

BUSINESS PLAN
OF
SLIPONS TANZANIA PRIVATE LIMITED

Regd. Office : Plot No. 398/63 & 41/63

Zanaki Street, Post Box No. 4

Dar Es Salaam

FOR

MANUFACTURE OF FOOTWEAR

Project at a Glance

A visionary entrepreneur, Shri VKC Mammed Koya, founded the VKC group in 1984. He started a Hawai Chappal unit with 20 employees and a product portfolio of one item. Today VKC group with its daily production of around 2 lakh pairs of footwear with more than 1000 SKU, is one among the largest PU footwear manufacturers India. VKC products reach its end customers pan-India through a well-established network comprising about 700 dealers and over one and a half lakh of retailers, majority of whom are long time partners. VKC also exports its products to GCC countries, Singapore, Europe and Malaysia. Current brand portfolio promoted by the Group is led by VKC Pride followed by VKC Lite, VKC Debon, Debongo , Vestire , Smartak, Slipons and Skalino. The group has more than 500 designs for Gents, Ladies and Kids across Sandals, Floaters, Shoes, Flip-flops and slippers.

VKC Group has 13 manufacturing units spread across India. It currently provides direct employment to around 3500 and another 4000 are employed with vendors. VKC manages its extensive supply chain through a combination of units and depots spread across 21 states in India. The group has also established 2 units outside India. One is in Srianka and one in Sudan which recently has closed due to the political and economic instability in the country.

In adopting cutting-edge technologies in footwear sector the group has been in the fore front. This helped the company to bring out quality products at most competitive prices. Contemporary designs and ready availability across markets helped VKC to scale new heights in building volume. SAP enabled business processes; design studios equipped with latest software are some of the early technological adoptions at VKC.

The management of VKC has always believed in the concept of inclusive growth and has never spared any effort towards contributing to the society. The various CSR initiatives undertaken by VKC Charitable Foundation since 1995 stand testimony to this. The Group is well known for empowering its workforce by offering them entrepreneurial opportunities. Considering the product requirement in Africa the Group has now decided to set up its own unit at Dar E Salam, Tanzania. The group propose to transfer all the assets including, Plant and Machinery , Moulds, all raw materials from its Sudan Plant to the new location. All licenses and papers related to project are under process and the company expected to get it shortly.

VKC products are well accepted in the African market due to its quality and its economic pricing. Hence we are setting up the new venture in Dar E Salam. **Footwear** have gained a competitive advantage worldwide through product reliability, quality sustainability, competitively priced products. Skillful workmanship and a highly trainable workforce enhance the industry's growth prospects. Since the industry require a good labor force we are planning to train the workforce in Tanzania by the help of experts from India.

1. Promoters and Management.

Slipons Tanzania Private Ltd., is a company registered at Dar E Salam, Tanzania with the main object of manufacture of Footwear. The details of the first Directors of the company are given below.

- i. ABDUL RAZAK VELUTHEDATH aged 53 son of Veluthedath Sri. Mammed Koya residing at, PRABHA, KODINATTUMUKKU, POST OLAVANNA, KOZHICODE, 673025, KERALA, INDIA. The Chairman Cum Managing Director of the company, Mr.V.Abdul Razak, he is a MBA Graduate. He is an eminent industrialist and having more than 30 years of experience in footwear manufacturing industry. He has been maintaining close relation with Footwear industry. His rich experience is an added advantage to the project
- ii. MUHAMMED MUHLIS, aged 27 son of Ummer Farook, residing at Kaniyatt, Kakkodi, PO, Morikkara, Calicut, Kerala, India, PIN – 673611 is another Director. Muhammed Muhlis is a MBA graduate and have experience in Marketing of Footwear in Middle East Countries.

