

DIRILIS FOODS AND COOKING OIL LIMITED

PROJECT DOCUMENT

ON

ESTABLISHMENT

OF

MANUFACTURING FACILITIES

FOR

VARIOUS DOORS AND OTHER PRODUCTS

USING STEEL, MDF AND PVC

**Prepared By:
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DAR ES SALAAM**

1.0 EXECUTIVE SUMMARY

1.1 INTRODUCTION

The construction industry especially in the sector of building has picked up very fast and has created increased demand for Morden doors, various furniture and building materials products made of steel, PVC and MDF products. Encouraged by these positive developments, Dirilis Foods And Cooking Oil Limited intends to establish manufacturing of various doors and other building and furniture products using steel, MDF and PVC with view of producing quality products and enable the company to venture into the export and local market as well.

This report is therefore about the financial and economic viability of establishing Dirilis Foods And Cooking Oil Limited at Plot no 983, House no 59, Kinondoni, Dar-es salaam.

1.2 THE PROJECT

The project envisages establishing manufacturing facility for Morden doors, various furniture and building materials products made of steel, PVC and MDF products with modern and bigger machinery and equipment in order to produce up to date and quality products.

1.3 SPONSORS

The project is being promoted and sponsored By Dirilis Foods And Cooking Oil Limited. Private Limited Liability Company incorporated on february8th 2019 with certificate of incorporation no138803880 dated 8th February2019

1.4 THE MARKET

Morden doors, various furniture and building materials products made of steel, PVC and MDF products are essential items in construction industry especial in the building sector. The demand for doors and furniture's and building materials in Tanzania as measured by the growth of the building sector is enormous. The introduction of the factory will greatly enhance the production of Morden doors, various furniture and building materials products made of steel, PVC and MDF products and enable the company venture into both locally & exports market as well.

1.5 ESTIMATED CAPITAL COST

The fixed capital cost of the project is currently estimated at approximately USD1.5 million as summarized below:

Investment	Total costs
Land Buildings	100,000
Plant & Machinery & Equipment	800,000
Motor Vehicles	70,000
Furniture & Fixtures	10,000
Preliminary Expenses	20000
Working Capital	500,000
Total Costs	1,500,000

Initial increase in working capital is estimated at about US \$0.500million.

1.6 FINANCING PLAN

The above fixed capital cost is planned to be financed as follows:

US\$

Investment	Local	Foreign	Total Costs
EQUITY		1,500,000	1,500,000
Total Costs		1,500,000	1,500,000

The initial increase in working capital of US \$0.500 million is assumed to be financed by bank overdraft.

1.7 MANAGEMENT AND STAFF

The company will employ about 30 people of various skills. This no also includes 5 expatriates to impart knowledge to the locals.

1.8 PROFITABILITY AND LIQUIDITY

Detailed financial projections are contained in the various Appendices attached to this report.

1.9 DEVELOPMENT VALUES

The project is considered to have the following development aspects:

- (a) The project will produce high quality Morden doors, various furniture and building materials products made of steel, PVC and MDF products which are in high demand.
- (b) The project is of import substitution nature as well as export oriented.
- (c) Manpower to be employed by the project will be about 30 people.

1.10 CONCLUSION AND RECOMMENDATION

Since the project as presented in this report is profitable, financially and economically viable, its implementation is highly recommended.

2.0 BACKGROUND INFORMATION

2.1 THE COMPANY

2.1.1 Company Name and Address

Dirilis Foods And Cooking Oil Limited

P.O.BOX 13851

Dar-es-salaam

2.1.2 Corporate Status

Private Limited Liability Company incorporated in Tanzania among other activities to manufacture Morden doors, various furniture and building materials products made of steel, PVC and MDF products

2.1.3 Incorporation

Incorporated and registered in Tanzania on 8/02/2019 under Certificate of Incorporation No. 138803880

2.1.4 Shareholders and Shareholding

Name and Address	Nationality	% Shareholding	No of shares
Dogan Aydin	Turkish	67%	6000
Aydin Turkmen	Turkish	11%	1000
Apduls Samet Turkmen	Turkish	11%	1000
Ahmet Aydin	Turkish	11%	1000
Total		100%	9000
Unallotted			6000
Total no of shares			15000

3.0 MARKET

3.1 Introduction

To date, there are very few manufacturing facilities which are producing Morden doors, various furniture and building materials products made of steel, PVC and MDF products throughout the country most of which are privately owned. There are very few industries which produce Morden doors, various furniture and building materials products made of steel, PVC and MDF products but not to the required standard. There is also a few medium/large scale furniture industries which produce high quality steel and PVC products and very few metal furniture and all mainly for the domestic market.

