

FARWA INTERNATIONAL LIMITED

BUSINESS PLAN

FOR
LEATHER PROCESSING

PREPARED FOR
FARWA INTERNATIONAL LIMITED
P.O. BOX. 80130,
DAR ES SALAAM

1.0. Executive Summary

FARWA INTERNATIONAL LIMITED is a licensed leather processing company that will be located at Plot No. 191 & 191/2/1

Vingung Industrial Area, Ilala, Dar es Salaam, Tanzania. We have been able to secure a long – term lease for a facility in a strategic location with an option of a long – term renewal on agreed terms and conditions that are favorable to us.

The facility has government approval for the kind of manufacturing business we want to run and it is easily accessible and we are deliberate about that in order to facilitate easy movement of raw materials and finished products.

FARWA INTERNATIONAL LIMITED is planning to be involved in the leather tanning and finishing industry to engage in tanning hides and skins, currying hides and skins, finishing hides and skins, dyeing and finishing furs et al. FARWA INTERNATIONAL LIMITED is in business to make profits and to give our customers value for their money; FARWA INTERNATIONAL LIMITED plan to give people and businesses who patronize FARWA INTERNATIONAL LIMITED products the opportunity to be part of our success story.

FARWA INTERNATIONAL LIMITED is aware that there are several leather tanning and finishing companies scattered all around the world whose products can be found in global market, which is why we spent time and resources to conduct our feasibility studies and market survey so as to enable us locate the business in an area that will support the growth of the business and also for us to be able offer much more than our competitors will be offering.

The FARWA INTERNATIONAL LIMITED management will ensure that our facility is easy to locate and we have mapped out plans to develop a wide distribution network for global market.

Beyond manufacturing quality and safe leather, our customer care is going to be second to none. We know that our customers are the reason why we are in business which is why we will go the extra mile to get them satisfied when they purchase our products.

FARWA INTERNATIONAL LIMITED will ensure that all our customers are given first class treatment whenever they visit our processing plant and warehouse. We have a CRM software that will enable us manage a one-on-one relationship with our customers (wholesale distributors) no matter how large they may grow to.

2.0 The Sponsors

FARWA INTERNATIONAL LIMITED will be sponsoring this project. The Company is currently jointly owned by two shareholders.

Names of Shareholders	% of Shares	Nationality
Adam Abdullaziz Ahmed Fadol	41	Sudanese
Abdikarim Ahmed	41	Ugandan
Mustafa Mohammed Sharafeldin	38	Sudanese

2.1 Objective of Study

The purpose of this study is to work out the technical and commercial details and financial viability of the project

3.0 . Our Products and Services

FARWA INTERNATIONAL LIMITED is going to run a standard leather processing company whose products will be exported.

FARWA INTERNATIONAL LIMITED are in the leather tanning and finishing industry to make profits and also to give our customers value for their money. These are some of the products that we will be offering;

- Upper leather (including patent)
- Wet blues (unfinished)
- Upholstery leather
- Garment leather

- Contract or commission leather
- Calf, sheep and other animal leather
- Sole and accessories leather
- Other leather (including furs)

4.0 Our Mission and Vision Statement

- Our vision is to establish a standard leather processing Company whose products will be sold globally.
- Our mission is to establish a world class leather processing company that in our own capacity will favorably compete with leaders in the leather tanning and finishing industry.

5.0 Our Business Structure

FARWA INTERNATIONAL LIMITED is established with the aim of competing with other leading leather processing companies in the industry. This is why we will ensure that we put proper structures in place that will support the kind of growth that we envisaged while setting up the business.

We will make sure that we only hire people that are qualified, honest, hardworking, customer centric and are ready to work to help us build a prosperous business that will benefit all our stake holders.

