

HIMALAYA INTERNATIONAL LIMITED

BUSINESS PLAN

FOR

**SETTING UP AND CONSTRUCTING A LEATHER AND RELATED PRODUCTS MANUFACTURING
PLANT AND DISTRIBUTION HUB**

AT KIWALANI, DAR ES SALAAM

CONTENTS	Page
1.0 Executive Summary.....	3
1.1 Investment Cost.....	5
1.2 Sources of Finance.....	5
1.3 Employment Opportunities.....	5
1.4 Implementation Steps.....	5
1.5 Investment Profitability.....	5
1.6 Conclusion and Recommendations.....	5
2.0 Background of the study.....	6
2.1 Overview of the Manufacturing Sector.....	6
2.2 The Economic and Social Potential of Tourism.....	7
2.3 Relevance of the Investment.....	8
2.3.1 Market Assessment.....	9
2.3.2 Supply and Demand Assessment.....	10
2.3.2.1 Supply Assessment.....	10
2.3.2.2 Demand Assessment.....	11
3.0 Investment Cost.....	12
3.1 Investment Structure.....	12
3.2 Investment Financing.....	13
3.3 Projected Operating Costs.....	14
3.4 Investment Capacity.....	14
4.0 Equipment Requirement.....	15
5.0 Man power requirement and organization structure.....	18
5.1 Management Summary.....	18
5.2 Organization.....	18
5.3 Training of Employees.....	19
6.0 Economic Benefit of the Investment.....	20
7.0 Financial Analysis.....	20
7.1 Projected Profit and Loss Account.....	21
7.2 Projected Cash Flow.....	21
7.3 Pay Back Period.....	21
7.4 Projected Balance Sheet.....	21

7.5	Discounted Cash Flow.....	22
8.0	Conclusion and Recommendations.....	22

PARTI: GENERAL PROJECT INFORMATION

1.1 PREAMBLE

This study covers the business plan of setting up a leather and related products manufacturing plant and establishment of a distribution center by Himalaya International Limited at Kiwalani, Dar es Salaam. The activities will be geared towards the setting up of leather and related products 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 **HIMALAYA INTERNATIONAL 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	YAQIN HAN	40	CHINESE
2	LIANG GUO	30	CHINESE
3	SHUANGYU MENG	30	CHINESE

1.3 LOCATION

The leather and related products manufacturing plant and distribution hub will be set up and installed at Kiwalani, Dar es Salaam Region.

1.4 THE PROJECT JUSTIFICATION

In recent years, the demand for Leather items has grown worldwide. Consumer demand has been shifting toward the new design and innovative leather products with changing fashion trends and lifestyles.

The scope of manufacturing this item is increasing due to the growing demand of bag users carrying different types of things like a laptop, office files, and notepad in their day-to-day official and business activities. The varieties leather bag item has a very good demand all across the globe.

The demand for leather bag items like handbags, purse, belts, wallets are a never-ending one. As a result, this business is recognized as an inflation-free business.

Due to the above factors, the Company is mainly focused at expanding its markets in the East and Southern Region by manufacturing and distributing luggage, handbags, suit-cases, back

packs and related accessories by using leather products.

Moreover, our plan is to market our line as an alternative to existing fashion lines, and differentiate ourselves through our diverse marketing strategies, exclusiveness, and high brand awareness. We plan to build a fashion line that is classy, innovative, upscale, versatile, and expensive. We have created a diverse promotional plan that includes a range of marketing communications.

Hence the installation of the leather related products 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 leather 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 2,040,000.00**

1.6 REVENUE

Following an assessment of the market, the anticipated sale of leather related 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 HIMALAYA INTERNATIONAL LIMITED

	No. of consignments sold per product (In Cartons)	Sales prices (USD per carton)	Gross Sales (USD)
Year 1	3,000,000	4.50	13,500,000
Year 2	4,000,000	4.50	18,000,000
Year 3	5,000,000	4.50	22,500,000
Year 4	6,000,000	4.50	27,000,000
Year 5	7,000,000	4.50	31,500,000

2.0 THE MARKET

Current Market of Leather Products

As mentioned previously, the Tanzanian leather 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 s Kenya, Uganda, Rwanda, Burundi, Zambia, DRC, Malawi, Botswana, and other neighboring countries,

Demand and supply

The global leather products market is segmented into by product, by distributional channel and by region.