3.1.1 The Product

Morden doors, various furniture and building materials products made of steel, PVC and MDF products can be categorized as very important in all the construction industry especially in the building sector. Most of these products are imported. Dirilis Foods And Cooking Oil Limited intends to produce high quality doors, and other type o furniture's and building materials made of steel and MDF&PVC products for local and export market.

3.1.2 Demand

Morden doors, various furniture and building materials products made of steel, PVC and MDF products are essential item in every building, be it residential, office, hotel, school, hospital etc. The market of these items in Tanzania is very important as it satisfy the demand of such items in the economy. The PVC and MDF Products also form a very integral in the building sector. Most institutions,

private or public, needs doors for security reasons. So, these products can be used by the Government and public sector stands out prominently e.g. Ministry of Education through the extensive network of schools, colleges and other higher learning institutions, Ministry of Defense and National Service, Ministry of Health, etc. The parastatal and private companies also require lots of domestic and office furniture e.g. Banks, Insurance Companies, Capital Development Authority, The Harbors Authority, The National Provident Fund, etc.

The exact demand for these products is difficult to quantify due to the unorganized nature of the building sector.

3.1.3 Supply of Furniture

The supply of various doors and furniture's in Tanzania is mainly from small (cottage) and medium scale furniture industries. Their work process is essentially based on hand tools although the medium sizes workshops occasionally have wood and metal working machinery. Mass standardized production is done by just a few factories which are a source of constant frustration especially for institutions attempting to procure good various doors in large quantities.

Determination of installed capacity of various furniture products including various doors and furniture's made from PVC, MDF & steel in the country is also difficult due to the large number of furniture types and variety of doors which can be produced from the same unit at various times. Because of the rather low technical development of the building and furniture industry in the country,

even the most important productivity coefficients are not known because they have never been determined. Consequently, each manufacturer decided on his own way of measuring capacity.

Large portion of the furniture used in residential buildings is supplied by family and cottage manufacturing units which usually do not keep production/sales data and cannot easily be contacted.

3.1.4 Demand/Supply Gap

It is evident from the above explanation that the supply of Morden doors, various furniture and building materials products made of steel, PVC and MDF products in Tanzania has always been lagging behind its demand. Nevertheless, there is a shortage of good quality various doors and also of the MDF and PVC products in Tanzania. This is also indicated by the fact that carpenters in this country are always busy with more orders than they can produce.

3.1.5 Conclusion and Recommendation

Analysis of the market shows that there is a high market potential for good quality various Morden doors, various furniture and building materials products made of steel, PVC and MDF products in Tanzania. Dirilis Foods And Cooking Oil Limited can exploit it easily and therefore establishment of the project has to be carried out as soon as possible.

Many organizations/parastatals, government institutions prefer and can afford quality products. It is therefore recommended that Dirilis Foods And Cooking Oil Limited should emphasize on production of quality products.

4.0 THE PROJECT

PROJECT DESCRIPTION

M/S Dirilis Foods And Cooking Oil Limited intends to establish a plant to produce Morden doors, various furniture and building materials products made of steel, PVC and MDF products for locally and export markets. The plant will produce 2000 pieces of Morden doors, various furniture and building materials products made of steel, PVC and MDF products to compete in the foreign market. The project intends to produce 1000 pieces of various PVC and MDF products per month.

The main products to be manufactured will include all types of Joinery, windows, doors, windows, various furniture and wood including wardrobe, cupboards, desks, chairs, furniture, wooden components products etc.

4.2 INSTALLED CAPACITY AND PRODUCTION

The project is expected to produce 3000 of various pieces of doors and other products made up of PVC and MDF products per month. The production will be on the basis of single shift per day.

The main products to be manufactured will include all types of household furniture made of wood and steel products, including wardrobes, cupboards, kitchen units' chairs, safes, hospital doors and furniture, wooden components, etc.

4.3 RAW MATERIALS

Most of the raw materials are available from local dealers and manufacturers and some will be imported especially from Turkey and china to give international standard to the products produced.

4.4 PRODUCTION PROCESS

Products will be made using a “modular”. The concept being that the constituent’s parts or components are manufactured “en masse” and as they flow along an assembly line, the final product is formed. This approach is not only necessary for mass production of standardized products but also allows better work organization and hence better production efficiency. In general, the manufacturing process of doors and other products takes within a hall divided into following sections:

- i) Raw material storage, preparation including saw milling and kiln drying of timber;
- ii) Machining process
- iii) Cutting and welding process
- iv) Painting where applicable
- v) Assembling and upholstering
- vi) Finishing, storage and packing.

5.0 ESTIMATED CAPITAL COST AND FINANCING PLAN

5.1 FIXED CAPITAL COST

The fixed capital cost of the Establishment of the project is estimated at about US\$ 1.5 million.

