

KESPELHER ENTERPRISES LIMITED

PRE - FEASIBILITY STUDY REPORT

SUITCASES MANUFACTURING PROJECT

***PRESENTED BY COMPANY'S DIRECTOR,
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DISCLAIMER

The purpose and scope of this information in this feasibility study reports is to introduce the subject matter and provide a general idea and information on the said area. All the material included in this document is based on data/information gathered from various sources and is based on certain assumptions. Although, due care and diligence has been taken to compile this document, the contained information may vary due to any change in any of the concerned factors, and the actual results may differ substantially from the presented information. A consultant does not assume any liability for any financial or other loss resulting from this Report in consequence of undertaking this activity. The prospective user who is Kespelher Enterprises Ltd is encouraged to carry out additional diligence if it is necessary needed and gather any information feels necessary for making an informed decision for executing the planned investment.

INTRODUCTION OF KESPELHER ENTERPRISES LTD

0.0 EXECUTIVE SUMMARY

1.1. Preamble

M/S Kespelher Enterprises Ltd was established in 1st October 2015 and granted Certificate of Incorporation No. 120625 by BRELA , created to carry a business of manufacturing of suitcases and related products. The growing utilization of suitcases and waist belts, garments bags to both women and men led to an increased demand for these products.

M/S Kespelher Enterprises Ltd has well and experienced business project promoters who have been in various businesses for a number of years in China and Tanzania. The promoters are now looking out the new target market in Tanzania to establish this project as they see a lot of potential in the area. They are seeing a very bright future in the business and have decided to invest in this sector of Manufacturing and locating the centre of operations at Dar es Salaam Coast Region.

1.2. PURPOSE OF THE DOCUMENT

The objective of the feasibility study is primarily to facilitate potential Chinese entrepreneurs investment and provide an overview about suitcases business. The project prefeasibility study may form the basis of an important investment decision and in order to serve this objective, the document covers various aspects of suitcases manufacturing business concept development, start-up, and production, marketing, finance and business management. The document also provides sectoral information, brief on government policies and international scenario, which have some bearing on the project itself. Thus, this particular pre-feasibility study report is of two fold. First is to determine the viability of the proposed project. Second is to facilitate the application for Tanzania Investment Centre (TIC) Certificate of Incentives to access both fiscal and non-fiscal Incentives, VAT deferrals and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997) for the Project.

2.0 PROJECT PROFILE

2.1 Opportunity Rationale

Suitcases are items of general uses and have a sizeable market at in Tanzania given the fact that most of suitcase is mostly imported from China and Other Asian Countries, but also suitcases have an export potential to EAC countries and Central Africa Countries. Due to higher rate of urbanization, local demand has also increased manifolds in recent years. For the case of local manufactured suitcases; their finishing are substandard because of the technology used in manufacturing process but also some importers do import low quality suitcases therefore this validates the opportunity to set up a suitcases manufacturing unit to capture the need of expanding market

2.2. Project Brief

The proposed project will be manufacturing varieties of suitcases which shall include:-

- Large suitcases, sometimes also called Pullmans, are of three varieties, and can range in size from 2 to 3 feet (0.60 - 0.91 m) per side. They are often equipped with wheels. Large, hard-sided ones are the heaviest, but also provide the most protection for breakable items one might need to transport.
- Soft suitcases offer more flexibility for stuffing it a bit beyond capacity. Semi-soft large ones tend to offer a little more flexibility than hard suitcases, and a little more protection for delicate items
- Garments bags and Carry-on suitcases, which are often ideal for a couple days of travel. These are usually soft or semi-soft. They almost always have wheels and measure less than 22 inches (55.88 cm) in length

The project will be started with 20 machines and other related equipments. The machines shall deploy 30 permanent workers. All the equipments and machines for the project are new. Second hand machinery can also be used to reduce the cost of project, which is easily available in the market. The project will be started with 60% initial year capacity with capacity of producing 200pcs per day in 1st and 2nd year to 1000 pcs in 3rd to 5th year.

2.3 Market Entry Timing

Various products and services have high dependence on their commercialization timing and delivery to the customers. However, the suitcase and garment bags manufacturing project can be started at any time during the year.

