

Project Safari-TP Label Pvt Ltd



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## Executive Summary

### PROJECT SAFARI – Relocation, Refurbishment and Expansion

#### Brief Investor Profile

TP Label Limited was registered in April 2017 under the ownership of Ali Khimji who still owns Tanzania Printer to this day. TP Label was then sold to Multi-Color Corporation in April 2017. All necessary regulatory authority and certificates were secured for the business to start trading under the MCC flagship.

TP Label is 100% owned by Multi-Color Corporation, a Multinational headquartered in the United States of America (USA) with a regional head office based in Paarl, Republic of South Africa (RSA). Multi-Color Corporation provides label solutions in many Countries in America, Europe, Asia, and South Africa whilst the facility in Tanzania located in Dar es Salaam services Central and East Africa.

The company has a staff compliment of 122 employees which consists of the Managing Director, General Manager, Line Managers and Factory Floor workers.

#### Project Background

Part of the sale agreement between Tanzania Printers and MCC was that TP Label would enter into a Shared Services and Shared Premises agreement for 3 years after the acquisition.

The lease for the two existing sites in Tanzania Dar Es Salaam ended on 30<sup>th</sup> September 2020 however these were extended to 30<sup>th</sup> January 2021.

These facilities were inadequate in terms of space for our current or for our future needs. There was not enough room to house the Gerezani and Changombe operation on a single location and provide any room for growth.

Furthermore, the landlord indicated a significant rental increase in case we decided to carry on leasing (from currently US\$15,000 per month to US\$30,000 per month) the property.

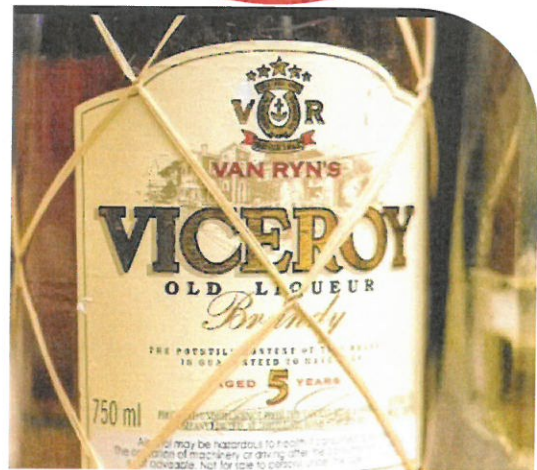
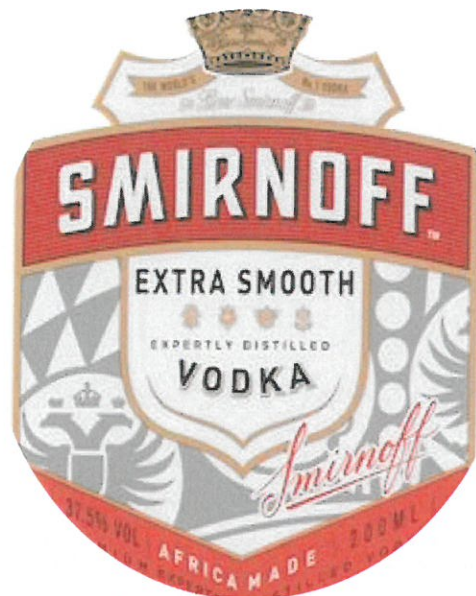
#### Objectives

We managed to locate a site that has sufficient space for our current needs and allows for future growth. We are of the opinion that relocating and consolidating will provide cost savings in maintenance, utilities, and other administration costs in addition to operational efficiencies.

The plant will be purposed built for our requirements and will support our strategic growth plan.

#### Key Facts - TPLabel Pvt Ltd

- Owned by Multi Color Corporation
- Shares acquired and transferred \$8.7m
- Regional Label Supplier
- Annual Export Growth - 5%
- Site refurbishment - \$763k
- Equipment and relocation - \$586k



In brief our main objectives are to:

- ✦ Relocate, refurbish and consolidate the current production lines under one roof.
- ✦ Commission a production plan at the new site to grow our current revenue base and allow for an extensive diversification program.
- ✦ Promote our manufacturing and exporting business by using the TIC certificate. The business has a proven track record of generating over \$13m, over the past 3 years, in direct export cash inflows into the Tanzania economy. We are of the firm belief that attaining TIC registration will add onto our good standing with existing and potential customers in East, Southern and Central Africa.