- | | |
|--|---|
| 2. Proposed factory address | : Plot 1900, Block Y, Mbagala
Tanzania, Dar Es Salaam. |
| 3. Name of Product | : Footwear |
| 4. Working capacity | : 2.4. Million Pairs of foot wear |
| 5. Main Raw materials
Leather, Leather | : PU components, Synthetic |
| 6. Cost of the project | : \$ 5.00 lakh |
| 7. Promoters Contribution | : \$ 5.00 lakh |
| 8. Sales at 100% capacity | :\$ 6.2 Million / Year |
| 9. Employment Generated | : 264 numbers |

10. Market Potential

During the previous century, the global footwear market had remained dominated by European and American footwear designers and brands. However, starting with this century, with the emergence of the Asian markets, the African footwear industry too has picked up the pace. Rich with raw materials required for making that perfect shoe, Africa today counts on its talented labour resources, including its local stock of internationally acclaimed designers, and a massive local demand, that make the industry highly lucrative. South Africa, Ethiopia, Ghana, Kenya and Nigeria being the countries churning out great footwear designs and leading the competition in the continent.

Two countries that particularly stand out are South Africa, which has established a flourishing \$0.37 billion (value produced) footwear industry, and Ethiopia, which is exporting more than \$30 million worth of shoes annually. By 2023, it is expected that the combined African footwear industry will cross the \$1 billion mark making it the largest industrial sector in the world. PU & PVC footwear is a consumer product. Usage of footwear among all groups of people is becoming more common. The PU footwear with high quality and better look and economical price is the choice of Upper middle, middle and lower middle class peoples. It provides longer life, low cost, good appearance, wearing comfort, and durability and can be used in all climatic conditions.

Majority of the requirement for Tanzania is met from imported goods mainly from China, Thailand, UAE and India. There are only a handful of manufacturers in Tanzania and the Scale is not so high. By considering a per capita consumption of 2 pairs Tanzania requirement of footwear is 126 million Pairs. This projects envisages a replacement of the import with domestic production. The Projected annual production is coming less than 2% of the total requirement.

11. Process of PU Footwear manufacture

Two PU raw materials are mixed in an accurate mixing head and poured to the mould fitted on a Rotary table/conveyor. These uppers are to be fitted on to the footwear mould placed in the conveyor and cured during the travel through a heated chamber at about 80 degree centigrade. Once the conveyor travels out of the heating chamber the footwear are de-moulded and send for finishing. The side flashes and insole sides are trimmed by using a side trimming machine. The important parameters in the production are good machine, proper ratio of PU components and the workmanship.

12. Technical Know-how :-

The promoters has been running units with similar technology successfully for last several years and are well experienced. Promoters and technical persons attributes the quality of products. Further machinery suppliers are giving full technical support for setting of the unit. The promoters have a vast firsthand experience in setting up and production process of similar units.

13.Factory & Office Rentals

We have assumed 1000 sq mtr building for factory and office purpose costing a monthly rental of USD 3,500 (USD 3.5/Sq Mtr). Annual cost escalation considered at 5%.

14.Plant and Machinery.

The details of plant and machinery required for the smooth functioning of the project
Is given below:-

Machinery List				
Item name	Quantity	UOM	Unit rate in USD	Total rate in USD
Rotary Polyurathene Machine with Parts and Accessories	1	set	41000	41000
Polyurathene Banana Machine with Parts and Accessories	1	Set	16667	16667
PU Rotary Machine head additional	1	set	5300	5300
Strap/Belt /Tape Cutting Machine	1	Nos	2000	2000
Clicking Machine	2	Nos	14200	28400
Travelling head Clicker Machine	1	Nos	4424	4424
Packing conveyor 10 meter	1	nos	3500	3500
Packing conveyor 10 meter	1	nos	2000	2000
Display Rack for footwear	3	Nos	83	249
Air Compressor with tank for PU machine	1	Nos	1650	1650
Compressor machine for Accessories	1	Nos	1064	1064

