

G & B Soap Industries Ltd

Business plan

(For a foam products project)

P.O Box 21290
Dar Es salaam
Tanzania

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CHAPTER ONE

EXECUTIVE SUMMARY

1.1 General

This project document gives details on an investment in foam products industry at Iwambi area in Mbeya City to be run by G & B Soap Industries Company Limited as newly established production line. The company is wholly own by Tanzania who have seen a greater opportunity in foam products in Tanzania and nearby countries, and decided to fill a gap of demand in foam products by mobilizing their financial resources for implementing this project.

1.2 Purpose of this project document

The purpose of these documents is to fulfill one of the requirements from Tanzania investment Centre (TIC) for application of incentives on investment projects.

1.3 The Company.

G & B Soap Industries Limited Company was incorporated on 14st May 1996 and issued with certificate of incorporation No. 29894 from Business Registration and Licensing Authority (BRELA), having a tax identification No 100-458-633 issued on 01st July 1999. The principal activities of the company processing, production, distribution and selling of toilet soap, laundry soap, cooking oil and in near future foam products .At full capacity the company will be able to produce 2,000,000 square meters of various foam products annually.

1.4 Ownership

At the moment G & B soap Industries Company Limited has two Directors. Mr. Godliving Makundi who own 70 percent of total shares, currently Mr. Godliving Makundi is a Chairman of Board and Chief Executive Officer of the company. Mrs Rexona Makundi is another partner who own 30 percent of shares.

1.5. Organization structure of the company

In order to facilitate smooth running of the company and to achieve its long term and short objectives, a well-defined organization structure needs to be in place. This part describes the organization structure of the company. The organization structure ensures sustainable operations of the company.

1.5.1 Board of Directors

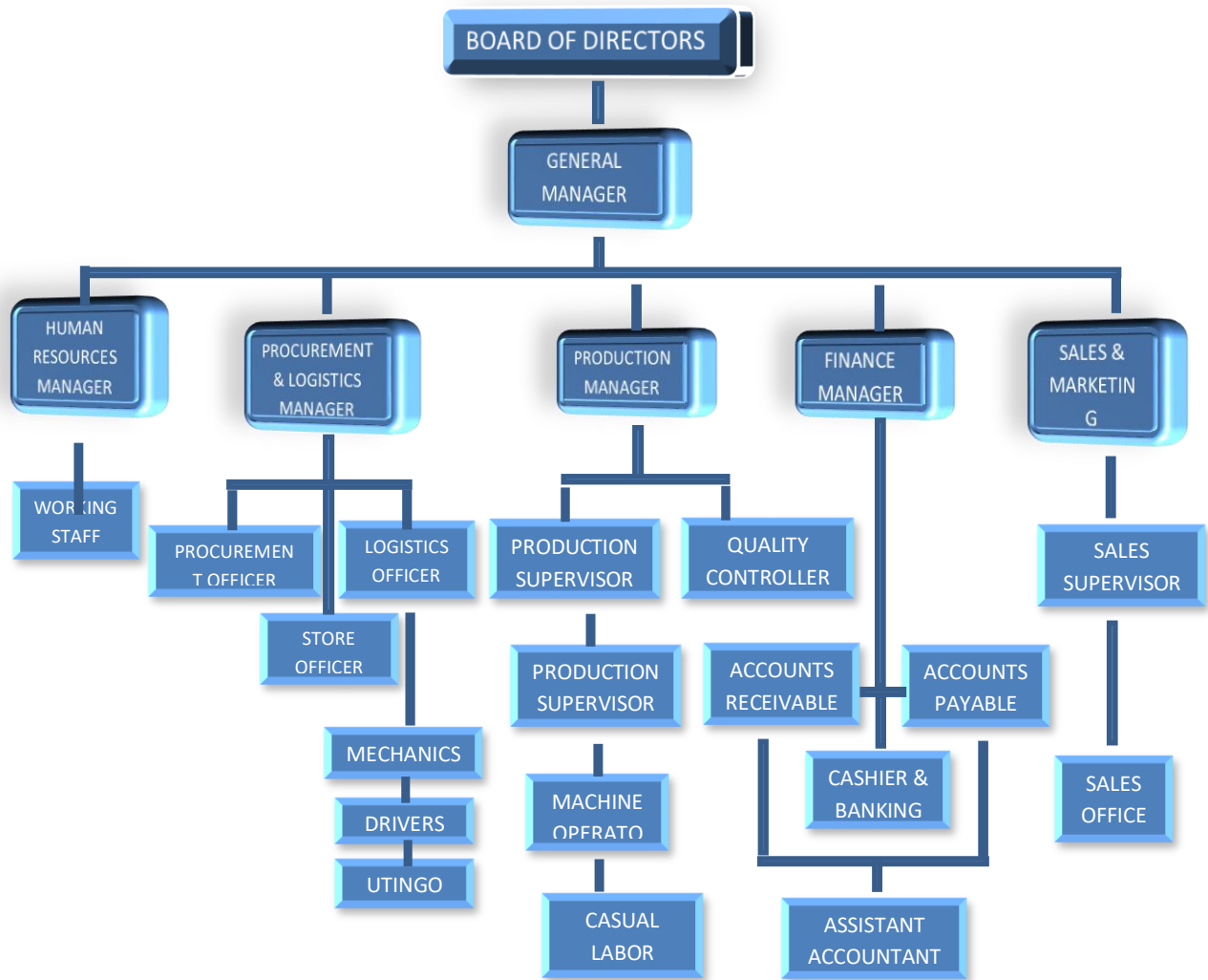
As for any organization, the company has the Board of Directors. As mentioned above, Board of Directors has two members including Chairperson. The Board has number of committee that undertakes numerous activities on behalf of the Board. The committee includes finance and planning, ethics and audit and human resources and management. The Board has meetings in each quarter of the financial year.

