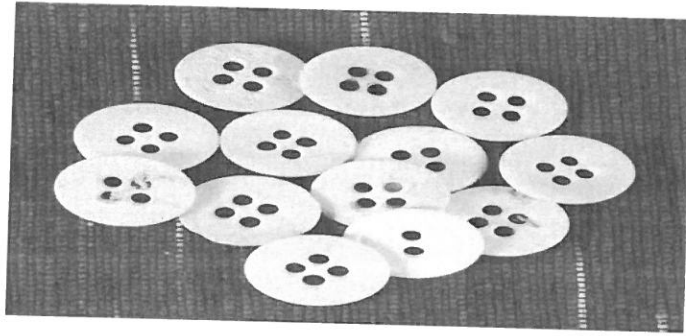


February 28, 2020

[SKS Tanzania Ltd: Business Plan for Manufacture of Buttons]

SKS TANZANIA LIMITED



BUSINESS PLAN FOR ESTABLISHMENT OF A BUTTONS MANUFACTURING FACTORY

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1.0 EXECUTIVE SUMMARY

SKS is private company registered in Tanzania with the main purpose to engage in manufacturing activities including fabric manufacturing and manufacturing of different kinds of buttons made of wood, metal, plastics and fabrics. Currently, the company has embarked on establishing a factory aimed at manufacturing of buttons. The company is owned by Tanzanians as follows; Rahma Rashid Othman owns 1,500 shares (50%); Sabrina Rashid Othman owns 750 shares (25%); and Khadija Rashid Othman owning 750 shares (25%).

This business plan was prepared to establish the viability of the button manufacturing factory in Tanzania and guide the procurement, operational and marketing activities of the project. The plan establishes a strategic framework that establishes focus, direction and most importantly a common language that acts as a guide for all production, marketing/brand activities creating cohesive strategic alignment between the company mission, vision and goals. There is a growing demand in the country as imports of buttons mainly from China keeps on rising year after year as there is no single manufacturing factory in the country yet. SKS wants to utilise this opportunity by establishing a modern factory utilising locally available inputs to manufacture low cost buttons that will cutter for the rising demand in the country and substantially contribute to employment creation in the country.

The company requires a total of **TZS 564,043,694 (Five Hundred Sixty-Four Million and Forty-Three Thousand Six Hundred Ninety-Four)** that will be used to purchase equipment, factory construction and purchase of raw materials. The financial analysis indicate the feasibility of the project as the company will be able to recover all the invested capital within first two years of operation and start making substantial profits from the third year on wards. The financing of the project is expected to come from equity financing (40%) and loans from private financier (60%) who has committed funds for the purchase of machinery from China. The owner has already committed funds into the business to the tune of **TZS 225,617,477** for purchase of land, construction of the factory building and some preliminary costs. Additional financing is sought from financial institutions in order to fully implement this plan.

1.3 Implementation Period

The project started its implementation since November, 2019 and is still at the initial stages in phase one which focuses on land acquisition and purchase of machinery and equipments and installation. Land has already been acquired, cleared and a building where the plant shall be installed has been constructed. The equipments for making buttons have been purchased but are still in China. The equipment are expected to be imported in the near future. The installation of machinery and equipments and start of production is described in the following Table.

Table 1.1: Implementation Schedule

NO.	ACTIVITIES	PHASE ONE (NOV 2019-May, 2020)		PHASE TWO		
		Nov 2019-Jan. 2020	Feb-April 2020	May-June 2020	July, 2020-	Dec, 2020
1	Land acquisition, site clearance and mobilization of resources					
2	Construction of the site					
3	Importation of equipment					
4	Installation of machines and equipments; Procurement of raw materials.					
5	Production starts					
6	Procurement of machinery and Installation (Phase 2)					

1.4 Project Objectives

We are in the manufacturing line of business to manufacture buttons to cater for the need of both domestic and international markets. We are also in business to make profits and at the same time to give our customers value for their money; we want to give people and businesses who patronize us the opportunity to be part of the success story of our business and serve the rising demand in the country and nearby markets. Notably the business will focus on the following specific objectives;

- To ensure availability and reliability of high quality buttons of different types and sizes.
- To generate sufficient income through sales to meet the needs of the owner and tax revenues to the government.

