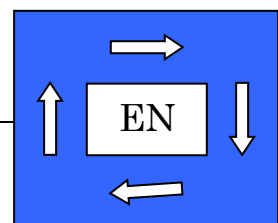


BUSINESS PLAN

For Expansion of Manufacturing,
export of leather shoes Business

OWNER:
NANNAN SHOES INTERNATIONAL COMPANY LIMITED
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1.0 EXECUTIVE SUMMARY

1.1 Business Profile

- 1.1.1 Owner:** NANNAN SHOES INTERNATIONAL COMPANY LIMITED
- 1.1.2 Ownership Type:** PRIVATE COMPANY LIMITED
- 1.1.3 Nature of Business:** MANUFACTURING, IMPORTS AND EXPORTS OF LEATHER SHOES
- 1.1.4 Area of Business:** MKURANGA.
- 1.1.5 Registration:** COI No.129671 and TIN No. 131-595-247

NANNAN SHOES INTERNATIONAL COMPANY LIMITED is private International Company limited by Shares owned by Shareholders FU NANNAN and ZHANG QIANG, this company registered by BUSINESS REGISTRATION AND LICENSING AGENCY (BRELA) dated 16th, September 2016 with certificate of incorporation number 129671.

The Management activities are overseen by the Board of Directors mentioned above, who provide corporate oversight on general management, finance, legal and overall disciplines.

This business plan prepared so as to register the company with Tanzania Investment Center (TIC) so as to be entitled to various investment incentives as stipulated in the Investment Act, 1997.

The Management of the company hopes to benefit from fiscal incentives include import duty and VAT exemption on project capital goods and import duty draw back scheme.

1.5 Director's Statement

The company is here with Financial Forecast of its three years Financial Statements for the ended 31 December 2022, 2023, 2024. The Management Account as at 31st, December 2020 (appended herewith) for the purpose of supporting the application of Project registration with Tanzania Investment Center (TIC)

1.6 The way forward

The prospects of the business continuing growth in sales and profitability are good due to current reputation in the market. Its uniqueness is reflected in the professionalism of the owners and the sales people who are well trusted by the customers by providing them with what they need and satisfying their demand by the goods offered.

The Company have enhanced its reputation to the point where the business is regarded by many retailers and sub wholesalers as the recommended supplier due to its competitive and affordable prices plus the personalized goods and services offered.

1.7 Mission

The mission of company business is provide a wide range of up to date and affordable leather shoes to all customers all over the world.

1.8 Vision.

The vision of Company Directors and Shareholders business is to become the most efficient and convenient Company specializing in manufacturing, imports and exporting leather shoes with strong financial base and reputation among the Manufacturers in Africa and the rest of the world.

2.0 BUSINESS

2.1 Nature of Business.

The company use the name, NANNAN SHOES INTERNATIONAL COMPANY LIMITED for the business that operates as Manufacturer, Imports and Exporters of leather shoes. The company is dealing with the same business mentioned above for almost six years.

The company is registered under BUSINESS REGISTRATION AND LICENSING AGENCY (BRELA) with certificate of incorporation No. 129671 and TIN number 131 595 247. Since establishment, the business revenue has been raising year after year however for the year 2019 and 2020 the figure shows a little stagnant because of COVID 19 which affected businesses all over the world as shown in the table below that shows the summary in the past two years.

DESCRIPTION	NOTES	2020	2019
		TSHS	TSHS
Revenues		11,565,402,847	11,625,154,768
Cost of Sales		10,596,159,876	8,497,792,387
Gross Profit		969,242,971	3,127,362,381
Expenses			
Administration expenses	4	657,486,999	1,257,716,308
Payroll Cost		38,967,380	34,125,853
Travelling Expenses		0	186,583,300
Selling and Distribution exp		725,619,656	1,598,262,316
Profit before tax		(452,831,064)	50,674,605
Tax paid		0	15,202,381
Profit after tax		(452,831,064)	35,472,223

The company's customer's base has been expanding ever to include retailers and sub-wholesalers from all over the world, this plan calls for increasing manufacturing and imports.

In a view of likely costs to accommodate such expansion plan by the owners, this business plan in prepared to register with Tanzania Investment Center so as obtain tax relief on some materials and

importation of some ready-made shoes for the purpose of increasing manufacturing, employment opportunities and various taxes to be paid to the Government.

2.2 Ownership and Management

2.2.1 Profile and Ownership

The business is owned by Mr. FU NANNAN and Mr. ZHANG QIANG. They have been the entrepreneurs for a long period of time back in CHINA and around 6 years in Tanzania until today. To date, owners are very committed to manage and expand their business to prosperity.

2.2.2 Management Structure.

The company management organizes business operations and marketing activities with Foreign and local Expertise in Manufacturing of shoes industry.