1.5.2 Management team

The management of the project is under Factory Manager who is responsible for day to day operation of the company. Factory Manager is answerable to the Board of Directors and is assisted by line managers from five departments, production, finance, human resources, sales and marketing and procurement and logistic departments.

Figure 1

ORGANIZATION STRUCTURE



1.6 Cost of the project

As analyzed in **appendix i** investment cost of the projected is estimated to be **Tshs 2,510,300,000.00** which includes,

▪ Acquisition of land	Tshs	100,000,000.00
▪ Acquisition of machinery	Tshs	750,000,000.00
▪ Construction of factory building and offices	Tshs	300,000,000.00
▪ Cost of trucks & motor vehicles	Tshs	1,295,300,000.00
▪ Computerized accounting system	Tshs	15,000,000.00
▪ Office furniture	Tshs	22,250,000.00
▪ Computers	Tshs	27,750,000.00

Total investment cost **Tshs 2,510,300,000.00**

1.7 Physical location

The project is located at Iwambi area block F plot number 469, Mbeya City.

1.9 Postal address

G & B Soap Industries Limited

P.O Box 21290

Dar es Salaam

Tanzania

Tel. 0659 272 895

1.8 The objectives of the company

The main objective of the company is to deal in processing, manufacturing, distribution, wholesale and retail, marketing and production of toilet soaps, laundry soap, cooking oil and in near future various foam products.

1.9 Implementation schedule

From August 2021, construction process of industrial building and offices started at Iwambi area, Mbeya City. On April 2022 the company is expecting to install machines and starting trial production for three months to June 2022. The company will officially start production on July 2022.

1.10 Vision and mission

The vision and mission of the company is stated below.

- **Vision**

To be a market leader in foam products production and distribution in Tanzania, East and Central Africa, we will earn our customers enthusiasm through continuous improvement driven by integrity, team work and innovation.

- **Mission**

We are fully dedicated to producing, selling and serving customers by providing the most advanced best quality products throughout.

CHAPTER TWO

SWOT ANALYSIS

2.1 Overview

This chapter provides analyzed details on strength, weaknesses, opportunities, threat and challenges management of the company is expecting to face and to overcome in the future operation of the business. The chapter also provides details on objectives in short and long term.

2.2. Strength

2.2.1 Human resources.

The management of the company has recruited qualified; experienced, committed and competent management and operational staffs that will devote their time to make sure objectives of company are achieved.