2.4 Proposed Business Legal Status

The Company is operating within the ambit of the law due the fact that, it has legal documents legitimizing its operation that include, Memorandum and articles of association Business Registration Certificate, Tax Identification Number, Business License and Industrial License.

2.5 Project promoters

Kespeher Enterprises Ltd is managed by Chinese Entrepreneurs with diverse business in Tanzania particular importation of consumers goods from China. The company is managed by Chinese project promoters with the following shareholders.

Sn	Name of shareholders	Nationality	No. of shares	% shares
1.	Haichuan bai	Chinese	250	28
2.	Jianmin Wang	Chinese	550	60
3.	Yongquan Cao	Chinese	50	6
4.	Yazhou Sun	Chinese	50	6

2.6 Project Location

The Project shall be located at Plot No. 20 Nyerere Road where Kespeher Enterprises Ltd rented warehouse for this purpose from Warehouse Solutions Limited . The warehouses have adequate space to accommodate installation of manufacturing facilities.

2.7 Project Capacity and Rationale

Selection of project size is critical. After doing thorough market research, it is decided that the proposed feasibility will be based on 20 machines. As it is assumed that all the

production of the unit will be for both local market and for exports, a sizeable production is required. Twenty (20) machines production can be exported in four (4) containers. Each machine will be having a capacity of manufacturing 20 units per every hour of production. In totality, all 20 machines per hour shall have capacity of producing 440 units. The output of 8 hours a day is assumed to be 480 million Tanzanian Shillings. This feasibility study is based on 20 machines, which is the minimum viable size for a suitcase-manufacturing unit.

2.8 Technical implementation of the project

Under the implementation program minor civil works structures will be made for accommodation of machines and new equipments are envisaged to be acquired in order to establish quality of service. The objective is to create competitive preparedness for increased operations and to enhance the image of the company as a reliable and professional outfit capable of delivering quality service like rest of the best in the industry. The company will need to:

- Develop civil structure for Machineries Installation and other related facilities
- Obtain series and chains of suitcase and bags machines and related equipments from China Genuine Supplier, which include labeling and packaging, dying facilities, thermal dryer and boilers, standby power generator etc.
- Purchasing unit apartments for residents of Directors
- Procure the following items necessary for a manufacturing industry under competitive environment
 - Two (2) Light trucks
 - Two (2) pick ups

2.9 Project Investment

Total cost of the project is worked out in the table below:

Table 2.7.1

KESPELHER ENTERPRISES LIMITED	
Start-up Costs and Financing	
<i>COST INVESTMENT STRUCTURE</i>	\$
Current assets	
Working capital	50,000
Opening inventory	-
Other	50,000
Sub Total	100,000
Property and equipment	
Land	-
Building	200,000
Equipment	50,000
Furniture and fixtures	20,000
Leasehold improvements	3,000
Plant	300,000
Motor Vehicles	30,000
Pre-operating	10,000
	613,000
Total assets	713,000
<i>Financing</i>	\$
Long-term liabilities	
Long-term loan	-
Owner's equity	
Cash	513,000
Contributed asset value	200,000
Total	713,000

2.10 Key Success Factors/Practical Tips for Success

Currently in Tanzania there are very few manufacturing units existing which are indulging in manufacturing of quality suitcases and few SMEs indulging in garments bags manufacturing but still they are not successful in catering the demand. Therefore,

there is a potential for new entrepreneurs Kesselher Enterprises Ltd to enter the market. Key success factors will be:

- Wastage ratio of production should be kept at minimum.
- Advance orders for sale can ensure the success of the business.
- Strong controls on purchase price of raw material
- Quality maintenance will play an important role as it is assumed that 50%
- Production will be exported.

