

MOVIT PRODUCTS (TANZANIA) LIMITED

BUSINESS PLAN

FOR

**SETTING UP AND CONSTRUCTING A COSMETIC MANUFACTURING PLANT AND
DISTRIBUTION HUB**

AT SOGA KIBAHA -PWANI REGION

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PARTI: GENERAL PROJECT INFORMATION

1.1 PREAMBLE

This study covers the business plan of setting up a cosmetics products manufacturing plant and establishment of a distribution center by Movit Products (Tanzania) Limited at Soga Kibaha - Pwani. Basically, the activities will be geared towards the setting up of cosmetics manufacturing plant and distribution hub purposes. This report is for the purpose of obtaining an industrial license.

1.2 THE PROJECT PROMOTERS

The project is being promoted by **MOVIT PRODUCTS (TANZANIA) LIMITED**; a limited liability company incorporated under the laws of Tanzania whose shareholders are as follow;

| S/N | NAME OF SHAREHOLDERS | PERCENTAGE OF OWNERSHIP | NATIONALITY |
|------------|-----------------------------|--------------------------------|--------------------|
| 1 | BIRUNGI SIMPSON | | UGANDAN |
| 2 | TURYATUNGA JACKSON | | UGANDAN |
| 3 | MAKANGA BERNARD | | UGANDAN |
| 4 | JIMSON BIRUNGI | | UGANDAN |

1.3 LOCATION

The cosmetics manufacturing plant and distribution hub will be set up and installed at Soga Kibaha – Pwani Region.

1.4 THE PROJECT JUSTIFICATION

In recent years, the world has witnessed an increased number of men and women venturing in different areas of Cosmetics such as makeup artists, beauty therapists, salon specialists, massage therapists, cosmetics producers, nail technicians, etc

Moreover, the Tanzanian cosmetics industry is witnessed to be growing at a rapid rate since its being supported by the Government, where recently, the government pledged to support its burgeoning cosmetics industry in the hope that the country will reap the rewards in the form of job creation, GDP growth and infrastructure improvements.

The Government of Tanzania clearly recognizes the important role it plays in economic development and has been considering ways in which to improve its enabling environment across sectors inclusive of the cosmetics manufacturing sector where, the enabling environment can be particularly important in formulating the right measures and practices that are needed to unlock the economic potential of the industry.

Given the drive towards industrialization in the country, Tanzania has a huge potential to

generate money from the cosmetics industry which is valued at USD 523 Billion US Dollars globally and 5 Tanzania currently enjoys a paltry 3% of the multibillion-dollar industry since a major portion of raw materials such as avocados, coconuts and other oils gives the government hope that the sector's potential is huge.

Due to the above factors, the Company is mainly focused at expanding its markets in the East and Southern Region where where the rate of development is growing, as well as the per capita income, which has ensured that demand for cosmetics products is increasing over the years.

Moreover, since the Southern Africa region is filled with greater cultural diversity in the world, combining different ethnic groups, including hybrid mixtures of different cultures. In addition to the different cultures, there are also social distinctions, as regards income, the connection to infrastructure and access to education and health care is being supported by positive policies adopted by the governments which have favored the growing demand from the emerging middle class, a rapid evolution of the consumer goods sector, including the growth in demand for cosmetic products.

Hence the installation of the cosmetics manufacturing and distribution hub, is necessitated by the Company's urge to tap the existing local market and the further, meet the growing demand of cosmetic products in the East and Southern regions which have remained untapped.

1.5 PROPOSED DEVELOPMENT

The proposed development shall consist of a manufacturing plant, distribution hub, administration block, warehouses, sales points, providing a gross floor area of approximately **10,000m²** estimated at **USD 5,000,000.00**

1.6 REVENUE

Following an assessment of the market, the anticipated sale of cosmetics products is expected be **USD 10,147,877** for the first year and would increase to **USD 22,751,671** during the 5th year.

