

KUAI BAO INTERNATIONAL
INVESTMENT LIMITED

BUSINESS PLAN

FOR

SUITCASES AND OTHER RELATED PRODUCTS MANUFACTURING PROJECT

1.0. EXECUTIVE SUMMARY.

KUAI BAO INTERNATIONAL INVESTMENT LIMITED registered in Tanzania under with Certificate of Incorporation No. 155664169 issued on 29th March 2022.

The project promoters are well established business in China, carrying out various businesses but majoring in leather suitcases, bags and related products. Having been in the business for over 10 years the directors are now well prepared for expanding business by establishing leather bags and related products manufacturing projects.

The business plan has been prepared for **KUAI BAO INTERNATIONAL INVESTMENT LIMITED** for leather bags manufacturing project. The implementation of this project will include following activities:

- Registration of project to TIC
- Obtaining various permit and license
- Repairing industrial building
- Ordering machines
- Recruiting
- The purchase of 1 Single Cabins Pick Up
- Purchasing 1 light trucks
- Purchasing of machines and equipments
- Equipping the company with relevant facilities

The proposed project is estimated to cost about US\$ 500,000. The project sponsors will prove 100% of this investment.

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 4 shareholders, namely: -

Name	% of Share	Nationality
DU HAILIANG PLOT NO. 108, XINHUA STREET, SHIJIA ZHANG CITY, HEBEI PROVINCE, CHINA	4000	China
LIU HUIJUAN PLOT NO. 108, XINHUA STREET, SHIJIA ZHANG CITY, HEBEI PROVINCE, CHINA	4000	China

SONG SHILEI PLOT NO. 108, XINHUA STREET, SHIJIA ZHANG CITY, HEBEI PROVINCE, CHINA	1000	China
LIU JUNPU PLOT NO. 108, XINHUA STREET, SHIJIA ZHANG CITY, HEBEI PROVINCE, CHINA	1000	China

1.2 LOCATION.

The project head office will be located at Plot No. 25 Kurasini Temeke Dar Es Salaam

1.3 OBJECTIVE OF STUDY

The purpose of this study is to work out the technical and commercial details and financial viability of a factory for leather bags and related products manufacturing project.

1.4 MARKET AND MARKETING ASPECTS

The market survey carried out reveals that the current demands for leather bags , suitcases and related products are higher than local production. There is wide gap between supply and demand and therefore, business opportunities exist for setting up additional manufacturing facilities to satisfy the market requirement. With local production, country will save huge amount of foreign earnings which otherwise could be used for importing other essential needs at present. Tanzania population is estimate to be 55 million which 35% need leather bags

2.0. PROJECT DETAILS

2.1. INTRODUCTION

Tanzania is geographically strategically located in relation to her neighbors. Because of the above-mentioned factor, the country's manufacturing sector has a great potential in contributing in economic growth of Tanzania Economy.

Sector pays a critical role in the social and economic development of a country. There is a wide market for various leather bags and related products in Tanzania and in other neighboring countries, Hence the project is not expecting to face operational problem.

Tanzania market is supplied by imported products from Asia based on the quality of products which will be supplied by **KUAI BAO INTERNATIONAL INVESTMENT LIMITED** the company's products is expected to have a good market in Tanzania and other countries

It is quite gratifying to note that the Government of Tanzania realizes the role of manufacturing sector for its economic and social development, and as a result has developed fiscal and non fiscal incentives which are very instrumental in improving the business and investment environmental in the manufacturing sector.

It is alleged that limited availability of high-quality leather bags and related products produced within Tanzania is the major causes of importation of low-quality products in Tanzania. It is in view of this that, **KUAI BAO INTERNATIONAL INVESTMENT LIMITED** has resolved to assist by providing a solution to stimulate manufacturing sector by increasing supplies and productivity.

KUAI BAO INTERNATIONAL INVESTMENT LIMITED has major objectives as following: -

- To promote leather bags manufacturing in Tanzania
- To bring new technology and technical know how in the country in the course of its business transactions.
- To provide extra employment to more people in the sector.
- To manufacture products of high quality
- To increase Government revenue

3.0 PROJECT MANAGEMENT

KUAI BAO INTERNATIONAL INVESTMENT LIMITED will be under the skilled and professional Management who have experience in managing international businesses.