2.0 BUSINESS DESCRIPTION

Buttons over the human history of development have been made from diverse types of materials and process ranging from natural products such as whale ivory, elephant ivory, or tortoise shell, cow and buffalo hooves and horns, metal, fabric, glass, wood. The modern common material for buttons is polyester, which is a special kind of plastic with properties that make it suitable for buttons. A variety of chemical dyes are added to the polyester to make different colours. To make buttons with the pearlescent sheen of shell buttons, red carbonate is added to the polyester. Black buttons are made with the addition of carbon black, and white buttons are made with titanium. The buttons making process also requires a chemical catalyst that hardens the polyester and wax.

The modern process for making buttons includes a series of steps namely mixing the polyester, pouring into the cylinder, hardening the sheet, cutting the sheet, cooling the blanks, styling the blanks, finishing the buttons and quality control. The popular technique includes pushing into mold by dies and injection mold. The market for buttons over history has remained stable despite the change of technology in which some clothing can be made without buttons. The market therefore, is a function of population and fabric made into ready to wear against the imported cloths. The business plan aims at establishing a button manufacturing factory for the Tanzania market as well as the neighbouring countries.

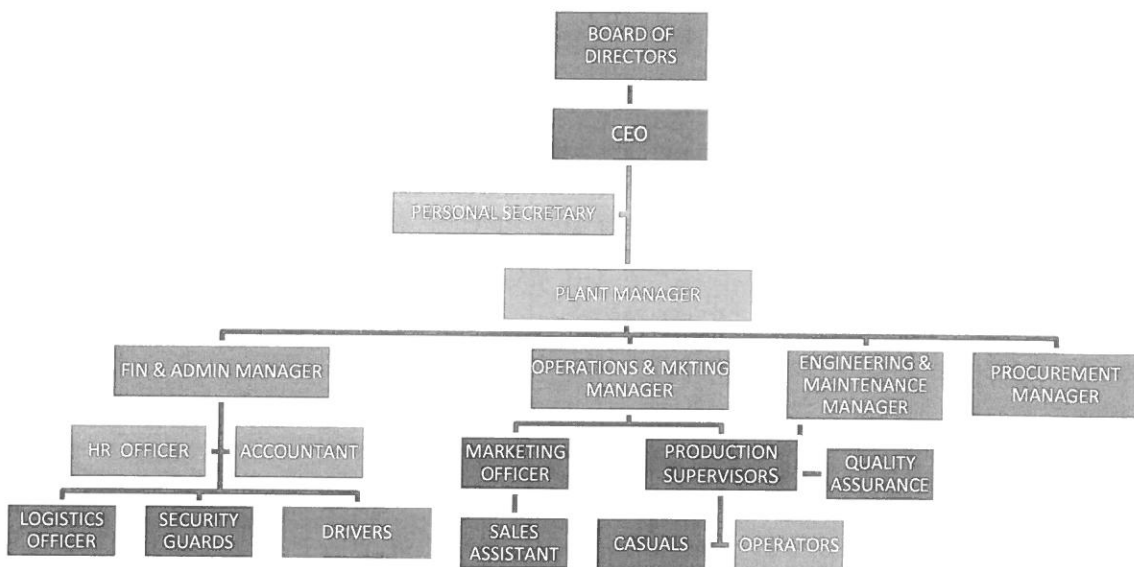
2.1 Product Description

In modern clothing and fashion design, a **button** is a small fastener; now most commonly made of plastic but also may be made of metal, wood, or seashell, which joins two pieces of fabric together. Buttons are most often attached to articles of clothing but can also be used on containers such as wallets and bags. However, buttons may be sewn onto garments and similar items exclusively for purposes of ornamentation. Buttons serving as fasteners work by slipping through a fabric or thread loop or by sliding through a buttonhole. Different types of buttons are described here below;

6.1 Organisation Structure

The business will be operated through a hierarchical mode of organization structure. The Organization structure comprises of the CEO with Personal Secretary, Plant Manager shall be reporting directly to the CEO. The Plant Manager shall manage the works of Finance and Administrative Personnel; Operations and Marketing Personnel, Sales Persons, Security Guards, Storekeeper and operators. The following figure illustrates the organisation structure of the company.

