

**ALLIANCE INVESTMENT (T) LIMITED**

**BUSINESS PLAN**

**FOR**

**MANUFACTURING OF PVC PANNEL,PVC CORNER AND OTHER RELATED BUILDING PRODUCTS**

## 1.0. **EXECUTIVE SUMMARY.**

ALLIANCE INVESTMENT (T) LIMITED **registered** in Tanzania under Certificate of Incorporation No. 60940 dated 28th June2007

The project promoters are well established business in Tanzania carrying out various businesses but majoring in manufacturing activities. Having been in the business for over 10 years the directors are now well prepared to venture into manufacturing of PVC panel, PVC corner and other related building products.

The business plan has been prepared for ALLIANCE INVESTMENT (T) LIMITED for manufacturing of PVC panel, PVC corner and other related products.

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 2 Single Cabins Pick Up
- Purchase of 2heavy trucks
- Purchasing 2 light trucks
- Purchasing of machines and equipments

- Equipping the company with relevant facilities

The proposed project is estimated to cost about US\$ 1,200,000.

The project sponsors will provide 30% of this investment and the remaining 70% will be sourced from financial institution.

### 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 four shareholders, namely: -

Share Holders	% of Share	Nationality
Said Nassir Mohamed	0.55	Tanzania
Salim Said Nassir	0.15	Tanzania
Nassir Said Nassir	0.15	Tanzania
Ally Said Nassir	0.15	Tanzania
Unallotted shares	99	Tanzania

### 1.2 LOCATION

The project head office will be located at Tuangoma, Kigamboni District Dar es Salaam region, Tanzania

### 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 manufacture of PVC panel, PVC corner and other related products to be used in construction sector

#### 1.4 **MARKET AND MARKETING ASPECTS**

The market survey carried out reveals that the current demand for building materials in Tanzania is very high 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.

The booming construction sector has attracted investments whose total value almost exceeded a quarter of the government's 2013/2014 national budget of over 11 trillion/-, with industry analysts describing the outstanding performance of the sector as sign of vibrant and healthy economy.

Data from the Contractors Registration Board (CRB), which registers and regulates contractors, indicate that construction projects over total value of 2.8 trillion/- were registered in 2013, with building works accounting for half of the total value of the projects.

The value of registered building works totaled 1.44 trillion, while that of civil works, specialist electrical and electrical works

reached 884bn/-, 231bn/- and 187bn/-. Other projects involved mechanical works, specialist civil, specialist building and specialist mechanical.

“The expansive construction sector is good for the national economy because construction works uncover untapped potentials in other economic sectors and thus stimulating economic growth and improved living standard of the people,”

The construction sector has seen a good number of investments especially in roads, bridges residential and non residential blocks. The government as major employer of contractors spends about 60 per cent of the development budget to improve the infrastructure. At present a growing demand for office and residential spaces places. This is a reflection of revamped business activities. The completion of roads projects currently underway especially in the rural areas, transportation costs will definitely decrease, thus calling for decreased costs of doing business. According to the National Bureau of Statistics (NBS) Gross Domestic Product third quarter report, the construction industry grew at a rate of 11.2 per cent in 2013. The growth rate was attributed to an increase in the construction of residential and nonresidential buildings, roads

and bridges; and land improvement activities. According to Contractors Registration Board (CRB) involvement of both public and private sectors in the construction industry, numerous projects have been accomplished and there is hope for the sector to do even much better.

## **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 plays a critical role in the social and economic development of a country. There is a wide market for construction materials 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 ALLIANCE INVESTMENT (T) 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 building materials produced within Tanzania is the major causes of importation of low-quality products in Tanzania. It is in view of this that, ALLIANCE INVESTMENT (T) LIMITED **has** resolved to assist by providing a solution to stimulate manufacturing sector by increasing supplies and productivity.