Under this management **KUAI BAO INTERNATIONAL INVESTMENT LIMITED** is expected to grow steadily from small to medium company producing high quality products serving domestic to neighboring states.

The company will have a team of qualified and experienced functional managers in the areas of operations/Marketing, workshop Finance and Administration. Other senior and middle level staff will be available for the start up and subsequent operations of the company, the total number of employees are expected to be **20**

The day-to-day operations will be managed by the Managing Director, to be assisted by Directors of Production and Technical Director who will be the overall in charge of production, a sales & marketing Director whose major responsibility will be marketing and sales, financing and administration Director who will take care all matters related to finance resources and human resources of the company.

In order to ensure timely delivery of consignments, provision of goods service to customers, Management will provide on the job training in the field of motor vehicle maintenance and will provide bonus.

3.2 LIVESTOCK SECTOR IN TANZANIA.

OVERVIEW

The livestock sector in Tanzania is one of the African countries known for livestock resources. It ranks third in Africa after Sudan and Ethiopia in livestock population (NBS, 2017). The main livestock types are cattle, goats, sheep, pigs, chickens, ducks, turkeys, rabbits, and donkeys, cattle are the first in population followed by goats. There are 30.5 million heads of cattle and 18.9 million heads of goats. 5.56 million Sheep are the third, with 5,715,549 heads while pigs are the fourth with 1, 584,411 heads. Above these all Tanzania has very large number of chickens totaling to 43,745,505 which is almost equal to the total population of the major livestock types (cattle, goats, sheep and pigs). Shinyanga, Mwanza and Tabora are the best three in order of their rank where most of the country's livestock including chicken are found¹. A total of 2,329,942 households are keeping livestock in Tanzania. 99.9% of the country's livestock is kept by small holder farmers leaving the contribution of large scale farms very insignificant. Compared to the 2002/03 census, there has been an increase in the number of all major livestock species. The total number of livestock units (weighted with TLU) was 25,977,665 in 2007/08 representing 43.8 million livestock of different species. This shows a 30% increase from 20,353,866 livestock units in the 2002/03. Cattle showed an annual growth rate of 4% over the period 2002/03 to 2007/08. The annual growth rates of goats, sheep, pigs and chicken over the same period were 5.1%, 7.7%, 10.2% and 5.1%, respectively. However, there were virtually no growth in the number of layers and broilers. Most of the livestock species were of indigenous type. Milk production from cows during 2007/08 was 1.6 billion and 0.9 billion litres during wet and dry seasons, respectively. Average milk production per cow per day was 3 litres during the wet season and 2 litres during the dry season, a difference of about 33.3%. The leading regions in terms of milk production during the wet season were Shinyanga (13%), Arusha (12%), Tabora (9%)

and Mbeya (10%). The number of eggs produced by smallholders during the 2007/08

Generally, Tanzania has environmental regulations governing the operation of manufacturing industries.

The Government of Tanzania has simplified procedures for manufacturing to encourage value addition, that is why Tanzania through EPZA has in place fiscal and non-fiscal incentives to enable investors to have soft landing, procedure and rules are fair and transparent.

3.3 RAW MATERIAL BASE

The manufacturing project will strictly adhere to the law of the land, particularly environmental issues, and raw materials will be sourced locally and other imported from China.

The leather industry is an important segment of the evolving industry in developing countries including Tanzania. The leather industry contributes to growth of the domestic production and adds to foreign currency reserve. Several countries including China, India and Ethiopia their economies through export of leather products such as coaches, clothes and leather bags although the later faced a number of challenges.

Tanzania is endowed with large number of cattle and goats, but animal by-products are underutilized for economic purposes. Cattle hides, sheep and goat skins are poorly handled and exploited due to the low level of processing technologies including application of hazardous chemical such as sodium sulphide and chromium that are toxic and cause pollution of water bodies and are hazardous for all kinds of organisms. All these processes release waste and render leather as one of the most polluting industries due to high amount of chemical and solid wastes especially hair and chrome released into environment

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Leather processing involves multiple processes such as soaking, liming, delimiting, tanning bating and degreasing and use of a considerable amount of chemicals and water to produce leather.

Tannery effluents (TE), which result from bovine skin processing (for leather production) conducted in tannery industries mainly located in South American and Asian countries, stand out among these effluents. The aforementioned industries have great economic importance in these countries, since the leather they produce is used as raw material by different sectors such as automobile, clothing, footwear, furniture, among others. However, this activity has great pollutant potential, since the effluents produced at different bovine skin processing stages contain several compounds, which are harmful to the health of distinct species.