Table 1.0

Showing the Estimated Revenue from MOVIT PRODUCTS (TANZANIA) LIMITED

| | No. of consignments sold per product (In Cartons) | Sales prices (USD per carton) | Gross Sales (USD) |
|---------------|--|--------------------------------------|--------------------------|
| Year 1 | 356,707 | 28.4 | 10,147,877 |
| Year 2 | 463,719 | 29.0 | 13,456,085 |
| Year 3 | 556,463 | 29.6 | 16,470,248 |

| | | | |
|---------------|----------------|-------------|-------------------|
| Year 4 | 639,932 | 30.8 | 19,698,417 |
| Year 5 | 703,926 | 32.3 | 22,751,671 |

2.0 THE MARKET

Current Market of Cosmetics Products

As mentioned previously, the Tanzanian cosmetics industry is witnessed to be growing at a rapid rate since its being supported by the Government, where recently, the government pledged to support the drive towards industrialization in the hope that the country will reap the rewards in different forms by enjoying markets in neighboring countries in the Eastern and Southern zone which is being served by Kenya, Uganda, Rwanda, Burundi, Zambia, DRC, Malawi, Botswana, and other neighboring countries,

Demand and supply

Presently, cosmetics have become an indispensable feature of modern lifestyle of individuals. In addition, growth in consciousness about external beauty along with individual's internal intellect has become one of the major driving factors for use of cosmetics in the global market. Presently, along with women, there is a rise in use of cosmetics among men in their daily routine, which complements growth of the global cosmetics market demand. Hence, such changing lifestyles, have led to growth of the global cosmetics market

The cosmetics market in Tanzania, and Uganda is worth over USD 200 Million. Tanzania's expanding middle class is increasingly young and urban, and demand for high quality cosmetics is growing. As explained earlier in this report, it is apparent that the demand for cosmetics products in Tanzania is huge as recently witnessed by the Government's pledged to create an enabling environment for the cosmetics sector to thrive, yet the demand does not cater for the local markets.

Tanzania imports of essential oils, perfumes, cosmetics, toiletries was USD \$98.78 Million during 2020 and is expected to increase over time to cater for the ever growing demand.

2.1. RISK FACTORS FACING THE PROJECT

There is always an element of risk in any investment. It is therefore important to identify the risk and consider measures for their mitigation. Risks to the project have been identified as follows:

2.2. COMPETITION

Competition is the key factor facing the project. The management team together with the various consultants have taken this on board and come up with a highly aesthetic design, given due attention to the quality cosmetics products.

Another area where the competition can be beaten is by delivering the best quality products to compete with the imported products and always ensure constant and continuous supply of products.

2.3. COST OVERRUNS

The consultant team has rigorously gone through the market, production requirements, machinery, specifications, legal compliance, so as to ensure that it is comprehensive so as to eliminate/minimize any variations. Furthermore, value management shall be carried out throughout the manufacturing process to forestall any cost overruns.

2.4. INCREASE IN PRICE OF MATERIALS AND DELAYS DUE TO COVID RESTRICTIONS

The directors and shareholders are aware of the risk of fluctuation of prices and together with the consultants and where possible the Company shall be encouraged to make arrangements for the procurement of the materials right from the outset and have bulk storage so as to minimize abrupt changes in pricing of the cosmetics products.

3.0. Table 3.0

Showing the SWOT ANALYSIS

| STREIGHTS | WEAKNESS |
|---|---|
| <ul style="list-style-type: none"> • Experienced Shareholders of the Company • Experienced Consultant team • Shareholders Commitment for the project to take off • Prime location for production and transportation of cosmetics products to other parts of the country and neighboring countries • High demand of cosmetics products • Encouraging regional and inter region legal framework | <ul style="list-style-type: none"> • Potential increase of prices due to global economic changes |
| OPPORTUNITY | THREATS |

| | |
|--|---|
| <ul style="list-style-type: none"> • Increase in sale in the Eastern and Southern Region • High Demand for cosmetic products | <ul style="list-style-type: none"> • Increase in cost of materials • Competition from other companies and importers |
|--|---|

3.0 TECHNICAL INFORMATION

3.1. OBJECTIVES OF THE DEVELOPMENT

The objectives for the development are as follows:

- To provide a framework to set up of a cosmetics manufacturing industry and distribution hub from which the Company expects to receive return on investment

3.2. THE CONSULTANCY TEAM

The Management has selected a team that it believes shall be able to produce cosmetics products that are safe and of high-quality fit for consumers.

