

**KANGAROO BRANDS
SHOECREAM (T)
LIMITED**

P.O.BOX 10201

ARUSHA-TANZANIA

**BUSINESS PLAN
FOR
PRODUCTION OF LEATHER SHOES AND
CHEMICALS FOR LEATHER PROCESSING &
SHOES PRODUCTION**

BRIEF SUMMARY PROJECT

COMPANY: **KANGAROO BRANDS SHOECREAM (T) LIMITED**

LOCATION: PLOT NO. 614 BLOCK DD NGARENARO AREA, ARUSHA CBD,
ELERAI POSTAL CODE 23106, FFU MROMBO WARD, NEAR
ARUSHA FFU- MROMBO BASE

CONTACT PERSON: HELADIUS G. KANJE
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OBJECTIVE: TO ESTABLISHMENT A PROJECT FOR LEATHER SHOES
PRODUCTION & PRODUCTION OF CHEMICALS FOR LEATHER
PROCESSING AND SHOE PRODUCTION

FINANCING: USD 2,500,000

BENEFITS: TECHNOLOGY TRANSFER, JOBS CREATION, GOVERNMENT
INCOME. FOREIGN EARNINGS

CAPACITY: PRODUCING 129,000 PAIR OF LEATHER SHOES PER YEAR AND
207,000 UNITS OF CHEMICALS FOR LEATHER PROCESSING AND
LEATHER SHOES PRODUCTION

IMPLEMENTATION PERIOD: FIVE (5) YEAR

1.0. **EXECUTIVE SUMMARY.**

KANGAROO BRANDS SHOECREAM (T) LIMITED is registered in Tanzania under Companies Act 2002 with Certificate of Incorporation **No.97515** issued on **28th February 2013**.

The project promoters are Heladius Godfrey Kanje and Spensiosa Heladius Kanje with over 10 years' experience in processing of leather, production of leather shoes and other leather articles, production of chemicals to process leather and leather shoes. Mr. Heladius Godfrey Kanje is holding the 28% of the company's shares, Mr. Dossantos Godfrey Kanje is holding 1.2% of the company's shares and Mrs. Spensiosa Heladius Kanje is holding 12% of company's shares. The project promoters are eager and ready to implement this project in based on their knowledge, skills and experience in the industry.

The company main market has been targeted to be local due to the increased demand of leather products, upon serving the local market; the company will expand its market to outside the country by exporting the products in East African countries and later on to the rest of the world.

The business plan has been prepared for **KANGAROO BRANDS SHOECREAM (T) LIMITED** for production of leather shoes and chemicals used for processing leather and producing leather shoes.

The proposed project is estimated to cost about US\$ 2,500,000 which the whole amount is the local equity.

1.1 **THE PROJECT PROMOTERS**

The shareholders of this project are all entrepreneurs with a diverse professional and business backgrounds. The company is owned by 2 shareholders, namely:-

Name of shareholders	No. Of Shares	Percentage	Nationality
Heladius Godfrey Kanje	700	28%	Tanzanian
Spensiosa Heladius Kanje	300	12%	Tanzanian
Dosantos Godfrey Kanje	30	1.2%	Tanzanian

The remaining 58.8% (1470 shares) of the share are yet to be bought

1.2 **LOCATION.**

The project head office will be located at **Plot No.614, Block DD Ngarenaro Area, Arusha CBD, Elerai Ward, Near Arusha FFU- Mrombo area**

1.3 **OBJECTIVE OF STUDY**

The main objective of this study is to work out the technical and commercial feasibility of the project.

1.4 **Manpower Required**

The project will employ total of 175 employees, only 26 will be foreigners the remaining 149 local.

Employment	Foreign Skilled	Local Skilled	Local Unskilled	Total
Women	5	15	80	100
Men	21	24	30	75
TOTAL	26	39	110	175

The project will generate indirect employment of around 2000 people in the area of drivers, agents, SMEs, loading and offloading, cleaning and security

2.0 OVER VIEWS OF LEATHER INDUSTRY AND RELATED CHEMICALS

Tanzania is among the top countries with high cattle population in Africa, but that has yet to be manifested in the growth of locally- driven value-added service on making and selling leather products.

Large livestock production potentially provides raw materials for the leather industry but the contribution of the leather industry in the economy is remarkably minimal. Analysis finds that challenges related to inadequate livestock management, limited coordination of downstream and upstream activities, low capacity utilization and limited adoption of skills and technology inhibit the leather value chain development in Tanzania.

