

KEDS TANZANIA COMPANY LIMITED

BUSINESS PLAN FOR ENTRY INTO
TANZANIA:

SOAP MANUFACTURING PLANT

Represented by

KEDS TANZANIA COMPANY LIMITED

A Business Plan for Entry in Tanzania

Soap factory project phase I

PROJECT HIGHLIGHTS

Project name: Soap factory project phase I
Enterprise: KEDS TANZANIA COMPANY LIMITED
Project Site: Industrial Area at Mkoani Kibaha, Coast Region
Total Investment: USD 11626900
Project Liaison: Mr. Ren junwei
Tel:

1.1 Summary of the Project

KEDS Tanzania Company Limited (hereinafter referred to as "KEDS Tanzania" or "this Company") was registered in Tanzania on March 16th, 2016. The principal business is mainly the international trade of building material products, fast moving consumer goods. It is based and projected to take advantage (in the future) of the development and expansion of emerging markets in Africa.

The hygiene product factory intends to employ up to 1000 employees working for the Company in 2018. KEDS is dedicated to put the customer at the foremost, with its core business philosophy as the improvement of living standards and living quality of people from emerging countries. Therefore, KEDS has formed a strong team of product research and development providing people from emerging markets with hygiene products.

1.2 Name of the Project

Project name: Soap factory project phase I

Project liaison: Ren junwei

Investor: KEDS TANZANIA COMPANY LIMITED

1.3 Project site

Plot No.593,594 Block A CBD AREA & Plot194,196,197,199,201,203 &205 Industrial Area at Mkoani Kibaha, Coast Region

1.4 Production Scale and Product Varieties

The construction scale of this project shall be annually 10 thousand ton of soap and 8 thousand ton of perfumed soap. It is expected to achieve an estimated output value of USD 19,783,100 yearly after construction.

1.5 Necessity and Feasibility of the Project

1.5.1 Background and Necessity

(1) Tanzanian light industry has a weak foundation, and the washing powder Market in Tanzanian allows foreign enterprises to enter freely, which has been controlled by foreign companies for a long time. In recent years, as the domestic competition intensifies, more and more small and medium-sized daily chemical enterprises begin to attach importance to the African market, and a large number of low-end brands enter the local market. European and American companies control the middle and high-end market by virtue of the historical accumulation of brand cohesion and channel penetration, and Chinese washing products quickly seize the middle and low-end market by virtue of the price advantage suitable for local consumption ability;

(2) To meet the growing demand of Tanzanian market for high-quality and cost-effective washing products. This project imports granulation from Kenya, the import customs tariff is 0%, and the import customs tariff of finished products and soap granules from China will be 25%. The cost of locally manufactured products in Tanzania is reduced, which improves the price competitiveness.

(3) Tanzania has a superior geographical location. The capital port of Dar es Salaam is the largest port in East Africa. Through land transportation, after the plant is put into operation, it can further radiate and expand the markets of surrounding countries, such as Zambia, Kenya, Uganda, Congo, etc., especially Kenya, Senda Kenya company has been operating for many years, and washing products are the main force of fast-moving products in Tanzania. By virtue of the preferential policies

of the West African community (EAC), members exporting to the community can be exempted from customs duties.

1.5.2 Steady investment environments in Tanzania

Tanzania is stable in politics and has strong ties with major investing and developed countries. Capital investment in Tanzania boasts favorable conditions such as favorable policies, sufficient labor, abundant high quality talents, stable production elements and cheap prices, etc. There will be entitlement to favorable import tariff for imported raw materials, equipment and parts and components for the plant established in the country.

1.5.3 Compliance with the requirement for local economic development

The Government of Tanzania has actively pushed forward open policy over the recent years, and encourages foreign investment dedicated to the development of national economy and improvement of people's living standards. Currently, the living standard is being constantly improved. So hygiene product will be in greater need. Therefore, this project has a very good marketing prospect.

1.6 Major construction conditions

1.6.1 Raw materials

Name	Supply	Quality
Titanium dioxide	adequate	high-quality
Essence	adequate	high-quality
Soap grain	adequate	high-quality
pigment	adequate	high-quality
Three chlorkaban	adequate	high-quality
Brightening agent	adequate	high-quality
Calcium carbonate	adequate	high-quality

1.6.2 Construction site

Plot No.593,594 Block A CBD AREA & Plot 194,196,197,199,201,203 &205 Industrial Area at Mkoani Kibaha, Coast Region

1.6.3 Power supply

The project at will need at least 400KW national grid electricity to sustain production line.

