



TANZANIA INVESTMENT CENTRE

PROJECT VERIFICATION VISIT REPORT

ON

**APPLICATION FOR EXTENSION OF IMPLEMENTATION
PERIOD**

BY

**M/S KILIMANJARO INTERNATIONAL LEATHER
INDUSTRIES COMPANY LIMITED**

14TH FEBRUARY, 2022

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1.0 INTRODUCTION

M/S Karanga Leather Industries Company Limited is a TIC registered project in manufacturing sector holding TIC Certificate of Incentives No. 017114 dated 06th May, 2018 granted for purposes of establishing and operating a tannery, shoes, shoe- soles and related leather goods processing project at Plot No. 581, Karanga- Moshi Municipal, Kilimanjaro region. The company has changed its name since 30th June, 2020 and currently it is known as M/s Kilimanjaro International Leather Industries Company Limited

To date, the company has already constructed, installed and operating the project in the first phase which has been branded as Lot 1 whereby the company has already constructed and installed the cutting and stitching factory, lasting factory, production of shoe- soles factory and production of leather articles factory such as belts and hand bags. However the company is yet to implement second big project which has been branded as Lot 2 which involves the establishment of tannery factory.

The company has failed to fully implement the Lot 2 of the project which involves the construction of the building, positioning of the machines, installation of machines, testing and commissioning of the project. It has managed only to construct the tannery factory building and positioning of machines, the remaining parts are; installation of machines, testing and commissioning of machines, the delays has been caused by the following reason:-

- i. The need to construct Effluent Treatment Plant (ETP) which has been designed for treating industrial waste water for its re- use or safe disposal to the environment as per environmental regulations which at the begging of the project design and planning, it was not planned, subsequently, due to environmental regulations, the tannery factory cannot undergo testing or commencing the operations until the ETP is ready and functioning.

Due to the above reason, on 3rd February, 2022 M/s Kilimanjaro International Leather Industries Company Limited submitted to TIC an application for extension of project

implementation period for another 24 months (2 years) through the letter with reference No. **KLICL/ADM/COMP/VOL.II/30/46** having the following reasons:-

- (i) The company signed contract No. PA.158/2019/2020/HQ/W/01-LOT2 for establishment of Tannery factory on 16th April 2020. The contract period was to run for eight months. However, the intended completion date has expired and the project is not yet to be completed. The revised intended completion date is now 22nd May, 2022.
- (ii) Though, the Tannery factory is expected to be completed on 22nd May, 2022, the operations of Tannery cannot commence until Effluent Treatment Plant (ETP) has been established. The construction of ETP was planned to commence on 28th January 2022 and is expected to be completed in September 2022.
- (iii) The suppliers of Machines, Italprogetti from Italy cannot commence, installation, testing and commissioning of machines of the Tannery factory until the ETP is established.
- (iv) The company shall also need to procure additional machines, spare parts, accessories and chemicals from suppliers to facilitate installations, testing and commissioning of the machines of Tannery factory

Based on the above background, on 09th February, 2022, Northern Zone Officer (Mr. Gasper Tembo) was assigned to conduct a project Physical Verification Visit (PVV) for the purpose of establishing the facts as presented by an investor regarding the application of extension of project implementation period, on 10th February, 2022 PVV was conducted by Zonal Office to serve the same purposes.

2.0 PROJECT VISIT FOR VERIFICATION (PVV)

2.1 Findings

During the visit, our officer observed the following information at the site regarding the project:

a. **Company's General Information obtained at the site**

Table 1- Company information

S/No.	Information	Description	Current Project Status		
			Name	Nationality	Percentage
1.	Shareholder's Information	Current Shareholders names, nationality and percentage of ownership	<i>Public Service Social Security Fund- PSSSF</i>	<i>Tanzanian</i>	<i>86%</i>
			<i>Prisons Corporation Sole</i>	<i>Tanzanian</i>	<i>14%</i>
			Total		100%
2.	Company Communication Information	Email address	<i>info@klicl.co.tz</i>		
		Mobile Number	<i>0737169295</i>		
		Land Line Telephone Number	<i>N/A</i>		
		Physical Address (Plot No., Block No, Street, District and Region)	<i>P.O Box 74, Plot 581. Block LLL Kilimanjaro Region, Karanga, Magereza Area</i>		
3.	Contact Person	Name	<i>Eng. Masud M Omari</i>		
		Position	<i>Managing Director</i>		
		Communication Details (Email, Mobile and telephone)	<i>Masud.omari@klicl.co.tz</i> <i>0737169295</i>		
4.	Incorporation	Certificate of Incorporation No.	<i>135503</i>		
5.	TIN information	TIN Certificate No.	<i>135-614-629</i>		