High frequency plastic welding machine	1	Nos	5300	5300
Embossing machine	1	Nos	6800	6800
Sole trimming machine	5	Nos	450	2250
Single needle Upper Stitching machines	31	Nos	289	8959
Double needle Upper Stitching machines	2	Nos	320	640
Sole stitching machines	1	Nos	3200	3200
Binding Machines	3	Nos	366	1098
Strobbiling machines	1	Nos	475	475
Zigzag Stitching machine	1	Nos	400	400
Heating oven for PU	1	Nos	1727	1727
Swing arm cutting machine with drive	1	Nos	2900	2900
Box Strapping Machine	1	Nos	950	950
Chiller machine	1	Nos	1700	1700
Pallet truck	2	Nos	200	400
Drum handling	2	Nos	250	500
Footwear upper storage metal rack	1	set	3500	3500
Generator 125 KVA	1	Nos	13250	13250
Barcode Printer	1	Nos	205	205
Barcode scanner	1	Nos	180	180
Footwear weighing machine 300kg	1	Nos	270	270
				160958

Moulds & Dies	Moulds for footwear	800.000	150	120000.000	pairs
	Clicking dies set for footwear	75.000	50	3750.000	Nos

The Group has four decades experience in successful installation and operations of the Machinery and equipment's and hence is confident regarding the optimum utilization of the same.

15. Power and Fuel

As the unit is to be located in an approved industrial place the availability of the power will not be a major concern. We propose to acquire one Diesel Generator set for meeting the standby requirement. The connected load required for running the unit is 25000 KWH for a year. The expected monthly expense for the power is listed below.

POWER & FUEL			
Description	\$Cost/ Day	Da ys	Total(In Dollar)
Electricity (50KW/Hr*24Hrs*USD 0.17/Unit)	204	25	5100.00
Grand Total per Month			5100.00

16. Raw materials

The main raw materials required are Leather, Synthetic Leather, Footwear components, PVC & TPR compound and Poly Urethane Components, and Threads. All these materials are now available can be imported freely to the country. The details of raw materials required are given below.

SLIPONS TANZANIA PVT LTD					
ITEM	PARTICULARS	Unit rate in USD	Quantity	Total USD/ Year	UOM
Materials	Synthetic Material -1.45 MM For footwear Insole	3.333	142200	473952.600	Meter
	Synthetic Material -2.2 MM For footwear Upper	6.296	28200	177547.200	Meter
	Synthetic material-1 mm for footwear lining	2.037	48000	97776.000	Meter
	Synthetic material-1.5mm for footwear upper	4.321	73800	318889.800	Meter
	Footwear labels for upper	0.019	25000	475.000	Nos
	Footwear strap for Ladies	0.148	600000	88800.000	pairs

Footwear strap for Ladies	0.086	50000	4300.000	Meter
Footwear strap for Gents	0.222	100000	22200.000	Meter
Threads - footwear components	1.049	25000	26225.000	Nos
Printing Ink and other printing accessory Materials	2.840	10000	28400.000	Liter
Printing Ink and other printing accessory Materials	6.173	10000	61730.000	Kg
Printing Ink and other printing accessory Materials	3.086	25000	77150.000	Nos
Cyano Acrilate Adhesive	0.556	30000	16680.000	Nos
Polyol - Raw material for footwear	3.210	282000	905220.000	Kg
Isocyanate - Raw material for footwear	3.210	282000	905220.000	Kg
PU - Additive & Catalist - Raw material for footwear	3.210	10000	32100.000	Kg
PU - Release Agent	3.642	5000	18210.000	kg
PU Pigment - Black	3.210	20000	64200.000	Kg
PU Pigment - Biege	3.704	500	1852.000	Kg
PU Pigment - Pumkin	3.704	500	1852.000	Kg
PU Mould cleaner	3.457	200	691.400	Kg
PU Mould cleaning Agent - DMF	2.099	300	629.700	Kg
PU Machine Head Cleaner - MCL	1.358	6000	8148.000	kg
Plastic Crates/Boxes	7.800	1000	7800.000	Nos
Footwear buckles - Metal	0.037	1000000	37000.000	Nos
Fabric tape or Nylone tapes	0.123	500000	61500.000	Meter
PVC tube for footwear Upper	2.000	3200	6400.000	kg
Inner Packing Carton & other packing materials	0.123	2400000	295200.000	Nos
Outer packing carton	0.988	90000	88920.000	Nos
Packing materials - Box strap	0.035	317880	11125.800	Meter
Packing materials - Bopp tape	0.035	178800	6258.000	Meter
Packing materials - box Sticker	0.019	2500000	47500.000	Nos
Readymade Upper for Gents	1.200	64612	77534.400	pairs