In view of that, we have decided to hire qualified and competent hands to occupy the following positions:

- Chief Executive Officer (Owner)
- Plant Manager
- Human Resources and Admin Manager
- Merchandise Manager
- Sales and Marketing Manager
- Machine Operators
- Accountants/Cashiers
- Distribution Truck Drivers

6.0 Job Roles and Responsibilities

Chief Executive Officer – CEO (Owner):

- Increases management's effectiveness by recruiting, selecting, orienting, training, coaching, counseling, and disciplining managers; communicating values, strategies, and objectives; assigning accountabilities; planning, monitoring, and appraising job results; developing incentives; developing a climate for offering information and opinions.
- Responsible for fixing prices and signing business deals
- Responsible for providing direction for the business
- Creates, communicates, and implements the organization's vision, mission, and overall direction – i.e. leading the

development and implementation of the overall organization's strategy.

- Responsible for signing checks and documents on behalf of the company
- Evaluates the success of the organization

Plant Manager

- Responsible for overseeing the smooth running of the leather processing plant
- Part of the team that determines the quantity and quality of processed leather products that are to be produced
- Maps out strategies that will lead to efficiency amongst workers in the plant
- Responsible for training, evaluation and assessment of plant workers
- Ensures steady flow of raw materials to the plant and easy flow of finished products through wholesale distributors to the market
- Ensures that the plant meets the expected safety and health standard at all times.

Human Resources and Admin Manager

- Responsible for overseeing the smooth running of HR and administrative tasks for the organization

- Defines job positions for recruitment and managing interviewing process
- Carries out induction of new team members
- Responsible for training, evaluation and assessment of employees
- Oversees the smooth running of the daily office and factory activities

Merchandize Manager

- Manages vendor relations, market visits, and the ongoing education and development of the organizations' buying teams
- Responsible for the purchase of raw materials (raw skins, hides and furs et al)
- Responsible for planning sales, monitoring inventory, selecting the merchandise, and writing and pricing orders to vendors
- Ensures that the organization operates within stipulated budget.

Sales and Marketing Manager

- Manages external research and coordinate all the internal sources of information to retain the organizations' best customers and attract new ones

- Identifies, prioritizes, and reaches out to new partners, and business opportunities
- Develops, executes and evaluates new plans for expanding sales
- Documents all customer contact and information
- Helps to increase sales and growth for the company

Accountant/Cashier

- Responsible for preparing financial reports, budgets, and financial statements for the organization
- Provides management with financial analyses, development budgets, and accounting reports
- Responsible for financial forecasting and risks analysis.
- Performs cash management, general ledger accounting, and financial reporting
- Responsible for developing and managing financial systems and policies
- Responsible for administering payrolls
- Ensuring compliance with taxation legislation
- Handles all financial transactions for the organization
- Serves as internal auditor for the organization

Client Service Executive

- Welcomes guests and clients by greeting them in person or on the telephone; answering or directing inquiries.
- Ensures that all contacts with clients (e-mail, walk-In center, SMS or phone) provides the client with a personalized customer service experience of the highest level
- Through interaction with clients on the phone, uses every opportunity to build client's interest in the company's products and services
- Manages administrative duties assigned by the manager in an effective and timely manner
- Consistently stays abreast of any new information on the company's products, promotional campaigns etc. to ensure accurate and helpful information is supplied to clients
- Receives parcels/documents for the company
- Distributes mails in the organization
- Handles any other duties as assigned by the line manager

Production Workers/Machine Operators:

- Responsible for handling services that revolve around tanning hides and skins, currying hides and skins, finishing hides and skins, dyeing and finishing furs
- Operates machines used in the processing leather and related products

- Assists in packaging and loading tanned and finished leather products into distribution trucks

Distribution Truck Drivers

- Assists in loading and unloading tanned and finished leather
- Maintains a logbook of their driving activities to ensure compliance with federal regulations governing the rest and work periods for operators.
- Keeps a record of vehicle inspections and make sure the truck is equipped with safety equipment
- Assists the transport and logistics manager in planning their route according to a delivery schedule.
- Local-delivery drivers may be required to sell products or services to stores and businesses on their route, obtain signatures from recipients and collect cash.
- Transport finished goods and raw materials over land to and from manufacturing plants or retail and distribution centers
- Inspects vehicles for mechanical items and safety issues and perform preventative maintenance
- Complies with truck driving rules and regulations (size, weight, route designations, parking, break periods etc.) as well as with company policies and procedures
- Collects and verifies delivery instructions
- Reports defects, accidents or violations

The company plans to employ total of **30** employees

7.0 SWOT Analysis

From our market research conducted, we got to know that there are several leather tanning and finishing companies in world which is why we are following the due process of establishing a business so as to compete favorable with them.