Investment	Total costs
Land Buildings	100,000
Plant & Machinery & Equipment	800,000
Motor Vehicles	70,000
Furniture & Fixtures	10,000
Preliminary Expenses	20,000
Working Capital	500,000
Total Costs	1,500,000

5.2 Exchange Rate

The foreign cost component of the project has been estimated at exchange rate of US\$ 1 = TUS \$ 2300.

5.2.1 Land and Buildings

The construction of the buildings has been estimated at US\$ 0.100million.

5.2.2 Plant machinery and Equipment's

Bean Saw

Automatic Bending ,packing , route & booring machine ,Dust collector,Top and Bottom Trimmer,Sawing machine,Sharpener

machine, Handling machine, Mini Bus for staff, Distribution trucks 3¼ (2 pcs), Pick up 2 pcs of 1½, Directors Vehicles 2.

Some of the equipment will be identified from time to time as the purchasing of the capital equipment will be made. The above plant machinery and equipment are estimated at US\$ 0.800 million.

5.2.3 Motor Vehicles

It is suggested to purchase Various types of vehicles including 3-ton pick-up, one tractor with 20ft trailer and three Toyota be bought.

5.2.4 Import Duty

It is assumed that the project will be approved by the Tanzania Investment Centre (TIC) and therefore, qualify for exemption of import duty on imported plant machinery and motor vehicles for the project in accordance with the law.

5.3 FINANCING PLAN

The fixed capital cost of US 1.5 million and is planned to be financed as follows:

Investment	Amount	Total Costs
EQUITY	1,500,000	1,500,000
Total Costs	1,500,000	1,500,000

6 MANAGEMENT AND STAFF

6.2 MANAGEMENT

The company is managed through a Board of Directors. The Board has one of their members appointed as Managing Director. The Managing Director is the Chief Executive of the company responsible to the Board of Directors for the day to day functioning of the company. The Managing Director is assisted by the General Manager, who in turn is assisted by the Production Manager, Chief Accountant, Marketing Manager, Technical Manager and other staff.

6.3 STAFF

The total number of employees is about 30 people

7.0 FINANCIAL ANALYSIS

REVENUE ASSUMPTIONS

The basic assumptions underlying the projected production and sales revenue are detailed below:

7.1.1 Basic Assumptions

- i) The installed production capacity of the factory is approximated at 36,000 various pieces of furniture per year. The practical operation of the factory is a single shift whose capacity is determined at the assembly section. We estimate capacity utilization to increase from 70%, 80% and 90%. For purposes of revenue estimation, the average price of us\$750 per piece
- ii) The revenue and operating cost assumptions have been projected as constant prices; it is being assumed that any substantial cost increase will be offset by a corresponding increase in the selling price. The operation cost has been estimated at 75% of the total revenue
- iii) It is expected that most of the products will be exported to PTA countries and Europe.

7.1.2 Sales Revenue

The sales revenue for the project is derived from Morden doors, various furniture and building materials products made of steel, PVC and MDF products produced. On the basis of the projection targets and selling prices discussed above, the domestic and export sales revenue is worked out as summarized below:

US\$000

Year	1	2	3	4
No of pieces	25200	28800	32400	36,000
Total sales at USD 750 per piece (000)	18,900	21,600	24300	27,000

7.2 OPERATING COST ASSUMPTION

The operating costs have been estimated at 75% of the total revenue

7.2.1 Depreciation

In working out the depreciation charges, tax depreciation rates have been used on the straight-line method.

Investment	Total Costs	Rate	Expense
Land Buildings	100,000	4.0%	4,000
Plant & Machinery & Equipment	800,000	12.5%	100,000
Motor Vehicles	70,000	25.0%	17,500
Furniture & Fixtures	10,000	12.5%	1,250
Preliminary Expenses	20,000	20.0%	4,000
Total Costs	980,000		126,750

7.3 PROJECTED PROFIT AND LOSS ACCOUNTS

The revenue and operating cost assumptions have been summarized and presented in the Projected Profit and Loss Accounts. The Accounts clearly demonstrate that the project will be very profitable with pre-tax profits increasing from 4.6 million in year 1 about US \$6.6 million from year four onwards.

7.4 PROJECTED CASHFLOW

The cash flow analysis gives the movements of funds during the project operation after the initial financing, additional funding for increases in working capital requirement is internally generated by the project.

8.0 CONCLUSION & RECOMMENDATION

8.1 CONCLUSION

From the financial and economic evaluation of the project, the following conclusion can be drawn:

- (a) The Proposed project is commercially attractive and financially viable.
- (b) The project will create employment opportunities to 30 people.
- (c) Foreign exchange savings through import substitution and earnings through exports are substantial.

8.2 RECOMMENDATION

Since the project meets the main objectives creating self-sufficiency in basic consumer needs from locally available raw materials while earning foreign exchange, its early implementation is strongly recommended.