3.3. WORK PROGRAMME

Financial charges must be paid from the day money is borrowed, and yet cannot be repaid until the sales made. The relative timing of expenditure and revenue will have an impact on the project, it is therefore imperative that the project is completed within a short and reasonable time frame, say a maximum of 1 (one) year. The Company has already identified a production team that shall be committed to completing the production within the set time frames.

4. MARKETING AND SALES

The management understands that for success of the investment, they should embark on marketing and right from the conception stage the company has engaged a team of professionals to ensure that strategies are put in place right from the outset.

The company uses a modern approach of multi-selling in collaboration with other reputable key agencies so as to ensure maximum exposure and onward sales of its cosmetic products.

4.1. THE MARKETING PROPOSAL

The marketing strategies that shall be put in place for Movit Products (Tanzania) Limited will aim at attaining maximum exposure and onward sales at the optimal price so as to

maximize on the return on investment. The marketing shall commence right from the conceptual stage of the manufacturing.

i. Identification of the Target Market

Identifying and listing the target market, followed by products group to cater for the identified groups.

ii. Putting in place competitive pricing and top sales terms

The results of the comparative analysis shall be embodied in the sale prices to ensure that the sale prices offered to the buyers are competitive in view of the cosmetics products that shall be produced to compete with other brands in the market.

iii. Promotion Strategies

Promotion strategies that shall be adopted by Movit Products (Tanzania) Limited will be aimed at informing, influencing, and persuading prospective buyers to purchase the Movit Cosmetics and beauty products through the use of the below promotion tools:

- ◆ Advertising
- ◆ E- Marketing
- ◆ Personal Selling
- ◆ Sales Promotion
- ◆ Selection Mix

• **Advertising**

Various forms of Print media and visual imagery will be used to create awareness of the cosmetics and beauty products the public. The advertising will call for public attention through paid messages in newspapers, magazines, billboards, signboards, and display areas.

• **E-Marketing**

The Movit Cosmetics and Beauty Products shall be available via the company website and social media pages for easy viewing by prospective buyers. Furthermore, emails shall be sent out to prospective clients with a link to the order/purchase gateway. The E-Platform shall also create an opportunity for enquiries.

• **Personal Selling**

- Personal selling in contrast to the impersonal and mass appeal of advertising will consist of individual interpersonal communication to include:
- Direct canvassing to the target market. This is a very good prospective method; a list of prospects shall be prepared and they shall be contacted and given presentations.
- Handling of enquiries over the telephone

- **Sales Promotion**

- This will be in the form of presentation of marketing brochures for the Company that shall be carefully prepared and distributed to the target market with select information to capture key information which will serve to inform, attract, influence and persuade prospective buyers.

5.0. FINANCIAL PROPOSAL

5.1. ESIMATED COST OF THE PROJECT

The total project investment is estimated at **USD 5,000,000=** including the land, manufacturing plant, distribution center, machines and equipment, raw materials and initial operation capital.

5.2. MODE OF PROJECT FINANCING

The development shall be entirely carried out by the Company shareholders who intend to seek financing from the financial institutions at a sharing of Equity 50%: Debt 50%. The developers propose to seek a loan payable in 5 (Five) years:

| | USD |
|--------------------------------|-------------------|
| Total Development Cost: | 5,000,000. |
| Equity: | 2,500,000 |
| Debt: | 2,500,000 |

LOAN CONDITIONS AND COSTS

The Loan shall be for a period of 5(Five.) years including the period of development of the industry at an interest rate of 16% per annum, using the reducing balance method. The Grace Period Shall be 1(One) year on the capital sum, to allow for construction and fitting out.