	Readymade Upper for ladies	0.420	92914	39023.880	pairs
	Cut components for upper	0.320	15767	5045.440	pairs
	Finished printed insole	0.220	26100	5742.000	pairs
	Footwear components - Hook & Loop	0.050	38200	1910.000	Meter
	Total			4023208.220	

17.Manpower requirement

Supervisory & Office	Salary in USD	Head Count	Monthly USD
Manger	1500	1	1500
Asst Manager	1250	2	2500
Technical Assistant	1000	2	2000
Machine Operator	1000	2	2000
Quality Inspectors	900	2	1800
Designer	1000	1	1000
Supervisor	900	2	1800
Trainers	900	2	1800
Total		14	14400
Admin Manager	400	1	400
Accounts Officer	350	1	350
Office Assistants	250	4	1000
Office Assistants	200	4	800
		10	2550
Workers	120	50	6000
Semi-Skilled	90	25	2250
Unskilled	65	45	2925
		120	11175
Stitching Workers	120	30	3600
Semi-Skilled	90	20	1800
Unskilled	65	70	4550
		120	9950
		250	23675
Grand Total Per Month for all employees		264	38075

18. Utility Services.

- Road.** As the unit is to be located in the approved industrial place, the road facilities are available and will not be a major concern.
- Water:** As the unit is to be located at in approved industrial place, water & board water supply is available.
- Effluents:** No harmful effluents are generated from the process

19. COST OF PROJECT (In Dollar)				
	details	Total	Total	%
→	Plant & machinery	\$1,60,958.00		
→	Mould and Dies	\$1,23,750.00		
→	furniture& fittings	\$ 10,292.00		100%
→	Pre operative expenses	\$ 5,000.00		
→	Working Capital	\$2,00,000.00	\$ 5,00,000.00	
TOTAL			\$ 5,00,000.00	100%

20. Means of Finance

Means of Finance	Amount (In Dollar)
Promoters and Shareholders -	
Equity Share Capital	\$ 5,00,000.00
Unsecured Loan -	
Loan from Shareholders	\$ -
Working Capital loan***	\$ -
Total Cost of the Project	\$ 5,00,000.00

***Working Capital required for the first year of project is met from the cash brought in by the shareholders.

21. Implementation Schedule

The above project is submitted for early clearance for speedy implementation. Certain milestone has already been completed and the target is as given below;

SI No	Activity	Start Date	End Date
1	Incorporation of Company	Completed	
2	Factory Premises		
3	TIN Number		
4	Industrial License (Temporary)		
5	Business License		
6	Investment mobilisation	01.12.2022	31.12.2024
7	VAT Registration	19.12.2022	31.12.2022
8	Machinery Procurement.	01.12.2022	31.03.2025
9	Raw Material Procurement	01.12.2022	31.03.2025
10	Expatriate Manpower Recruitment	01.01.2023	31.12.2024
11	Manpower Recruitment	01.01.2023	31.03.2025
12	First phase Machinery Installation	01.03.2023	31.03.2025
13	Trail Run	15.03.2023	25.03.2023
14	Initial Commercial Production	01.04.2023	

ASSUMPTIONS & KEY FINANCIALS

The cost of production and financial viability of the project is given as annexure. It has been calculated on the following assumptions.