1.6.4 Water supply

With regards to the kibaha project site, DAWASCO water is to be used for the plant, with quality and

quantity of water capable of meeting the requirements of this project for production and living or firefighting. Water consumption of the production line will be approximately 2 tons per day.

1.6.5 Seismic intensity

The project is located in the eastern side of Tanzania. There is seldom earthquake.

1.6.6 Weather information

Climate and Temperature

The project features natural tropical climate with average temperature. According to the records over the past five years, the average temperatures are 25.8 degrees centigrade.

Rainfall:

The average annual rainfall is 1100mm, with plentiful rainfall and surface water. Raining season is from April to September. Dry season is from October to next March. The most rainfall is from March to June. The temperature is hot and thunder day is about 31 to 49 days.

1.6.7 Regional Environmental Status

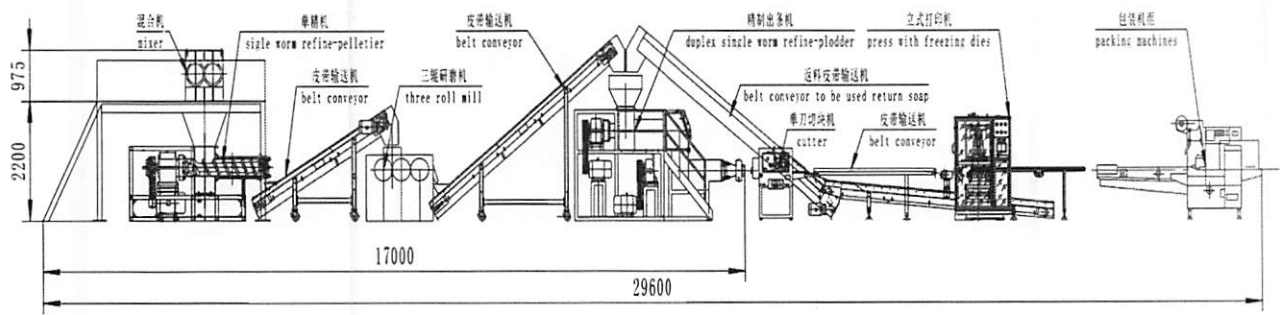
Around the plant sites for this project, with greater capacity for land in industrial zone, air and water environment, it is allowed to build Tanzania Plant. Moreover, because it is a hygiene processing factory, so there is very less waste generated. And the factory will actively compliant with the set environmental standards.

1.7 Key Technical Production Process

1.7.1 Brief Summary of the Production Process

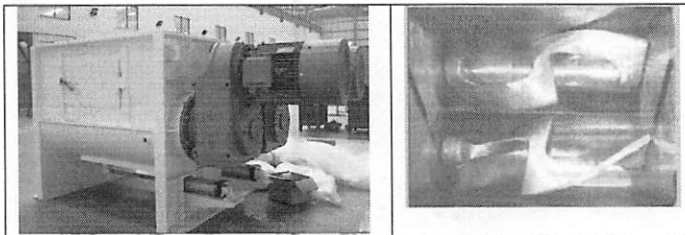
This project applies the existing mature production technical solution to make soap.

Process flows and raw materials of soap.



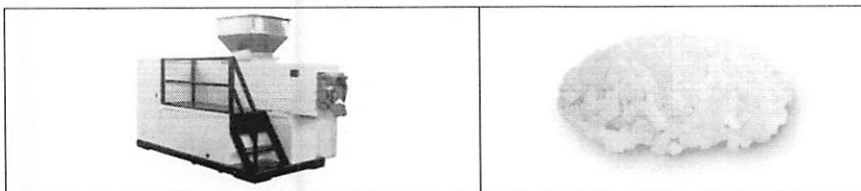
1.7.2 Comparison of major equipment

1.7.2.1 NHJ250 Amalgamator



The machine adopts two integrated motor and gearboxes, separately driving two specially Sigma shape designed mixing blades to rotate with different speeds. The two mixing blades can mix soap noodles, flakes with different kinds of liquid and solid ingredients inside the amalgamator chamber. Because of the special designed blades, the soap noodles and the ingredients can be mixed well and even, and dyes and ingredients can fully blend into the noodles, meeting different customer requirements. After the mixing, products are discharged through the air cylinder controlled discharging door. All parts contacting with soap are made of high quality stainless steel. On the top, there is a stainless steel cover to prevent the operators from the machine harm during the rotating and any powder dust leakage.