Currently, the company employed 190 local employees (Tanzanians, and 10 Foreigners, whilst the Management plans to increase employment to 230 local employed and 15 Foreigners during implementation of this project (2022 to 2024)

2.3 Business Objectives.

The company aimed to grow from medium to a large Manufacturer, Importer and Exporter of leather shoes industry 2022/2024 as follows:

- To promote and develop mutually beneficially relationships with customers and suppliers.
- Become a recognized and the leading Manufacturer, Importer and Exporter of leather shoes in the world.
- Increase the business' market share in the year 2022 to 2024
- Generate sufficient profit to become financially sustainable and be able to grow to another level.

- To win suppliers' discounts by importing material on extra- large quantity paying them promptly.

2.4 Business Strategies

The company Management plans to adopt a managed and incremental growth strategy in maintaining and expanding its manufacturing, imports and exports as set out below:-

- Importation of raw materials from the source countries to reduce middlemen margins
- To increase customer's base all over the world, to start with African countries market and ensure uniqueness of the quality of our products and satisfaction.

3.0 MARKET AND MARKETING ASPECTS:

3.1 Product Description and Demand:

3.1.1 The Products:

The company offers varieties of assortments of quality and leather shoes.

3.1.2: The Demand:

The demand for the business' products keep on growing day after day due to a number of factors which have led the company to see the importance of raising additional funds to be able to attend the fast growing demand. The following factors contribute to the growth of demand for shoes

- **Growth of the Economic Activities in African Market.**

The growth of economic activities has increased the individual's annual income and hence disposable incomes for both employees and self employed.

- **Growth of per capital income.**

The growth of per capital income of residents and non residents due to the growth of different sectors of economy in Africa has increased the individual's annual income and hence purchasing power which enhance an increase of demand.

- **Growth of Population**

With the increase in the population in African countries of specifically give the business an important opportunity of increased number of buyers.

3.2. Marketing Analysis

In recent years, there has been an influx in a number of wholesalers registered for the imported used shoes business in Africa. The Increase in dealers has been in line with an increase in number of customers from the local area and neighboring countries. However, the Challenge that exists is ability to meet orders on time and at right quantity as most of traders have limited capacity. So varieties of bulk stocking and consistency in supplying sub wholesalers will help the company to tape customers who are in demand for bulk supply directly from the Manufacturer.

3.3. Pricing Strategy

The Company's pricing strategy is mainly cost-plus with due care to market forces. Very narrow margins are added to our assortments to remain competitive and attract more customers. This has been our strong marketing tool in business and market growth.

3.4. Competition Analysis

3.4.1 Competition:

The company faces reasonable competition from dealers of different capacities in the area. There are a number of shops dealing with imported used shoes business.

This makes the competition including price based competition inevitable. The company Management does its best practice in determination of selling prices by using experience to maximize profits and at the same time manage demand as well.

The Management is constantly striving to compete and be ahead of competition. A technique in place is to ensure availability of varieties, bulk storage of assortments and one stop center in varieties of shoes.

3.4.2. Competitive Advantage:

- The major competitive advantage thus makes it better and different from its competitors is that the Management engages in fast and high quality goods provision to customers' needs as the competing weapon.
- Also due to long stay in the business, the good word of mouth and the super quality products with appropriate mix offered enables the business to maintain a favorable market share.
- Competitive edge is the positioning strategically with customers. This is by building a business based on long-standing relationships with satisfied customers; simultaneously build defenses against competition. The longer the relationship stands, the more the company helps its customers understand what the business offers them and why they need it.
- In addition the competitive advantage to this business is the attractive location of the business, customer loyalty, competent experienced motivated staff, speed and quality with which the company offers its services.

3.5 Key Success Factors

Our key success factors & positioning strategies are set out below:-

- Favorable trade discounting policy
- Large buffer stocks and reliability in delivery
- Stocking of the High quality shoes
- Presence of varieties ensures our factory to be one-stop center for leather shoes business.
- Good rapport and customer services. E.g. advice to customer on best and fast selling brands ensures good relationship with our customers as well as publicity.

4.0 FINANCIAL PLANS

4.1. Investment Plan

The company plans the import of bulk stock of materials and ready- made shoes to enjoy the economies of bulk purchase and meet the rapid increasing demand and become able to withstand the pressure of market competition and ensure stability in supplies as market expands. According to estimates Four billion five hundred million only) is required for implementing expansion plan during 2022 to 2024. The breakdown of investment costs is in the Table below:-

Table I: Expansion Plan for 2022 to 2024	
	Tanzania shillings
Importation of raw material and cost of sales (2022)	13,600,000,000
Importation of raw material and cost of sales (2023)	15,200,000,000
Importation of raw material and cost of sales (2024)	17,200,000,000

The following is items required for implementation of project expansion

- | | |
|--------------------|----------------------|
| • H STEEL BEAM | 1,500,000,000 |
| • GALVANISED STEEL | 1,000,000,000 |
| • MACHINERIES | 500,000,000 |
| • VARIOUS STOCK | <u>1,500,000,000</u> |
| TOTAL | <u>4,500,000,000</u> |

4.2 FINANCIAL FORECASTS:

4.2.1 PROJECTED INCOME STATEMENT FOR THE YEARS 2022, 2023 AND 2024

The following is the Management's projections of financial performance (income statement) for the year 2022, 2023 and 2024 with the effect of the company expansion. Revenues/Sales are expected to be growing.

