

LANGSHILE SHOES LIMITED

BUSINESS PLAN

FOR

SHOES AND RELATED PRODUCTS MANUFACTURING PROJECT

1.0. EXECUTIVE SUMMARY.

LANGSHILE SHOES LIMITED registered in Tanzania under with Certificate of Incorporation **No.140112054** issued on **7th October 2019**.

The project promoters are well established business in Tanzania, carrying out various businesses but majoring in shoes and related products trading. Having been in the business for over 10 years the directors are now well prepared for expanding business by establishing shoes and related products manufacturing projects.

The business plan has been prepared for LANGSHILE SHOES LIMITED for shoes manufacturing project. The implementation of this project will include following activities:

- Registration of project to TIC
- Obtaining various permit and license
- Repairing industrial building
- Ordering machines
- Recruiting
- The purchase of 1 Single Cabins Pick Up
- Purchasing 1 light trucks
- Purchasing of machines and equipments
- Equipping the company with relevant facilities

The proposed project is estimated to cost about US\$ 500,000. The project sponsors will prove 100% of this investment.

1.1 THE PROJECT PROMOTERS

The shareholders of this project are all entrepreneurs with a diverse professional and business backgrounds. The company is owned by 2 shareholders, namely: -

Name	Nationality	% share subscribed	Date of birth
WANG QINGYANG Plot No. 3, Chaopang Street, Baoding City, Hebei Province, China Email; langshile@gmail.com Tel: +255714666687	China	50	24 th June 1990
CHEN SONGBIN Plot No.9, Hiuban Street, Nanjie City, Fujian Province, China Email: qyang441@gmail.com Tel: +255714666687	China	50	07 th Aug 1989

1.2 LOCATION.

The project head office will be located at Plot No. 55, Mikocheni Light Industrial Area, Kinondoni, Dar es Salaam Region.

1.3 OBJECTIVE OF STUDY

The purpose of this study is to work out the technical and commercial details and financial viability of a factory for shoes and related products manufacturing project.

1.4 **MARKET AND MARKETING ASPECTS**

The market survey carried out reveals that the current demands for shoes and related products are higher than local production. There is wide gap between supply and demand and therefore, business opportunities exist for setting up additional manufacturing facilities to satisfy the market requirement. With local production, country will save huge amount of foreign earnings which otherwise could be used for importing other essential needs at present. Tanzania population is estimate to be 55 million which all need shoes

2.0. **PROJECT DETAILS**

2.1. **INTRODUCTION**

Tanzania is geographically strategically located in relation to her neighbors. Because of the above-mentioned factor, the country's manufacturing sector has a great potential in contributing in economic growth of Tanzania Economy.

Sector pays a critical role in the social and economic development of a country. There is a wide market for various shoes and related products in Tanzania and in other neighboring countries, Hence the project is not expecting to face operational problem.

Tanzania market is supplied by imported products from Asia based on the quality of products which will be supplied by **LANGSHILE SHOES LIMITED** the company's products is expected to have a good market in Tanzania and other countries

It is quite gratifying to note that the Government of Tanzania realizes the role of manufacturing sector for its economic and social development, and as a result has developed fiscal and non fiscal incentives which are very

instrumental in improving the business and investment environment in the manufacturing sector.

It is alleged that limited availability of high-quality shoes and related products produced within Tanzania is the major causes of importation of low-quality products in Tanzania. It is in view of this that, **LANGSHILE SHOES LIMITED** has resolved to assist by providing a solution to stimulate manufacturing sector by increasing supplies and productivity.

LANGSHILE SHOES LIMITED has major objectives as following: -

- To promote shoes manufacturing in Tanzania
- To bring new technology and technical know how in the country in the course of its business transactions.
- To provide extra employment to more people in the sector.
- To manufacture products of high quality
- To increase Government revenue

3.0 **PROJECT MANAGEMENT**

EMALR COMPANY LIMITED will be under the skilled and professional Management who have experience in managing international businesses.

Under this management **LANGSHILE SHOES LIMITED** is expected to grow steadily from small to medium company producing high quality products serving domestic to neighboring states.

The company will have a team of qualified and experienced functional managers in the areas of operations/Marketing, workshop Finance and Administration. Other senior and middle level staff will be available for the start up and subsequent operations of the company, the total number of employees are expected to be **15**

3.1 PROJECT MANAGEMENT POLICY

The day to day operations will be managed by the Managing Director, to be assisted by Directors of Production and Technical Director who will be the overall in charge of production, a sales & marketing Director whose major responsibility will be marketing and sales, financing and administration Director who will take care all matters related to finance resources and human resources of the company

Employees Distribution Summary

Employment	Foreign Skilled	Local Skilled	Local Unskilled	Total
Women	1	3	3	7
Men	3	7	2	12
TOTAL	4	10	5	19

In order to ensure timely delivery of consignments, provision of goods service to customers, Management will provide on the job training in the field of motor vehicle maintenance and will provide bonus and

3.2 RAW MATERIAL BASE

The manufacturing project will strictly adhere to the law of the land, particularly environmental issues, and raw materials will be sourced locally and other imported from China.