## Project Brief

The new facility offers 6,084 sqm including offices, workshop, and warehouse. Land will allow for expansion in the future. The negotiated rental price reflects those areas and the USD 0.5m building investment the landlord needs to do.

The main rental terms are 5+5 years with monthly rental cost of USD 21,966 fixed for the first 5 years and review based on Tanzania rental cost development afterwards.

The landlord offers to include the needed air-conditioning system (est. cost USD 250,000 as sea-side configuration is needed) for an extra USD 3,000 per month for the first 5 year. The cost will be part of the rental review for the second 5 years. The CAPEX budget includes USD175,000 for the AC units. We will continue to negotiate with the landlord on the rental cost with them installing the units and come back with a final proposal to rent or invest.

The move will create additional cost, in the form of moving the existing machinery which will cost USD236,000. The cost will be expensed and are included in the budget.

Capital expenditure for the move will amount to USD 763,000 (incl 10% contingency), see details in the appendices.

## Key milestones to achieve Objectives

- ✦ Secure lease agreement that would ensure the landlord starts to build and complete the project within need 6 -7 months of signing the agreement. Our current lease agreement runs out on January 31st, 2021. Our current landlord has no wish in continuing with the current arrangement after this date.
- ✦ Secure approval for the capital expenditure for moving the production line and purchasing of auxiliary equipment. Please note the actual printing line will be released by a Multicolor Corporation company based in Belgium for zero value.

## Investment details

### 1. Plant Relocation, Refurbishment and Consolidation

Cost of moving the existing machinery will be USD 236,500. Capex for smooth transition to reach USD610,500.

Cost of air-conditioning is USD 275,000 or approximate increase in rent for 5 years of USD 3,000 to USD 4,000 per month to make it USD 21,966 per month.

Current rent for both plants is USD 14,890 per month but includes shared areas that are hampering our productivity and diminishing our overall appearance.

### 2. Expansion plan

The increase in production capacity will coincide with the relocation and consolidation plan for the sites and will thereby cushion the business from any potential loss of sales during the move.

The new setup shall drive targeted revenue growth from the Ethiopian and Zambian export markets that will generate cash and profitability to justify the capex spend.



## Market Opportunities

- ✦ The main countries that we are targeting are Ethiopia, Sudan, Egypt, Seychelles, Zambia, and Malawi. Ethiopia and Sudan, we can access by road and Egypt and Seychelles have direct routes by Sea.
- ✦ As we have 20 years of experience in dealing with Ethiopia and have already secured volumes for Diageo, Ethiopia we feel confident that we can increase our sales in this Country.
- ✦ For Sudan and Egypt, we are building relationships with Coca Cola and Heineken. For the Seychelles we are in talks with the two biggest companies: Seybrew (part of Diageo) and IOT (Large Tuna canning company exporting to Europe).
- ✦ The investment in the consolidated facility will assist the business to achieve supplier certification by international and regional cigarette customers such as BAT and JTI. At present we are supplying Mastermind with their local and export soft pack labels.



## Site Evaluation

- I. Alternatives site scenarios
- II. We have done months of research and looked at countless options including taking over the existing premises in full.
- III. Specification for world class business - Building will be designed for production needs, warehousing and a presentable office and reception area.
- IV. Lease term - Built to spec buildings have a 10-year lease, particularly given the air conditioning and higher electrical power requirement (not necessarily required by alternative tenants).
- V. Alternative sites - There were no other buildings available matching the needs of production within 30 minutes' drive of the existing facilities

## Site Location:

The new location is strategically placed just 10Km from the City Centre of Dar es Salam with the following benefits:

- Under 20 minutes from the International Airport.
- Close to our key customers
- Less than 20 minutes from the Port

## Other Site Preparation considerations

1. Environmental Assessment
  - Premises located within a demarcated and approved Industrial Premises.
2. Permit requirements
  - Occupational Health and Safety Certificate expected to progress without much difficulty.
  - Local council fees.
3. Plans for Utility sources:
  - Register our power reading station.
  - Register with the local city council on water supply.