ALLIANCE INVESTMENT (T) LIMITED has major objectives as following: -

- To promote 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 building materials of high quality

## **2.2 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.

### **3.0 THE PROJECT**

ALLIANCE INVESTMENT (T) LIMITED is a company legally registered in Tanzania and it bears the Certificate of Incorporation **No.85527** Issued on **30<sup>th</sup> August 2011**.

#### **3.1 PROJECT SPONSORS**

ALLIANCE INVESTMENT (T) LIMITED is owned by four shareholders, all of them are Tanzania. The shareholders have an adequate experience in running the business of manufacturing and transportation,

#### **3.2 PROJECT MANAGEMENT**

ALLIANCE INVESTMENT (T) LIMITED will be under the Management of Managing Director to be appointed based on qualification and will be assisted by managers.

Under this management, ALLIANCE INVESTMENT (T) 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 **40**

### **3.3 PROJECT MANAGEMENT POLICY**

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

Employment	<b>Foreign Skilled</b>	<b>Local Skilled</b>	<b>Local Unskilled</b>	<b>Total</b>
Women		5	10	15
Men	5	10	10	25
<b>TOTAL</b>	<b>5</b>	<b>15</b>	<b>20</b>	<b>40</b>

#### 4.0 **MARKET AND MARKETING ASPECTS**

The market survey carried out reveals that the current demand for PVC panel, PVC Corner, HDPE pipes, PVC fittings, PPR, conduits 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.

##### 4.1 **The Products**

The main products of the proposed project consist of :

- PVC panel
- PVC corner
- PVC/HDPE pipes
- PVC fittings
- PPR
- Conduits and other steel products

##### 4.2 **Supply Position**

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

### 4.3 **Competition**

Due to the limited and insufficient supply as aforementioned, no stiff competition is foreseen. However, production of sub-standard products or selling at prohibitive prices will immediately shift customers to substitute products.

### 4.4 **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

### 4.5 **Promotion**

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

### 4.6 **SUSTAINABILITY**

The project sponsors having studied market conditions are convinced that the project will be able to operate undisturbed. The growing demand for quality products locally gives them assurance of a steady market.

#### **4.7 QUALITY CONTROL SYSTEM**

The required quality control gadgets will be employed such as digital calipers for measuring the thickness of pipes, chamfering unit, pressure test unit, socketing machine and industrial weighing scale, to take weight of HDPE pressure pipe rolls etc

#### **4.8 ENVIRONMENT PROTECTION**

The company intends to make environment friendly, the company plan to re-recycle at least 50% of PVC specially in making conduit pipes. By using re-cyclable PVC, the company will save the country's environment in particular and global environment in general.

### **5.0 RAW MATERIALS AND OTHER PRODUCTION INPUTS**

#### **5.1 PVC resins and HDPE granules**

The Polyvinyl Chloride, which is commonly known as PVC resin and HDPE Granules are available from many worldwide sources, the major competitive sources are Korea, Middle East and South Africa which has established a distribution company in Dar es Salaam

#### **5.2 Chemicals**

Other major raw materials requires are; PVC Stabilizers, calcium carbonate, chemicals and colors, packaging materials etc, these are cheaply available from China, India and other sources

### 5.3 **Water**

In extrusion process water is required for cooling; water is normally recycled by pumping from a water pool to production machinery and draining it back to the pool

### 5.4 **Power**

The sources of energy for the proposed project will be electric power, power is consumed in large quantities and is among the higher cost elements after PVC resin and HDPE Granules, a standby generator has been budgeted for to avoid inconveniences caused by unreliable and poor power supply

## 6.0 **FINANCIAL ANALYSIS**

### 6.1 **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. Plastic products will be manufactured at the factory. Revenues have been conservatively estimated based on experience of the promoters and trends in the plastic products industry.