We know that if proper SWOT analysis is conducted for our business, we will be able to position our business to maximize our strength, leverage on the opportunities that will be available to us, mitigate our risks and be well equipped to confront our threats.

FARWA INTERNATIONAL LIMITED hired the services of an expert HR and Business Analyst with bias in startup businesses to help us conduct SWOT analysis and to help us create a Business model that will help us achieve our business goals and objectives.

This is the summary of the SWOT analysis that was conducted for FARWA INTERNATIONAL LIMITED

- **Strength:**

Our major strength as a leather processing company is the vast experience of our management team, we have people on board who are highly experienced and understand how to grow business from the scratch to becoming a national phenomenon. Access to

raw material in pretty large quantities, our large national distribution network and of course our excellent customer service culture will definitely count as a strong strength for the business.

- **Weakness:**

One major weakness that may count against us is the fact that we are a new leather processing company in Tanzania and we don't have the financial capacity to engage in the kind of publicity that we intend giving the business especially when big names in the leather tanning and finishing line of business are already determining the direction of the market.

- **Opportunities:**

The opportunities available to leather processing companies are enormous because almost all people make use of products that are made from leather. As a result of that, we were able to conduct thorough market survey and feasibility studies so as to come up with 'on – point products', position our business to take advantage of the existing market for tanned and finished leather products and also to create our own new market. We know that it is going to require hard work, and we are determined to achieve it.

8.0 OUR TARGET MARKET

When it comes to selling processed leather, there is indeed a wide range of available customers. In view of that, we have conducted our market research and we have ideas of what our target market would be expecting from us. We are in business to retail a wide range of processed leather to the following groups of people;

- Leather belts, shoes, bags, luggage and wallets manufacturers
- Leather car seat manufacturers
- Every other manufacturing company that make use of tanned and finished leather as raw materials

8.1 OUR COMPETITIVE ADVANTAGE

A close study of the industry reveals that the market has become much more intensely competitive over the last decade. As a matter of fact, you have to be highly creative, customer centric and proactive if you must survive in this industry. We are aware of the stiff competition and we are prepared to compete favorably with other companies in the world.

In view of that, FARWA INTERNATIONAL LIMITED is launching a standard leather processing brand that will indeed become the preferred choice for manufacturers that make use of processed leather in every city where our product will be retailed.

Production of goods currently favored by the market, our ability to control stock on hand and of course guaranteed supply of key inputs are top on our list as regards competitive advantages. So also, part of what is going to count as competitive advantage for FARWA INTERNATIONAL LIMITED is the vast experience of our management team, we have people on board who are highly experienced and understand how to grow a business from the scratch to becoming a national phenomenon.

So also, we have access to large quantities of raw leather per time, and our large national distribution network and of course our excellent customer service culture will definitely count as a strong strength for the business.

Lastly, our employees will be well taken care of, and their welfare package will be among the best within our category in the industry; meaning that they will be more than willing to build the business with us and help deliver our set goals and achieve all our aims and objectives. We will also give good working conditions and commissions to freelance sales agents that we will recruit from time to time.

8.2 SALES AND MARKETING STRATEGY

- Sources of Income

FARWA INTERNATIONAL LIMITED is established with the objective of maximizing profits in the leather tanning and finishing industry and we are going to go all the way to ensure that we do all it takes to sell our products to a wide range of customers.

FARWA INTERNATIONAL LIMITED will generate income by selling the following products;

- Upper leather (including patent)
- Wet blues (unfinished)
- Upholstery leather
- Garment leather
- Contract or commission leather
- Calf, sheep and other animal leather
- Sole and accessories leather
- Other related products (including furs)

8.3 Promotion

A combination of push and pull strategies and activities will be used to carve out space in the market.

Company strategy for local market will be to push the product onto the market and stimulate first trial in or near the point of purchase. This will be done using a team of sales representatives to engage shoppers once the product is widely available in stores.