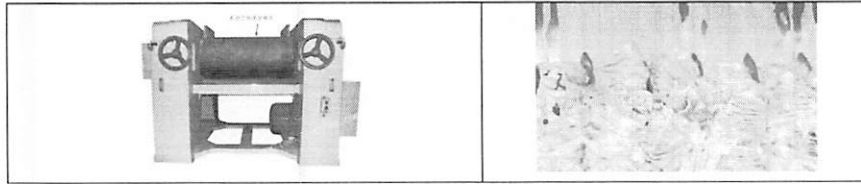
1.7.2.2 XZL2000 Simplex Refining Plodder



This machine has one stage and is used for soap mixing and refining. The motor and gear box driving has higher driving efficiency, and with specially designed sealing, it can avoid the oil leakage from the gearbox into the screw chamber to cause soap contamination. The lengthened screw chamber design can reach 1:6 for the screw diameter vs effective barrel length, which can extrude the material effectively and increase the compactness. The barrel inner body is made of high quality seamless stainless steel, without any water leakage. The refining plate or net can be installed on the

first plodder front part to enforce the martial refining effects to optimization. Specially designed and continuously improved water cooling system and the different screw inner diameter and pitch design are especially suitable for the laundry soap and toilet soap. All parts contacting with soap are made of high quality stainless steel.

1.7.2.3 S405AP Three Roll Mill



The Three Roll Mill is used for soap refining. Three rolls are horizontally placed with different rotating speeds. The refining function is achieved by pressing and squeezing force between the adjacent rolls. The main frame is made of high quality stain structure, strong and solid. All gears are precisely manufactured and bathed in oil lubricants for long running life with lower noise, less wearing and better reliability. Rolls are made of special alloy, high hardness, anti-wearing capability, and with water chilling system. Gap between rolls can be adjusted easily for different refining effects and production capacity needs.

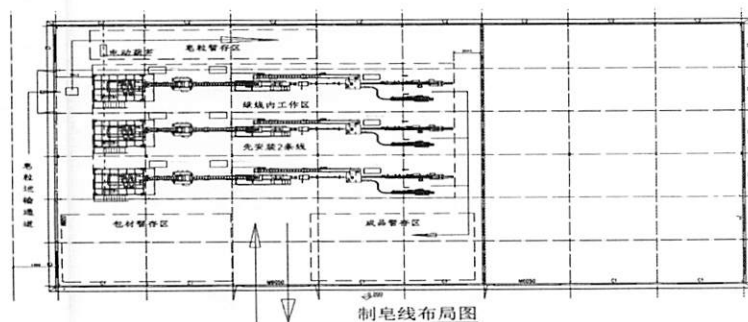
1.7.3 Layout of production lines

1.7.3.1 Principles for the layout of production lines

The production areas, living quarters, drinking water sources and domestic sewage discharge points, residue stack yards, wastewater disposal sites and various rooms for health protection and auxiliary rooms and other land for works for this project comply with TJ36-79 Designed Hygiene Standards for Industrial Enterprises and the requirements for local construction planning.

- (1) The production area is chosen at the land section with low concentration of air pollution and with good diffusion conditions, and is located on the upwind side of minimum frequency wind direction in a year adjacent to the neighboring workshop.
- (2) It is required to lay out workshops separately by classification of workshops with louder noise and workshops with lower noise. The primary noise sources should be arranged at brims of the plant far away from front areas and living quarters.

1.7.3.2 Layout of production lines



1.7.3.3 Advantages in this production line

In the process of preparing this plan, the advanced property and operability is regarded as an important principle, which will be implemented to the end. With the optimized application of energy, repeated application of industrial water and comprehensive utilization of solid wastes taking the lead, it is required to analyze the current advanced washing production process and equipment, so this production line plan has been finalized.

1.7.4. Process

(1) Process flows are designed based on the functions of making soap. The principle for determining process parameters is the maximization of the connection between different processes and performance-price ratios of equipment. The large scale and advanced property of equipment is the advantage of this model selection, and can save land, energy and reduce pollution and waste caused by a small scale due to environments.