Finished leather from tanneries is employed in the leather manufacturing industries for making leather goods such footwear, upholstery, garments, gloves, bags and other leather products. About 40 SMEs and 2 large enterprises involved in leather goods manufacturing are existing in Tanzania.

The production of leather good from these factories is still very low due to lack of machines, skilled personnel and investment capital constraints.

3.4 MANUFACTURING SECTOR IN TANZANIA.

Generally, Tanzania has environmental regulations governing the operation of manufacturing industries; operators are required to take environmental impacts assessment to ensure environmental impacts is minimal.

The Government of Tanzania has simplified procedures for manufacturing to encourage value addition, that is why Tanzania through TIC has in place fiscal and non fiscal incentives to enable investors to have soft landing, procedure and rules are fair and transparent.

4.0 PROJECT'S INVESTMENT CAPITAL

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

KUAI BAO INTERNATIONAL INVESTMENT LIMITED COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	15,000.00
Machinery & Equipment	250,000.00
Motor Vehicles	80,000.00
Furniture & Fixtures	10,000.00
Pre expenses	70,000.00
Others	20,000.00
Working Capital	55,000.00
TOTAL	500,000.00

For the project to be a reality a total investment amounting to US \$500,000 is needed

(i) Land and Building (industrial premises): US\$15,000

The project has a long-term lease of industrial building to accommodate machineries and also to be used as project office, the total cost has been estimated to be US\$15,000 for the first year of project implementation

(ii) Machinery and Equipment: US\$ 250,000

Some US\$250,000 is anticipated to be spent on the purchase of different types of machines, working tools and equipments accommodating new technology

(iii) Motor Vehicles:US\$80,000

The project will need 1 truck, 1 Land Cruiser, and 1double cabin pick. These vehicles will be used to facilitate project business and double cabin pick up for administrative purposes.

(iv) Furniture: US\$10,000

This investment cost item has been estimated to cost US \$10,000. It will consist of office furniture such as tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

(v) Pre-Operational Expenses: US\$ 70,000

They cover things like company registration, expenses spent in exploring the viability of the project, especially the market/client identification exercise. Also included under this item are issues like consultancy fees, legal fees and recruitment and training costs of personnel.

(vi) Initial Working Capital: US\$55,000

Assumptions for working capital requirements have been estimated that it will cost US\$55,000. This will involve purchasing of raw materials, daily operating costs etc

5.0 Financing pattern

Project will be financed by equity with US \$ 200,000 and foreign loan US \$ 300,000 with interest of 4% paid within 4 years

5.1 Capacity

The company is planning to install machines of production capacity of 2000 units of leather bags per month and one unit of leather bags estimated to be sold at US\$ 10 wholesale price.

6.0 Project operating costs

In order to realize its intended objective, the project will have to meet the operating costs estimated to be 70 of total revenue.

7.0 MARKETING ASPECTS

7.1 The Products

- Leather bags
- Suitcases
- Bed cover and related products

7.2 The Markets

The products are for both the local and export market in neighboring countries. As mentioned above, the promoters are well versed in the business with well established market contacts.

7.3 Supply Position

Apparently, there is limited production of leather bags products of the quality targeted by the company. State of the art technology to be employed will enable the company produce very high-quality products

7.4 Competition

Due to the limited and insufficient supply as aforementioned, no stiff competition is foreseen. However, it must be cautioned that the targeted market is very conscious regarding quality. Hence, production of sub-standard products or selling at prohibitive prices will immediately shift customers to substitute products.

7.5 Distribution

The company expects to establish its own show rooms to facilitate distribution of its products. This will include setting up of a special unit which will be provided with resources to enable it efficiently undertakes the distribution function of the company. The company will also consider appointing wholesalers in regions and districts level and dealers in neighboring countries when it reaches the stage of exporting products to such countries.