3.0 MANUFACTURING & INDUSTRY ANALYSIS

3.1 Manufacturing Sector

The Manufacturing sector contributes marginally to the GDP compared to agriculture. In recent years, slight improvement has been noted as it contributed about 9.0 percent in 2006 and slightly increases to 9.2 percent in 2007 and 9.4 percent in 2008. However, this increase is still small and it cannot be depended in the economic expansion. About 65 percent of manufacturing sector consist of agro-based industries especially food processing industries, beverages and tobacco followed by industrial related industries including chemical industry, petroleum, rubber and plastic which is 12 percent. Others agro-based industries such as textiles, clothing, leather and footwear represent 4 percent. This performance has 9 percent contributed largely to the negative trade balance as a result the country imports most finished goods. On the surface, prospects for Tanzanian manufacturing sector are promising as it presents enormous investment opportunities. Investment opportunities exist under the Manufacturing under Bond scheme and in the Export Processing Zones for the production of items such as yarn and garment

3.2 Target Customers of Kespelher Enterprises Ltd

Kespelher Enterprises Ltd shall be targeting Tanzania local market and to the rest of EAC Countries. The company shall design varieties of products to suit various categories of customers.

3.3 Product Mix Offered

The proposed project will manufacture varieties of suitcase and garments bags especially to cater to the EAC market. The business will produce high quality suitcase and bags home uses and safari uses. The proposed project will produce both leather, semi leather, and nylon mixed with leather materials types of suitcases.

4.0 TECHNICAL REQUIREMENT

4.1 Machinery Requirement

A total number of 15 - 20 "Single Cylinder 4 Feed machines" will be installed, out of which 12 machines will be used to manufacture suitcase and 8 machines will be used for manufacturing garments bags. If Investor can seek the new brand machines, the second hand machinery is also readily available in the market and the price is approximately half the price of the new machines. Following table shows the machinery & equipment requirement:

Table 4:1:1 Machinery & Equipment Requirement

1.	Lonati Single Cylinder 4 Feed
2.	Lonati Single Cylinder 4 Feed
3.	Rosso Automatic Linear
4.	Linking Machine
5.	Bleaching machine
6.	Hydro extractor
7.	Dryer
8.	Boarding/Setting Machine
9.	Air Compressor
10.	Diesel Generator
11	Transformer
12.	Quality Control Machine

4.2 Furniture & Fixture

Following furniture and fixtures will be required for factory and management offices.

Table 4.5.1 Details of Furniture and Fixtures

1.	Computers
2.	Printers

3.	Photocopy Machine
4.	Fax Machine
5.	Telephone Sets
6.	Air Conditioners
7.	Office Furniture

4.3 Motor Vehicles

The proposed project will also be using a Loader truck for transportation purposes. As well as two light trucks and two pick ups

4.4 Human Resource Requirements

Both skilled and unskilled labour will be required for the project. Some direct labor will be working on two shift basis and some will be working on one shift basis. Direct labour for the factory includes following human resources

Table 4:4-1 Human Resource

DISCRIPTION	NUMBER OF EMPLOYEES
Machine Operators	20
Knitting Supervisor	3
Quality/Linking/Pressing/Packing Staff	1
Janitorial Staff	2
Technical supervisor	1
Quality Incharge	1
Finance Manager	1
Store Supervisor	1
Security Guard, Gate Keepers	2
Total number of Labour	32

4.5 Source of Supply of Raw Materials

Raw materials and semi processed raw materials will imported from China. The raw materials are fabrics and synthetic leather materials, petrochemicals plastics and associated accessories.

4.6 Land & Building Requirement

4.5.1 Land Requirement

Total land required for the socks knitting unit is approximately 1,480 -Sq. ft
The breakup of the required area is given below.

Table 4:5:1: 1 Covered Area Details

BUILDING & CIVIL WORKS	SPACE REQUIRED IN SQ. FT
Manufacturing area	680
Linking Area	300
Packing area	300
Management Office	200
Total Space Requirements (sq.ft)	1,480

4.5.2 Directors Resident Building

Kespelher Enterprise Limited will be procuring Units of apartments for residential of directors, anticipated budget is **200,000usd**