(2) Reasonable plant layout: the four production lines are laid out in a parallel manner, which can save land resources.

1.7.4.1 Disposal of wastes

Wastes include: solid wastes, dust

All the waste materials generated when producing soap are solid waste which could be recycled very well for making plastics products like barrel or sandal. The only water needed for production is to cool down machinery which could be recycled. Thus, there will be no liquid waste of production.

Therefore, based on the 3R principle, all wastes are recycled and reused on the basis of zero emission.

1.7.5 Conclusion

This project regards the advanced technologies and equipment and their operability as important guidelines to be implemented from beginning to the end. Guided by optimized application of energy, recycling of industrial wastewater and integrated utilization of solid wastes, advanced washing production process and equipment is used to fix process and technical solution.

1.8 Organization and labor staffing

The organization structure shall be the General Manager Accountability system led by the Board of Directors, and the general manager shall be totally responsible for the production and operation of the Company.

The total staffing for the plant will be 50 employees

1.9 Estimation of total investment in the project

The total investment in the works will be USD 11,626,900 including USD 6,606,000 fixed assets investment and USD 4,949,300 in current assets investment.

Table 1: Constitution of fixed assets investment

Project name	Total	Construction works	Equipment purchase
Amount (expressed in US\$ '0000)	660.60	150.00	510.60
(%)	100	22.71	77.29

1.10 Capital financing

The total investment in this project shall be USD 11,626,900. The shareholders shall provide the Initial capital of USD 11,626,900 as shareholders' equity.

1.11 Project implementation progress

Based on overall deployment and arrange of the Company, and by referring to the actual operation of domestic similar works, it is recommended that this project be put into operation within 6 months.

1.12 Summary of key technical and economic indicators of the project

Table 3: Key Technical Indicators

No.	ITME		Unit	Quantity
1	Product	Soap	Ton/ a	1
		Perfumed soap	Ton/ a	0.8
2	Investment	Fixed assets	US\$ '0000	660.60
3		Current assets	US\$ '0000	502.08
4		Total invest	US\$ '0000	1162.69
5	Staff	Production	person	45
		Administration	person	5
7		Total	person	50
10	Raw material fuel	Raw material	t/a	20000

Table 4: Economic Indicators

NO.	Indicators	Unit	Value
1	Financial Internal Rate of Return(FIRR) on Project (before tax)	%	37.99
2	Financial Internal Rate of Return(FIRR) on Project (after tax)	%	27.42
3	Financial Net Present Value from Project Investment (Before tax,ic=10%)	'0000 USD	1648.75
4	Financial Net Present Value from Project Investment (after tax,ic=10%)	'0000 USD	981.86
5	Investment Recovery Duration (before tax)	Year	2.57
6	Investment Recovery Duration (after tax)	Year	3.39
7	Return on Total Capital	%	31.36
8	Return on Project Investment	%	21.95
9	Return on Net Assets	%	21.95

1.13 Financials

(Please see the detailed breakdown attached- **Annex 3**)

Working Capital: It is planned that all initial operation and capital expenses will be provided by Shareholders equity. Initial capital injection is estimated at USD 11,626,900 for project start up in the end of 2020.

Estimated Capital expenditure ('0000 USD) during the construction phase:

- | | |
|------------------------------------|----------|
| • Production equipments & Vehicles | 410.60 |
| • Construction of Building | 150.00 |
| • Working Capital | 494.93 |
| • Total | 1,162.69 |

1.14 Conclusion and Summary of the Business Plan

- (1) This project has very ideal factory building conditions. There is good traffic and transportation conditions, guaranteed water and power supply for the plant. The construction site can meet the requirements for the plant to be built. The company initiating this project has advantages in technology, management and funds, which lay a foundation for the successful implementation of the project.
- (2) The design plan recommended by this report is based on the achievement of economic benefits for the enterprise. Under the precondition of guaranteed reliable production, it is required to use technically mature equipment made in technologically developed countries to further reduce costs and to increase economic benefits.
- (3) The total estimated investment in the construction of this project will be USD 11,626,900

Attachments:

1.1.1. Schedule 1 main investment index analysis table

No.	Item	Unit	Data	Remark
1	Item			
1.2	Operating income	S Ten thousand	1,978.31	
1.3	Business tax and additional	S Ten thousand	-	
1.4	Total cost	S Ten thousand	1,613.69	
1.5	Profit total	S Ten thousand	364.62	
1.6	Income tax	S Ten thousand	109.39	
1.7	Net profit	S Ten thousand	255.23	
1.8	New total investment	S Ten thousand	1,162.69	
	Include: new construction investment	S Ten thousand	660.60	
	initial working capital	S Ten thousand	494.93	
1.9	Total investment	S Ten thousand	1,162.69	
	Include: Self-raised funds	S Ten thousand	1,162.69	
	Lending money	S Ten thousand	-	
1.10	Gross profit margin		28.57%	(operating income - operating costs)/operating income
2	Financial indicators			
2.1	Project investment financial internal rate of return (pre-tax)	%	37.99	The discount rate of future cash inflow present value and cash outflow present value
2.2	Project investment financial internal rate of return (after tax)	%	27.47	
2.3	Project investment financial net present value (pretax, ic=10%)	Ten thousand	1,648.75	The difference between the present value of future cash inflow and the present value
2.4	Project investment financial net present value (after-tax, ic=10%)	Ten thousand	981.86	
2.5	Project investment payback period (pre-tax)	Year	2.57	The time required for the net income to recover all the investment (excluding the construction period)
2.6	Project investment payback period (after tax)	Year	3.39	
2.7	Total fund rate	%	31.36	
2.8	Project ROI	%	21.95	Net profit/total investment
2.9	Return on equity	%	21.95	Net profit/net assets
2.10	Break-even point	Ten thousand	0.81	break-even sales volume
2.11	Contribution margin	Ten thousand	660.94	Operating income - variable costs

Cash Flow Statement

Bar Soap Factory

Unit: USD

Items	Description	Construction Phase			Production Phase		
		2020	2021	2022	2023	2024	2025
	Year						
	Net Profit	390,250	924,802	1,716,142	1,859,790	2,005,124	2,161,513
	Add back: Depreciation	250,750	500,750	500,750	580,750	704,500	776,375
1	Sub Total	641,000	1,425,552	2,216,892	2,440,540	2,709,624	2,937,888
	Change in Working Capital						
	(Increase)/Decrease in Inventory	(3,471,800)	(1,156,400)	(383,800)	(236,400)	31,200	(240,600)
	(Increase)/Decrease in Trade and Other Receivables	(1,898,600)	(147,600)	(378,400)	(53,000)	(45,100)	(54,900)
	(Increase)/Decrease in Prepayment and Advance Payments						
	Increase/(Decrease) in Trade and Other Payables	3,905,800	288,400	413,500	190,000	(1,900)	193,800
	Increase/(Decrease) in Taxes payable						
	Increase/(Decrease) in Interest payable						
	Increase/(Decrease) in Advances from Customers						
	Sub Total	(1,464,600)	(1,015,600)	(348,700)	(99,400)	(15,800)	(101,700)
2	Net Cash Flow from/to Operating Activities	(823,600)	409,952	1,868,192	2,341,140	2,693,824	2,836,188
	Cash Flow from/to Investing Activities						
	Investment in Fixed Assets	(5,645,100)	-	-	(1,200,000)	(600,000)	(250,000)
3	Net Cash Flow from/to Investing Activities	(5,645,100)	-	-	(1,200,000)	(600,000)	(250,000)
	Cash Flow from/to Financing Activities						
	Capital	1,000,000	-	-	-	-	-
	Long Term Payable	5,000,000	-	(3,000,000)	-	-	(2,000,000)
	Short-term Loan	-	-	-	-	-	-
	Long Term loan	6,000,000	-	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
4	Net Cash Flow from/to Financing Activities	12,000,000	-	(4,500,000)	(1,500,000)	(1,500,000)	(3,500,000)
	(Increase)/Decrease in Cash and Cash Equivalents	5,531,300	409,952	(2,631,808)	(358,860)	593,824	(913,812)
	Cash and Cash Equivalents at the beginning of the year	-	5,531,300	5,941,252	3,309,444	2,950,585	3,544,409
	Cash and Cash Equivalents at the End of the year	5,531,300	5,941,252	3,309,444	2,950,585	3,544,409	2,630,597