According to the Ministry of livestock in Tanzania, in 2017, there were only 9 processing industries, and only 5 of them were active in Tanzania, importing \$57m against \$3.6m of exports, creating a huge trade deficit in the industry.

Number of processing industries	Number of active operating industries	Annual production (tons)	Annual export (tons) ¹	Annual export earnings (mil USD)	Annual import (products) ²	Annual import bill (mil USD) ³
9	5	16,000	5,385	3.6	41	57

Source: MLF, 2018/19, TRA 2017

Addressing this, the government needs a sizable, end to end, and modern manufacturing facility, which is now filled by our facility

Leather products have been among high premium products in the fashion industry globally, but many players in Tanzania have been struggling to capture

that market due to using limited technologies, limited capacity, and making of modern and yet affordable leather products, from shoes, bags, to small articles. So the outlook must shift from simply making leather products as a wear necessity to a complete way of life and fashion in customer's daily live. The market potential is huge, for instance, there is market demand of 48m pairs of shoes annually.

Studies shows that leather and leather products are among the most widely traded and universally used commodities in the world. Already, the total value of annual trade is estimated at 1.5 times the value of the meat trade; more than five times that of coffee and more than eight times that of rice.

Formal international trade in leather and leather goods is estimated at over US\$ 50 billion a year and the market is far from saturated. In the next decade, the demand for leather raw materials (hides) and finished products may exceed supply – making the leather industry one of the most lucrative business sectors in the years to come.

2.1 Leather Shoes

Internally, Tanzania the demand for leather shoes to adults and children is fast growing due to schools requirements, fashion, safety shoes and the demand of smart appearance to executive offices. As of now, even in the rural areas, people are no longer walk by barefoot; shoes, sandals and boots are worn everywhere.

Currently, Importation is still an order of the day, and exports still account for a small share of all total exports across the continent, this is an indication of a hugely untapped market opportunity not just in Tanzania, but across many African markets. These are the factors that boost the market of the leather shoes.

Apart from the internal markets, still there is the room to export to other countries (external market), this is driven due to the fact that Tanzania experiences low production cost due to easier availability of animal skin (leather) locally subjected to availability of high technology to process leather for production of leather shoes. And the studies shows that most popular luxury labels in the world use the Africa's leather. Now, it is time for African companies and designers to build their own brands and exports to world market with the comparative advantage of having the raw materials

2.2 Related Chemicals (Glycerine, leather dye, medicated spirit and blue glue)

To produce a leather product needs to have some chemicals to soften the leather, to glue the leather in making of leather products especially shoes. The growing of leather industry especially in manufacturing of the leather products automatically supplements and complements the growth of needs for those chemicals, those chemicals are glycerine, leather dye, medicated spirit and blue glue.

2.3 Production:

This project is intending to produce both leather shoes to adults and children and to produce related chemicals used in the manufacturing of the shoes as these are the two major products of the project which complements one another, the strategy to produce these two products also will help the company to lower the cost of importing those chemicals in the process of shoes manufacturing

2.4 Products:

This project, at its full capacity will produce the products as they can be seen in the table below with amount:-

S/N	ITEM	CAPACITY
1	LEATHER PRODUCTS	
	Shoe pair- Adults	75,000 per year
	Shoe pair- children	54,000 per year
	TOTAL	129,000 per year
2	CHEMICALS FOR LEATHER PROCESSING AND SHOE PRODUCTION	
	Glycerine	36,000 units per year
	Leather dye	72,000 units per year
	Medicated spirit	24,000 units per year
	Blue glue	75,000 units per year

TOTAL	207,000	units
	per year	

2.5 MARKETS

i. The main market for this project's shoes product will be internally; to corporate officials, students for all levels (from primary school to higher education such as colleges and universities), safety and security institutions and to society at large; also upon serving the local market, the company is planning to export to East African countries and then to the rest of the world especially in the following areas:

- Europe
- China
- Middle east
- United States of America
- Canada

ii. The market for the chemicals for leather processing and shoes production will be mainly to the company's project for shoe production and the local producers of leather shoes in Tanzania, also to small and medium shoe shiners found everywhere in the country, upon serving the local market, the company will further put the strategic plan of exporting those chemicals to East African countries where there is demand for the named products.