## 6.2 PROJECT INVESTMENT COST

### 5.0 Project's Investment Capital

The estimated capital investment cost of the project is US\$ **5000,000**

#### ALLIANCE INVESTMENT (T) LIMITED COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	180,000.00
Machinery & Equipment	120,000.00
Motor Vehicles	80,000.00
Furniture & Fixtures	2,500.00
Pre exp	15,000.00
Others	2,500.00
Working Capital	100,000.00
<b>TOTAL</b>	<b>500,000.00</b>

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

**(i) Land and Building (industrial premises): US\$180,000**

The project has identified and purchased suitable area for the project in Kigamboni, Toangoma Dar es Salaam region to accommodate machineries and also to be used as project office. The cost of the land and building estimated to be 180,000

**(ii) Machinery and Equipment: US\$ 120,000**

Some US\$120,000 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\$ 15,000**

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\$100,000**

Assumptions for working capital requirements have been estimated that it will cost US\$100,000. This will involve purchasing of raw materials, daily operating costs etc

**5.0 Financing pattern**

Project will be financed by equity with US \$ 200,000 and loan US \$ 300,000 with interest of 4% paid within 4 years

**5.1 Capacity**

The company is planning to install machines of production capacity of 60,000 units of various PVC estimated to be sold at US\$ 8 wholesale price.

**6.0 Project operating costs**

In order to realize its intended objective, the project will have to meet the operating costs estimated to be 70 of total revenue.

## 7.0 Financial Analysis

### 7.1 Considerations and Assumptions:

The corporate tax charged is 0% of the profits for 8 years. 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.

Revenues have been conservatively estimated based on experience of the promoters and trends in the industry.

### 7.2 Financial Statements:

#### 7.3 Projected Revenue

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

#### ALLIANCE INVESTMENT (T) LIMITED PROJECTED REVENUE LTD

	1	2	3	4	5	6
Revenue	480,000.00	528,000.00	580,800.00	638,880.00	702,768.00	773,044.80

#### 7.4 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 profits grow from. US\$ **155,505** in first year to US \$1,287,874.73 in the 6th year

#### ALLIANCE INVESTMENT (T) LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

	1	2	3	4	5	6
Revenue	480,000	528,000	580,800	638,880	702,768	773,044
<b>Operating Expenses:</b>	216,000	237,600	261,360	287,496.00	316,245	347,870
<b>Profit before Depreciation &amp;Interest</b>	<b>264,000</b>	<b>290,400</b>	<b>319,440</b>	<b>351,384.00</b>	<b>386,522</b>	<b>425,174</b>

<b>Interest</b>	18000	14400	10800	7200	3600	-
<b>Depreciation</b>	23,850	23,850	23,850	23,850	23,850	23,850
<b>Gross Profit</b>	<b>222,150</b>	<b>252,150</b>	<b>284,790</b>	<b>320,334</b>	<b>359,072</b>	<b>401,324</b>
Tax (30%)	66,645	75,645	85,437	96,100	107,721	120,397
<b>Profit After Tax</b>	<b>155,505</b>	<b>176,505</b>	<b>199,353</b>	<b>224,233</b>	<b>251,350</b>	<b>280,927</b>
Accumulated Profit	155,505	332,010	531,363	755,596	1,006,947	1,287,874

## 7.5 Projected Cash Flows

This is shown in the financial statements. The project has a positive end of year cash flow from year 1st, i.e., US\$197,355 of operation to the 6th year i.e., US\$ 1,484,974

### ALLIANCE INVESTMENT (T) LIMITED PROJECTED CASH FLOW " US\$"

<b>SOURCES:</b>		1	2	3	4	5	6
Profit before interest and depreciation	0	<b>264,000</b>	<b>290,400</b>	<b>319,440</b>	<b>351,384</b>	<b>386,522</b>	<b>425,174</b>
Equity	200,000						
Loan	300,000						
<b>Total Sources</b>	<b>500,000</b>	<b>264,000</b>	<b>290,400</b>	<b>319,440</b>	<b>351,384</b>	<b>386,522</b>	<b>425,174</b>
<b>Applications:</b>							
Capital expenditure	382,500	-	-	-	-	-	
working Capital & Others	117,500						
Cash	0	197,355	214,755	234,003	255,283	278,800	304,777
Tax	-	66,645	75,645	85,437	96,100	107,721	120,397
<b>Sub total</b>	<b>500,000</b>	<b>264,000</b>	<b>290,400</b>	<b>319,440</b>	<b>351,384</b>	<b>386,522</b>	<b>425,174</b>
<b>Total applications</b>	<b>500,000</b>	<b>264,000</b>	<b>290,400</b>	<b>319,440</b>	<b>351,384</b>	<b>386,522</b>	<b>425,174</b>
Accumulated cash		197,355	412,110	646,113	901,396	1,180,197	1,484,974