2.2.2 Experience of the management in manufacturing industry for more than twenty years.

Chairman of Board of Director of the company is also a Managing Director and the owner of G & B soap Industries Limited manufacturer of laundry soap, detergent soap and cooking oil since 1997, being in operation in manufacturing industry for more than twenty years is greater experience, for those years of operation management of the company has enough experience in solving challenges in manufacturing and distribution industry. Management of the company will use that experience in running a new project of foam products.

2.2.3 Exposure, qualification and experience of Board of Directors

The Board of directors of the company consists of members of different professional background and experience including laws, finance, engineering, and Information

Technology and business management. Also member of Board of Directors has attended numerous training, workshops and seminars abroad and locally which add value in management skills.

2.2.4 Highly and sophisticated technology invested.

The company has invested in modern and advanced technology in foam processing machinery. Processing plant will have a capacity of producing 500 square meters of foam products per hour, the plant will also have capacity of packing final products in covers ready for distribution to the market hence reducing laborer cost and increase competitive advantage.

2.2.5 past financial performance of the company.

According to previous years audited financial statements, sales revenue have increased from Tshs 43,095,572,891.00 in 2018 to 49,924,393,587.00 in 2020 while after tax profit has risen from Tshs 6,732,002,264.00 to Tshs 8,650,847,838.00 in 2018 and 2020 respectively. There is improved financial performance for three years consecutively. The trend shown above indicates positive financial performance.

Illustration 1

G & B SOAP INDUSTRIES LIMITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THREE YEARS

	2020	2019	2018
	TSHS	TSHS	TSHS
Sales	49,924,393,587.00	45,781,383,729.00	43,095,572,981.00
Less: Cost of sales	<u>(35,507,118,366.00)</u>	<u>(33,883,719,342.00)</u>	<u>(31,508,323,239.00)</u>
Gross profit	14,417,275,221.00	11,897,664,387.00	11,587,249,742.00
Other income	10,942,276.00	44,595,000.00	26,701,375.00
Selling and distribution expenses	(430,211,273.00)	(369,100,000.00)	(443,045,098.00)

Administration expenses	(2,289,681,563.00)	(2,948,722,797.00)	(2,762,553,440.00)
Depreciation charges	<u>(815,776,362.00)</u>	<u>(752,343,000.00)</u>	<u>(795,228,319.00)</u>
Operating profit	10,892,548,299.00	7,872,093,590.00	7,613,124,260.00
Finance cost	(534,444,461.00)	(297,239,555.00)	(93,671,996.00)
Profit before tax	10,358,103,838.00	7,574,854,035.00	7,519,452,264.00
<i>Income tax expenses</i>	(1,707,256,000.00)	(806,500,000.00)	(787,450,000.00)
Net profit for the year	8,650,847,838.00	6,768,354,035.00	6,732,002,264.00

2.2.6 Continuous increase in amount of investment in the company

According to the statement of financial position there is an increase of amount of investment in the business from Tshs 1,785,462,981.00 in 2019 to Tshs 2,785,462,982.00 in 2020, with an average rate of increase of 64%. More over for the whole period current assets stood above current liabilities thus the owner of the company has reasonable expectation that has adequate resources to continue in operation for foreseeable future (going concern concept).

Illustration 2

G & B SOAP INDUSTRIES LIMITED STATEMENT OF FINANCIAL POSITION FOR THREE YEARS

	2020	2019	2019
	Tshs	Tshs	Tshs
ASSETS			
Non Current assets			
PPE	<u>2,785,462,982.00</u>	<u>2,268,919,144.00</u>	<u>1,785,462,982.00</u>
Current assets			
Inventories	6,276,476,635.00	5,764,653,004.00	5,927,691,022.00
Trade and other receivables	3,944,573,015.00	4,231,694,491.00	4,776,509,909.00
Cash and bank balance	<u>1,132,089,899.00</u>	<u>2,061,872,196.00</u>	<u>910,050,480.00</u>
	<u>11,353,139,549.00</u>	<u>12,058,219,691.00</u>	<u>11,614,251,411.00</u>