5.3. INVESTMENT COST FINANCING PATTERN

The total investment cost is estimated at **USD 5,000,000.00** a summary of the breakdown is as indicated in the table below

| ITEM | USD \$ |
|--------------------------|------------------|
| Fixed Asset | |
| Civil Works & Building | 1,700,000 |
| Machinery and Equipment | 2,200,000 |
| Vehicles | 150,000 |
| Furniture and Fittings | 50,000 |
| Raw materials | 500,000 |
| Pre-Operational Expenses | 100,000 |
| Sub total | 4,700,000 |
| Initial working capital | 300,000 |
| GRAND TOTAL | 5,000,000 |

5.4. FINANCING PLAN (USD)

| | | |
|-------------------------------------|-------|------------------|
| Equity | 50% | 2,500,000 |
| Debt | 50% | 2,500,000 |
| TOTAL LOAN AMOUNT | | 2,500,000 |
| | | |
| Interest rate p.a. on USD Borrowing | | 16 % |
| Loan Period | Years | 5 |
| Capital Repayment Grace Period | Years | 1 |

5.5. REVENUE

Table 5.0

Showing the cash flows and financial projection for MOVIT PRODUCTS (TANZANIA)

LIMITED- Tanzanian Shillings

(Note: The Revenue line represents Earnings Before Interest, Tax, Depreciation and Amortization Cashflow)

| Item | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
|--|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Cash Inflows | | | | | | | |
| Equity | 5,753,075,000 | | | | | | |
| Loan | 5,753,075,000 | | | | | | |
| Revenue (EBITDA) | 3,243,119,016 | 4,142,415,566 | 4,651,437,814 | 5,289,846,207 | 5,747,192,341 | 6,187,326,515 | 6,312,341,337 |
| Total Cash Inflows | 14,749,269,016 | 4,142,415,566 | 4,651,437,814 | 5,289,846,207 | 5,747,192,341 | 6,187,326,515 | 6,312,341,337 |
| Cash Outflows | | | | | | | |
| Machines, furniture, vehicles purchase | 5,522,952,000 | | | | 460,246,000 | | 1,380,738,000 |

| | | | | | | | |
|---------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Construction work | 3,912,091,000 | | | 460,246,000 | | 230,123,000 | |
| Loan Repayment | | 1,150,615,000 | 1,150,615,000 | 1,150,615,000 | 1,150,615,000 | 1,150,615,000 | |
| Investment in working capital | 2,871,107,000 | 1,500,000,000 | 2,000,000,000 | 2,200,000,000 | 2,700,000,000 | 3,000,000,000 | 3,000,000,000 |
| Financial Charge | | | | | | | |
| Loan interest paid | 836,113,567 | 652,015,167 | 467,916,767 | 283,818,367 | 99,719,967 | | |
| Taxes and fees | 290,621,010 | 615,639,495 | 823,575,689 | 1,070,327,727 | 1,262,761,087 | 1,769,901,829 | 1,807,406,276 |
| Total Cash Out Flows | 13,432,884,576 | 3,918,269,661 | 4,442,107,456 | 5,165,007,094 | 5,673,342,054 | 6,150,639,829 | 6,188,144,276 |
| Net Cash Flows | 1,316,384,439 | 224,145,904 | 209,330,358 | 124,839,113 | 73,850,287 | 36,686,685 | 124,197,061 |
| Cum.(Deficit)/Excess cash flows | 1,316,384,439 | 1,540,530,343 | 1,749,860,701 | 1,874,699,815 | 1,948,550,102 | 1,985,236,788 | 2,109,433,849 |

5.6. FINANCIAL VIABILITY

RETURN ON INVESTMENT

The project indicates a very healthy return on investment with a payback period of within 3.8 years. of the completion of construction

6.0. MANPOWER REQUIREMENTS AND ORGANISATION

6.1. MANAGEMENT

This success of a venture of this kind depends on the competence of the personnel recruited to manage. It is assumed that relevant personnel with requisite skills shall be available within and outside the country.