- ❖ The unit will work 300 days on a single shift basis
- ❖ Installed capacity of the unit is 24,00,000 PAIRS
- ❖ Exchange rate is considered as 2350 TSH/USD
- ❖ Capacity utilization is

1 st year	2 nd year	3 rd year	4 th year	5 th year
60%	70%	75%	80%	90%

- ❖ Unsecured Loan (Opening BS)

1 st year	2 nd year	3 rd year	4 th year	5 th year
-	-	-	-	-

- ❖ Working Capital Requirement - USD (Based on operational level)

1 st year	2 nd year	3 rd year	4 th year	5 th year
-	-	-	-	-

- ❖ Depreciation - Plant & Machinery-20% and Furniture & Fixtures -15%. Corporate

Tax-30%

- ❖ Breakeven point (BEP)

1st year	2nd year	3rd year	4th year	5th year
74%	61%	58%	56%	50%

- ❖ DSCR

1st year	2nd year	3rd year	4th year	5th year
-	-	-	-	-

- ❖ Raw Material Cost as % of Sales

1st year	2nd year	3rd year	4th year	5th year
65%	65%	65%	65%	65%

- ❖ Gross Profit as % of Sales

1st year	2nd year	3rd year	4th year	5th year
15%	18%	18%	19%	20%

- ❖ Net Profit as % of Sales

1st year	2nd year	3rd year	4th year	5th year
4%	5%	5%	5%	6%

ANNEXURE I

PROJECTIONS OF PERFORMANCE, PROFITABILITY (In dollar)

		1st year	2nd year	3rd year	4th year	5th year
A	Production during the year (Qty)	14,40,000.00	16,80,000.00	18,00,000.00	19,20,000.00	21,60,000.00
	% Utilisation of Installed capacity	60%	70%	75%	80%	90%
B	Sales	37,13,730.66	43,32,685.78	46,42,163.33	49,51,640.89	55,70,596.00
C	Cost of Production					
	1. Raw Material consumed	24,13,924.93	28,16,245.75	30,17,406.17	32,18,566.58	36,20,887.40
	1. RM Purchased	24,13,924.93	28,16,245.75	30,17,406.17	32,18,566.58	36,20,887.40
	2. Power & Fuel	39,120.00	45,240.00	48,300.00	51,360.00	57,480.00
	3. Direct labour and Wages	4,56,900.00	4,56,900.00	4,79,745.00	5,03,732.25	5,28,918.86
	4. Consumable stores	57,208.48	88,990.96	95,347.46	1,00,114.83	1,05,120.57
	5. Repair and Maintanance	19,733.21	15,278.21	12,113.21	9,783.21	8,008.21
	6. Other manufacturing Expenses	35,485.14	39,033.65	40,985.34	43,034.60	47,338.06
	7. Transportation	57,208.48	55,619.35	59,592.16	62,571.77	65,700.36
	7. Depreciation	58,485.40	46,865.51	37,558.02	30,102.19	24,129.15

	Total Cost of Production	31,38,065.64	35,64,173.43	37,91,047.35	40,19,265.42	44,57,582.61
	8. Add Opening SIP and FG					
	9. Deduct closing SIP and FG					
D	Cost of Sales	31,38,065.64	35,64,173.43	37,91,047.35	40,19,265.42	44,57,582.61
E	Gross Profit	5,75,665.02	7,68,512.34	8,51,115.98	9,32,375.46	11,13,013.38
	Gross Profit %	16%	18%	18%	19%	20%
F	Interest on					
	1. Secured Loan	0.00	0.00	0.00	0.00	0.00
	2. Working Capital	0.00	0.00	0.00	0.00	0.00
	Rent	42,000.00	44,100.00	46,305.00	48,620.25	51,051.26
	Preoperative Expense	5,000.00				
G	Selling, General Admn Expenses	3,41,631.05	3,95,664.31	4,27,968.86	4,54,070.68	4,99,590.52
H	Profit Before Taxation	1,87,033.97	3,28,748.03	3,76,842.12	4,29,684.53	5,62,371.60
I	Provision for Taxes	56,110.19	98,624.41	1,13,052.63	1,28,905.36	1,68,711.48
	Provision for Divident		22,128.38	24,760.20	32,270.82	35,157.68
J	Net Profit (H - I)	1,30,923.78	2,07,995.24	2,39,029.28	2,68,508.35	3,58,502.44
	Net Profit %	4%	5%	5%	5%	6%
K	Depreciation added back	58,485.40	46,865.51	37,558.02	30,102.19	24,129.15
L	Net Cash Accrual	1,89,409.18	2,54,860.75	2,76,587.30	2,98,610.54	3,82,631.60
M	Operating Profit	1,89,409.18	2,54,860.75	2,76,587.30	2,98,610.54	3,82,631.60
N	DSCR	-	-	-	-	-