4.5.3 Utilities Requirement

Utilities required for a both Waist belt and socks manufacturing units are

- Electricity
- Water
- Telephone

5.0 FINANCIAL PROJECTION/ANALYSIS

KESPELHER ENTERPRISES LIMITED					
PROJECTED INCOME STATEMENT					
	YEAR 1	YEAR 2	YEAR 4	YEAR 5	YEAR 6
	\$	\$	\$	\$	\$
SALES	612,000	1,000,018	1,000,800	1,013,810	1,025,976
COST OF SALES	319,100	688,505	418,740	423,765	428,850
GROSS MARGIN	292,900	311,512	582,060	589,045	596,113
OPERATING COSTS					
Advertising	7,000	7,700	8,470	8,572	8,674
Automotive	2,130	2,343	2,577	2,608	2,640
Bank charges	1,400	1,540	1,694	1,714	1,735
Business taxes	2,000	2,200	2,420	2,449	2,478
Casual wages	4,000	4,400	4,840	4,898	4,957
Depreciation	95,600	95,600	95,600	96,747	97,908
Dues, licenses and fees	1,200	1,320	1,452	1,469	1,487
Insurance	1,000	1,100	1,210	1,225	1,239
Interest on long-term debt	0	0	0	0	0
Management salaries	13,354	13,996	14,252	14,423	14,597
Misellaneous expenses	3,000	3,300	3,630	3,674	3,718
Office costs	3,000	3,300	3,630	3,674	3,718
Postage	2,000	2,200	2,420	2,449	2,478
Professional fees	2,000	2,200	2,420	2,449	2,478
Property taxes	1,100	1,210	1,331	1,347	1,363
Repairs and maintenance	2,100	2,310	2,541	2,571	2,602
Rent	2,000	2,200	2,420	2,449	2,478
Salaries and benefits	181,500	185,130	188,833	191,099	193,392
Telephone	1,200	1,320	1,452	1,469	1,487
Utilities	1,500	1,650	1,815	1,837	1,859
Total Operating Costs	327,084	335,019	343,007	347,123	351,289
				-	-
INCOME BEFORE TAXES	(34,184)	(23,506)	239,053	241,921	244,824
				-	-
INCOME TAXES	10,255	7,052	(71,716)	(72,576)	(73,447)
				-	-
NET INCOME	(23,929)	(16,454)	167,337	169,345	171,377

KESPELHER ENTERPRISES LIMITED							
PROJECTED BALANCE SHEET							
Five Years Ending							
		Opening	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
		\$	\$	\$	\$	\$	\$
ASSETS							
CURRENT							
	Cash	50,000	112,841	194,745	525,509	588,571	659,199
	Accounts receivable	-	25,500	41,667	41,700	46,704	52,308
	Inventory	-	-	-	-	-	-
	Other assets	50,000	50,000	50,000	50,000	56,000	62,720
	Total	100,000	188,341	286,413	617,209	691,275	774,228
CAPITAL ASSETS							
	Land	-	-	-	-	-	-
	Building	200,000	200,000	200,000	200,000	224,000	250,880
	Equipment	50,000	50,000	50,000	50,000	56,000	62,720
	Furniture and fixtures	20,000	20,000	20,000	20,000	22,400	25,088
	Leasehold improvements	3,000	3,000	3,000	3,000	3,360	3,763
	Plant Equipments	300,000	300,000	300,000	300,000	336,000	376,320
	Automotive equipment	30,000	30,000	30,000	30,000	33,600	37,632
	Other	10,000	10,000	10,000	10,000	11,200	12,544
		613,000	613,000	613,000	613,000	686,560	768,947
	Accumulated depreciation	-	(95,600)	(191,200)	(286,800)	(321,216)	(359,762)
		613,000	517,400	421,800	326,200	365,344	409,185
	Total	713,000	705,741	708,213	943,409	1,056,619	1,183,413
LIABILITIES							
CURRENT							
	Accounts payable	-	26,924	42,647	31,739	35,548	39,814
	Income taxes payable	-	(10,255)	(7,052)	71,716	80,322	89,960
	Current portion of long-term debt	-	0	0	0	0	0
	Total	-	16,669	35,595	103,456	115,870	129,775
LONG-TERM DEBT							
	Long-term loan	-	1	1	0	0	0
	Less current portion	-	(0)	(0)	(0)	(0)	(0)
		-	1	0	-	-	-
	Total	-	16,670	35,595	103,456	115,870	129,775
OWNER'S EQUITY							
	Cash	513,000	513,000	513,000	513,000	574,560	643,507
	Contributed asset value	200,000	200,000	200,000	200,000	224,000	250,880
	Accumulated earnings	-	(23,929)	(40,383)	126,954	142,188	159,251
		713,000	689,071	672,617	839,954	940,748	1,053,638
	Total	713,000	705,741	708,213	943,409	1,056,619	1,183,413

