

COLOURS & COMPOUNDS LIMITED

BUSINESS PLAN FOR MANUFACTURING MASTERBATCH & PVC COMPOUNDS



**PREPARED FOR
COLOURS & COMPOUNDS LIMITED.
Dar es Salaam**

1.0 Introduction

COLOURS & COMPOUNDS LIMITED is a company incorporated in Tanzania under the Companies Act 2002; COLOURS & COMPOUNDS LIMITED is bearer of Certificate of incorporation No. 40667 dated 13th March 2011, the Company is planning to invest in manufacturing of masterbatch & PVC compounds.

COLOURS & COMPOUNDS LIMITED is set to services a wide range of clientele particularly plastic industries in Tanzania.

The board of directors of COLOURS & COMPOUNDS LIMITED is aware that there are several companies engaged in manufacturing of masterbatch & PVC compounds and other companies are importing masterbatch & PVC compounds, that is why the company spent time and resources to conduct a thorough feasibility studies and market survey so as to be well positioned to favorably compete with all our competitors.

COLOURS & COMPOUNDS LIMITED will ensure that all masterbatch & PVC compounds that leave our factory are of the highest quality. Board of directors wants to build a business with a wide range of clientele base that cut across businesses in the fast-masterbatch & PVC compounds industries.

COLOURS & COMPOUNDS LIMITED will at all times demonstrate her commitment to sustainability, both individually and as a firm, by actively participating in our communities and integrating

sustainable business practices wherever possible. The company will ensure that we hold ourselves accountable to the highest standards by meeting our customers' needs precisely and completely whenever they patronize our products.

1.2 Location

COLOURS & COMPOUNDS LIMITED is located at Plot No. 13B, Pugu Industrial Area, Temeke, Dar es Salaam

1.3 Company Ownership

Company Ownership

COLOURS & COMPOUNDS LIMITED is owned by three international investors with vast experiences in masterbatch & PVC compounds businesses over 15 years' experience.

Authorised share capital of the company is Tsh 5,300,000,000 divided into 106,000 shares with the value of Tsh 50,000 each

Subscribers	% Shareholding	Nationality	Date of birth
TAUSI TRUST LIMITED P. O. Box 5636 Email: pgparesh@gmail.com Tel: +255754206294	5.66	British	
Paresh Gunvantrai Patel P. O. Box 5636 Email: pgparesh@gmail.com Tel: +255754206294	0.0009	British	
Madhukar Laxmanrao Saindrane P. O. Box 5636 Email: pgparesh@gmail.com Tel: +255754206294	0.0009	Indian	
Unallotted Shares	94.3382	Tanzania	

1.4 Business Plan Objective

To assess the feasibility of the project to be registered with Tanzania Investment Centre

1.5 Vision Statement

The company vision is to become one of the leading manufacturers of masterbatch & PVC compounds in Tanzania

1.5 Mission Statement

The company mission is to establish a one stop for masterbatch & PVC compounds in Tanzania.

1.6 Project Sustainability

The project sponsors having studied market conditions are convinced that the project will be able to operate undisturbed provided the government rules and regulations are not amended to affect the project.

1.7 Quality Control System

The required quality control system will be employed ensuring that the quality of polypropylene bags produced maintain the same standard as provided by government regulatory institutions

1.8 Sustainability and Expansion Strategy

The future of a business lies in the number of loyal customers that they have the capacity and competence of their employees, their investment strategy and the business structure. If all of these factors are in place the business sustainability is granted.

One of our major goals of starting manufacturing of masterbatch & PVC compounds is to build a business that will survive off its own cash flow without injecting finance from external sources once the business is officially running.

We know that one of the ways of gaining approval and winning customers over is to manufacture quality masterbatch & PVC compounds and to retail them a little bit cheaper than what is

obtainable in the market and we are prepared to survive on lower profit margin for a while.