DESCRIPTION	2022	2023	2024
	TSH		TSH
Revenues	17,000,000,000	19,000,000,000	21,500,000,000
Cost of Sales	13,600,000,000	15,200,000,000	17,200,000,000
Gross Profit	3,400,000,000	3,800,000,000	4,300,000,000
Expenses			
Administration cost	2,312,000,000	2,584,000,000	2,924,000,000
Payroll cost	136,000,000	152,456,000	172,165,000
Travelling Expenses	204,000,000	227,392,000	257,312,000
Selling and Distribution Expenses	748,000,000	841,750,000	830,250,000
Profit before tax	102,000,000	104,500,000	116,273,000
Income tax	30,600,000	31,350,000	34,881,900
Profit after tax	71,400,000	73,150,000	81,391,100

4.2.2 PROJECTED BALANCE SHEET FOR THE YEAR 2022 to 2024

Most of the balance sheets items will keep on increasing as the business continue to operate on its normal operating cycle.

DESCRIPTION	2022	2023	2024
	TSH		TSH
Property, Plant & Equipment	350,600,750	355,106,755	443,882,440
CURRENT ASSETS			
Stocks	141,210,400	150,388,660	137,605,625
Goods in Transit	756,000,500	635,064,422	746,200,695
Trade receivables/Prepayments	777,095,900	586,770,500	448,555,400
Income tax Recoverable	13,560,000	31,350,000	34,881,900
Cash in hand/bank	24,466,580	30,582,975	54,964,270
Total current asset	1,712,333,300	1,434,156,557	1,422,207,890
TOTAL ASSETS	2,062,934,050	1,789,263,312	1,866,090,330
EQUITY AND LIABILITY			
Share Capital Issued and Paid up	200,000,000	200,000,000	200,000,000
Retained Earnings	(340,960,542)	(267,810,542)	(186,419,442)
Total Equity	(140,960,542)	(67,810,542)	(13,580,558)
CURRENT LIABILITIES			
Accounts Payables & Accruals	2,108,344,272	1,825,723,854	1,844,788,988
Duties and Taxes	30,600,000	31,350,000	34,881,900
Provision on Destructed goods in Production	64,950,400	-	-
TOTAL CURRENT LIABILITIES	2,203,894,672	1,857,073,854	1,879,670,888
TOTAL EQUITY AND LIABILITIES	2,062,934,130	1,789,263,312	1,866,090,330

4.2.3 LIQUIDITY

The projected liquidity position of the business is quite good to the extent of meeting all its financial obligations of operating the business.

4.2.4 PROJECTED CASH FLOWS

Guided by the past the recent performance, the projections for the three years shows positive net cash inflows. This indicates the business will be able to carter for its obligations from its business operations.

Therefore, registration to TANZANIA INVESTMENT CENTER (TIC) is required to expand the business to operate effectively and efficiently.

- **Cash Inflows**

The business cash inflows are mainly from the sales proceeds of the business

- **Cash Outflows**

The main tunnel for cash outflows results form normal operating expenses as well as purchase of raw materials and ready- made shoes.

Other outflows constitute the daily and monthly cash disbursements for the basic operating expenses including taxes and other utilities.

5.0 FORESEEN RISKS:

Due to the reality that, the business operates in the fragile economy of the world which is still facing COVID 19 PENDIMI, thus the business is unavoidably subject to different financial and operational risks some of which are analyzed as follows:

1. **Competition**

There is competition from other business dealing in the same business. Due to growing economy, new entrants are a constant threat and also competition from existing expanding competitors.

Remedies;

The company is prepared to face the competition by offering the best services and products in order to build a good customer loyalty, which will also make sure that the supplies goods that are modern and up to date in order to win customer interests and satisfaction.

2. Price Fluctuations.

This has currently marked a big problem; prices keep on rising and affect the business performance.

Remedies;

Company strategy to overcome this risk will be to do business diversification from the three coming accounting period.

3. Changes in Fashions and seasonal shoes

There is rapid changes in fashions and most of imported used shoes have seasonal demands.

Remedies;

The company will be up to date on the issue of modern shoes and shall respond to changes in demand promptly.

4. Loss of Key Staff:

The proprietor has a policy of improving its staff welfare that has helped to retain them.

5. Capacity of the Project

The company is producing almost 1,000,000 pair of shoes per month and expected to increase by 10 to 20 percent during implementation of this project

6.0. CONCLUSION.

- Technical analysis of this business shows that it is financially viable and justifiable economically.
- Managerial analysis also shows Owners is well experienced in shoes manufacturing industry with sound character, unquestionable credibility and good will.
- It is, therefore, commendable expansion through TIC registration and deserves favorable tax relief on some raw materials and capital goods.