

MUFUNDI PAPER MILLS LIMITED

PROJECT

FOR

**MANUFACTURING OF CORRUGATED BOXES
FOR PACKAGING VARIOUS PRODUCTS**

**PREPARED BY:
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AUGUST 2021

1.0 EXECUTIVE SUMMARY

1.1 Preamble:

Tanzania has been encouraging and promoting the sector of manufacturing to be the impetus for an improved performance of other sectors of the economy and to be the important contribution to GDP together with the with sectors of mining and construction thus taking a leading role in the economy. With the country maintaining its political stability, foreign investors are guaranteed of continuity of economic policies adopted by the government and this is to be viewed as an added advantage for the growth of the economy. Packaging products are currently used in the packing of most of Tanzania's commodities including products from both agricultural and manufacturing sector.

The Promoters intends to utilize its strong product quality, production capabilities, service delivery, market knowledge to become one of major manufacturers of Corrugated boxes for the Packaging products in Tanzania. The company is now seeking to capitalize on sustained market growth in the industry, by setting up a Box packaging production facility.

1.2 The Project:

The project entails importation of box Packaging plant with installed capacity to manufacture 6000tons of Packaging per year. Other activities will include importation of trucks, and 4WD cars for administrative and sales supervision operations. The aim is to produce quality box Packaging products for sale to local and for export to the regional market.

1.3 PROJECT SPONSORS

The project sponsors are M/S Mufindi Paper Mills Limited Industries Limited whose shareholder/ directors have vast experience in initiating multitude of project/ investments, the ones in question being inclusive.

The main project sponsors are the shareholders of Mufindi Paper Mills Industries Limited

The shareholders of Mufindi Paper Mills Industries Limited own the largest integrated pulp and paper manufacturer in Tanzania having factory located at Mgololo, Iringa region. They have more than 40 years of world-wide experience in the field of paper manufacturing industry. Being the members of various International and national organizations, they have gained knowledge in various type of industries, Government procedures and marketing strategies in all over the world.

The intended Packaging Industry under their leadership and guidance will be a grand success.

1.4 Capital Investment Plan and Sourcing of Funds

M/S Mufindi Paper Mills Limited proposes to invest **USD 6.0 million** for developing this project. It is planned that some investment cost will be financed by personal shareholder's contribution and loan which will be sought from various Banks.

Furthermore, the sister company's Self-Generated Funds shall be utilized at a later stage for working capital funds. The breakdown of which is as follows:

1.4 INVESTMENTS STRUCTURE:

ITEM	US. \$
Land and building	2,000,000
Machinery and Equipment	3,000,000
Vehicles	250,000
Furniture and Fittings	60,000
Others	180,000
Pre-Operational expenses	10,000
Sub Total	5,500,000
Initial working capital	500,000
GRAND TOTAL	6,000,000

1.6 FINANCIAL INDICATORS

The financial indicators show that the project is viable as hereafter confirmed here below:

Operational expenses per month: 80% of the total revenue

Total Production output per month = 500tons/8hrs shift

Total sales revenue in the year six =USD 9.0M

Net Profit per in year six =USD 0 .937M

Total Tax paid in year six=USD 0.401M

1.7 Financial Profitability:

Based on a set of assumptions given here-in, the projects demonstrate a profitable trend in its future operations. The project's Income Statement and Cash flow indicate the M/S Mufindi Paper Mills Limited would be able to recoup the planned investment funds within the first four years. This indicates that the project is financially and economically viable.

1.8 ECONOMIC ADVANTAGES

On the basis of the above account the analysis has overwhelmingly proved that the project is financially sound and techno-economically viable. Furthermore, the project has immense potential towards the earning of the badly needed forex earnings and substantial potential for job creation.

1.9 The Implementation Plan:

It is planned that the project will take 3 years from the time M/S Mufindi Paper Mills Limited commences implementation of the project to the time the plant commences commercial services. M/S Mufindi Paper Mills Limited, shall appoint a team comprising of a competent building contractors, mechanical engineers and chemical engineers in order to achieve the set implementation time.