COLOURS & COMPOUNDS LIMITED will make sure that the right foundation, structures and processes are put in place to ensure that our staff welfare are well taken of. Our company's corporate culture is designed to drive our business to greater heights and training and retraining of our workforce is at the top burner.

We know that if that is put in place, we will be able to successfully hire and retain the best hands we can get in the industry; they will be more committed to help us build the business of our dreams.

1.9 **Project Capacity**

The company is planning to manufacture **2000tons** of masterbatch & PVC compounds per year

2.0 **Our Product Offerings**

COLOURS & COMPOUNDS LIMITED is in the industry to manufacture a wide range of masterbatch & PVC compounds. The company is determined to set up manufacturing lines to service a wide range of clientele in Tanzania, , which is why we will ensure we go all the way to give our clients and potential clients options.

Basically the company plan to commence with the following;

- Masterbatch
- PVC compounds

3.0 Our Business Structure

The intention of starting manufacturing masterbatch & PVC compounds is to build a standard masterbatch & PVC compounds manufacturing company in Tanzania. Although our company is not be big as other multinational companies, but the Board of directors will ensure that we put the right structure in place that will support the kind of growth that we have in mind.

The company will make sure that we employ people that are qualified, honest, customer centric and are ready to work to help us build a prosperous business that will benefit all the stake holders.

In view of that, we have decided to hire qualified and competent hands to occupy the following positions;

The management team comprises of dedicated, passionate and enthusiastic team members.

The company will cater to employment opportunity with **95** people of whom **80** are Tanzanians.

Employment	Foreign Skilled	Local Skilled	Local Unskilled	Total
Women	5	15	20	40
Men	10	20	25	55
TOTAL	15	35	45	95

4.0 SWOT Analysis

COLOURS & COMPOUNDS LIMITED plans to become one of the leading masterbatch & PVC compounds manufacturing companies in Tanzania and we are aware that it will take the right business concept, management and organizational structure to achieve our goal.

Board of directors knows that there are several masterbatch & PVC compounds manufacturing companies In Tanzania, which is why we are following the due process of establishing a business. We know that if a proper SWOT analysis is conducted for our business, we will be able to position our business to maximize our strength, leverage on the opportunities that will be available to us, mitigate our risks and be well equipped to confront our threats.

COLOURS & COMPOUNDS LIMITED employed the services of an expert HR and Business Analyst with bias in the manufacturing industry to help us conduct a thorough SWOT analysis and to help us create a Business model that will help us achieve our business goals and objectives.

This is the summary of the SWOT analysis that was conducted for COLOURS & COMPOUNDS LIMITED.

- **Strength**

Our main strength lies in the quality of our finished masterbatch & PVC compounds, the power of our team and the well – equipped masterbatch & PVC compounds manufacturing factory that we plan to install modern machines. We have a team of highly trained and experienced staff members that can produce top notch masterbatch & PVC compounds. We are well positioned in the heart of commercial city of Tanzania and we know we will attract loads of clients for our products.

- **Weakness**

A major weakness that may count against us is the fact that we are producing quality products which will be sold at higher price compared with low quality available in the market.

- **Opportunities**

The opportunities for a business such as ours are unlimited due to the growth of Tanzania plastic industries. We have been able to conduct thorough feasibility studies and market survey and we know what our potential clients will be expecting from us; we are well positioned to take on the opportunities that will come our way.

- **Threat**

Just like any other business, one of the major threats that we are likely going to face is economic downturn. It is a fact that economic downturn affects purchasing/spending power. Another threat that may likely confront us is the arrival of new substitute products. So also, unfavorable government policies may also pose a threat for businesses such as ours.

5.0 Market Analysis

5.1 Masterbatch

Masterbatch is a plastics formulation that contains additives that are essential for the appearance and performance of the final product. A masterbatch can also include colorants. Generally speaking, a masterbatch is comprised of plastic pellets that contain concentrated amounts of additives such as processing aids, colorants, antistates, light stabilizers, fillers, etc. There are many different types of masterbatch vehicles including plastic pellets that are customized to be compatible with the final polymer used in the product. The vehicle can also take the form of powders or even liquids that are compatible with the end use polymers.