4. Fire Protection and safety considerations
  - Industrial Park provides general safety equipment.
  - Additional investment in safety provisions will be essential.
  - Registration for OSHA certification plans will be coordinated with tenant during site preparation
  - Registration for Fire and Safety Certificate has been planned.
5. Waste Management requirements
  - Plans in place for an effective disposal of water and effluents from the CTP and other machine.
  - Incineration option available for wastepaper
6. Hazardous Area Classification
  - Leased an ideal store area with adequate space and safe proximity for storage of hazardous material.
7. Loading/unloading and storage facility requirements
  - Space available for loading/unloading and storage has been evaluated to be adequate.
  - Additional storage space available from a nearby Kuehne and Nagel customs bonded warehouse.



### Other Technical Considerations

#### Employee numbers

TP Label Ltd has a loyal staff of 121 people that have been with the company since the inception. The commissioning of the additional line will create vacancy positions for up to 5 specialized printers who shall be recruitment locally.

Position	Current	Planned
Managing Director	1	1
General Manager	1	1
Line Managers	7	8
Operational Staff	112	117
<b>Total</b>	<b>121</b>	<b>127</b>

### Commercial Analysis:

#### Investment data and returns summary

##### 1. Project Funding

The project will largely be funded from cash generated from local revenue amounting \$7.5m whilst export sales will contribute an additional \$5m up from \$3.5m in 2020. After deducting operational requirements, working capital and local taxes there will be sufficient fund to invest in the project.

In addition, our sister company in Kenya will also inject \$200k in support for the project.

##### 2. Cash Disbursement Plan

TP Kenya will be expected to remit \$1.3m towards its \$3m debt to TP Label.

#### Future opportunities:

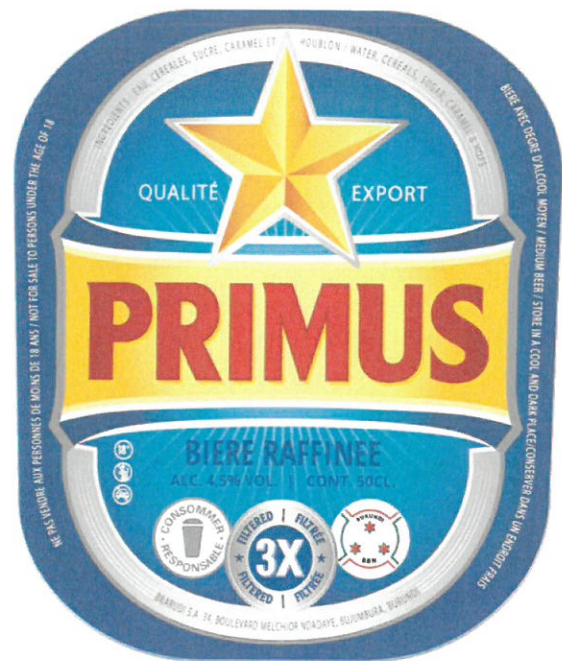
- ✚ Ethiopia, Uganda, and Rwanda (i.e. Diageo and Heineken groups).
- ✚ Platform for diversification into wines & spirits and pharmaceuticals.
- ✚ Increased sales tonnage across East Africa will attract procurement savings in paper, inks, and foils.



- ✚ Integration of support services for East Africa will reduce operating costs. The base for the services shall be Tanzania.
- ✚ Encourage operational benchmarking to MCC South Africa in terms of regional reporting and management.

#### Risk analysis:

- ✚ Risk of market lose shall be mitigated from the strong past and ongoing business relationship.
- ✚ Potential multiple suppliers both from local and external sources (barriers to entry are low) has been considered.
- ✚ Price war with family owned enterprises.
- ✚ An estimate for insurance cover for the equipment, shipping and any possible interruptions are incorporated in the overheads.
- ✚ Age of technology vs. market trends.
- ✚ An extension to the project timeline by 2 months could comprise the project.
- ✚ Project Safari management control will be key to ensuring a sustainable and well managed cash disbursement plan.
- ✚ Borrowing or invoice discounting might be considered though not the preferred options.
- ✚ The risk of currency fluctuations will be minimal as shown the stability of the Kenya shilling.