1.10 Developmental Linkages:

Upon completion of the Implementation programme the Corrugated boxes manufacturing plant shall be capable of creating the following:

- ◆ Promote increased availability of quality box packaging products for the local industries and for export;
- ◆ Generating foreign exchange through exports of at least 50% of its annual production;
- ◆ Create employment for the local indigenous people;
- ◆ Promote inter-regional trade through exports to neighbouring Democratic Republic of Congo, and East African region just to mention a few.

2.0 THE SPONSORS

2.1 Introduction

The project is promoted by M/S Mufundi Paper Mills Limited of Iringa with head office in Dar-es salaam. This is a limited liability company that was incorporated and registered in Tanzania under the Companies Act2002 with a Certificate of incorporation **No 47435** dated **12th November 2003**. The company is owned by the following shareholders:

Shareholder	No of shares	Shares%
Anglehurst Industries Limited	33110	85.45
Jaswant Singh Rai	56,698	14.55

The shareholders have proven performance and extensive in managing a range of commercially projects in Tanzania and Kenya. M/S Mufindi Paper Mills Limited mission is to operate its dedicated assets and capabilities as a moving pipeline and to offer a safe, reliable and cost-efficient source of quality corrugated Box for packaging of various Products in the country to both its corporate and retail customers.

3.0 THE PROJECT

3.1 Project Description

The project aims at manufacturing of Corrugated Boxes for Packaging of various products estimated at 6000 tons boxes per annum for sale to local market and for export to the regional market. Corrugated boxes are industrially pre-fabricated boxes, primarily used for packaging goods and materials and can also be recycled. In summary the project entails the following:

- ◆ Construction of factory buildings;
- ◆ Importation of packaging Products making plant with installed capacity of 500 tons per month that translates to 6000 tons packaging per annum;
- ◆ Importation of trucks, and 4WD motor vehicles for administrative and sales supervision operations.

3.2 Location

The project will be located at plot no 11414 NAFCO Gezaulole, Kigamboni Dar-Es Salaam kigamboni. The site is well accessed by road making it reachable throughout the year. The site is served with electricity, water and telephone. The area is large enough to accommodate the factory and other buildings and also it can allow extensive future expansion of factory buildings.

3.3 Plant Production Capacity

The machinery/ equipment to be opted for will be of modern status, with appropriate technological set up, fully provided with all the necessary accessories. The plant will have an envisaged installed processing capacity at 500 Tons per month. The attainable processing capacity levels will be at 60%, 70%, and 85% of the installed processing capacity of yeas 1,2,3- 10 respectively.

3.4 Source of Raw Materials:

Raw material such as cardboards for boxes will be sourced inputs will be from the mother factory at Mufindi paper mills. Printing inks are available locally from a range of sources. few raw materials will be imported within 4-5 days reach the port of Dar es Salaam. Some of the raw materials is also readily available from sources in Kenya, Europe, the Middle East and South Africa.

3.5 PRODUCTION PROCESS:

Corrugated boxes come with customized size and shape according to a requirement which is made with 3-ply, 5-ply, 7-ply etc variety of paper. Production process usually follow the normal production process and specializes depending on the type of the product to be produced. Most corrugated boxes, also called cartons, are made from folding different types of paperboards or fiberboards. The folding techniques depend on the requirements and it requires many steps to ensure quality and accuracy. Once the box structure is approved, graphics design follows. The structural design has a digital file of a die line that your graphic designer applies the graphics onto. Once the graphics are done, a color mockup (with the graphics) of the box is made for the client's approval. Color proofs are then made of your artwork on the structure of the box to ensure position, color, and layout.

The second stage in processing is a pre-production. Usually, a physical die is made which is used to cut the shape of the box. Inks are ordered and mixed. Die- plates are made of graphics that go onto the press. If you are foil stamping, the foil roll is ordered and the foil die is made, and if you are embossing, the embossing die is made.