Bar Soap Factory**Unit: USD**

Items	Description	Construction Phase	Production Phase				
		2020	2021	2022	2023	2024	2025
1	Revenue	9,900,000.00	15,998,400.00	20,398,000.00	20,805,900.00	21,222,000.00	21,646,500.00
2	Cost of sales	7,920,000.00	12,318,768.00	15,298,500.00	15,604,425.00	15,916,500.00	16,234,875.00
3	Gross Profit	1,980,000.00	3,679,632.00	5,099,500.00	5,201,475.00	5,305,500.00	5,411,625.00
4	Administrative expenses	594,000.00	927,907.20	1,142,288.00	1,123,518.60	1,103,544.00	1,082,325.00
5	Sales expense	594,000.00	879,912.00	1,019,900.00	1,040,295.00	1,061,100.00	1,082,325.00
6	Finance Costs	234,500.00	550,666.67	485,680.42	380,818.08	276,393.25	159,099.30
7	Profit before tax	557,500.00	1,321,146.13	2,451,631.58	2,656,843.32	2,864,462.75	3,087,875.70
8	Income Tax	167,250.00	396,343.84	735,489.47	797,052.99	859,338.82	926,362.71
9	Profit for the year	390,250.00	924,802.29	1,716,142.11	1,859,790.32	2,005,123.92	2,161,512.99

Balance Sheet

Unit: USD

Bar Soap Factory

Items	Description	Construction Phase	Production Phase				
		2020	2021	2022	2023	2024	2025
	Year						
1	Total Assets	16,296,050.00	17,509,252.29	15,138,894.40	15,688,684.72	16,191,908.65	15,047,221.64
	Current Assets						
	Cash and Cash Equivalents	5,531,300.00	5,941,252.29	3,309,444.40	2,950,584.72	3,544,408.65	2,630,596.64
	Account Receivables	1,898,600.00	2,046,200.00	2,424,600.00	2,477,600.00	2,522,700.00	2,577,600.00
	Inventories	3,471,800.00	4,628,200.00	5,012,000.00	5,248,400.00	5,217,200.00	5,457,800.00
	Other Current Assets						
	Total Current Assets	10,901,700.00	12,615,652.29	10,746,044.40	10,676,584.72	11,284,308.65	10,665,996.64
	Non-current Assets						
	Fixed Assets-plant&machinery	5,606,000.00	5,606,000.00	5,606,000.00	6,806,000.00	7,406,000.00	7,656,000.00
	Fixed Assets-land	39,100.00	39,100.00	39,100.00	39,100.00	39,100.00	39,100.00
	Accumulated Depreciation	(250,750.00)	(751,500.00)	(1,252,250.00)	(1,833,000.00)	(2,537,500.00)	(3,313,875.00)
	Total Non-current Assets	5,394,350.00	4,893,600.00	4,392,850.00	5,012,100.00	4,907,600.00	4,381,225.00
2	Equity and Liabilities	16,296,050.00	17,509,252.29	15,138,894.40	15,688,684.72	16,191,908.65	15,047,221.64
	Current Liabilities						
	Short-term loan	-	-	-	-	-	-
	Account Payable	3,905,800.00	4,194,200.00	4,607,700.00	4,797,700.00	4,795,800.00	4,989,600.00
	Other Pavables	-	-	-	-	-	-
	Total Current Liabilities	3,905,800.00	4,194,200.00	4,607,700.00	4,797,700.00	4,795,800.00	4,989,600.00
	Non-Current Liabilities						
	Long Term Loan	6,000,000.00	6,000,000.00	4,500,000.00	3,000,000.00	1,500,000.00	-
	Shareholders' Loan	-	-	-	-	-	-
	Long Term Pavable	5,000,000.00	5,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	-
	Total Non-Current Liabilities	11,000,000.00	11,000,000.00	6,500,000.00	5,000,000.00	3,500,000.00	-
	Total Liabilities	14,905,800.00	15,194,200.00	11,107,700.00	9,797,700.00	8,295,800.00	4,989,600.00
3	Total Equity	1,390,250.00	2,315,052.29	4,031,194.40	5,890,984.72	7,896,108.65	10,057,621.64
	Reserves	-	-	-	-	-	-
	Share Capital	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
	Retained Earnings	390,250.00	1,315,052.29	3,031,194.40	4,890,984.72	6,896,108.65	9,057,621.64