#### Project timeline:

- ✚ The project commenced in January 2021 and will be complete by December 2021.

Activity	Description	Document Type	Actual Submission Date	Approval Date by Client	Completion Percentage	Implementation/ Estimated Date
01	Ground floor office layout plan	Ref to drawing	19-May-21	22-May-21	100%	01-Mar-21
02	First floor layout plan	Ref to drawing	19-May-21	23-May-21	90%	30-Oct-21
03	Diesel elevated tank layout plan	Ref to drawing	19-May-21	22-May-21	70%	30-Sep-21
04	Drainage system and Water supply layout plan	Ref to drawing	19-May-21	22-May-21	100%	30-Mar-21
05	Evacuation layout plan	Ref to drawing	19-May-21	22-May-21	40%	30-Sep-21
06	First Aid room and Security layout plan	Ref to drawing	19-May-21	24-May-21	0%	1-Nov-21
07	Godown office layout plan	Ref to drawing	19-May-21	22-May-21	85%	15-Sep-21
08	Site layout plan	Ref to drawing	19-May-21	24-May-21	90%	1-Dec-21

#### Project interpretations

- ✚ Positive project investment returns.
- ✚ Current and potential customers are well known to the TP Label.
- ✚ Reduce risk profile/ investment in Tanzania by securing Certificate of Incentives offered by TIC.
- ✚ Diversification opportunities to scale up the project exist.

✚ Conforms to a strategic fit for the Multi-Color Corporation.



## Company Profile











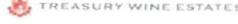

























### MCC Corporate Values



### MCC Value Drivers

- Global scale
- Innovation Leader
- Contingency & BCP
- Service
- Application Engineering
- Quality
  - Superior & Consistent quality performance
- Efficiency
- Increased speed to market
- Higher application rates
- Lower inventory requirements
- Multiple decoration technologies
  - Providing the right decoration solution for the right fit
- Multiple print technologies
  - All print technologies available to provide flexibility, fit for use and speed to market

## Business Overview – Markets and Customers

<b>Beverage</b>	     
<b>Wine &amp; Spirits</b>	           
<b>Food &amp; Dairy</b>	         
<b>Personal Care &amp; Beauty</b>	         



The site is purpose built and is situated 8km from the port of Dar es Salaam. The factory is completely self sufficient and is equipped with the most advanced machinery required to produce quality Labels and packaging for the regional markets.

The Lithographic side specialises in Wet-glue labels for the regional Beer markets as well as labels and packaging tobacco and tea industry

The flexo side is furnished with all the amenities for BRC accreditation. It houses the most advanced servo driven Flexo press in the market today with the capability of printing on all substrates between 12 - 300µ. It can handle a diverse portfolio of work that includes:

- High-end spirit labels
- Flexible packaging
- PSL Labels
- Security features

### Accreditations

- Approved supplier to Coca Cola
- Approved supplier to Diageo
- Approved supplier to Heineken
- Approved supplier to Distell
- Approved supplier to AB-Inbev
- Member of SEDEX
- Member of Eco Vadis
- ISO – 9001-2015