The third stage of Production involves massive lithographic printing press for printing on folding cartons. The inks are printed on the

packaging and a coating is applied which seals the ink on the paperboard. Then it moves to the die cutting machine where the box shapes are cut out.

The fourth stage is Post Production whereby the excess paper is removed and the box is produced in a flat form. These flat boxes are then put onto a glue line where they will be folded and glued as needed. The final product is then packed at the glue line and will soon be ready for shipment.

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4.0 MARKETING ASPECTS

4.1 Enabling Environment

Tanzania is considered to be one of the successful reformers in recent times with a unique position in that it has vast natural resources, sound economic fundamentals for developing its industries and a strategic position between three regional enclaves southern Africa (where the economic co-operation of SADC exists), East Africa (where the economic co-operation of East Africa Co-operation exists) and the Great Lakes region of central Africa. Therefore, Tanzania is benefiting from fundamental market reform and experience the kind of growth seen in other emerging markets.

M/S Mufindi Paper Mills Limited considers itself to be in a unique position in that it could service a sizeable proportion of Tanzania's main economic sectors and that of neighbouring countries. The company relies on growth in both agro-processing and large industrial sectors for its markets. The Tanzania's economic political and social environment is thus of crucial importance to the company.

4.2 Supply of corrugated Boxes as Packaging Products:

Most of Tanzania manufacturers imports various Packaging Materials, and there is a shortage whereby the promoter of this project has seen an opportunity to venture in the establishment of the packaging products processing plant.

4.3 Demand for corrugated Boxes as Packaging Products

The Packaging market is driven by demand from most of the growing sectors in Tanzania. Industry estimates shows that market demand is currently growing on average largely fuelled by growth in the economic activities. The corrugated boxes Packaging Materials industry is

strategically well placed as its growth can be directly correlated with growth in key sectors of the Tanzanian economy. Analysts contend that growth in Tanzania is likely to come from the agro-processing, agricultural, manufacturing, construction, service and mining industries. The Packaging Products market is expected to mirror the expected growth in these sectors. The market can be broadly broken down into two sectors:

- ◆ Direct users, comprising about 50% of the entire market and
- ◆ Wholesalers, accounting for the remaining 50% of the market.

4.4 Demand by Industrial Establishments

The major buyers for corrugated boxes are **Fast-Moving Consumer Goods** (FMCG) companies followed by Pharmaceuticals, Dairy Products, white goods, textiles, automobile, and engineering product manufacturer

It is has been observed that most of corrugated boxes are imported all over the world. More than 20 companies in Tanzania imports corrugated boxes. The value of imports stands at usd 31.1million in terms of value and 13million tons in terms of quantity per annum (internet)

4.5 Demand Supply Gap

Demand for boxes product is not met and the gap will increase tremendously if the existing capacity is not enhanced and new capacity built. Assuming the demand will continue to increase at the average growth rate of the population, and supply will increase by an average of 15% annually, the demand-supply gap in the next 10 years will not be met.

4.6 Distribution

Production will be sold at the factory, where both wholesale and retail customers would be served. The company will also have distribution trucks, which would carry the product to various depots, especially in Dar es Salaam where the market is concentrated. This would be a strategy to increase sales.

4.7 Marketing Strategies:

M/S Mufindi Paper Mills Limited Management team shall take proactive marketing and promotional strategy to ensure that the company achieves high turnover of sales through sales made to corporate customers. In order to achieve optimal business turnover management shall design and implement the following strategies;

i) Distribution of Sales

Distribution of brochures to wholesale agents.

ii) Door to Door Sales

Senior marketing staff of the company shall physically visit Offices with samples of Packaging Products for display to solicit big sales.

4.8 Advertisement

These would include the local media namely; local television, social medias, Radio commercials and Newspaper advertisements etc.