Figure 6.1: Organization Chart



6.3 Directors of the Company

NAMES	ADDRESSES	OCCUPATION
<i>Rahma Rashid Othman,</i>	P.O.Box 78824, Dar es salaam.	Managing Director
<i>Sabrina Rashid Othman</i>	P.O.Box 78824, Dar es salaam	Director/Secretary
<i>Khadija Rashid Othman</i>	P.O.Box 78824, Dar es salaam	Director

- Corporate tax is 30% of Net Income

8.0 FINANCIAL PLAN

8.1 Sources of Funds

The project financing shall come from both equity and Debt financing. About 40% of the total investment cost will come from equity; while 60% is expected to be loans from commercial banks. The owners have already committed funds into the project to the tune of **TZS 208,500,000** used for purchase of land; some preliminary costs; and importation of plant machineries and equipments from China.

8.2 Production cost

The project shall incur production costs as follows;

Table 8.1: Production Costs in TZS (millions)

Year	1	2	3	4	5
Planned plant capacity utilization %	50%	65%	85%	90%	95%
Raw and packing materials Costs	600	780	1,020	1,080	1,140
Labour costs	137.09	142.57	148.28	154.21	160.38
Production overheads	32.64	33.95	35.30	36.72	38.18
Total production costs	770	957	1,204	1,271	1,339

Table 8.2: Profit Projections (TZS Million)

Year	1	2	3	4	5
Sales	844.1	1,097	1,435	1,519	1,604
Total production cost	770	957	1,204	1,271	1,339
Profit Margin (Loss)	74	140	231	248	265

8.3 Operating Expenses

The following table shows the projected operating cost according to the previous assumptions is over five years. All expenses reflect an annual inflation rate of 4% while other expenses are assumed to increase at 3% annually, salary and staff benefits are assumed to increase at 5% annually.

8.5 Projected Statement of Financial Position for Five years

The table below shows the projected statement of financial position for a period of five years.

Table 8.5 Projected Balance Sheets for five years

	Year 1	Year 2	Year 3	Year 4	Year 5
	TZS Million'	TZS Million'	TZS Million'	TZS Million'	TZS Million'
Fixed Assets:					
Land and Buildings	125	150	250	300	300
Machinery and equipments	256	42	57	42	20
Office Equipments	18	20	25	25	8
Motor Vehicles	65	90	120	60	15
	464	302	452	427	343
Less: Depreciation	34	22	33	31	25
Total Fixed Assets	430	280	419	396	318
Non-Fixed Assets					
Inventory	13	14	14	15	10
Debtors	84	87	16	8	8
Prepayments	2	3	2	1	3
Cash	141	262	327	375	532
Total Current Assets	241	366	359	399	553
Total Assets	671	646	779	795	871
LIABILITIES AND CAPITAL					
Current Liabilities:					
Accounts payables	143	74	22	66	194
Accrued liabilities	112	114	150	155	135
Total current liabilities	255	188	172	221	329
Long Term Liabilities:					
Long term loan	300	240	180	120	60
Total long term liabilities	300	240	180	120	60
Total liabilities	555	428	352	341	389
Capital:					
Owner's Equity	209	209	209	209	209
Retained Earnings	-93	65	218	245	273
Total Capital	116	274	427	454	482
Total Liabilities and Capital	671	702	779	795	871

9.0 CONCLUSION

The financial analysis indicates positive growth and ability of the project to cover initial investments and make substantial profits in the successive years. It is feasible undertaking this project as the owners' objectives will be met. In addition, the community where the plant will operate are likely to benefit from employment created by the project; provision of locally made buttons at a reasonable price and thus create more indirect jobs to all stakeholders engaged in the purchase and sell of buttons; Social corporate responsibility activities of the company; and most important the government will get taxes from the project and help to contribute to countries economic growth strategies.

9.1: Recommendation

We are highly encouraged to undertake this project given its potential and significant contribution to the country's economic activities. Various stakeholders both from the public and private sector are requested to support this project at whatever capacity that will make this project a success.