Total Assets	14,138,602,531.00	14,327,138,835.00	13,399,714,393.00
EQUITY AND LIABILITIES			
Equity	100,000,000.00	100,000,000.00	100,000,000.00
Retained earnings	<u>3,828,600,106.00</u>	<u>4,456,422,929.00</u>	<u>5,135,803,976.00</u>
Total equity	<u>3,928,600,106.00</u>	<u>4,556,422,929.00</u>	<u>5,235,803,976.00</u>
Non current liabilities			
Deffered taxation	(6,065,377.00)	107,576,852.00	210,416,355.00
Current liabilities			
Trade and other payables	6,373,490,041.00	6,839,836,659.00	7,947,679,564.00
Bank overdrft	3,954,214,488.00	2,816,437,739.00	-
Taxation	<u>(111,636,727.00)</u>	<u>6,864,656.00</u>	<u>5,814,500.00</u>
Total current liabilities	<u>10,210,002,425.00</u>	<u>9,770,715,906.00</u>	<u>8,163,910,419.00</u>
Total equity	<u>14,138,602,531.00</u>	<u>14,327,138,835.00</u>	<u>13,399,714,395.00</u>

2.3 Weakness

2.3.1 Limited financial resources

For the early months of operation the company will need sufficient financial resources for operating activates and purchases of stock of raw materials before starting generating its owns sales revenue. Limited financial resources at this stage may hinder the future growth of the project.

2.3.2 Lack of technical skills

As mention earlier the company has invested in modern technology machinery for foam products processing and production from abroad, it will take time for our engineers and

technicians to make repair and maintenance when fault occurs .At the beginning Management of the company will need to hire technical expertise from the supplier or other reliable sources which will cost the company.

2.4 Opportunities

2.4.1 Growth in population

According to Tanzania national Bureau of statistics, Tanzania has an estimated population of about 60 million people with an average increase of 5% annually. This population provides a greater market opportunity for our products to be produced.

2.4.2 Regional economic cooperation

Regional economic cooperation such as Southern Africa Development Community (SADC) and East African Community (EAC) are important Regional blocks in creating new trade agreements and business opportunities. Regional cooperation allows free access of goods and services between member's countries. Our company will use that opportunity to capture market for foam products from customers within member countries, according to study made by the management of the company, Malawi and Zambia are among members' countries that have a greater demand for our products to be produced.

2.4.3 Industrialization policy.

Government policy of industrialization encourages local and foreign investors to build processing and manufacturing industries in Tanzania. The Government provides several incentives through Tanzania Investment Centre (TIC) which includes tax exemptions. Tax incentives and other benefits reduce cost of production and speed up revenue earned.

2.4.4 Location of the project

The location of the project gives easy accessibility to Malawi and Zambia countries, it's about 90kms and 100kms to Zambia and Malawi borders respectively. These two countries will be potential customers to our products. Also in southern highlands regions and west part of our country no producer of the same products; we will use that opportunity to capture a market for our products from these areas effectively.

2.4.5. Availability of modern communication technology

The availability of the latest internet, telephone and computer technologies promotes communication and business deals with customers within and outside country.

2.4.6 Improved road network

Currently we have The Government of Tanzania through its budgets allocate a huge amount of money for construction of road at national level, regional and district level and make them accessible throughout a year. Improved road system will promote our sales from regional level to village level and expand our market horizon.

2.5 Threat

2.5.1 Stiff competition from giant producers.

In foam products business, the company will compete with giant producers who have been in this industry for many years now like Quality Foam Limited, GSM, Vita Foam Tanfoam, Arusha foam and others. In this business plan management of the company will come with strategies to overcome business competition.

2.6 Short and long term objectives to meet challenges and raise business revenue.

2.6.1 To establish strong sales and marketing unit

The management of the company is willing to establish strong and committed sales and market department which will be capable of promoting sales volume and curb market competition in foam products business. At early stage of production the department will

be responsible to promote products awareness to the public and looking for new business contracts and promoting sales as a whole.