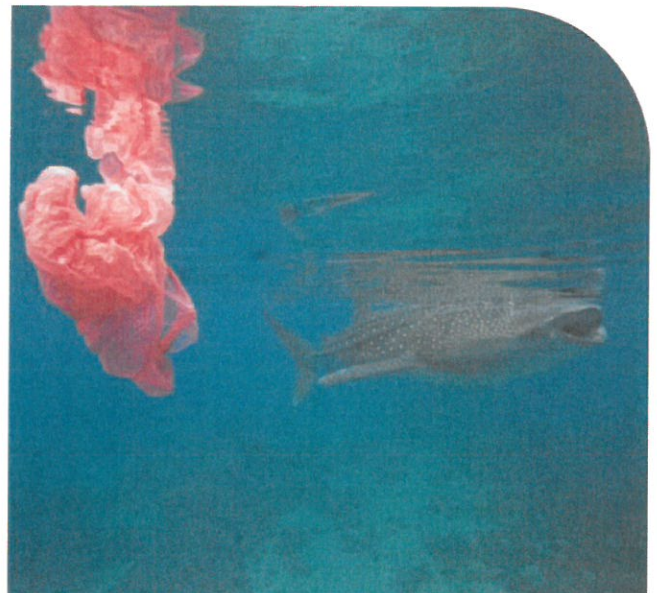
### Regional Customers served the site

- Tanzania
- Burundi
- Rwanda
- DRC
- Zambia
- Mozambique
- Malawi
- Mauritius

### A World of Profound Change

#### The effects of the packaging sector on our Planet

- The packaging industry will go through a revolutionary change in the coming years as Covid-19, climate-change and the war on plastics is set to redefine packaging as we currently know it.
- We at MCC Eastern Africa are committed to exploring and working with new materials and are focused on reducing the amount of packaging waste that ends up in our Oceans.
- Our R&D department are constantly striving for pioneering ways to tackle the issues that we currently face and hopefully help to reverse this unprecedented position that we have all helped to create



## Our commitment

- *All our paper and board is procured from FSC approved mills.*
- *We aim to use only material that is recyclable.*
- *To educate our customers on materials that are environmentally acceptable; either fully recyclable or bio-degradable.*
- *Continue to manage, and reduce, our carbon footprint.*
- *To reduce the amount of landfill that we create as a company*

## Appendix 1: Project Safari – Site Preparation, Equipment and Relocation Cost

<b>SITE PREPARATION COSTS</b>	
Description	Value - USD
- Racking	\$ 30,000
- Office partitioning	\$ 30,000
- Electrical cabling	\$ 100,000
- Contingency - 10%	\$ 16,000
<b>Total</b>	<b>\$ 176,000</b>
<b>Plant Site Refurbishment costs:</b>	
- Generators 2 X 500KVA	\$ 90,000
- Compressor and Fittings	\$ 75,000
- Knife sharpening machine	\$ 40,000
- Capacitor	\$ 10,000
- Waste treatment plant	\$ 20,000
- Chiller for Heidelberg	\$ 20,000
- Bailing Machine	\$ 15,000
- Contingency - 10%	\$ 27,000
<b>Total</b>	<b>\$ 297,000</b>
<b>Total Site and Capital Equipment</b>	<b>\$ 473,000</b>

<b>EQUIPMENT COST AND RELOCATION COST</b>	
Description	Value - USD
<b>Machine Purchases &amp; Equipment</b>	
IST UV Interdict Unit	150,000
Chiller including piping	50,000
Transformer	30,000
New Rollers	20,000
Water Treatment	12,000
Weighing Scales	30,000
<b>Subtotal</b>	<b>293,000</b>
<b>De/Commissioning</b>	
De/Commissioning	140,000
Freight, clearing and insurance	54,000
Transport costs - Europe and Tanzania	46,000
<b>Subtotal</b>	<b>240,000</b>
<b>Total Direct Capital</b>	<b>533,000</b>
Contingency 10%	53,300
<b>Capital Total</b>	<b>586,300</b>

## Appendix 2: Investment Spent Since Inception

TLabel Actual and Projected Investment Plan	Actual	Actual	Actual	Actual	YTD Actual	Forecast Aug - Dec	Full Year Forecast	Strategic Plan
	Mar-18	Mar-19	Dec-19	Dec-20	2021	2021	2021	2022
Plant and Machinery - TZS'000	6,904,864	411,189	660,047	1,564,974	795,769	616,047	1,411,816	1,840,000
Others - TZS'000	454,828	109,710	7,310	60,086	16,311	29,704	46,015	50,000
Total - TZS'000	7,359,692	520,899	667,357	1,625,061	812,080	645,751	1,457,831	1,890,000
<b>Total USD</b>	<b>3,172,281</b>	<b>224,526</b>	<b>287,654</b>	<b>700,457</b>	<b>350,034</b>	<b>278,341</b>	<b>628,375</b>	<b>814,655</b>
Status of Projects and Spend Plan	Complete	Complete	Complete	Complete	Complete	Committed Spend		Scheduled