KESPELHER ENTERPRISES LIMITED						
PROJECTED STATEMENT OF CASH FLOWS						
For Five Years Ending						
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
	\$	\$	\$	\$	\$	\$
CASH PROVIDED BY THE FOLLOWING ACTIVITIES						
OPERATING						
Net earnings	(23,929)	(16,454)	167,337	187,417.31	209,907.39	
Depreciation	95,600	95,600	95,600	107,072.00	119,920.64	
	71,671	79,146	262,937	294,489.31	329,828.03	
Changes in working capital accounts				-	-	
Accounts receivable	(25,500)	(16,167)	(33)	(36.51)	(40.89)	
Inventory	-	-	-	-	-	
Other assets	-	-	-	-	-	
Accounts payable	26,924	15,723	(10,907)	(12,216.24)	(13,682.19)	
Income taxes payable	(10,255)	3,203	78,768	88,219.82	98,806.20	
Total	62,841	81,904	330,765	370,456.38	414,911.14	
				-	-	
FINANCING				-	-	
Repayment of long-term loan	1	(0)	(0)	(0.28)	(0.32)	
				-	-	
CHANGE IN CASH	62,841	81,904	330,764	370,456.10	414,910.83	
				-	-	
CASH, BEGINNING OF YEAR	50,000	112,841	194,745	218,114.54	244,288.28	
				-	-	
CASH, END OF YEAR	112,841	194,745	525,509	588,570.63	659,199.11	

KESPELHER ENTERPRISE LIMITED					
Projected Operating Costs					
	YEAR 1	YEAR 2	YEAR 3	YEAR 3	YEAR 5
	\$	\$	\$	\$	\$
Advertising	7,000	7,700	8,470	9,486	10,625
Automotive	2,130	2,343	2,577	2,887	3,233
Bank charges	1,400	1,540	1,694	1,897	2,125
Business taxes	2,000	2,200	2,420	2,710	3,036
Casual wages	4,000	4,400	4,840	5,421	6,071
Dues, licenses and fees	1,200	1,320	1,452	1,626	1,821
Insurance	1,000	1,100	1,210	1,355	1,518
Misellaneous expenses	3,000	3,300	3,630	4,066	4,553
Office costs	3,000	3,300	3,630	4,066	4,553
Postage	2,000	2,200	2,420	2,710	3,036
Professional fees	2,000	2,200	2,420	2,710	3,036
Property taxes	1,100	1,210	1,331	1,491	1,670
Repairs and maintenance	2,100	2,310	2,541	2,846	3,187
Rent	2,000	2,200	2,420	2,710	3,036
Telephone	1,200	1,320	1,452	1,626	1,821
Utilities	1,500	1,650	1,815	2,033	2,277
Total	36,630	40,293	44,322	49,641	55,598

