the Company is to become a respected and trusted provider of Consumer products in East Africa, with a strong presence in other African Markets.

The mission of the Company can be stated as follows:

World class products,

At an affordable price,

Available at the corner shop.

All operations of the Company are computerized through an ERP network covering all Branches and Subsidiaries. This gives us timely and accurate information to streamline all our activities. Efficient manufacturing is one of the key strengths of the Company, manufacturing a wide range of products under one roof.

The Company believes in transparency and full compliance in all its operations.

BUSINESS PLAN BACKGROUND

Chemi and Cotex Industries limited is planned to increase its investment in the country that involve manufacturing of toothpaste tubes for 20/40 grams toothpaste tubes that are currently imported. The project will aim

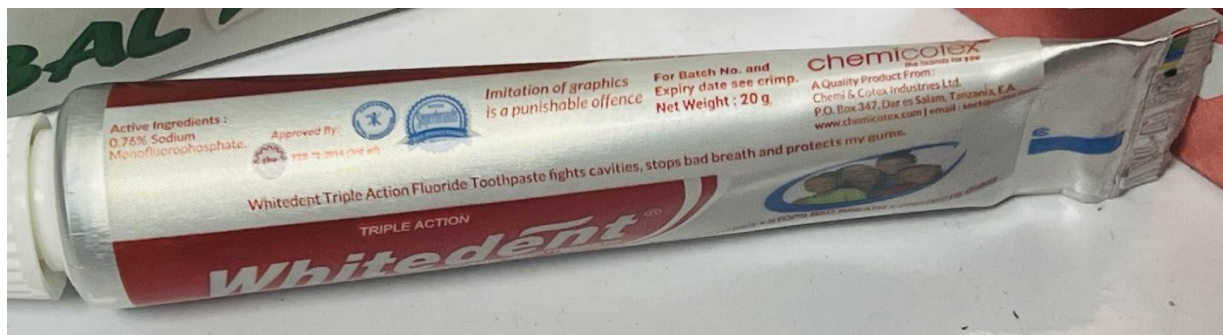
1. To increase productivity of the company, as currently these tubes are imported from outside countries that at some points due to delays on the way it affects the production volume of that production line. Inhouse manufacturing of tubes will improve sort of packing material supply chain as well reduce volume of import.
2. Improve Margins, Inhouse tube manufacturing will result to the improvement of margin by 7% assuming the current volume of production.
3. Reduce costs of productions. Inhouse tube manufacturing will reduce cost of production as instead of importing tubes we will import laminate material that will be much cheaper than finished product.

Financial saving as a result of in-house tubes Manufacturing

Inhouse tubes manufacturing will improve our margin by around 7% annually that result from annual saving of 1.131Mil USD.

Pay Back Period calculations	Mn USD
1. Total cost of the proposal	2.438
2. Annual savings	1.131
3. Payback period in years	2.16

Return on Investments	Mn USD
1. Savings per year	1.131
2. Investment in project	2.438
3. Annualised ROI (%)	54%



OPERATIONAL PLAN

Plant and Equipment

This project will involve procuring of new manufacturing high tech machines and tools that can be used in production process. These plants and equipment will be imported from China and some from India. These items include, Manufacturing plant, uninterruptible Power Equipment and Industrial Hydraulic Lifting equipment.

The Team

The implementation of this project will fall as part of Chemi and Cotex Industries hence there will be no much changes on the management and administration team.

However, as a separate unit of the production is inserted, it will need addition man power to run the operation at a separate capacity. As the best estimates, the project will need number of technical staff and operational staff as well. The project will require 4 experts and 50 new local employees to run the unit.

Experts are necessary as we will need high experienced technical people who are familiar with the new machines and equipment to install machines and other operation tech. They will also build capacity to local technicians' overtime regarding machines technicalities.

Operations

The machines will be installing on the premise of existing industries located at plot no. 88-90 New Bagamoyo road Mbezi beach Industrial area. The installation will use the extra space within compound hence no requirement for new land space.

This unit will use the plastic raw material and laminates which will be imported. There will be power installation, Air Conditions and other minor facilities to support operation.

As this went successful, tubes will be used to fill different types toothpaste which is also manufacturing at Chemi and Cotex Industries.

FINANCIAL PLAN

Investment Estimates

The total estimate of the project is Tsh 6,625,559,915.00/= (Six billion, one hundred eighty million only).