5.2 PVC compound

PVC compound is essentially the raw material that is used to make end products of plastic goods such as pvc cables, armad cables, sheathing cable, insulation cables, flexible cable, pvc bottles, pvc indore outdore profiles, all types shoes, gum boots material. Other applications- pvc rubber shoes, tyers, seals. It's a fair assumption to say that part of our modern world has been built on the back of PVC compounds. Polyvinyl Chloride is the full name for this remarkable product.

5.3 Market Trends

Plastic industry is one of fastest growing industry in Tanzania, that is evidenced with the number of plastic industry established in every year, the increase use of product such as plastics bottles, furniture plastics, jerry cans, bottles caps , variurs types of plastecs bags, oven sack bags, non-oven sacks bags , any applications of pvc , plastics , abs , hdpe , pp, ldpe etc is evency of the increase the market of Masterbatch and PVC compound.

One major trend in this industry is that most players are leveraging on the fact that Tanzania has put in place laws and investment environments which support industrialization.

The intensifying regulations associated importation of goods which are locally available is a top factor drawing attention to the

industry demand for local produced Masterbatch and PVC compound. Extensive advances made in manufacturing technologies and the uses of a variety of additive materials are likely to improve the Masterbatch and PVC compounds.

Lastly, as part of marketing strategies, Masterbatch and PVC compound manufacturing companies now ensure that they go beyond mass production to producing customized Masterbatch and PVC compounds for bigger corporations who are in the plastics sector.

- **Our Target Market**

There are all plastic goods manufacturing companies. In view of that, we have positioned our company to service a wide range of clientele in Tanzania and other parts of the East Africa and SADC. We have conducted our market research and feasibility studies and we have ideas of what our target market would be expecting from us.

We are in the Masterbatch and PVC compounds manufacturing industry to supply our products to all plastic products manufacturing industries

6.0 Our Competitive Advantage

A close examination of the Masterbatch and PVC compounds manufacturing industry reveals that the market has become much more intensely competitive over the last decade. As a matter of fact, you have to be highly creative with your designs and market approach, customer centric and proactive if you must survive in this industry.

The board of directors is aware of the stiff competition and we are prepared to compete favorably with other leading Masterbatch and PVC compound manufacturing companies in the Tanzania.

Our Masterbatch and PVC compound manufacturing company is located in an ideal property highly suitable for the kind of manufacturing company that we plan to run. We have enough parking spaces that can accommodate well over 5trucks per time.

Our ability to negotiate successfully with regulators, optimum capacity utilization, superior financial management and debt management are part of the competitive advantages we will be bringing to the table.

One thing is certain; we will ensure that we manufacture high quality Masterbatch and PVC compounds in our factory at all times. Our excellent customer service culture, various payment options

and highly secured facility will serve as a competitive advantage for us.

Lastly, our employees will be well taken care of, and their welfare package will be among the best within our category in the industry meaning that they will be more than willing to build the business with us and help deliver our set goals and objectives. We will also give good working conditions and commissions to freelance sales agents that we will recruit from time to time.

7.0 Sales and Marketing Strategy

- **Sources of Income**

COLOURS & COMPOUNDS LIMITED Manufacturing is in business to manufacture and supply Masterbatch and PVC compounds in Tanzania and other parts of the East Africa and SADC region. COLOURS & COMPOUNDS LIMITED will generate income by selling Masterbatch and PVC compounds to plastic goods manufacturing industries

8.0 Marketing Strategy and Sales Strategy

Before choosing a location for COLOURS & COMPOUNDS LIMITED we conducted a thorough market survey and feasibility studies in order for us to penetrate the available market and become one of the preferred choice for businesses not only in Dar es Salaam, but also throughout the Tanzania. We have detailed information and

data that we were able to utilize to structure our business to attract the number of customers we want to attract per time.