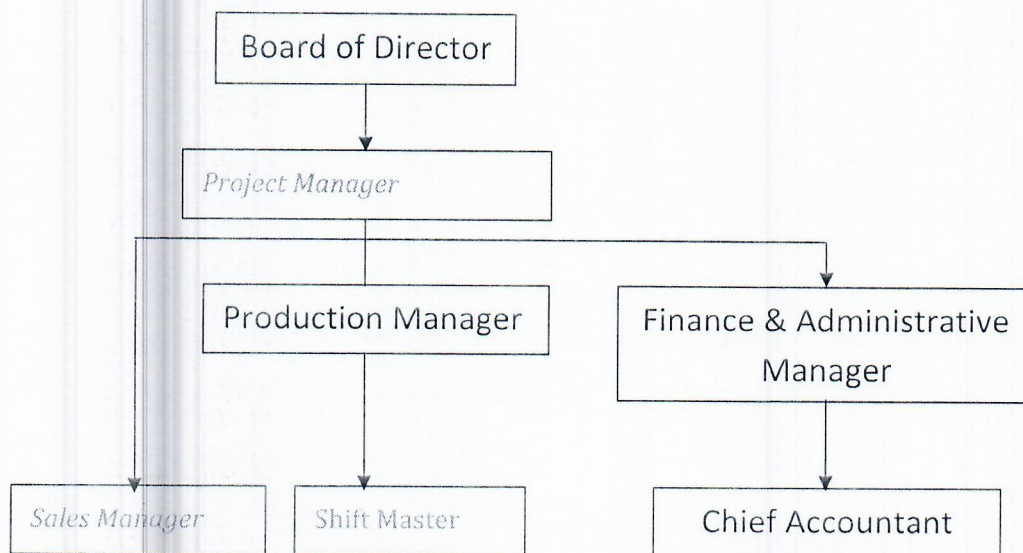
5.0 MANAGEMENT

5.1 Staff Recruitment Strategy

The strategy shall be to fill in key managerial positions with people who have extensive experience and sound qualifications in managing companies that produce packaging products. The staff would include a General Manager who will be assisted by 3 departmental managers namely the Finance and Administration Manager Production Manager and Marketing Manager.

5.2 Organisation Structure

The organisation structure of the project is proposal to be as follows:



5.3 Manpower Requirement

The company intends to employ 155 people including five expatriates' persons.

6.0 CAPITAL INVESTMENT COSTS

M/S Mufindi Paper Mills. proposes to invest US\$6.0 million for developing this project. It is planned that some investment cost will be financed by personal shareholders' contribution and other funds will be sought from Banks. Furthermore, the sister company's Self-Generated Funds shall be utilized at a later stage for working capital funds. Following is the projects investment plan and sources of financing:

6.1 The breakdown of the relevant costs is as shown below:

ITEM	US. \$
Land and building	2,000,000
Machinery and Equipment	3,000,000
Vehicles	250,000
Furniture and Fittings	60,000
Others	180,000
Pre-Operational expenses	10,000
Sub Total	5,500,000
Initial working capital	500,000
GRAND TOTAL	6,000,000

6.2 Machinery and equipment's costs are based on quotation from supplier. It should be noted that duty and VAT tax have not been included, meanwhile the allowance on corporate tax will be determined in the course of the project approval.

6.1 Financing

The total investment cost of the project is planned to be financed by the shareholder's equity and loan will be sought if the need arises.

	Local	Total
Owners' Equity	6,000,000	6,000,000
TOTAL	6,000,000	6,000,000

7.0 PROJECT FINANCIAL VIABILITY

The financial analysis indicates that the proposed project would be a profitable venture.

7.1 Projected Profit and Loss Accounts

The project is expected to make a post-tax profit during its first year of operation.

7.2 Projected Cash flows

The projected cash flows show that the project would be able to honour its financial obligations as they fall due throughout the project's economic life and still remain with reserve of cumulative cash that could be re-invested in the project.