Below is the breakdown

Item	Cost in TSH
Plant and Machinery	5,800,000,000.00
Industrial Hydraulic Lifting equipment.	60,000,000.00
uninterruptible Power Equipment	120,000,000.00
Man power	210,000,000.00
Premise Preparation and renovation	301,559,915.00
ACs	134,000,000.00
	6,625,559,915.00

Sources of Fund.

The company plan to finance this investment using Internal Sources (Account Payables - installment pay) and Domestic Bank Loan.

Sources	TSH
Internal Source	5,729,394,000.00
Bank Loan	896,165,915.00
Total	6,625,559,915.00

Internal Source Payment Breakdown

The amount from internal sources will be paid as per schedule based on the agreed credit period given by the machine's supplier.

Bank Loan

The company bankers are ready to fund the part of the project. Chemi and Cotex Industry have preliminary agreement with Bank and the process is at final stage. The

bank will pay part by part based on the project implementation period and fund request to the tune of limit above.

Sources of Inputs

This unit will use the plastic raw material (locally and import) and laminates which will be imported. Raw materials are mainly imported from India, China, UAE and other countries based on the prevailing price and quality consideration.

Market Plan

The company has already acquired around 70% of market share in oral care with the leading Brand Whitedent. Under this brand we have sub groups which are TATP, GEL and Herbal. The company employ different marketing tools such as Billboards, Radio and Television advertisement and now the company will pay focus on social media advertisement as well.

The strong model of distribution of the company also provide advantage of increase sales as we use Road sales, Retail sale, whole sales that reaches huge part of the contry across all region in Tanzania and East Africa as well.

Implementation Schedule

Schedule below indicate the project implementation stages.

Month	Stage
Jan - Feb 2021	Importation of Plant and its Equipment
Mar 2021	Installation of Plants and Testing
From April 2021	Production and Monitoring

FINANCIAL PROJECTIONS

1. Projected P&L for 5 years

Amount in TZS '000,000)						
Particulars	2020	2021	2022	2023	2024	2025
Net Revenue Total	90,973.27	111,833.57	117,425.25	123,296.51	125,762.44	128,277.69
Direct Expenses	50,750.77	63,097.67	66,252.55	69,565.18	70,956.49	72,375.62
Factory Margin	40,222.50	48,735.90	51,172.69	53,731.33	54,805.95	55,902.07
Administrative Expenses	15,664.61	16,270.50	17,084.03	17,938.23	18,296.99	18,662.93
Selling & Distribution Expenses	8,982.06	10,064.57	10,567.80	11,096.19	11,318.12	11,544.48
Marketing Expenses	630.19	729.69	766.18	804.49	820.58	836.99
Indirect Expenses	25,276.86	27,064.77	28,418.01	29,838.91	30,435.69	31,044.40
OPERATING EBI D T A	14,945.64	21,671.13	22,754.68	23,892.42	24,370.27	24,857.67
Finance Costs	5,821.84	4,248.53	4,460.96	4,684.01	4,777.69	4,873.24
Depreciation & Amortisation	5,816.02	6,030.23	6,331.74	6,648.33	6,781.29	6,916.92
Finance & other Expenses	11,637.86	10,278.76	10,792.70	11,332.33	11,558.98	11,790.16
Net Profit before Tax	3,036.57	11,392.37	11,961.98	12,560.08	12,811.29	13,067.51
Provisions for Tax	1,190.64	3,417.71	3,588.60	3,768.03	3,843.39	3,920.25
Net Profit after Tax	1,845.93	7,974.66	8,373.39	8,792.06	8,967.90	9,147.26