We hired experts who have good understanding of the Masterbatch and PVC compound manufacturing industry to help us develop marketing strategies that will help us achieve our business goal of winning a larger percentage of the available market in Tanzania.

In summary, COLOURS & COMPOUNDS LIMITED will adopt the following sales and marketing approach to win customers over;

- Introduce our Masterbatch and PVC compound manufacturing company by sending introductory letters alongside our brochure to plastic goods manufacturing companies
- Ensure that we manufacture a wide range of Masterbatch and PVC compounds
- Make use of attractive hand bills to create awareness and also to give direction to our factory
- List our business and products on yellow pages' ads (local directories)
- Leverage on the internet to promote our products
- Engage in direct marketing and sales
- Encourage the use of Word of mouth marketing (referrals)
- Liaise with manufacturing associations

9.0 Publicity and Advertising Strategy

Even though our Masterbatch and PVC compounds manufacturing company is well positioned, we will still go ahead to intensify publicity for the business.

COLOURS & COMPOUNDS LIMITED has a long – term plan of opening our warehouses in key Tanzania cities which is why we will deliberately build our brand to be well accepted in Tanzania.

Here are the platforms we intend leveraging on to promote and advertise COLOURS & COMPOUNDS LIMITED;

- Place adverts on community-based newspapers, radio and TV stations.
- Encourage the use of word of mouth publicity from our loyal customers
- Leverage on the internet and social media platforms to promote our business.
- Ensure that our we position our banners and billboards in strategic positions all around Tanzania
- Distribute our fliers and handbills in target areas in and around our neighborhood
- Advertise our Masterbatch and PVC compounds manufacturing company in our official website and employ strategies that will help us pull traffic to the site

10.0 Our Pricing Strategy

Aside from quality, pricing is one of the key factors that give leverage to Masterbatch and PVC compounds manufacturing companies, it is normal for consumers to go to places where they can get these Masterbatch and PVC compound bags at affordable prices.

We know we don't have the capacity to compete with multinational companies but we will ensure that the prices and quality of all our Masterbatch and PVC compounds are competitive with what is obtainable amongst Masterbatch and PVC compound manufacturing companies within our level.

The average proposed selling prices are as followings:

- Masterbatch US\$ 3.5 per Kg
- PVC compound US\$ 1.3 per Kg

11.0 Project Investment Cost

For the project to be a reality a total investment amounting to US\$ 3.3mis needed to finance the project.

The project will be financed by equity and cash generated from businesses.

COLOURS & COMPOUNDS LIMITED INVESTMENT COST US\$

Land and Buildings	200,000.00
Machinery & Equipment	800,000.00
Motor Vehicles	200,000.00
Furniture & Fittings	5,000.00
Pre exp	10,000.00
Others	5,000.00
Working Capital	2,080,000.00
TOTAL	3,300,000.00

12.0 Financing Pattern

The financing pattern being considered is that the project will be financed by equity and cash generated from business equivalent to amounting to US\$ 1.3 and loan from local financial institutions amounting to US\$ 2m

13.0 Implementation

Project implementation is expected to be relatively very short once TIC approval is received. Currently, the supplier of the machines has already been identified and supply is awaiting word from the project promoters.

It is expected that the Project will be implemented as shown below:-

	ACTIVITY	PERIOD
1.	Processing TIC Certificate of Incentive	November 2020
2.	Funds Mobilization	Octo – Jan 2021
3.	Ordering of machines	Feb 2021 – May 2021
5.	Machines installations	May – June 2021
6.	Trial Operations	July-September 2021
7.	Commercial Operations	October - 2021

14.0 Financial Projections

(i) Projected Profit and Loss Statement

The attached Appendix I shows the projected income for the 6years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. **US\$ 511,350** in the 1st year to **US\$ 3,766,465** in the 6th year,

(ii) Projected Cash Flows

The project's cash flows are shown in Appendix II. They depict a good liquid position right from the first year. Cash accumulation builds up from **US\$ 650,850** in the first year to **US\$ 4,393,465** at the end of 6th years,

(iii) Projected Balance Sheet

The project's assets cash flows are shown in Appendix III. Owners' equity grows from **US\$1,300,000** in the first year to **US\$ 2,049,605** at the end of 6th years of the project's operations.

