

# **NEW HONGKONG LIMITED**

## **FEASIBILITY STUDY FOR THE ESTABLISHMENT OF IMITATION (ARTIFICIAL) JEWELLERY, CURIOS AND CRAFTS BUSINESS**

**Prepared by:  
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## **INTRODUCTION:**

**NEW HONGKONG LIMITED** was incorporated in Tanzania on 23<sup>rd</sup> May, 2012 as a limited liability company, with registration number 91124, under the companies' act (Cap 2002) of the United Republic of Tanzania. The registered office of the Company is situated at Plot No=64/B, Mchikichi Street, Kariakoo area, Ilala district, Dar-es-salaam.

## **PROJECT SPONSORS**

The names and nationalities of the promoters along with their shareholdings structure are as follows:

<b>1.</b>	Mr. Mohamed Mahmud Mohamed	<b>Tanzanian</b>	<b>60 Shares</b>
<b>2.</b>	Mr. Mohamed Ahmed Mohamed	<b>British</b>	<b>10 Shares</b>
<b>3.</b>	Ms. Nasra Muhumed Ahmed	<b>Kenyan</b>	<b>10 Shares</b>
<b>4.</b>	Unallotted shares	<b>-</b>	<b>20 Shares</b>

The project promoters with their profound knowledge & experience in the business of imitation jewellery, it is established that they are capable to conceive, establish and operate the business successfully.

The Company has been established with the aim of dealing in imitation/artificial jewellery.

The company will also deal in Makonde art - crafts, curios including Maasai beads and decorations. The company is interested in selling artificial jewellery, curios and crafts, as well as establishing an artificial jewellery processing unit.

## **History of Imitation/Artificial Jewellery**

The imitation jewellery, as its name implies, is made of precious metals such as gold, silver and platinum, but the shape and effect resembles the precious metal jewellery, and some people call such imitation jewelry as fashion jewelry or popular jewelry. Imitation jewellery is usually made of synthetic gemstones as decorative stones, and a small number of low-grade gem stones as decorative stones. Metal materials for jewelry are usually made of copper or copper alloys. Because copper is not only cheap, but also has excellent casting properties. It is easy to make jewelry with various shapes.

Artificial jewellery is known by various names such as fashion jewellery, imitation jewellery, pretend jewellery, costume jewellery, etc. As the name suggests, artificial jewellery is a low cost option in comparison to standard jewellery that is made from gold, silver, platinum, diamonds, precious stones and other costly materials. Artificial jewellery came into prominence during the 20<sup>th</sup> century, even though similar products have been in use for around 300 years. During the 20<sup>th</sup> century, artificial jewellery emerged as an affordable alternative to standard jewellery that was beyond the reach of middle class families.

Artificial jewellery is available at cheap prices, as it is made using inexpensive materials such as nickel, copper, brass, pewter, Lucite, rhinestones, leather, beads, clay, ceramic, shells, sterling silver, steel, glass, and plastic.

Due to the high soaring price of gold and diamonds, the imitation jewellery business has a great potentiality to prosper in the market.

Imitation jewellery has a great market in both rural and urban areas. It always attracts customers due to its low price and with attractive designs. Following are some of the main reasons why people prefer imitation/artificial jewellery:

1. Low cost
2. Safety and security
- 3, Endless options of designs
4. Look like Gold
5. Ease of carrying

## **THE PROJECT**

The project being considered here is for the establishment of the processing of Imitation/Artificial Jewellery, Curios and Crafts business.

We intend to produce trendy styles of imitation jewellery using metal materials such as alloy, brass and semi-gem jewellery in order to cope with the growing demand for imitation jewellery inside Tanzania and neighboring countries.

Our products will range from men's and ladies' necklaces, bracelets, rings, earrings, toe-rings, bangles, brooches, beads, and engagement/wedding sets to name few.