2. Balance Sheet Projection for 5 years

Amount in Tsh (000,000)							
Particulars	Dec, 2019	Dec, 2020	2021	2022	2023	2024	2025
Total Gross Assets	129,377	129,882	136,940	136,940	136,940	136,940	136,940
Depreciation & Amortization Fund	47,673	53,740	59,770	66,102	72,750	79,532	86,448
Total Operating Fixed Assets	81,703	76,143	77,170	70,839	64,190	57,409	50,492
Net Investment Assets	7,720	7,720	7,720	7,720	7,720	7,720	7,720
Net Inventories	14,699	13,449	15,727	16,514	17,339	17,686	18,040
Net Trade Receivables (Debtors)	17,534	17,898	19,995	20,607	22,250	21,520	21,795
Prepayment, Advance & Receivables	1,516	1,127	1,329	1,395	1,465	1,494	1,524
Income Tax Advances	589	1,000	3,418	3,589	3,768	3,843	3,920
Cash and Cash Equivalents	1,135	1,279	1,110		46	14,889	29,038
Total 'Current rev' Assets	35,473	34,754	41,579	42,105	44,869	59,433	74,318
Total Assets	124,897	118,617	126,470	120,664	116,779	124,563	132,530
LIABILITIES AND EQUITY							
Net Trade Payables (Creditors)	5,336	7,481	5,054	5,307	5,572	5,684	5,798
Provisions & Other Payables	3,882	688	1,161	1,219	1,280	1,306	1,332
Income Tax Provisions	1,346	1,191	3,418	3,589	3,768	3,843	3,920
Net VAT (Payable) / Receivable	220	370	330	347	364	372	379
Capex Liability			1,832	-	-	-	-
Bank Overdrafts	30,334	24,637	23,852	11,796			
Total 'Current rev' Liabilities	41,117	34,366	35,648	22,257	10,985	11,204	11,429
Term Loans	9,020	7,586	6,183	4,779	3,375	1,971	567
Deferred Tax Liability	11,620	11,620	11,620	11,620	11,620	11,620	11,620
Lease Liability	161	161	161	161	161	161	161
Total Long term Liabilities	20,801	19,367	17,964	16,560	15,156	13,752	12,348
Total Liabilities	61,918	53,733	53,612	38,817	26,140	24,956	23,776

3. Cash flow projection for 5 years

Amount in TZS (000,000)						
Particulars	2020	2021	2022	2023	2024	2025
Profit Before Tax	1,845.929	7,974.656	8,373.389	8,792.059	8,967.900	9,147.258
Adjustments to non cash Items	6,066.698	6,030.228	6,331.739	6,648.326	6,781.293	6,916.919
Operating Profit before Working Capital Changes	7,912.626	14,004.884	14,705.129	15,440.385	15,749.193	16,064.177
Net Inventories	1,250.366	(2,278.464)	(786.369)	(825.688)	(346.789)	(353.725)
Net Trade Receivables (Debtors)	(306.259)	(2,096.750)	(612.157)	(1,642.765)	730.039	(275.361)
Prepayment, Advance & Receivables	388.867	(201.533)	(66.441)	(69.763)	(29.300)	(29.886)
Change in Current Assets	1,332.974	(4,576.747)	(1,464.968)	(2,538.216)	353.949	(658.972)
Net Trade Payables (Creditors)	2,144.990	(2,426.194)	252.719	265.355	111.449	113.678
Accrued Expenses & Other Payables	(3,193.646)	472.594	58.050	60.953	25.600	26.112
Movement in Tax Provision/Reserve	154.951	2,227.076	170.886	179.430	75.361	76.868
Change in Current Liabilities	(893.706)	273.476	481.655	505.738	212.410	216.658
Net Working Capital Changes	439.268	(4,303.271)	(983.313)	(2,032.479)	566.359	(442.314)
Cash generated from Operations	8,351.894	9,701.613	13,721.816	13,407.907	16,315.552	15,621.863
Vat Paid	(149.864)	39.248	(16.519)	(17.345)	(7.285)	(7.431)
Tax Advance	411.075	2,417.718	170.877	179.430	75.361	76.868
	261.211	2,456.967	154.358	162.085	68.076	69.437
Net Cash from Operating Activities	8,090.684	7,244.647	13,567.458	13,245.822	16,247.476	15,552.426
Net Cash used in Investment Activities	(505.751)	(7,058.000)	-	-	-	-
Cash used in Financing Activities (T/L)	(1,433.367)	(1,403.520)	(1,404.000)	(1,404.000)	(1,404.000)	(1,404.000)
Capex Liability		1,832.224	(1,832.224)	-	-	-
Dividend Payments/Provision	-	-	-	-	-	-
Increase / (Decrease) in Cash / Equ	6,151.565	615.351	10,331.234	11,841.822	14,843.476	14,148.426
Cash balance at beginning	1,134.959	1,109.787	(22,127.081)	(11,795.848)	45.974	14,889.450
OD Beginning	(30,334.424)	(23,852.219)				
Cash balance at the end of the year	(23,047.901)	(22,127.081)	(11,795.848)	45.974	14,889.450	29,037.876

Appendix



WHITEDENT GEL



WHITEDENT HERBAL



WHITEDEDNT TATP