The leather industry is an important segment of the evolving industry in developing countries including Tanzania. The leather industry contributes to growth of the domestic production and adds to foreign currency reserve.

Several countries including China, India and Ethiopia their economies through export of leather products such as coaches, clothes and shoes although the later faced a number of challenges.

Tanzania is endowed with large number of cattle and goats, but animal by-products are underutilized for economic purposes. Cattle hides, sheep and goat skins are poorly handled and exploited due to the low level of processing technologies including application of hazardous chemical such as sodium sulphide and chromium that are toxic and cause pollution of water bodies and are hazardous for all kinds of organisms. All these processes release waste and render leather as one of the most polluting industries due to high amount of chemical and solid wastes especially hair and chrome released into environment

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Leather processing involves multiple processes such as soaking, liming, delimiting, tanning bating and degreasing and use of a considerable amount of chemicals and water to produce leather.

Tannery effluents (TE), which result from bovine skin processing (for leather production) conducted in tannery industries mainly located in South American and Asian countries, stand out among these effluents. The aforementioned industries have great economic importance in these countries, since the leather they produce is used as raw material by different sectors such as automobile, clothing, footwear, furniture, among others. However, this activity has great pollutant potential, since the effluents produced at different bovine skin processing stages contain several compounds, which are harmful to the health of distinct species.

Finished leather from tanneries is employed in the leather manufacturing industries for making leather goods such footwear, upholstery, garments, gloves, bags and other leather products. About 40 SMEs and 2 large enterprises involved in leather goods manufacturing are existing in Tanzania.

The production of leather good from these factories is still very low due to lack of machines, skilled personnel and investment capital constraints.

3.3 **MANUFACTURING SECTOR IN TANZANIA.**

Generally, Tanzania has environmental regulations governing the operation of manufacturing industries; operators are required to take environmental impacts assessment to ensure environmental impacts is minimal.

The Government of Tanzania has simplified procedures for manufacturing to encourage value addition, that is why Tanzania through TIC has in place fiscal and non fiscal incentives to enable investors to have soft landing, procedure and rules are fair and transparent.

4.0 PROJECT'S INVESTMENT CAPITAL

The estimated capital investment cost of the project is US\$ 500,000

SCHEDULE I: LANGSHILE SHOES LIMITED COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	79,200.00
Machinery & Equipment	250,000.00
Motor Vehicles	80,000.00
Furniture & Fixtures	10,000.00
Pre exp	20,000.00
Others	10,800.00
Working Capital	50,000.00
TOTAL	500,000.00

For the project to be a reality a total investment amounting to US \$500,000 is needed

(i) Land and Building (industrial premises): US\$79,200

The project is planning lease and renovate the building located at Plot No.55 Mikocheni Light Industrial Area, Kinondoni Dar es Salaam to accommodate machineries and also to be used as project office, the total cost has been estimated to be US\$79,200 for the first year of project implementation

(ii) Machinery and Equipment: US\$250,000

Some US\$250,000 is anticipated to be spent on the purchase of different types of machines, working tools and equipments accommodating new technology

(iii) Motor Vehicles:US\$80,000

The project will need 1 truck, 1 Land Cruiser, and 1double cabin pick. These vehicles will be used to facilitate project business and double cabin pick up for administrative purposes.

(iv) Furniture: US\$10,000

This investment cost item has been estimated to cost US \$10,000. It will consist of office furniture such as tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

(v) Pre-Operational Expenses: US\$ 20,000

They cover things like company registration, expenses spent in exploring the viability of the project, especially the market/client identification exercise. Also included under this item are issues like consultancy fees, legal fees and recruitment and training costs of personnel.

(vi) Initial Working Capital: US\$50,000

Assumptions for working capital requirements have been estimated that it will cost US\$50,000. This will involve purchasing of raw materials, daily operating costs etc

5.0 Financing pattern

The project will be financed by equity US\$125,000 and loan US\$375,000

5.1 **Capacity**

The company is planning to install machines of production capacity of 3000-3300 pairs of shoes daily for 10 months and one pair of shoes estimated to be sold at US\$ 4 wholesale price.

6.0 **Project operating costs**

In order to realize its intended objective, the project will have to meet the following operating costs.