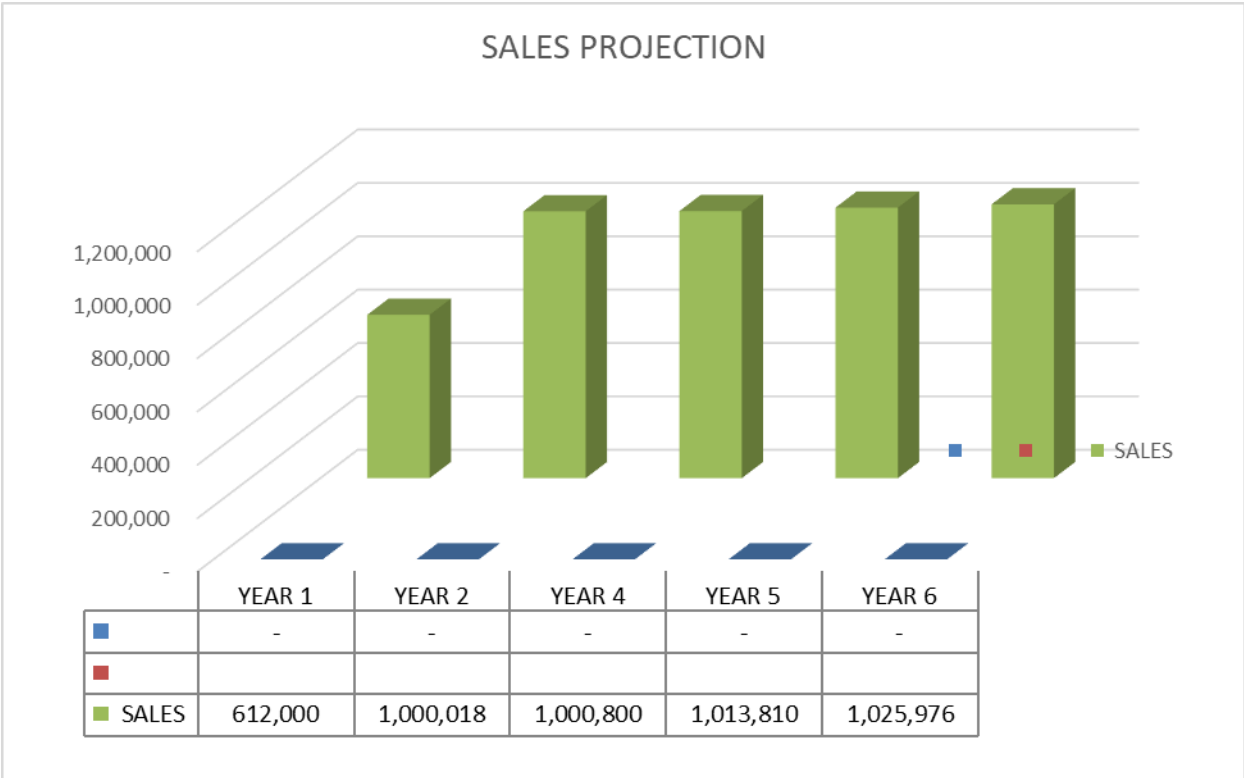
KESPELHER ENTERPRISE LIMITED							
Projected Salaries & Wages							
			YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
General salaries and benefits:							
<u>Position:</u>	<u>Name:</u>						
<u>Directors</u>	4		96,000	97,920	99,878	101,876	103,913
<u>Mangers</u>	4		9,600	9,792	9,988	10,188	10,391
<u>Technical experts</u>	15		45,000	45,900	46,818	47,754	48,709
<u>Sales team</u>	3		7,200	7,344	7,491	7,641	7,794
<u>watchmen</u>	3		7,200	7,344	7,491	7,641	7,794
Total	29					-	-
			165,000	168,300	171,666	175,099	178,601
	Estimated benefits (10%)		16,500	16,830	17,167	17,510	17,860
Total salaries and benefits			181,500	185,130	188,833	192,609	196,461
						-	-
Management salaries							
<u>Position:</u>	<u>Name:</u>						
<u>Project Manager</u>	1		4,800	5,400	5,640	6,000	6,120
<u>Marketing</u>	2		7,680	7,680	7,680	8,400	8,568
						-	-
						-	-
			12,480	13,080	13,320	13,586	13,858
	Estimated benefits (7%)		874	916	932	951	970
Total management salaries			13,354	13,996	14,252	14,537	14,828
						-	-
Total salaries			194,854	199,126	203,085	207,147	211,290

KESPELHER ENTERPRISES LIMITED
Start-up Costs and Financing

COST INVESTMENT STRUCTURE		\$
Current assets		
Working capital		50,000
Opening inventory		-
Other		50,000
Sub Total		100,000
Property and equipment		
Land		-
Building		200,000
Equipment		50,000
Furniture and fixtures		20,000
Leasehold improvements		3,000
Plant		300,000
Motor Vehicles		30,000
Pre-operating		10,000
		613,000
Total assets		713,000

Financing		\$
Long-term liabilities		
Long-term loan		-
Owner's equity		
Cash		513,000
Contributed asset value		200,000
Total		713,000

Depreciation rates:			
Depreciation will be calculated by the straight-line method			
at the following rates:			
			<u>Depreciation</u>
Land		0%	-
Building		5%	10,000
Equipment		20%	10,000
Furniture and fixtures		20%	4,000
Leasehold improvements		20%	600
Plant		20%	60,000
Motor Vehicles		30%	9,000
pre operating		20%	2,000
		Total	95,600



PROJECTED NET PROFIT