## 7.6 Projected Balance Sheet Statement

The projected shareholders equity increases from US\$200,000 in 1<sup>st</sup> year to loan US \$480,927 in 6<sup>th</sup>

### ALLIANCE INVESTMENT (T) LIMITED PROJECTED BALANCE SHEET " US \$"

	-	1	2	3	4	5	6
Opening balance	-	382,500	358,650	334,872	311,164	287,526	263,955
<b>Total Long-term Assets</b>	-	382,500	358,650	334,872	311,164	287,526	263,955
<b>Less depreciation</b>	-	23,850	23,850	23,850	23,850	23,850	23,850
<b>Closing balance</b>	-	358,650	334,800	311,022	287,314	263,676	240,105
Working capital	117,500	117,500	117,500	117,500	117,500	117,500	117,500
Accumulated cash	-	197,355	412,110	646,113	901,396	1,180,197	1,484,974
<b>Total assets</b>	<b>117,500</b>	<b>673,505</b>	<b>864,410</b>	<b>1,074,635</b>	<b>1,306,211</b>	<b>1,561,373</b>	<b>1,842,580</b>
Financed by							
Equity	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Net profit	-	155,505	176,505	199,353	224,233	251,350	280,927
Total equity	200,000	355,505	376,505	399,353	424,233	451,350	480,927
Long term loan	-	300,000	24,000,000	180,000	120,000	60,000	-
<b>Total debts</b>	-	<b>300,000</b>	<b>24,000,000</b>	<b>180,000</b>	<b>120,000</b>	<b>60,000</b>	-
<b>Total equity and debts</b>	<b>200,000</b>	<b>655,505</b>	<b>24,376,505</b>	<b>579,353</b>	<b>544,233</b>	<b>511,350</b>	<b>480,927</b>

## 7.7 Projected payback period

Total investment is US \$ 500,000 cash accumulation third year is US\$602,484 which is more than the initial investment by US\$ 102,484 the project payback Period is within 3years,

The project has a relatively short payback period. It is remarkably impressive for a project whose investment is as big as US\$ 500,000 being recovered within 3years.

**ALLIANCE INVESTMENT (T) LIMITED PAYBACK PERIOD**

<b>Year</b>	<b>Profit After Tax</b>	<b>Depreciation</b>	<b>Total Cash Flow</b>	<b>Accumulated Cash Flow</b>
1	155,505.00	23,707	179,212.00	179,212.00
2	176,505.00	<b>23,707</b>	200,212.00	379,424.00
3	199,353.00	23,707	223,060.00	602,484.00
4	224,233.80	23,707	247,940.80	850,424.80
5	251,350.68	23,707	275,057.68	1,125,482.48
6	280,927.25	23,707	304,634.25	1,430,116.73

**8.0 ECONOMIC ASPECT**

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

- The project will create employment for **40** 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 to other building materials manufacturing

**9.0 IMPLEMENTATION PERIOD**

Project implementation is expected to be relatively very short once project has been approved it is estimated that

implementation of the project will be completed within one year:-

<b>S/N</b>	<b>ACTIVITY</b>	<b>PERIOD</b>
1	Processing TIC Certificate of Incentive	December 2021
2	Resources mobilization	April –December 2021
3	Ordering plant and machine	December-January 2022
3	Machine instillation	February-April 2022
4	Testing business and in house training	April-June 2022
	Commercial operations	July 2022

## **11.0 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, 199