8.0 CONCLUSION

The investment and development of this corrugated box Packaging industries undertaking is in line with the Government objective of encouraging proper development industries in the country. In addition, it will have a positive impact on the development of the region, as it would generate a number of benefits and more positive impact on the economy of the area. As noted above, this undertaking will bring about a generation of a number of benefits and reliable incomes for the employees of the project and providers of the services and goods demanded by the project's workforce /their families.

In the context of the immense useful potential of this project, the Management of M/S Mufindi Paper Mills anticipates that all interested parties in the region/ and the Government of Tanzania will give their full support so as to ensure timely implementation of the project and apprehension of successful operation.

MUFUNDI PAPER MILLS LIMITED
Capital Investments costs

US \$

ITEM	
Land and building	2,000,000
Machinery and Equipment	3,000,000
Vehicles	250,000
Furniture and Fittings	60,000
Others	180,000
Pre-Operational expenses	10,000
Sub Total	5,500,000
Initial working capital	500,000
GRAND TOTAL	6,000,000

MUFUNDI PAPER MILLS LIMITED

Project Financing

US \$

Source	Amount	Total
Equity	6,000,000	6,000,000
Total	6,000,000	6,000,000

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Depreciation Schedule

US \$

		1	2	3	4	5	6	7	8	9	10
Land and Building	2,000,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Machinery and Equipment	3,000,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	-	-
Motor Vehicles	250,000	62,500	62,500	62,500	62,500	-	-	-	-	-	-
Furniture and Fittings	60,000	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500		
Pre-operation Expenses	10,000	2,000	2,000	2,000	2,000	2,000	-	-	-	-	-
Total depreciation		527,000	527,000	527,000	527,000	464,500	462,500	462,500	462,500	80,000	80,000

MUFINDI PAPER MILLS LIMITED

PROJECT PROFIT AND LOSS STATEMENT

US \$'000'

	1	2	3	4	5	6	7	8	9	10
Sales Revenue	5,400,000	6,300,000	7,200,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
Cost Of Sales	4,320,000	5,040,000	5,760,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000	7,200,000
Contribution margin	1,080,000	1,260,000	1,440,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Gross Profit	1,080,000	1,260,000	1,440,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Operating Profit	1,080,000	1,260,000	1,440,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Less Depreciation	527,000	527,000	527,000	527,000	464,500	462,500	462,500	462,500	80,000	80,000
Profit before Tax	553,000	733,000	913,000	1,273,000	1,335,500	1,338,000	1,338,000	1,338,000	1,720,000	1,720,000
Taxes 30%	165,900	219,900	273,900	381,900	400,650	401,400	401,400	401,400	516,000	516,000
Profit after tax	387,100	513,100	640,000	891,100	930,850	936,600	936,600	936,600	1,204,000	1,204,000
Accumulated Profit	387,100	900,200	1,540,200	2,431,300	3,362,150	4,298,750	5,235,350	6,171,950	7,375,950	8,579,950

MUFINDI PAPER MILLS LIMITED
CASHFLOW PROJECTIONS

US\$

	0	1	2	3	4	5	6	7	8	9	10
Sources											
Profit Before Tax & Depreciation	-	1,080,000	1,260,000	1,440,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Equity	6,000,000	-	-	-	-	-	-	-	-	-	-
Total Sources	6,000,000	1,080,000	1,260,000	1,440,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Applications											
Capital Expenditure	6,000,000	-	-	-	-	-	-	-	-	-	-
Taxation		165,900	219,900	273,900	381,900	400,650	401,400	401,400	401,400	516,000	516,000
Sub Total	6,000,000	165,900	219,900	273,900	381,900	400,650	401,400	401,400	401,400	516,000	516,000
Total application	6,000,000	165,900	219,900	273,900	381,900	400,650	401,400	401,400	401,400	516,000	516,000
Net Working Capital	-	914,100	1,040,100	1,166,100	1,418,100	1,399,350	1,399,000	1,399,000	1,399,000	1,284,000	1,284,000
Accumulated Cash	-	914,000	1,954,200	3,120,300	4,538,400	5,937,750	5,937,750	7,336,750	8,735,750	10,019,750	11,303,750