## **PROJECT OBJECTIVE:**

In view of the potential revealed by producing a well designed imitation jewellery, curios and crafts, Tanzania has witnessed a rise and even glamour in this sector. The tourism sector has also shown a steady and stable increase on the number of tourists that visit the country annually. In order for the company to take this into advantage and in order to efficiently contribute towards improving the final effect of the exploitation and Tanzania made imitation jewellery, curios and crafts and tourist attractions on the national economy, the company intends to invest US \$ 889,800 in order to establish imitation jewellery, curios and crafts business by acquiring land on which the company will construct a building to host offices, shops and the lapidary.

The company will also acquire state of the art equipment for the lapidary and shops.

## **PROJECT JUSTIFICATION**

### **The project is set out to achieve the following:**

Creation of additional employment opportunities, especially in the rural areas where Semi-gem, rough stones and metallic minerals are mined or sourced, and also that is where most crafts and curios come from.

Artisanal miners and crafts men and woman who have always missed institutional support will be brought into the main stream of the activity and thus these will be considerable potential for alleviating poverty and increasing national wealth. Also modern and efficient ways of cutting and making beads will be introduced.

Expansion of industry production based on locally available rough/ raw materials. Increased foreign exchange earnings through export of finished / processed products derived from indigenous materials.

The modern lapidary will develop the Tanzanian human resource of the highest standards in the by enabling them to acquire the skills and techniques behind the art of designing enchanting jewellery, lapidary an gemological services and the related disciplines through training, research and apprenticeship The country will as a consequence reduce the severe inadequacy of technical and scientific personnel in the form of gemologists, lapidaries and jewels specialists.

## **PROJECT ENGINEERING**

## **MACHINERY AND EQUIPMENT**

Machinery and equipment for lapidary and jewelry facilities are as detailed below;: ( details of machinery and equipments required are shown on appendix IX)

**Table 4.1 Projected Capital Costs**

<b>ITEM</b>	<b>COSTS (US \$)</b>
Land and Building	350,000
Machinery	103,400
Furniture & Fitting	12,500
Motor vehicles	63,000
Pre – operational	10,300
Others	4,600
Sub – total	<b>543,800</b>
Working capital	346,000
<b>Total</b>	<b>889,800</b>

## **CIVIL WORKS AND BUILDING**

### **Lapidary**

NEW HONGKONG LIMITED will establish the businesses at the City Mall, Plot No= 64/B, Michikichi Street, Kariakoo, Ilala district, Dar-es-salaam, before shifting to their own building to be constructed within three years from start of business. Thus at the beginning, the main civil works will be partitioning and installation of machines and equipments to suit the requirement for the state of the art lapidary jewelry sections. At a later stage, civil works will include acquisition of land and construction of the company building.

## **UTILITIES**

### **Water**

The building in which the businesses and lapidary will be established, is adequately supplied with water from the mains. The water is suitable for industrial purposes and human consumption, but never the less the company intends to install an automatic in line water cleaning and germ killing plant to make the water safe for drinking directly from the tap without the need for boiling.

The cost pertaining to water and its purification at the lapidary will be about US\$ 300 per annum.

### **Power**

The mains supply of electricity will be in use. There will be also a standby Generator in case the main electricity supply is disrupted.

## **MARKETING ASPECTS**

### **DEMAND**

The imitation jewellery market is projected to grow at a high rate during the forecast period due to growing demand. The main drivers of growth for the imitation jewelry market is globalization of brands, rising prices of gold and other valuable stones and pearls, and growing demand for male costume jewellery.

Demand for curios and crafts, is directly associated with the number of tourists that visit the country.

### **SUPPLY**

Products like semi-precious stones, metallic minerals, beads and crystals, wood, coconut shell, and seashells which are used for the processing of imitation jewellery are available both in the local market and abroad countries like China.

The major suppliers of African curios and crafts include the Maasai people in Tanzania and Kenya, Makonde crafts in Tanzania and Mozambique, as well as Madagascar, Swaziland and Zimbabwe.