7.0 **MARKETING ASPECTS**

7.1 **The Products**

Shoes and related products

7.2 **The Markets**

The products are for both the local and export market in neighboring countries. As mentioned above, the promoters are well versed in the business with well established market contacts.

7.3 **Supply Position**

Apparently, there is limited production of shoes products of the quality targeted by the company. State of the art technology to be employed will enable the company produce very high-quality products

7.4 **Competition**

Due to the limited and insufficient supply as aforementioned, no stiff competition is foreseen. However, it must be cautioned that the targeted

market is very conscious regarding quality. Hence, production of sub-standard products or selling at prohibitive prices will immediately shift customers to substitute products.

7.5 Distribution

The company expects to establish its own show rooms to facilitate distribution of its products. This will include setting up of a special unit which will be provided with resources to enable it efficiently undertakes the distribution function of the company. The company will also consider appointing wholesalers in regions and districts level and dealers in neighboring countries when it reaches the stage of exporting products to such countries.

7.6 Promotion

Appropriate promotion means will be employed after consultations with promotion experts to enable the company properly promote its products to the target mark

7.7 Pricing Strategy

The company intend to offer best quality services that comply to the price charged as indicated earlier, there is a market segment that has spending power and can afford this pricing. Therefore, this pricing will reflect the targeted market segment in focus. One pair of shoes estimated to be sold at US\$ 4 wholesale price

8.0 ASPECTS OF PROJECT SUSTAINABILITY

The project sponsors having studied market conditions and the infrastructure in Tanzania are convinced that the project will be able to operate undisturbed. The growing demand for quality shoes and related products locally and in neighboring countries gives them assurance of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

8.1 MONITERING AND EVALUATION

The monitoring and evaluation tools will be applied in running this project as well, the project sponsors are determined to cooperate fully with the government and other stakeholders for smooth business running.

9.0 FINANCIAL ANALYSIS

9.1 Considerations and Assumptions:

Considerations and Assumptions:

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are exempted from custom duty and Value Added Tax. The straight-line method to depreciate the project's capital items has been applied. It is assumed that the major raw material will be procured from local market and other will be imported. Revenues have been conservatively estimated based on experience of the promoters and trends in industry.

9.2 Projected Revenue

For projection purposes, it is assumed that the economic life of the project is five years, and that revenue from the project commence from the first year of operation.

LANGSHILE SHOES LIMITEDSCHEDULE 7.3: SUMMARY OF REVENUE "US\$"

Year	1	2	3	4	5
Sales Revenue \$	740,000	750,000	760,000	770,000	780,000

9.3 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 5 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. US\$ in first year **147,368** to US\$ in the year 5th **164,966; for the detail refer appendix (IV)**

9.4 Projected Cash Flows

This is shown in the financial statements. The project has a positive end of year cash flow from year 1 US\$**530,859** of operation to the 5th year US\$ **2,723,440; for the detail refer appendix (V)**

9.5 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under same heading. Net worth of the project increases from US\$647,368 in the first year of operation to US\$ 664,966 in the 5th year; for the detail refer appendix (VI).

9.6 Projected payback period

Total investment is **US\$500,000** cash accumulation in 3 years is **US\$577,517** which is more than the initial investment by **US\$ 77,517**, the project payback Period is within **3 years**.

The project has a relatively short payback period; **for the detail refer appendix (VII)**

10.0 ECONOMIC ASPECTS

Implementation of this project will have the following social and economic values

- The project will create employment for **15** people on permanent contract basis as well as on temporary basis.
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.
- The project will have transfer of knowledge as far as shoes manufacturing is concerned

11.0 IMPLEMENTATION

Project implementation is expected to be relatively very short once project has been approved: -

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	September 2019
2	Resources mobilization	September –December
3	Ordering plant and machine	October-January 2020
3	Machine installation	February to May 2020
4	Testing business and in-house training	May- August 2020
	Commercial operations	September 2020

12.0 CONCLUSION AND RECOMMENDATIONS

The project is technically feasible, financially viable, and economically sound, provided the sponsors will manage it efficiently.

It is recommended that the project be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 1997.

Appendix (I)

LANGSHILE SHOES LIMITED COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	79,200.00
Machinery & Equipment	250,000.00
Motor Vehicles	80,000.00
Furniture & Fixtures	10,000.00
Pre exp	20,000.00
Others	10,800.00
Working Capital	50,000.00
TOTAL	500,000.00

Appendix (II)

LANGSHILE SHOES LIMITED SUMMARY OF REVENUE "US\$"