2.6.2 To expand market area to East African Community and SADEC countries.

The company for the first three years of operation, the company will concentrate on local market before expanding its business beyond country borders. Management of the company is planning to expand its sales area to East African Community and Southern Africa Economic Cooperation (SADEC).

2.6.3 To produce products that will satisfy all classes in the society.

Our production plans is to produce various categories of products that will satisfy all classes in the society from high level income earners, middle class and low class income earners.

2.6.4 Reduced prices

At the beginning of production, management of the company will reduce prices of its products to attracts customers and promote awareness of new products in the market, the company will set a price below margin level during a period of trial production.

CHAPTER THREE

MARKET ANALYSIS, BUSINESS PROMOTION AND STRATEGIES TO OVERCOME CHALLENGES.

3.1 Overview.

This chapter describes the details on potential market size, customers that are target market, competitors and strategies to get maximum number of customers to satisfy our business need through various strategies.

3.2 Market analysis.

As mentioned out above this business plan have been prepared for the company for application of incentives from Tanzania Investment Centre (TIC).

There are a number of agents of foam products within a country which will be the first targeted market group for our products. Seles and Market Department will visit all agents in all regions and establish new business relationship. Agents are potential targeted group for our business prosperous. Keeping good contact and relationship with this agents will enable our business always to capture new business deals.

Another targeted potential customer is whole sellers who own large stock of products for retailers and individual buyers across the country. This kind of market group is very potential for our products.

Also retail traders who are final distributer of products is another group to be focused in our products business.

On study made by the management of the company, revealed that there is potential market for foam products in some countries surrounding us. The study shows that there a great demand of the products in countries like Malawi and Zambia and DR Congo. Management of the company is intending in future to widen its market are to this countries.

3.3 Business promotion and strategies to overcome market competition.

The owners of the company will use various strategies and promotions to expand its market share in its products and improve revenue generation and curb business competition. Among of strategies are explained below.

3.4. Sensitization of company brand.

The management of the company is working to see the possibility of putting advert billboards in various prominent areas in cities/towns, participating in trade fairs, and industrial owners meetings and exhibitions, preparing brochures to increase awareness of its products to the public especially at the early stage of production.

3.4.1 To offer discount to attract more customers.

At the beginning of production management of the company plans to offer discount in a certain percent for a customer who frequently buy our products or buy a large quantity of our products or entered in long term business contract. Discounts will attract customers and increase number of business deals.

3.4.2 Promotions

In order to create awareness of the public on our new produced products, a number of strategies will be adopted. Various means will be used including emails, personal visits and advertising agencies.

3.4.3 Media advertising.

As part of marketing strategies, the management of the company will advertise its business in various media in order to publicize its services and promote awareness to the society. The media houses will include Clouds FM, TBC, ITV and AZAM TV. The

management of the company will prepare various programs and advertisements for those media stations.

3.4.4 Establishment of customer's data base.

Establishment of customer's data base will help the management of the company to have direct contact with customers any time he need, getting feedback for the products offered and promoting good business relationship.

3.4.5 Public Relations.

Another marketing strategy to be adopted is to engage in social welfare and community activities, in collaborated with selected clients the company shall be serving. Type of assistance will be determined with timely needs.

CHAPTER FOUR

FINANCIAL PLANING

4, Overview

The preparation of business plan requires asserting the financial flow of the company as an attempt to determine its viability. In this regard, this chapter provides the details on assumption used in making projections as well as projected income statement, projected cash flow and projected statement of financial position.

4.1 Basic assumptions

Several assumptions were made and considered in the preparation of the financial plan and projections. The assumption is made on professional judgement, economic and current financial and market trend. The assumption is as follow.

- Depreciation will be on reducing balance method to write off cost of each value over the estimated useful life. The rate to be used per annum is as follow.

i. Furniture and fittings	12.5%
ii. Motor vehicle	25%
iii. Computers	33.33%
iv. Equipment	20%
v. Building	04%
vi. Machinery	25%
vii. Computer software	33.33%
- Depreciation will be charged on assets on the date they are ready for use and stop on date when the assets is de-recognized by the company.
- Exchange rate will remain constant throughout the period at Tshs 2330/Usd
- Provisional for bad and doubtful debts is assumed at 5%
- Income tax rates of 30% remain the same over the period.