ANNEXURE II

PROJECTED BALANCE SHEET (In dollar)

A	LIABILITIES	1st year	2nd year	3rd year	4th year	5th year
	1. Equity Share Capital	5,00,000.00	5,00,000.00	5,00,000.00	5,00,000.00	5,00,000.00
	2. Reserves & Surplus	1,30,923.78	3,38,919.02	5,77,948.30	8,46,456.66	12,04,959.10
	3. Provisions	0.00	22,128.38	46,888.58	79,159.40	1,14,317.08
	4. Secured Loan	0.00	0.00	0.00	0.00	0.00
	5. Working Capital Loan	0.00	0.00	0.00	0.00	0.00
	6. Sundry Creditors	2,97,607.18	3,83,899.68	4,19,339.08	4,48,508.92	5,01,706.39
	TOTAL LIABILITIES	9,28,530.96	12,44,947.08	15,44,175.96	18,74,124.97	23,20,982.58
B	ASSETS					
	1. Gross Block (P&M)	2,95,000.00	2,95,000.00	2,95,000.00	2,95,000.00	2,95,000.00
	2.. Depreciation	58,485.40	1,05,350.91	1,42,908.93	1,73,011.11	1,97,140.27
	3. Net Block	2,36,514.60	1,89,649.09	1,52,091.07	1,21,988.89	97,859.73
	4.Longterm - Investments	0.00	0.00	0.00	0.00	0.00
	5. Security Deposit	6,730.38	6,730.38	6,730.38	6,730.38	6,730.38
	5. Current Assets	4,57,857.21	5,90,614.89	6,45,137.04	6,90,013.72	7,71,855.99
	6. Cash & Bank Balance	2,27,428.78	4,57,952.72	7,40,217.47	10,55,391.99	14,44,536.47
	TOTAL ASSETS	9,28,530.96	12,44,947.08	15,44,175.96	18,74,124.97	23,20,982.58

ANNEXURE III

CASH FLOW STATEMENT (In dollar)

	Particulars	1st year	2nd year	3rd year	4th year	5th year
	Opening Cash	2,05,000.00	2,27,428.78	4,57,952.72	7,40,217.47	10,55,391.99
A	SOURCE OF FUNDS					
1	Capital	0.00	0.00	0.00	0.00	0.00
2	Secured Loan	0.00	0.00	0.00	0.00	0.00
3	W.C Loan	0.00	0.00	0.00	0.00	0.00
4	Coll from Debtors	32,55,873.46	41,99,928.09	45,87,641.18	49,06,764.21	54,88,753.72
	TOTAL	34,60,873.46	44,27,356.87	50,45,593.90	56,46,981.68	65,44,145.71
B	APPLICATION OF FUNDS					
1	Security Deposit	6,730.38	0.00	0.00	0.00	0.00
2	Expense paid	11,10,396.55	12,39,450.89	13,23,409.66	14,02,192.95	15,31,919.32
3	Finance cost	0.00	0.00	0.00	0.00	0.00
4	Loan principle repayment	0.00	0.00	0.00	0.00	0.00
5	Payment to Creditor	21,16,317.75	27,29,953.26	29,81,966.77	31,89,396.74	35,67,689.92
	TOTAL	32,33,444.68	39,69,404.15	43,05,376.43	45,91,589.69	50,99,609.24
	Closing cash/ Bank	2,27,428.78	4,57,952.72	7,40,217.47	10,55,391.99	14,44,536.47