8.3 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

9.0 Project Investment Cost

The estimated capital investment cost of the project is **US\$ 981,000**,

FARWA INTERNATIONAL LIMITED COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	120,000.00
Machinery & Equipment	400,000.00
Motor Vehicles	150,000.00
Furniture & Fixtures	2,000.00
Pre exp	4,000.00
Others	5,000.00
Working Capital	300,000.00
TOTAL	981,000.00

For the project to be a reality a total investment amounting to **US\$981,000** is needed

(i) Land and Building: Us \$120,000

The Company is planning to construct industrial building and warehouse estimated to cost US\$ 120,000.

(ii)Machinery and Other equipment: US\$ 400,000

Some US \$ 400,000 is anticipated to be spent on the purchase of various machines, equipment and other tools which will accommodate new technology

(iii) **Motor Vehicles:US\$150,000**

The project will need 4 trucks, 1 double single pick up. These vehicles will be used to facilitate project business.

(iv) **Furniture: US\$2,000**

This investment cost item has been estimated to cost US\$2,000. It will consist of, tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

(v)**Pre-Operational Expenses: US\$ 4,000**

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\$300,000 and others US\$ 5,000**

An assumption for working capital requirements has been budgeted at US \$ 300,000 and unplanned expenses US\$5,000

10.0 **Financing pattern**

The project will be financed by equity US\$ 481,000 and US\$ 500,000 long term loan

11.0 **Project operating costs**

In order to realize its intended objective, the project will have to meet production expenses amounting to 70% of total revenue.

12.0 Financial Analysis

12.1 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.

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

The company is expecting to produce 200 tons of stone aggregates per day, and selling price is estimated to be US\$ 20 per ton

12.2 Financial Statements:

12.3 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.

FARWA INTERNATIONAL LIMITED PROJECTED REVENUE LTD

	1	2	3	4	5
Revenue	1,200,000	1,296,000	1,399,680	1,511,654	1,632,586

12.4 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 tax profits grow from. **US\$293,930** in first year to **US \$321,773** in the 5 year, **Refer appendix III**

12.5 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\$ 317,390** of operation to the 5th year i.e., **US\$ 2,311,529**, **Refer appendix IV**

12.6 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under same heading. Total equity of the project increases from **US\$ 481,000** in the first year of operation to **US \$ 802,773** in the 5th year. **Refer appendix V**

12.7 Projected payback period

Total investment is **US \$ 981,000** cash accumulation third year is **US\$ 1,245,575**. which is more than the initial investment by **US\$ 264,575** the project payback Period is within 3 years,

The project has a relatively short payback period. It is remarkably.

Refer appendix VI

13.0 Economic Aspects

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

- The project is an ideal option for utilization business opportunity
- The project will create employment for 30 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 and skills as far as manufacturing sector is concerned

14.0 Implementation

Project implementation is expected to be relatively very short once project has been approved, it is estimated that implementation of the projected will be as following: –

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	Feb 2022
2	Site clearance and constructing industrial premises	April–November 2022

3	Machines ordering	March–June 2022
5	Installation of machines	June– Oct 2022
6	Testing operations	Nov –Jan 2022
7	Commercial Operations	Feb 2023

15.0 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)

FARWA INTERNATIONAL LIMITED COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	120,000.00

Machinery & Equipment	400,000.00
Motor Vehicles	150,000.00
Furniture & Fixtures	2,000.00
Pre exp	4,000.00
Others	5,000.00
Working Capital	300,000.00
TOTAL	981,000.00

APPENDIX (II)

FARWA INTERNATIONAL LIMITED PROJECTED REVEN

	1	2	3	4	5
Revenue	1,200,000.00	1,296,000.00	1,399,680.00	1,511,654.40	1,632,586.75

APPENDIX (III)