(iv) Payback Period

Total investment is **US\$3,300,000 cash** accumulation in 6th year **US\$ 3,883,465** which is more than the initial investment by **US\$583,465** the project payback Period is exactly 6 years.

15.0 Economic Aspects of the Projects

Besides the financial/monetary returns to the owners, there are other benefits to be derived for the whole country viz.

(i) Employment Opportunities

Employment and poverty reduction are among the major concern of the Central and the Local Government authorities. It is gratifying to note that **COLOURS & COMPOUNDS LIMITED** is going to provide employment to **95** people all of 80 will be Tanzanians . This is a significant contribution coming from foreign investors.

(ii) Revenue to the Government

The Project is expected to pay a substantial annual amount in the form of corporation tax and other taxes

(iii) Foreign Exchange Earning

Since some of project's clientele will be coming from neighboring countries the project will thus earn foreign currency for the United Republic of Tanzania. In this study we have assumed that the project will be paid in foreign currency

16.0 Conclusion

- (i) The project is profitable and contributes to government revenue by way of taxes.
- (ii) The project provides employment to 95 people out of that 80 Tanzanians.
- (iii) The project is an encouraging sign to prove that we have investors who have confidence to invest in Tanzania and they are ready to invest such large sums of investment.

17.0 Recommendation

After the foregoing economic and financial evaluation of the project, we strongly recommend that this project be implement and be given all the support required by all the concerned Government Ministries and Agencies, including the Tanzania Revenue Authority, TRA and the Tanzania Investment Centre – (TIC). The project deserves this support

because of its viability, since it is technically feasible, economically viable and socially acceptable.

COLOURS & COMPOUNDS LIMITED PROJECTED PROFIT AND LOSS STATEMENT US\$

	1	2	3	4	5	6
Revenue (Masterbatch)	1,400,000	1,470,000	1,543,500	1,620,675	1,701,709	1,786,794
Revenue (PVC compound)	2,080,000	2,184,000	2,293,200	2,407,860	2,528,253	2,654,666
Total Revenue	3,480,000	3,654,000	3,836,700	4,028,535	4,229,962	4,441,460
Cost of sales	2,262,000	2,375,100	2,493,855	2,618,548	2,749,475	2,886,949
Operating cost	348,000	365,400	383,670	402,854	422,996	444,146
Profit before Depreciation &Interest	870,000	913,500	959,175	1,007,134	1,057,490	1,110,365
Interest	120,000	100,000	80,000	60,000	40,000	20,000
Depreciation	19,500	19,500	19,500	19,500	19,500	19500
Net Profit before Tax	730,500	794,000	859,675	927,634	997,990	1,070,865
Tax (30%)	219,150	238,200	257,903	278,290	299,397	321,259
Profit After Tax	511,350	555,800	601,773	649,344	698,593	749,605
Accumulated Profit	511,350	1,067,150	1,668,922	2,318,266	3,016,859	3,766,465

COLOURS & COMPOUNDS LIMITED PROJECTED CASH FLOWS US\$

	-	1	2	3	4	5	6
SOURCES:							
Profit before interest and depreciation	-	870,000	913,500	959,175	1,007,134	1,057,490	1,110,365
Equity	1,300,000.00						
Loan	2,000,000	-	-	-	-	-	
Total Sources	3,300,000	870,000	913,500	959,175	1,007,134	1,057,490	1,110,365
Applications:							
Capital expenditure	1,205,000	-	-	-	-	-	
working Capital &Others	2,095,000	-	-	-	-	-	
Cash	-	650,850	765,300	701,272	728,844	758,093	789,106
Tax	-	219,150	238,200	257,903	278,290	299,397	321,259
Sub total	3,300,000	870,000	1,003,500	959,175	1,007,134	1,057,490	1,110,365
Total applications	3,300,000	870,000	1,003,500	959,175	1,007,134	1,057,490	1,110,365
Accumulated cash		650,850	1,416,150	2,117,422	2,846,266	3,604,359	4,393,465