	1	2	3	4	5
Sales Revenue	740,000.00	750,000.00	760,000.00	770,000.00	780,000.00

LANGSHILE SHOES LIMITED FIXED ASSETS SCHEDULE

NAME OF ASSETS	1 USD	2 USD	3 USD	4 USD	5 USD
Land And Buildings	79,200	71,280	63,360	55,440	47,520
Machinery, Tools & Equipment	250,000	225,000	200,000	175,000	150,000
Motor Vehicles	80,000	72,000	64,000	56,000	48,000
Furniture & Fixtures	10,000	9,000	8,000	7,000	6,000
Total	419,200	377,280	335,360	293,440	251,520
DEPRECIATION	1 USD	2 USD	3 USD	4 USD	5 USD
Land and buildings	7,920	7,920	7,920	7,920	7,920
Machinery tools & Equipment	25,000	25,000	25,000	25,000	25,000
Motor Vehicles	8,000	8,000	8,000	8,000	8,000
Furniture & Fixtures	1,000	1,000	1,000	1,000	1,000
ANNUAL DEPRECIATION	41,920	41,920	41,920	41,920	41,920
CLOSING FIXED ASSETS	377,280	335,360	293,440	251,520	209,600

Appendix (IV)

LANGSHILE SHOES LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT

	1	2	3	4	5
Sales Revenue	740,000.00	750,000.00	760,000.00	770,000.00	780,000.00
Cost of Sales	210,233.00	213,593.00	216,600.00	218,606.00	220,620.00
Gross Profit	529,767.00	536,407.00	543,400.00	551,394.00	559,380.00
Operating Expenses:					
Administrative Expenses	1,400.00	4,205.00	5,000.00	5,200.00	5,800.00
Motor vehicle running expenses	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00
Salaries and Wages	220,000.00	220,000.00	220,000.00	220,000.00	220,000.00
Donation	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Depreciation	41,920.00	41,920.00	41,920.00	41,920.00	41,920.00
Marketing Costs	9,320.00	9,345.00	9,358.00	9,365.00	9,375.00
Maintenance & Repair	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00
Interest	7,500.00	7,500.00	7,500.00	7,500.00	7,500.00
Utility costs	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Insurance				6,000.00	

	6,000.00	6,000.00	6,000.00		6,000.00
Communication	5,400.00	5,406.00	5,410.00	5,415.00	5,418.00
Pension Contribution	2,200.00	2,200.00	2,200.00	2,200.00	2,200.00
Total Expenses	326,740.00	329,576.00	330,388.00	330,600.00	331,213.00
Profit before tax	203,027.00	206,831.00	213,012.00	220,794.00	228,167.00
Tax (30%)	60,908.10	62,049.30	63,903.60	66,238.20	68,450.10
Profit After Tax	142,118.90	144,781.70	149,108.40	154,555.80	159,716.90

LANGSHILE SHOES LIMITED PROJECTED CASH FLOW US\$

	1	2	3	4	5
CASH FLOW FROM OPERATIONS:					
Cash Sales	605,500.00	613,000.00	621,000.00	628,900.00	636,700.00
VAT Receipt	133,200.00	135,000.00	136,800.00	138,600.00	140,400.00
Subtotal cash Received	738,700.00	748,000.00	757,800.00	767,500.00	777,100.00
Expenditures from Operations:					
Cash spent	170,000.00	172,647.00	174,812.00	176,257.00	177,609.00
VAT Payments	37,841.00	38,446.00	38,988.00	39,349.00	39,711.00
Subtotal Cash Payment	207,841.00	211,093.00	213,800.00	215,606.00	217,320.00
CASH FLOW FROM OPERATIONS:	530,859.00	536,907.00	544,000.00	551,894.00	559,780.00
CASH FLOW FROM INVESTMENTS:					
Purchase of Assets	(419,200.00)				
Working Capital, pre-expenses and Others	(80,800.00)				
CASH FLOW FROM INVESTMENTS:	(500,000.00)				
CASH FLOW FROM FINANCING:					
Loan	125,000.00				

Owners Equity Contribution	375,000.00				
CASH FLOW FROM FINANCING:	500,000.00				
NET CASH FLOW FOR PERIOD	530,859.00	536,907.00	544,000.00	551,894.00	559,780.00
CASH FLOW START OF YEAR	-	530,859.00	1,067,766.00	1,611,766.00	2,163,660.00
CASH FLOW AT THE END OF YEAR	530,859.00	1,067,766.00	1,611,766.00	2,163,660.00	2,723,440.00

Appendix (VI)

LANGSHILE SHOES LIMITED PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulative Cash Flow
1	142,118.00	24,000.00	166,118.00	166,118.00
2	144,781.00	24,000.00	168,781.00	334,899.00
3	149,108.00	24,000.00	173,108.00	508,007.00
4	154,555.00	24,000.00	178,555.00	686,562.00
5	159,716.00	24,000.00	183,716.00	870,278.00
Initial Investment Cost				
US\$ 500,000 Payback period is within 3 years				