6.	Project Objective	Project Core Activity	To establish and operate a tannery, shoes, shoe- soles and related leather goods processing project
7.	Project Capacity	Project Capacity per Year	The Project Capacity is 540,011 pairs for shoe factory, 30,000 units for leather articles, soles 945,000 units and 5,850,000 Sqft of finished leather
8.	Direct Employment	Foreign-Men	N/A
		Foreign-Women	N/A
		Local-Men	165
		Local-Women	108
9.	Indirect employment	Estimated Total No.	273
		Type/areas of Indirect Employment	Livestock keepers who selling leather, security companies, loading & off loading

b. **Project Financial Expenditure to date (USD):**

Table 2- Investment Financing

	Amount (USD)	Percentage	Source Country
Local Equity	30.4	62.04%	Tanzania
Local Loans	18.6	37.96%	Tanzania
Foreign Equity	-	-	N/A
Foreign Loans	-	-	N/A
Total Investment	49	100	

It was further observed:

- i. Four units/ factories of production under Lot 1 which are; cutting and stitching factory, lasting factory, soles production factory and leather articles production factory have already started operations and are producing. (See Annex i)
- ii. Building for Tannery factory has already been constructed and the tannery machines have already positioned but not fully installed. (See Annex ii)
- iii. The construction of Effluent Treatment Plant has not started; rather, the area planned for construction has already been allocated and cleaned ready to commence construction. (See Annex iii)

- iv. The company has changed its name from M/s Karanga Leather Industries Company Limited to M/s Kilimanjaro International Leather Industries Company Limited since 30th June, 2022. *Please see the copy of Certificate of Change of Name presented as Annex iv.* However, despite of that change of name, a company has not amended the Certificate of Incentives which is contrary to condition no. 14 of Certificate of Incentives. **(see the attached copy of Certificate of change of name in Annex iv)**

2.2 Remaining Activities

From what was observed from the site and investor's explanation at the site, there are mainly two pending activities for the project to be completed as per company's plan as follows:-

- i. Construction of the Effluent Treatment Plant (ETP) which is the system designed for treating the industrial waste water for its re- use or safe disposal to the environment, this system was not planned during the designing of the factory, but the environmental regulations has forced the company to construct this system which has affected directly the operation of Tannery factory because the Tannery factory cannot operate before this system is ready and functioning. **(See attached drawing for ETP as annex v)**
- ii. Installation of machines, testing and commissioning of Tannery factory's machines. Currently the construction of the building has already finished, the machines have already positioned but not installed as the suppliers from Italy cannot commence installation which will also include testing and finally commissioning of the machines which will need the company to procure additional machines, spare parts, accessories and chemicals until the ETP system is ready.

In this context, importation of additional machines, spare parts, accessories and chemical; and installation of the Tannery's Factory along with the construction of ETP system which is said to be of high technology and environmental friendly is absolutely

necessary. It is expected the remaining activities will take between 12 to 14 months until the fully commissioning of the Tannery project which is also caused by COVID- 19 procedures in importation of machines from Italy.

2.3 Challenges

During the conversation with the management, the company is experiencing few challenges as follows;

- a. Delays in completion of installation of Tannery Factory which has been caused by not planning for system of managing the industrial waste water at the beginning stages which automatically has forced the company to start construction of ETP mean while the machines have already been positioned. This has also caused the contract with suppliers to be lengthened until September, 2022 for the purpose of completing the project as per plan.
- b. Low quality of leather from suppliers which is caused by poor technology to process them from livestock keepers, the tannery factory will solve this challenge due to its high level of technology imported from Italy.