4.2 Projected Investment cost

Management of the company is expecting to spend **Tshs 2,510,300,000.00** for construction of factory building, acquisition of machinery and trucks, office furniture and computers. **Appendix i** shows cost analysis for the project.

4.3 Projected Revenue

Revenue of the project is assumed to be 25% of the cost of raw materials used to produce each type of foam product. **Appendix ii** shows projected revenue for which the company is expecting to generate sales revenue amounting to **Tshs 15,320,041,250.00** for the first year of operation, it is estimated that sales revenue will increase for 5% annually for the coming four years to **Tshs 18,621,605,889.63** in fifth year.

4.3.1 Projected cost of raw materials

The company is expected to spend **Tshs 12,256,033,000.00** for purchase of raw materials for the first year of production as illustrated in **appendix iii**. For the coming four years cost of raw materials is expected to rise by 5% annually to **Tshs 114,897,284,711.71** in fifth year.

4.3.2 Projected running expenses

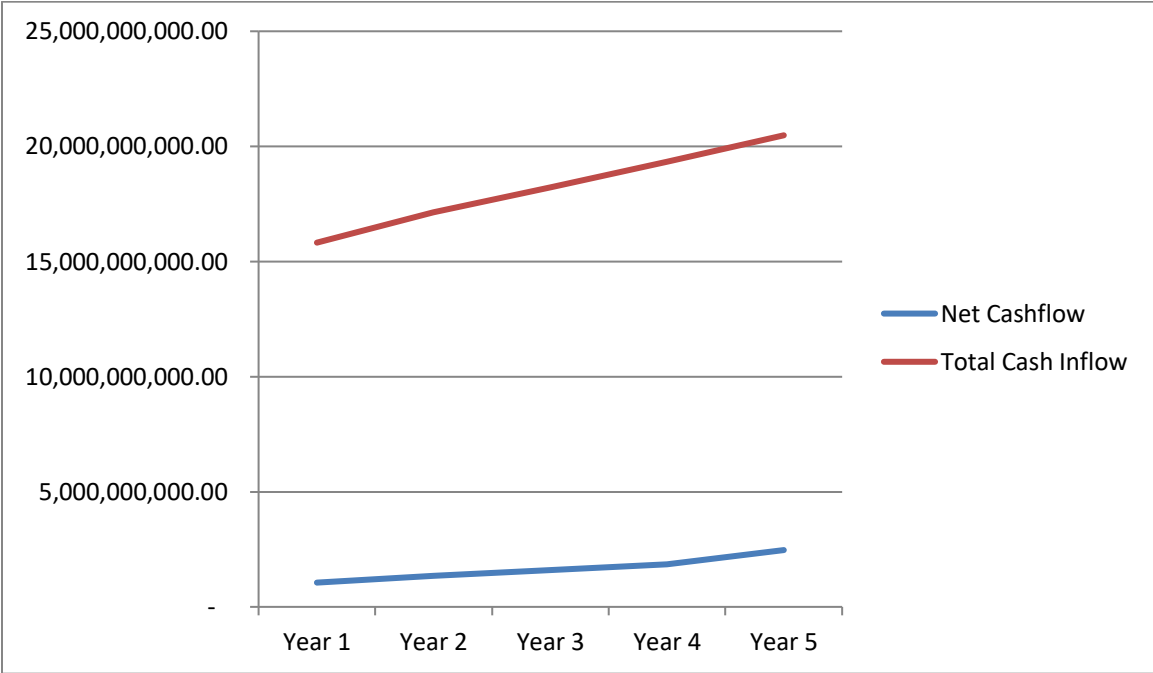
Projected running expenses for the company comprises of administrative expenses, sales, marketing and distribution costs, factory overheads and transportation charges. For the first year of operation, the company is expected to use **Tshs 1,723,960,000.00** in the first year of production to **Tshs 2,028,804,954.75** in fifth year as shown in **appendix vi** and will assumed to increase in 5% annually constantly.