Based on the product, the global leather market is segmented into luggage, footwear and accessories. Accessories product is anticipated to hold the major share in the market since accessories include bags, wallet, purse, handbags, backpacks and others. And these articles are one of the major attraction of the leather goods products which generated the highest demand for the growth of the market.

On the basis of the distributional channel, the market is fragmented into e-commerce and retail store. E-commerce distributional channel is projected to be larger segmented because consumers can have more options and more products to choose from as compared to the retail store. Also increasing the use of smartphones is driving pushing e-commerce to the next level.

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 handbags, luggage, back-packs, suit-cases and other leather accessories.

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 • High demand of leather products • Encouraging regional and inter region legal framework 	<ul style="list-style-type: none"> • Potential increase of prices due to global economic changes • Competition from counterparts
OPPORTUNITY	THREATS
<ul style="list-style-type: none"> • Increase in sale in the Eastern and Southern Region (export market) • High Demand for leather products • Friendly investment policy 	<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 leather products 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 leather 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 products.

4.1. THE MARKETING PROPOSAL

The marketing strategies that shall be put in place for Himalaya International 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 products that shall be produced to compete with other brands in the market.

iii. Promotion Strategies

Promotion strategies that shall be adopted by Himalaya International Limited will be aimed at informing, influencing, and persuading prospective buyers to purchase our products 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 our products the public. The advertising will call for public attention through paid messages in newspapers, magazines, billboards, signboards, and display areas.

- **E-Marketing**

Our 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 850,000=** 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:	2,040,000
Equity:	1,020,000
Debt:	1,020,000

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 2,040,000.00** a summary of the breakdown is as indicated in the table below

ITEM	USD \$
Fixed Asset	
Civil Works & Building	100,000
Machinery and Equipment	320,000
Vehicles	80,000
Furniture and Fittings	20,000
Raw materials	1,000,000
Pre-Operational Expenses	20,000
Sub total	1,540,000
Initial working capital	500,000
GRAND TOTAL	2,040,000

5.4. FINANCING PLAN (USD)

Equity	50%	1,020,000
Debt	50%	1,020,000
TOTAL LOAN AMOUNT		1,020,000
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 HIMALAYA INTERNATIONAL 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 200 persons in the first year of production, and from the second year the employment opportunities will increase up to 600 people will be employed in the industry.

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 4.50 per carton the starting years.

APPENDIX: I HIMALAYA INTERNATIONAL LIMITED INVESTMENT COST

ITEM	USD \$
Fixed Asset	
Civil Works & Building	100,000
Machinery and Equipment	320,000
Vehicles	80,000
Furniture and Fittings	20,000
Raw materials	1,000,000
Pre-Operational Expenses	20,000
Sub total	1,540,000
Initial working capita!	500,000
GRAND TOTAL	2,040,000

HIMALAYA INTERNATIONAL LIMITED FINANCING PATTERN

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

		USD
Equity		1,020,000
Debt		1,020,000
TOTAL LOAN AMOUNT		1,020,000
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

HIMALAYA INTERNATIONAL LIMITED
CASHFLOWS PROJECTION (Tanzanian Shillings)

YEAR	0	1	2	3	4	5	6	7	8	9	10
Sources											
Profit before interest/depreciation		3,243,119,016	4,142,415,566	4,651,437,814	5,289,846,207	5,747,192,341	6,187,326,513	6,312,341,337	6,678,525,750	7,732,490,300	8,851,147,284
Other Sources	11,506,150,000	3,243,119,016	4,142,415,566	4,651,437,814	5,289,846,207	5,747,192,341	6,187,326,513	6,312,341,337	6,678,525,750	7,732,490,300	8,851,147,284

Total sources	11,506,150,000										
Applications											
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