3.0 CONCLUSION

In view of findings above, the following are our conclusions regarding the objective of the PVV:

- 3.1** The investors appear to be serious with the project. The reasons provided for the need of extension of implementation period seem to be genuine;
- 3.2** The implementation of the company's proposed activities is as per TIC Certificate of Incentives No. 017114 as attached in the application. I confirm that the pictures attached to this report are genuine and they reflect a true picture of the current affairs of the project at the site;

- 3.3 The reasons for the applying for extension of project implementation period by project promoters are sound;
- 3.4 The company's changing of its name has been already been done as per legal documents attached to this report;
- 3.5 From economic point of view, grant of the requested extension of the project's implementation period for this company will generate the substantial benefits to the nation at large.

4.0 RECOMMENDATIONS

From the above findings and conclusions, I wish to recommend the following:-

- 4.1 That, the company's efforts in investment and challenges reported above justify the approval of the additional extension of the implementation period. This will assist investors to complete the construction of Effluent Treatment Plant, importation of additional machines, spare parts, accessories & chemicals, fully installation of machines, testing and commissioning of the Tannery Factory's machines and finally commencing fully operation of the project.
- 4.2 That, based on the fact that the implementation period of the current TIC Certificate of Incentives ended almost a year ago (11 months until the date of the application for extension's letter), and due to the fact that the revised intended completion date as per current contract between an investor and the supplier from Italy is 22nd May, 2022, furthermore, due to the fact that the supplier cannot complete the installation, testing and commissioning of the Tannery factory until the ETP is ready which according to contract its construction is expected to be completed in September 2022, also according to the experience for importation of materials during this COVID – 19 protocol, it has been expected that the company will finalize its processes and commence full operations of tannery factory within 12 to 14 months from the date of this report, consequently I am of opinion that TIC

approves an extension of implementation period for two (2) years further from the date of ending of current Certificate of Incentives (06th March, 2021) which is almost one year (11 months) from the date of submission of their application for extension of project implementation period.

4.3 That, since the company has changed its name, I am of opinion that, upon the approval of this application for extension of project implementation period, TIC to include amendment of Certificate of Incentives on the project name based on the documents submitted as reference.