COLOURS & COMPOUNDS LIMITED PROJECTED BALANCE SHEET US\$

	-	1	2	3	4	5	6
Fixed Assets	-						
Opening balance	-	1,205,000	1,185,500	1,166,000	1,146,500	1,127,000	1,107,500
Total Long-term Assets	-	1,205,000	1,185,500	1,166,000	1,146,500	1,127,000	1,107,500
Less depreciation	-	19,500	19,500	19,500	19,500	19,500	19,500
Closing balance	-	1,185,500	1,166,000	1,146,500	1,127,000	1,107,500	1,088,000
Working capital	2,095,000	2,095,000	2,095,000	2,095,000	2,095,000	2,095,000	2,095,000
Accumulated cash	-	650,850	1,416,150	2,117,422	2,846,266	3,604,359	4,393,465
Total assets	2,095,000	3,931,350	4,677,150	5,358,922	6,068,266	6,806,859	7,576,465
Financed by							
Equity	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Net profit	-	511,350	555,800	601,773	649,344	698,593	749,605
Total equity	1,300,000	1,811,350	1,855,800	1,901,773	1,949,344	1,998,593	2,049,605
Long term loan	2,000,000	1,666,667	1,333,333	1,000,000	666,667	333,334	
Total debts		1,666,667	1,333,333	1,000,000	666,667	333,334	
Total equity and debts	3,300,000	5,144,684	4,522,466	3,901,773	3,282,678	2,665,261	2,049,605

COLOURS & COMPOUNDS LIMITED PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	511,350	19,500.00	530,850.00	530,850.00
2	555,800	19,500.00	575,300.00	1,106,150.00
3	601,773	19,500.00	621,273.00	1,727,423.00
4	649,344	19,500.00	668,844.00	2,396,267.00
5	698,593	19,500.00	718,093.00	3,114,360.00
6	749,605	19,500.00	769,105.00	3,883,465.00

COLOURS & COMPOUNDS LIMITED FIXED ASSETS US\$

NAME OF ASSETS	1	2	3	4	5	6
Land And Buildings	10,000	9,800	9,600	9,400	9,200	9,000
Machinery, Tools & Equipment	98,775	97,540	96,305	95,070	93,835	92,600
Motor Vehicles	70,000	68,250	66,500	64,750	63,000	61,250
Furniture & Fixtures	2,000	1,800	1,600	1,400	1,200	1,000
Total	180,775	177,390	174,005	170,620	167,235	163,850
DEPRECIATION	1	2	3	4	5	6
Land and buildings	200	200	200	200	200	200
Machinery tools & Equipment	1,235	1,235	1,235	1,235	1,235	1,235
Motor Vehicles	1,750	1,750	1,750	1,750	1,750	1,750
Furniture & Fixtures	200	200	200	200	200	200
ANNUAL DEPRECIATION	3,385	3,385	3,385	3,385	3,385	3,385

COLOURS & COMPOUNDS LIMITED PROJECTED LONG TERM LOAN REPAYMENT US\$

Year	principle	Loan Interest (6%)	Total Amount Paid	Loan Balance
0				2,000,000
1	333,333	120,000	453,333	1,666,667
2	333,333	100,000	433,333	1,333,333
3	333,333	80,000	413,333	1,000,000
4	333,333	60,000	393,333	666,667
5	333,333	40,000	373,333	333,334
6	333,333	20,000	353,333	0
TOTAL	2,000,000	420,000	2,420,000	