2.6 RAW MATERIAL

- i. As it has been thoroughly explained that the main raw material for leather shoes production is leather itself and the chemicals to process leather and shoe production; for the leather, the project will access leather from the livestock keepers in Tanzania especially from the northern zone of Tanzania, central zone and lake zone of Tanzania where the livestock keepers are found at the largest number, simply this will help the company to lower the cost of production at the same time creating employment opportunities to livestock keepers, for the chemicals, the project will obtain the chemicals from its part of the factory which will be producing, those chemicals are glycerine, medicated spirit, leather dye and blue glue.
- ii. For chemical manufacturing project, the raw material will be imported from the European countries such as Italy and Turkey.

2.7 PROCESSING

- i. This project will be having two lines of production; the first one, will be the line of producing leather shoes to adults and children, it is expected that at its full capacity the first line of production will be producing around six thousands pair of shoes for adult per month which is around seventy five thousands of pair of shoes per year, same for children, will be four thousand and five hundred pair per month which almost fifty four thousands pair per year.
- ii. The second line of production will be to produce chemicals for processing leather and production of shoes, which at its full capacity will

produce thirty six thousand units of glycerine, seventy two thousand units of leather dye, twenty four thousand units of medicated spirit and seventy five thousand units of blue glue which makes the total of two hundred and seven thousand units per year.

2.8 SERVICE PROVIDERS

The project will be acquiring important utilities services from government institutions such as electricity (power) from TANESCO and water from Arusha Urban Water Supply and Sanitary Authority (ARUWASA), this will help the government to collect revenue from this project, also the project is planning to have the solution for emergency in case the power from TANESCO is not found, the company will buy the automatic generator of 1200 KVA and have the automated water pump for water supply.

2.9 SALES STRATEGY TO INCLUDE TRADERS

Trade activities and existence of this project will create the indirect employment to over two thousand (2000) people whereby the 20% (400) is estimated to be company's sales agents who will be purchasing the products directly at the factory and the remaining 70% (1400) will be the SMEs all over the country, these SMEs will be purchasing the products from the company's sales agents (20% of 2000 people).

Apart from the local market, these products are expected to be sold outside the country and it will generate the employment in the area of loading and off loading, the area of clearing and forwarding as well as the

security which is expected to employ about 10% (200) as the indirect employment. Their roles have been explained in details as follows:-

i. Company's sales agents

The project will use the official sales agents who for the purpose of increasing efficiency while spreading the economic benefits to the society, they will assure the sales are reaching all over the country by factory' price (farm gate price) which will be lower compared to the market, this will stimulate the sales agents to earn the profit while offloading the sales task from the company, they will operate by opening and operating the sales point where SMEs can easily access the company's products. Automatically this methodology will create a value chain in which many key players will benefit from employment and the government will benefit from the increased range of tax base.

To fulfill this strategy, a company will need at least ninety (90) vehicles to distribute products to the sales agents who will be available all over the country, to start with, there will be sales agents in 6 different regions which are; Iringa, Mbeya, Mwanza, Morogoro, Shinyanga and Arusha. After three years of operations, the company will be having the sales agents to another ten regions which are Dar es salaam, Mtwara, Kigoma, Ruvuma, Kagera, Mara, Tabora, Dodoma, Geita and Lindi. The vehicles needed are as shown in the table below.

S/N	VEHICLE	NO. OF VEHICLE NEEDED
1	Lories	20
2	Pick ups	30
3	Canters/ Trucks	40
TOTAL		90

ii. SME's

These will be individual small and medium business men/ women who will be buying the company's products from the official sales agents at relative small price compared to that of the market where they will be selling to the society which is the retail market. This will be as opportunity to SMEs through the employment creation and making sure the products are available in the market.

iii. Sales by orders

This will be another sales methodology whereby all people with specific orders will be welcomed to purchase the products at bulk; the company will set a specific criteria which will allow the institutions such as schools, safety and security institutions and corporate offices to purchase by order which will be benefitted by small price compared to that at the market.

iv. Company's shop

Apart from receiving the orders, the company will have its own shop around the factory whereby it will be selling the shoes and other related company products at relative low price to give advantage to the people

around the factory to realize the advantage of having the factory near their society; the company will develop the strategy to implement this.

3.0 ASPECTS OF PROJECT SUSTAINABILITY

The project sponsors having studied market conditions are convinced that the project will be able to operate undisturbed provided the government rules and regulations are followed by players in the leather processing chemicals and leather shoes business.