4.3.3 Projected cash flow.

The project is profitable. It generates cash flow from the first year of operation with a net cash flow of **Tshs 1,053,837,822.50**. Positive cash flow is recorded each year of

operation. At the end of projected period, the business is projected a total closing balance of **Tshs 2,466,863,190.38**. Cash flow projections are shown in **appendix v**.

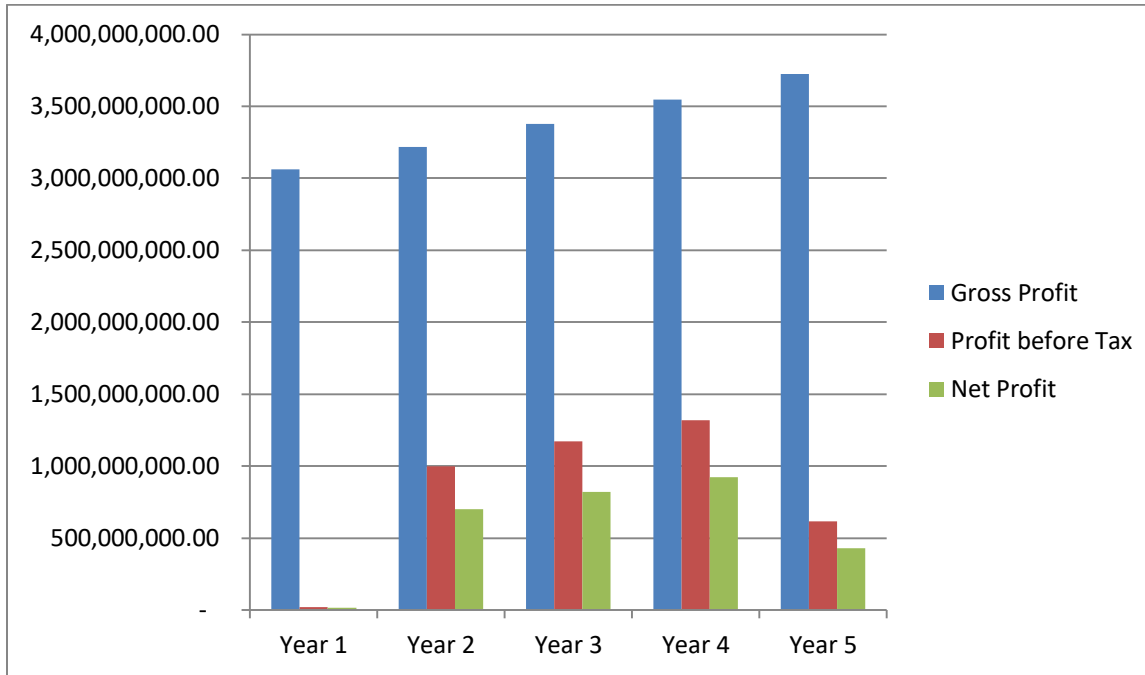
Figure 2



4.3.4 Projected Profit or Loss and Other Comprehensive income

The projected profit or loss and other comprehensive income reveal that, the company will generate after tax profit of **Tshs 13,482,997.50** in the first year and will continue to earn profit for the coming four years to **Tshs 430,912,740.29** in fifth year as shown in **appendix vii**

Figure 3



4.4 Economic and social benefits of the project.

On completion, the project will have substantial economic to the country and industrial sector.

- The Government will collect income tax, import duty, Vat and Pay as You Earn tax from employees' salaries monthly.
- The company will reduce a gape in demand in foam products.
- Provision of income to the proposed **96** employees to be directly involved in company operation thus contributing of reduction of poverty **appendix iv**. The salaries earned will help in improving the standard of living of employees and their families.

CHAPTER FIVE

CONCLUSION

This project document gives details on an investment proposal for construction of foam products factory run by G & B Soap Industries Company Limited who intend to invest **Tshs 2,510,300,000.00** on the project.

Though the various parameters which have been considered, it has been established that the proposed project is **technically feasible, financially viable and economically beneficial**. In view of the above it is hereby recommended that the project as conceived by the prospective investors be implemented.