In Order to streamline the manufacturing and sales operations, it is proposed to engage a team of qualified and experienced personnel to meet the Company target. These along with the Project Manager and Management will form the central operational core that will ensure the success of the project.

6.2. MANPOWER REQUIREMENTS

Based on the proposed organization structure the project will initially employ a total of 100 persons.

CONCLUSION

We are of the opinion that the project is viable and the proposed marketing strategies will achieve maximum exposure for the achievement of 100% sales as summarized hereunder:

- The proposed sales prices for cosmetic and beauty products are reasonably priced and competitive comparative pricing from USD 28 to USD30 per carton the starting years.

APPENDIX: I

MOVIT PRODUCTS (TANZANIA) LIMITED INVESTMENT COST

| ITEM | USD \$ |
|-----------------------------------|------------------|
| Fixed Asset | |
| Civil Works & Building | 1,700,000 |
| Machinery and Equipment | 2,200,000 |
| Vehicles | 150,000 |
| Furniture and Fittings | 50,000 |
| Raw materials | 500,000 |
| Pre-Operational Expenses | 100,000 |
| Sub total | 4,700,000 |
| Initial working capital | 300,000 |
| GRAND TOTAL | 5,000,000 |

MOVIT PRODUCTS (TANZANIA) LIMITED FINANCING PATTERN

(Note: Borrowing assumed to be local borrowing in Tanzanian Shillings hence interest rate of 16%)

| | | USD |
|--|--------------|------------------|
| Equity | | 2,500,000 |
| Debt | | 2,500,000 |
| TOTAL LOAN AMOUNT | | 2,500,000 |
| | | |
| Interest rate p.a. on usd Borrowing | 16% | |
| Loan Period | Years | 5 |
| Capital Repayment Grace Period | Years | 1 |

| Figures on thousands TZ shs | value | Rate % | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|-----------------------------|-----------|--------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Land and Civil Works | 3,912,091 | 5% | 3,716,486 | 3520,881 | 3,325,277 | 3,129,672 | 2,934,068 | 2,738,463 | 2,542,859 | 2,347,254 | 2,151,650 | 1,956,045 |
| Machinery and Equipment | 5,062,706 | 20% | 5,062,706 | 4,050,164 | 3,037,623 | 2,025,082 | 1,012,541 | | | | | |
| Furniture & Fittings | 115,061 | 20% | 115,061 | 92,049 | 69,036 | 46,024 | 23,012 | | | | | |
| Motor Vehicles | 345,184 | 29% | 345,184 | 276,147 | 207,110 | 138073 | 69,036 | | | | | |
| Operational | | | | | | | | | | | | |
| Total | 9,435,043 | | 9,435,043 | 8,134,848 | 6,834,653 | 5,534,458 | 4,234,263 | 2,738,463 | 2,542,859 | 2,347,254 | 2,151,650 | 1,956,045 |

| | | | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Capital expenditure | 9,345,043,000 | | | | 460,246,000 | 460,246,000 | 230,123,000 | 1,380,738,000 | | | |
| Other Applications (excl. working capital) | | 1,126,734,576 | 2,418,269,661 | 2,442,107,456 | 2,504,761,094 | 2,513,096,054 | 2,920,516.829 | 1,807,406,276 | 1,917,261,600 | 2,233,450.963 | 2,569,048,060 |
| | | | | | | | | | | | |
| Total Applications | 9,345,043,000 | 1,126,734,576 | 2,418,269,661 | 2,442,107,456 | 2,965,007,094 | 2,973,342,054 | 3,150.639,829 | 3,188,144,276 | 1,917,261,600 | 2,233,450.963 | 2,569,048,060 |
| Working capital | 2,071,107,000 | 800,000,000 | 1,500,000,000 | 2,000,000,000 | 2,200,000,000 | 2,700,000,000 | 3,000,000,000 | 3,000,000,000 | 4,700,000,000 | 5,500,000,000 | 5,900,000,000 |