I humbly submit


Gasper T. Tembo
IPFO- N

14th February, 2022

ANNEXES

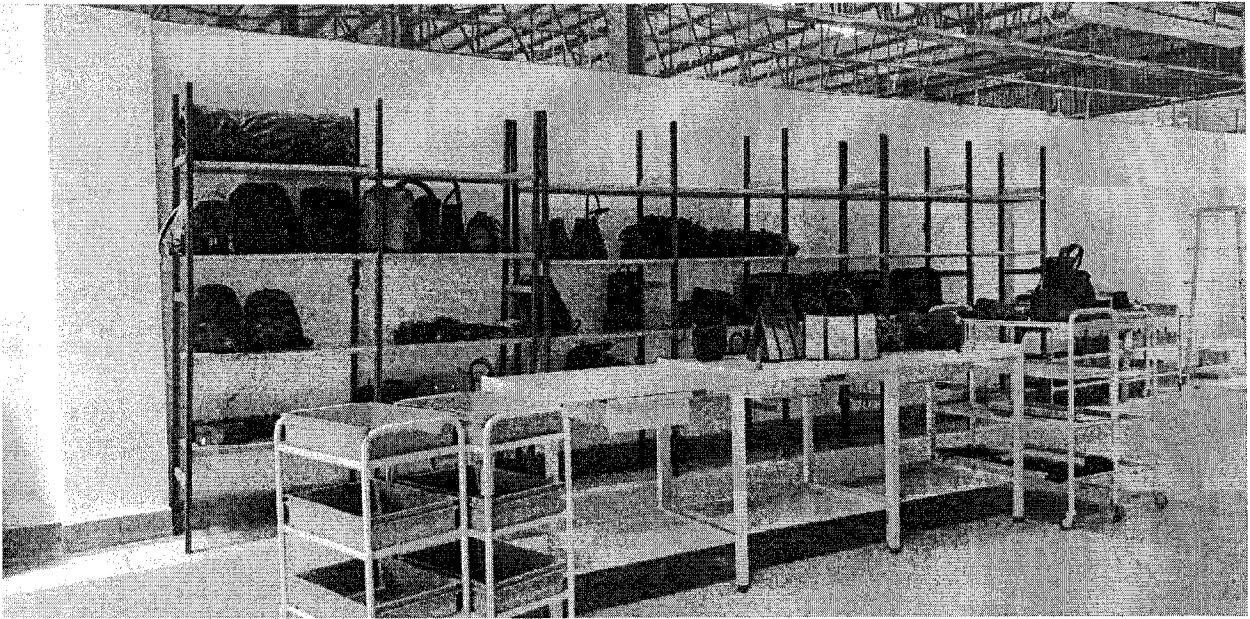
ANNEX I: FOUR FACTORIES THAT ARE OPERATING



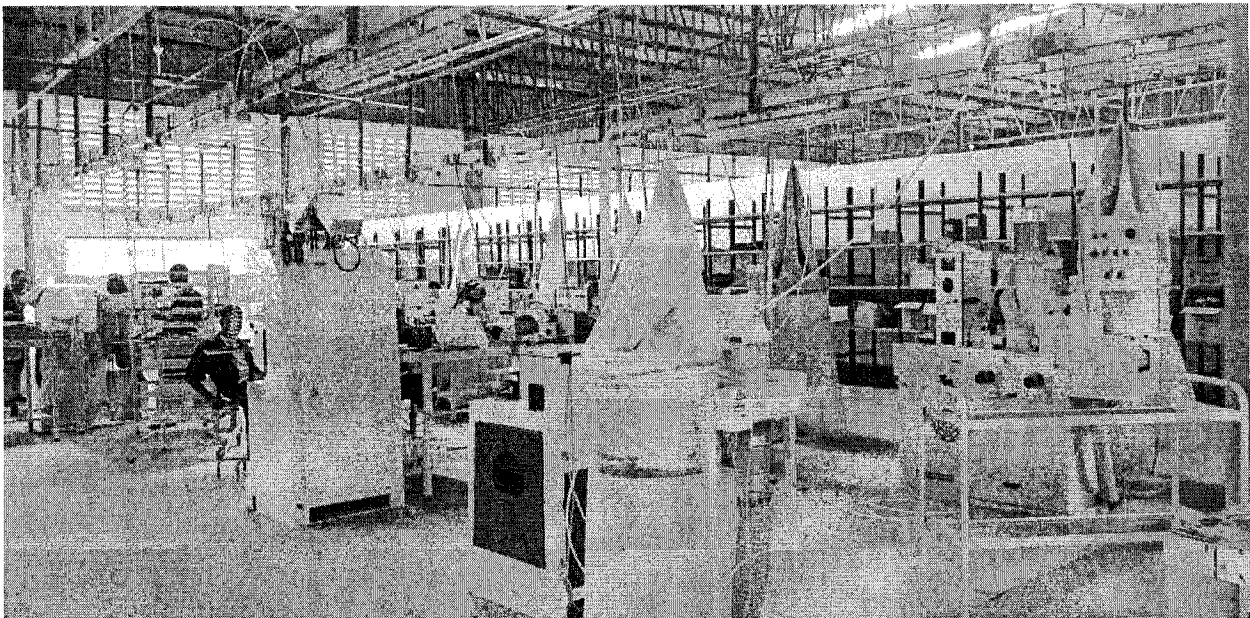
Cutting and Stitching Factory



Lasting Factory

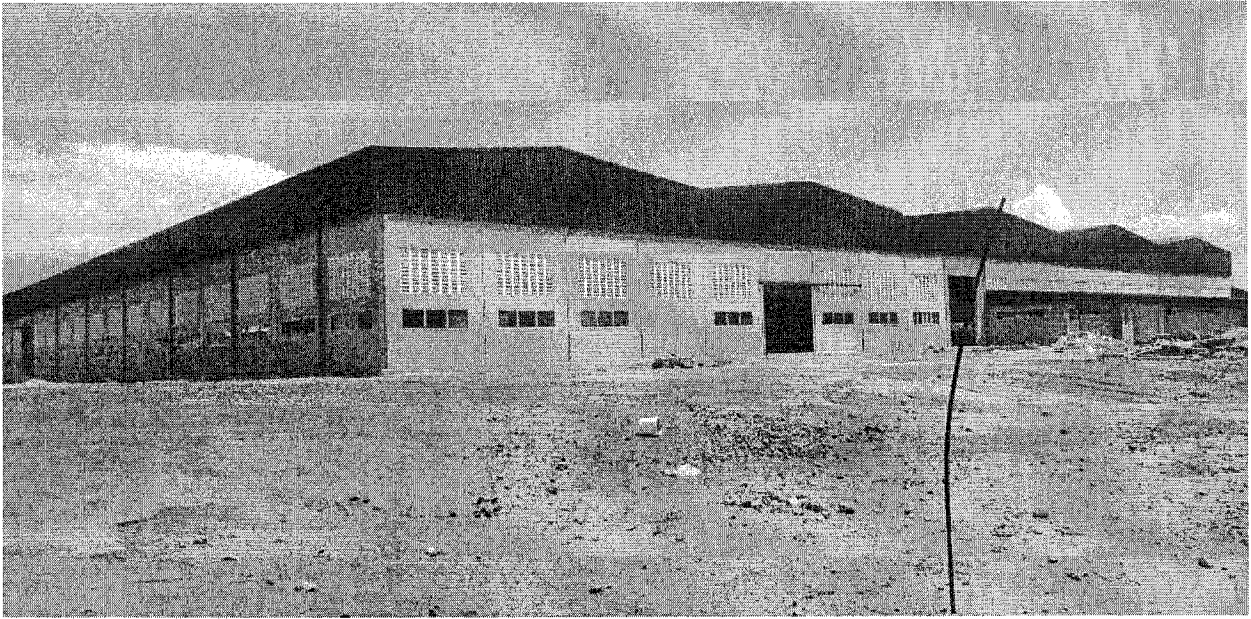


Leather articles produced by the Leather Articles production factory

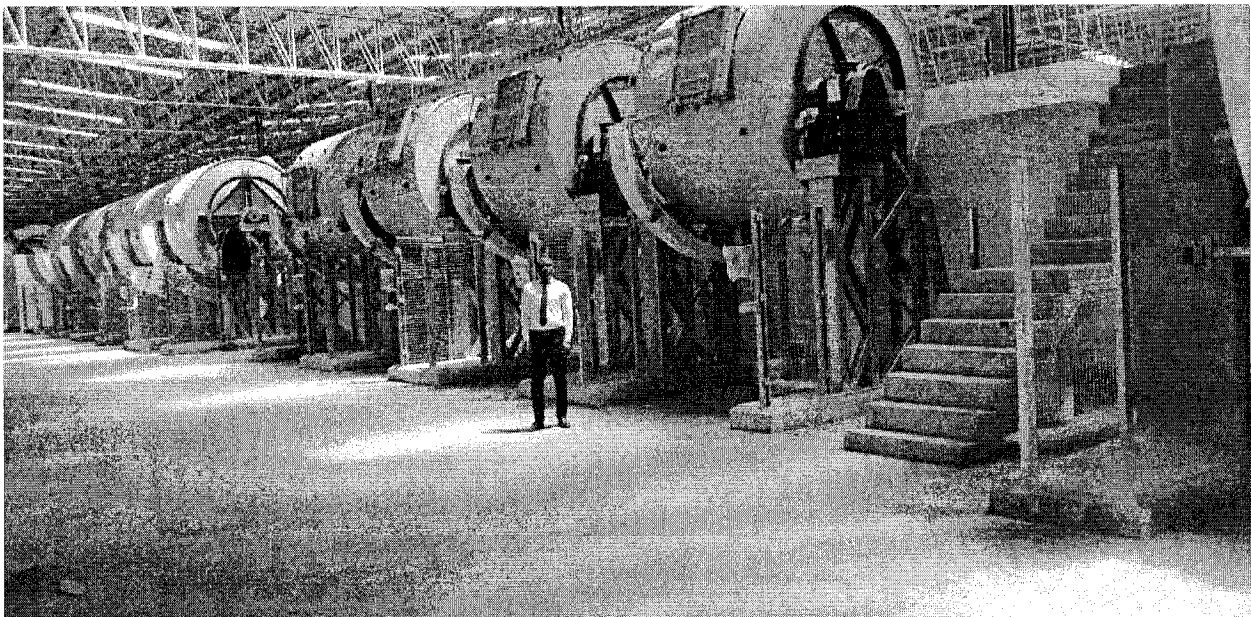


Shoe- soles production factory

ANNEX II: TANNERY FACTORY BUILDING

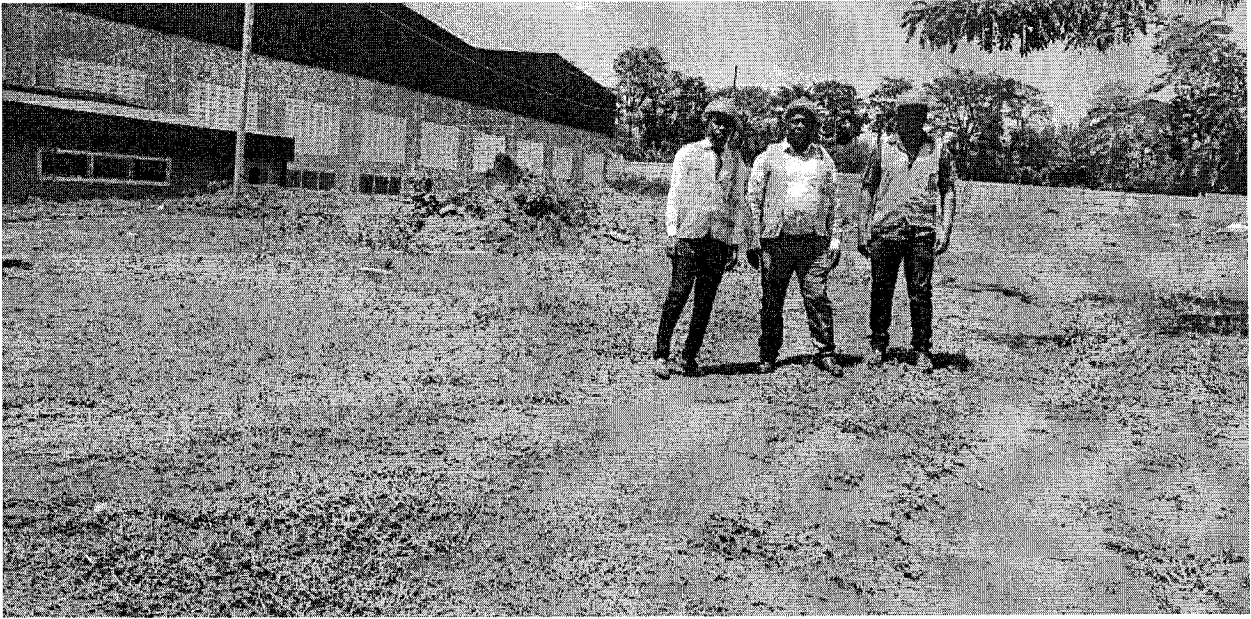


Tannery factory Building' construction has already been completed as it can be seen in the picture



Inside looking of the Tannery building where the machines have already positioned, waiting for ETP system's construction to be completed, then installation, testing and commissioning of the tannery factory

ANNEX III: AREA ALLOCATED FOR CONSTRUCTION OF ETP



TIC Northern Zone Officer together with Eng. David Kihio, a Clerk of Works and Eng. Francis Kayombo, Engineering and Project Manager on the area that have been planned and designed to construct Effluent Treatment Plant (ETP)

ANNEX IV: CERTIFICATE OF CHANGE OF NAME



TANZANIA



Certificate of Change of Name

No: 135503

I HEREBY CERTIFY THAT

KARANGA LEATHER INDUSTRIES COMPANY LIMITED

having, with sanction of a special Resolution of the said company, and with the approval of the Registrar signified in writing Changed its name, is now called **KILIMANJARO INTERNATIONAL LEATHER INDUSTRIES COMPANY LIMITED** and I have entered such new name on the Register accordingly this 30th day of JUNE, TWO THOUSAND AND TWENTY.



PRINC ASST. REGISTRAR OF COMPANIES