3.1 QUALITY CONTROL SYSTEM

The required quality control system will be employed ensuring that products produced maintain the same standard and shall be monitored as per the HACCP plan

3.2 ENVIRONMENT PROTECTION AND WORKERS SAFETY

The company intends to make environment friendly, the company will save the country's environment in particular and global environment in general. The project has already been granted Environmental Impact Assessment and is ready to adhere to all requirements of OSHA.

4.0 PROJECT INVESTMENT COST

The estimated capital investment cost of the project is **US\$ 2,500,000**

PARTICULAR	US\$
Land and Building	300,000.00
Machinery & Equipment	900,000.00
Motor Vehicles	400,000.00
Furniture & Fittings	50,000.00

Pre exp	100,000.00
Others	50,000.00
Working Capital	700,000.00
TOTAL	2,500,000.00

5.0 FINANCING PATTERN

The project will be financed by equity US\$ **2,500,000**

6.0 FINANCIAL ANALYSIS

6.1 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.

6.2 Financial Statements:

6.2.1 Projected Revenue

For projection purposes, it is assumed that the economic life of the project is five years, and that revenue from retreading business commence from the first year of operation.

KANGAROO BRANDS SHOECREAM (T) LIMITED PROJECTED REVENUE LTD

	1	2	3	4	5	6
Revenue	7,500,000	7,875,000	8,268,750	8,682,188	9,116,297	9,572,112

6.2.2 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\$**1,257,200** in first year to US \$**1,619,820** in the 6 year, **Refer appendix III**

6.2.3 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\$ **890,000** of operation to US\$ **6,843,587** the 6th year, **Refer appendix IV**

6.2.4 Projected Balance Sheet

The projected Balance Sheet of the project is shown in the financial statements,

Under same heading, total capital of the project increases from US\$ **2,500,000** in the first year of operation to US \$ **34,156,422** in the 6th year, Refer **appendix V**

6.2.5 Projected payback period

Total investment is US \$ **2,500,000** cash accumulation second year is **2,738,025** which is more than the initial investment by US\$ **1,238,000** the project payback Period is within 2 years,

The project has a relatively short payback period. It is remarkably impressing for a project whose investment is as big as US\$ **2,500,000** being recovered within three (3) years. **Refer appendix VI**

7.0 ECONOMIC ASPECTS

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

- The project is an ideal option for utilization business opportunity available in foreign market
- The project will create employment for 175 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, pay as you earn and contribution for utilities such as power and water.
- The project will have transfer of knowledge and skills as far as assembling sector is concerned

8.0 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	July 2022
2	Renovation industrial premises	June -November 2022
4	Assembling plant and other equipments ordering	January 2023
5	Installation of machines	January- March 2023
6	Testing operations	April –June 2023
7	Commercial Operations	July 2023

9.0 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)**KANGAROO BRANDS SHOECREAM (T) LIMITED COST STRUCTURE**

PARTICULAR	US\$
Land and Building	300,000.00
Machinery & Equipment	900,000.00
Motor Vehicles	400,000.00
Furniture & Fittings	50,000.00
Pre exp	100,000.00
Others	50,000.00
Working Capital	700,000.00
TOTAL	2,500,000.00

APPENDIX (II)**KANGAROO BRANDS SHOECREAM (T) LIMITED PROJECTED REVENUE**

YEAR	1	2	3	4	5	6
Revenue	7,500,000	7,875,000	8,268,750	8,682,188	9,116,297	9,572,112

APPENDIX (III)

KANGAROO BRANDS SHOECREAM (T) LIMITED INCOME & EXPENDITURE STATEMENT US\$

	1	2	3	4	5	6
Revenue	7,500,000	7,875,000	8,268,750	8,682,188	9,116,297	9,572,112
Operating costs	5,625,000	5,906,250	6,201,563	6,511,641	6,837,223	7,179,084
Profit before Depreciation & Interest	1,875,000	1,968,750	2,067,188	2,170,547	2,279,074	2,393,028
Interest	128,800	96,600	64,400	32,200	0	0
Depreciation	79,000	79,000	79,000	79,000	79,000	79,000
Net Profit	1,796,000	1,889,750	1,988,188	2,091,547	2,200,074	2,314,028
Tax (30%)	538,800	566,925	596,456	627,464	660,022	694,208
Profit After Tax	1,257,200	1,322,825	1,391,731	1,464,083	1,540,052	1,619,820
Accumulated Profit	1,257,200	2,580,025	3,971,756	5,435,839	6,975,891	8,595,711