FARWA INTERNATIONAL LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT US\$

	1	2	3	4	5
Revenue	1,200,000.00	1,296,000.00	1,399,680.00	1,511,654.40	1,632,586.75
Operating Expenses	720,000.00	907,200.00	979,776.00	1,058,158.08	1,142,810.73
Profit before Depreciation & Interest	480,000.00	388,800.00	419,904.00	453,496.32	489,776.03
Interest	30,000.00	22,500.00	15,000.00	7,500.00	–
Depreciation	30,100.00	30,100.00	30,100.00	30,100.00	30,100.00
Gross Profit					

	419,900.00	336,200.00	374,804.00	415,896.32	459,676.03
Tax (30%)	125,970.00	100,860.00	112,441.20	124,768.90	137,902.81
Profit After Tax	293,930.00	235,340.00	262,362.80	291,127.42	321,773.22
Accumulated Profit	293,930.00	529,270.00	791,632.80	1,082,760.22	1,404,533.44

APPENDIX (IV)

FARWA INTERNATIONAL LIMITED PROJECTED CASH FLOW US\$

	0	1	2	3	4	5
SOURCES:						
Profit before interest and depreciation	0	443,360.00	491,388.00	559,238.00	626,839.00	701,785.00
Equity	481,000.00					
Loan	500,000.00					
Total Sources	981,000.00	443,360.00	491,388.00	559,238.00	626,839.00	701,785.00
Applications:						
Capital expenditure	672,000.00	–	–	–	–	–
working Capital &Others	309,000.00	–	–	–	–	–
Cash	0	317,390.00	481,388.00	446,797.00	502,071.00	563,883.00

Tax	–	125,970.00	100,860.00	112,441.20	124,768.90	137,902.81
Sub total	981,000.00	443,360.00	582,248.00	559,238.20	626,839.90	701,785.81
Total applications	981,000.00	443,360.00	582,248.00	559,238.20	626,839.90	701,785.81
Accumulated cash		317,390.00	798,778.00	1,245,575.00	1,747,646.00	2,311,529.00

APPENDIX (V)

FARWA INTERNATIONAL LIMITED PROJECTED BALANCE SHEET US \$

<u>Fixed Assets</u>	<u>0</u>	1	2	3	4	5
Opening balance	–	672,000	641,900	611,800	581,700	551,600
Total Long-term Assets	–	672,000.00	641,900.00	611,800.00	581,700.00	551,600.00
Less depreciation	–	30,100.00	30,100.00	30,100.00	30,100.00	30,100.00
Closing balance	–	641,900.00	611,800.00	581,700.00	551,600.00	521,500.00
Working capital	309,000.00	309,000.00	309,000.00	309,000.00	309,000.00	309,000.00

Accumulated cash	–	317,390.00	798,778.00	1,245,575.00	1,747,646.00	2,311,529.00
Total assets	309,000.00	1,268,290.00	1,719,578.00	2,136,275.00	2,608,246.00	3,142,029.00
Financed by						
Equity	481,000.00	481,000.00	481,000.00	481,000.00	481,000.00	481,000.00
Net profit	–	293,930.00	235,340.00	262,362.80	291,127.42	321,773.22
Total equity	481,000.00	774,930.00	716,340.00	743,362.80	772,127.42	802,773.22
Long term loan	500,000	375,000	250,000	125,000	0	0
Total debts	500,000.00	375,000.00	250,000.00	125,000.00	–	–
Total equity and debts	981,000.00	1,149,930.00	966,340.00	868,362.80	772,127.42	802,773.22

APPENDIX (VII)

FARWA INTERNATIONAL LIMITED PROJECTED LONG TERM LOAN REPAYMENT

Year	principle	Loan Interest (6%)	Total Amount Paid	Loan Balance
0				
1	125,000	30000	155,000	500,000
2	125,000	22500	147,500	375,000
3	125,000	15000	140,000	250,000
4	125,000	7500	132,500	125,000

APPENDIX (VIII)

FARWA INTERNATIONAL LIMITED PROJECTED PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	293,930.00	30,100.00	324,030.00	324,030.00
2	235,340.00	30,100.00	265,440.00	589,470.00
3	262,362.80	30,100.00	292,462.80	881,932.80
4	291,127.42	30,100.00	321,227.42	1,203,160.22
5	321,773.22	30,100.00	351,873.22	1,555,033.44