7.6 Promotion

Appropriate promotion means will be employed after consultations with promotion experts to enable the company properly promote its products to the target market

7.7 Pricing Strategy

The company intend to offer best quality services that comply to the price charged as indicated earlier, there is a market segment that has spending power and can afford this pricing. Therefore, this pricing will reflect the targeted market segment in focus. one pair of leather bags estimated to be sold at US\$ 10 wholesale price

8.0 ASPECTS OF PROJECT SUSTAINABILITY

The project sponsors having studied market conditions and the infrastructure in Tanzania are convinced that the project will be able to operate undisturbed. The growing demand for quality leather bags and related products locally and in neighboring countries gives them assurance of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

8.1 MONITERING AND EVALUATION

The monitoring and evaluation tools will be applied in running this project as well, the project sponsors are determined to cooperate fully with the government and other stakeholders for smooth business running.

9.0 FINANCIAL ANALYSIS

9.1 Considerations and Assumptions:

The corporate tax charged is 0% of the profits for 8 years. 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 and trends in the leather bags industry.

9.2 Financial Statements:

9.3 Projected Revenue

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

KUAI BAO INTERNATIONAL INVESTMENT LIMITED PROJECTED REVENUE LTD

	1	2	3	4	5	6	7	8
Total Revenue	245,200	269,720	296,692	326,361	358,997	394,897	434,386	477,825

9.4 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 profits grow from. US\$ **46,765** in first year to US \$**677,292** in the 8 year

KUAI BAO INTERNATIONAL INVESTMENT LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

	1	2	3	4	5	6	7
Total Revenue	245,200.00	269,720.00	296,692.00	326,361.20	358,997.32	394,897.05	434,386.76
Operating Expenses:	134,860.00	148,346.00	163,180.60	179,498.66	197,448.53	217,193.38	238,912.72
Profit before Depreciation & Interest	75,140.00	82,654.00	90,919.40	100,011.34	110,012.47	121,013.72	133,115.09
Interest	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00	-	-
Depreciation	13,375.00	13,375.00	13,375.00	13,375.00	13,375.00	13,375.00	13,375.00
Net Profit	46,765.00	54,279.00	62,544.40	71,636.34	81,637.47	107,638.72	119,740.09
Tax (0%)	-	-	-	-	-	-	-
Profit After Tax	46,765.00	54,279.00	62,544.40	71,636.34	81,637.47	107,638.72	119,740.09
Accumulated Profit	46,765.00	101,044.00	163,588.40	235,224.74	316,862.21	424,500.94	544,241.03

9.6 Projected loan repayment schedule

The projected loan repayment period is within 4 years, with interest of 4%.

KUAI BAO INTERNATIONAL INVESTMENT LIMITED PROJECTED BALANCE SHEET " US \$"

Year	principle	Loan Interest (4%)	Total Amount Paid	Loan Balance
0				300,000
1	60,000	15,000	75,000	240,000
2	60,000	15,000	75,000	180,000
3	60,000	15,000	75,000	120,000
4	60,000	15,000	75,000	60,000
5	60,000	15,000	75,000	0
TOTAL	300,000	75,000	375,000	

9.7 Projected payback period

Total investment is US \$ 500,000 cash accumulation third year is US\$ 680,562 which is more than the initial investment by US\$ 180,562 the project payback Period is within 3years,

The project has a relatively short payback period. It is remarkably impressing for a project whose investment is as big as US\$ 500,000 being recovered within 3years.

KUAI BAO INTERNATIONAL INVESTMENT LIMITED PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	153,160.00	26,000.00	179,160.00	179,160.00
2	217,420.00	26,000.00	243,420.00	422,580.00
3	240,982.00	26,000.00	266,982.00	689,562.00
4	266,900.20	26,000.00	292,900.20	982,462.20
5	295,410.22	26,000.00	321,410.22	1,303,872.42

10.0 ECONOMIC ASPECTS

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

- The project is an ideal option for utilization of available market
- The project will create employment for **20** people on permanent contract basis as well as on temporary basis.
- It will create more business opportunities to local suppliers which will also have a trickledown effect in the environmental issues.
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.
- The project will have transfer of knowledge and skills to manufacturing sector
- The project will generate foreign earnings

11.0 IMPLEMENTATION

Project implementation is expected to be relatively very short once project has been approved it is estimated that construction of hotel will be completed within one year: -

IMPLEMENTATION

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	April 2022
2	Placing order of machines	Dec-Feb 2023
3	Installing machines	Feb -April 2023
4	Recruitment	April 2023
5	In house training	April- June 2023
6	Testing production	July 2023
7	Commercial operations	August 2023

12.0 CONCLUSION & 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.