APPENDIX (IV)
KANGAROO BRANDS SHOECREAM (T) LIMITED PROJECTED CASH FLOW US\$

	-	1	2	3	4	5	6
SOURCES:							
Profit before interest and depreciation	-	2,343,750	2,460,750	2,500,750	2,540,125	2,562,500	2,693,028
Equity	890,000	-	-	-	-		
Loan	1,610,000						
Total Sources	2,500,000	2,343,750	2,460,750	2,500,750	2,540,125	2,562,500	2,693,028
Applications:							
Capital expenditure	1,515,000	-	-	-	-	-	
working Capital & Others	985,000	985,000	985,000	985,000	985,000	985,000	985,000
Cash	-	890,000	983,750	1,082,188	1,185,547	1,294,074	1,408,028
Tax	-	538,800	566,925	596,456	627,464	660,022	694,208
Sub total	2,500,000	2,343,750	2,460,750	2,500,750	2,540,125	2,562,500	2,693,028
Total applications	2,500,000	2,343,750	2,460,750	2,500,750	2,540,125	2,562,500	2,693,028
Accumulated cash		890,000	1,873,750	2,955,938	4,141,485	5,435,559	6,843,587

APPENDIX (V)

KANGAROO BRANDS SHOECREAM (T) LIMITED PROJECTED BALANCE SHEET US \$

Fixed Assets	-						
Opening balance	-	1,515,000	1,480,000	1,445,000	1,410,000	1,375,000	1,340,000
Additions	-						
Total Long-term Assets	-	1,515,000	1,480,000	1,445,000	1,410,000	1,375,000	1,340,000
Less depreciation	-	79,000	79,000	79,000	79,000	79,000	79,000
Closing balance	-	1,436,000	1,401,000	1,366,000	1,331,000	1,296,000	1,261,000
Working capital	985,000	985,000	985,000	985,000	985,000	985,000	985,000
Accumulated cash	-	890,000	1,873,750	2,955,938	4,141,485	5,435,559	6,843,587
Total assets	985,000	3,311,000	4,259,750	5,306,938	6,457,485	7,716,559	9,089,587
Financed by							
Equity	890,000	890,000	890,000	890,000	890,000	890,000	890,000
Loan	1,610,000	1,207,500	805,000	402,000	-	-	-
Accumulated Net profit	-	1,257,200	2,580,025	3,971,756	5,435,839	6,975,891	8,595,711
Total equity	2,500,000	2,147,200	5,617,225	10,478,981	16,804,820	24,670,711	34,156,422

APPENDIX (VI)

KANGAROO BRANDS SHOECREAM (T) LIMITED PROJECTED PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	1,257,200	79,000	1,336,200.00	1,336,200.00
2	1,322,825	79,000	1,401,825.00	2,738,025.00
3	1,391,731	79,000	1,470,731.00	4,208,756.00
4	1,464,083	79,000	1,543,083.00	5,751,839.00
5	1,540,052	79,000	1,619,052.00	7,370,891.00
6	1,619,820	79,000	1,698,820.00	9,069,711.00

APPENDIX (VII)

KANGAROO BRANDS SHOECREAM (T) LIMITED PROJECTED FIXED ASSETS US\$

NAME OF ASSETS	1	2	3	4	5	6
Land And Buildings	300,000	294,000	288,000	282,000	276,000	270,000
Machinery, Tools & Equipment	1,000,000	994,000	988,000	982,000	976,000	970,000
Motor Vehicles	210,000	189,000	168,000	147,000	126,000	105,000
Furniture & Fixtures	5,000	3,000	1,000	-1,000	-3,000	-5,000
Total	1,515,000	1,480,000	1,445,000	1,410,000	1,375,000	1,340,000
DEPRECIATION	1	2	3	4	5	6
Land and buildings	6,000	6,000	6,000	6,000	6,000	6,000
Machinery tools & Equipment	50,000	50,000	50,000	50,000	50,000	50,000
Motor Vehicles	21,000	21,000	21,000	21,000	21,000	21,000
Furniture & Fixtures	2,000	2,000	2,000	2,000	2,000	2,000
ANNUAL DEPRECIATION	79,000	79,000	79,000	79,000	79,000	79,000