### **PRICING**

As mentioned herein before the imitation jewellery products, curios and crafts market is a seller - buyers market. A price cannot be tagged on a stone or art- craft until it has been won. The turnover of the world imitation jewellery markets has started to rise after going through various global political and economic problems.

## **PROMOTION AND ADVERTISING**

The company shall promote its products through:

- Media advertising including website to explain the products and encourage enquiries.
- Making direct contact with customers and potential customers through exhibitions, trade fairs, and minerals and jewelry auctions and otherwise.
- Make follow – up of inquiries.

## **INVESTMENT COSTS**

### **ASSUMPTION**

For the purpose of financial analysis the project assumes the following:

- The projections have been made over ten – years.
- All costs and prices are based on current market levels and are assumed to be constant throughout the analysis. Any future movement in these variables are assumed to be of the same magnitude, thus canceling out any net differences.
- Inflationary effects have not been considered during the period.

### **TOTAL INVESTMENT**

The total capital invest of the project is estimated at US \$ 889,800 for the establishment program including initial working capital of US \$ 346,000.

### **PRE-OPERATIONAL EXPENSES**

Under this category expenses required before the business is on stream, these are estimated as follows:-

**Table 6.1 Pre- Operational Expenses**

<b>ITEM</b>	<b>US\$</b>
Company legal fees, licences	2,500
Travelling expenses	5,600
Other miscellaneous expenses	2,200
<b>Total Pre-Operational Expenses</b>	<b>10,300</b>

### **WORKING CAPITAL**

A total of US\$ 346,000 shall be required as working capital to meet operating costs in respect of purchases, export financing, fuel and lubricants, transportation costs, travelling expenses, three - Month's salary and wages and sundry administrative expenses.

**FINANCING ARRANGEMENTS**

NEW HONGKONG LIMITED expects to finance the proposed investment through shareholders equity and the term loan, which will be sought from a financial Institution.

**Table 6.2 A Summary of the Proposed Financing Arrangement**

<b>Initial Investment</b>	<b>US\$</b>
Shareholders Equipt Contribution	789,800.00
Term Loan or Overdraft	100,000.00
<b>TOTAL</b>	<b>889,800.00</b>

**REVENUE AND COST OF OPERATION**

**OPERATION ASSUMPTIONS**

The financial performance of the project has been analyzed based on the following assumptions:

The Lapidary is expected to produce about 50 carats of polished metallic minerals/stones per day. Assuming an average price of US\$ 150 per carat for the various types of metallic/stones that will be processed at the lapidary and further used for plating/coating the imitation jewellery sets, the expected revenue per annum will be 50 x \$150 x 25 x 12 that amounts to US\$ 2,250,000 per annum from the Made to order Jewellery sets at full capacity, US\$ 1,200,000 from the sale of normal jewellery sets, US \$ 1,500,000 from the sale of African Jewels, Curios and Crafts.

**REVENUE**

Various simulated gemstones will be bought from miners, brokers and other dealers. These stones will be cut and polished at New Hongkong Limited state of the art lapidary for processing the imitation jewellery before selling to internal and external markets. The projected revenue is expected to reach its maximum at the fourth year and remain constant up to tenth year. The business will also buy jewellery, curios and crafts from suppliers in Tanzania and abroad and sell to local and foreign markets.

**Table 7.1 Projected Revenue from the Project**

<b>USD "000"</b>					
<b>ITEMS /YEAR</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5-10</b>
% Business Capacity	50	70	90	100	100
Made to order Jewellery sets- Revenue	1,125	1,575	2,025	2,250	2,250
Jewellery Sets-Revenue	600	840	1,080	1,200	1,200
Curios and Crafts Revenue	750	1,050	1,350	1,500	1,500
<b>TOTAL</b>	<b>2,475</b>	<b>3,465</b>	<b>4,455</b>	<b>4,950</b>	<b>4,950</b>

### **COST OF OPERATIONS**

The cost of the state of the art lapidary operations will be mainly the cost of purchasing simulated gemstones, metallic minerals for processing the imitation jewellerys, curios and crafts which is estimated at 60% of revenue emanated from the activity, other costs including salaries and other operation costs are estimated at 15% of the revenue.

## **FINANCIAL EVALUATION**

### **INCOME AND EXPENDITURE**

The projected income and operating costs are as shown in the foregoing chapter, 7.0 and as summarized in Appendix IV and V.

The projects will generate gross revenue of about US\$ 45,045,000.00 from year 1 to year ten from lapidary, imitation jewellery, curios and crafts activities.

### **PROFIT AND LOSS ACCOUNT**

Details of profit and loss account are presented in Appendix VI. The liquidity position of the projects is attractive. The project starts to generate profit in the 2<sup>nd</sup> year.

## **ORGANIZATION AND MANAGEMENT**

The project will be directly under the shareholders who shall form the Board of Directors. The Board will be responsible for formulating policies; rules, regulation and planning aspects to ensure simulated gemstone and metallic minerals buying, lapidary, imitation jewellery selling, as well as curios and crafts business, operate on a profitable basis.

The directors are well experienced in the aspects of marketing the products both locally and abroad. Thus the company has professional competence both in the organizational and operational categories and is capable of solving critical problems facing the industry.

The project will have a General Manager who will report to Managing Director. The General Manager will be responsible for the day – to-day operations of the project, assisted by the Departmental heads/ supervisors.

### **HUMAN RESOURCES**

Once fully Operational, the project is expected to employ about 46 personnel. The general Manager will be a professional of high standing in the processing of imitation jewellery discipline such as gemology, geology or any other related fields with years of hands on experience. Knowledge in the tourism industry will be an added advantage.

#### **Proposed staffing at the lapidary is as follows:**

<b>Department</b>	<b>Number of Employee</b>
General Manager	1
Purchasing	6
Marketing	6
Public Relations	2
Lapidary	15
Shop – curios, craft, jewellery	6
Administration and Finance	10
Total Number of Employees	<b>46</b>

### **IMITATION JEWELLERY PROCESSING STEPS**

Most of the traditional jewellery are handcrafted with the personalized designs others are executed by the casting machines. In the casting machines firstly the designs are sketched with the basic concepts with the rough design to create the original piece of Jewellery. The material to be casted is broken into smaller pieces and heat is provided so that it is melted easily on the stove with LPG connected to it. The melted material (aluminium alloy) is directly placed on the direct flame and poured to the inlet of the imitation jewellery casting machine that has the rubber mould with the design engraved to obtain the required pattern in the rotary motion.

The machine is stopped after few seconds and then the casted material is separately removed by wearing the woolen hand gloves. The imitated casted material is further sent for polishing and silver coating and then for attaching of the ghungroo (locally called) smaller parts and coloured decorative stones to complete the pattern of the designs.



## **IMPLEMENTATION SCHEDULE**

The implementation schedule for the project will be a period of 3 years. Main activities are importation of lapidary equipment, renovation of the premises and installation of the machines.

## **NATIONAL BENEFITS**

National benefits are measured in terms of foreign exchange earning capacity. In this context the project foreign exchange - earning capacity is based on the assumption that over thirty percent of the whole production is sold on the export market.

Thus in consideration of the above earning capacity the project will be able to generate enough foreign exchange to meet external financial obligations.

National benefits will also include provision of employment to local personnel as well as government taxes including income tax that expected to amount to US\$ 3,262,116 for the ten years under which the project has been reviewed.

## **RECOMMENDATIONS**

Supported by the Tanzanian Mineral sector policy of 1997, which among other objectives, is to promote and facilitate marketing arrangements for minerals and mineral based projects; promote and develop Tanzania as a imitation jewellery centre of Africa.

Also the positive steps to promote tourism in the country.

New Hongkong Limited should implement the project as it is profitable and will contribute positively to the economy of Tanzania.

The company may achieve this objective by marketing its products worldwide, but also by giving financial support to artisanal and small scall miners in Arusha and Manyara regions, and also curios and craftsmen in the southern regions of Tanzania.