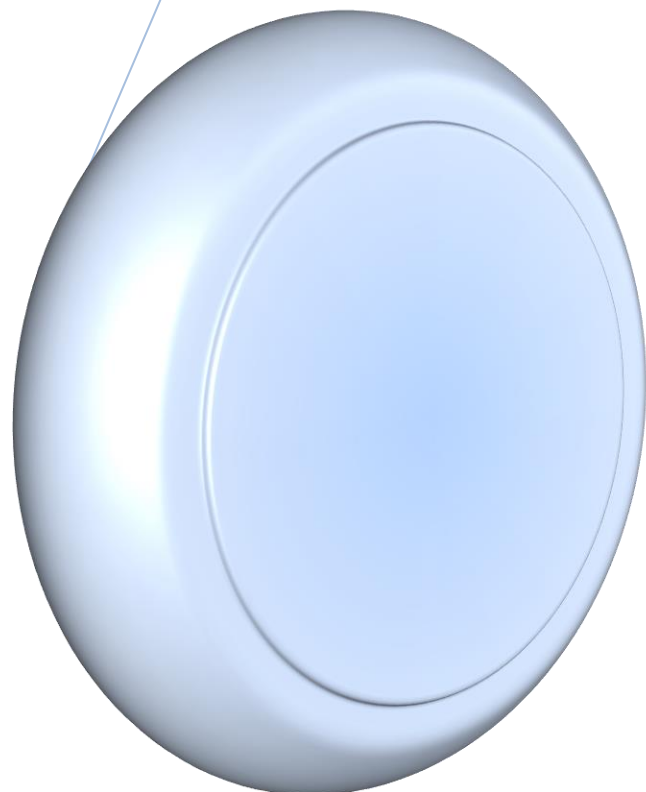


BUSINESS PLAN

Paper Recycling Project

By:
Givorah Recycling Limited
Ada Estate – Kinondoni
Plot No 84 House No. 84
P.O.Box 78092
14110 Dar es Salaam

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EXECUTIVE SUMMARY

This is a business plan for a project aimed at manufacturing of paper products by recycling waste paper. It will be located in Dar es Salaam. The project's period is projected to be 5 years, and its capacity 17,128 metric tons per year. It is a project wholly owned by foreigners.

Through the marketing and financial analyses conducted, this USD 500,000 project will be a success. With an excellent team of expatriates the project's products are expected to have their niche in the Tanzanian market.

The project is beneficial not only to the shareholders but also to the Tanzanian economy. It will employ locals (not less than 200 people), it will pay taxes, it will source raw materials locally, it will participate in the development of the neighboring community through CSR program, and it will add to environmental protection by using waste paper as raw material and by contributing to production of substitutes to plastic packaging material.

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1.0 PREAMBLE

1.1 Company Details

GIVORAH RECYCLING LIMITED is a company registered under the Laws of the United Republic of Tanzania on 28th February 2022 and granted Certificate of Incorporation No. 155-297-646. For tax purposes the company is also registered and its TIN is 155-297-646 as well. The company has a wide range of activities that it can embark upon but for this specific plan its focus is on recycling of paper and manufacturing of related products.

Givorah Recycling Limited is a local company owned by foreigners by 100%. The promoters of the company are all Indian as detailed under **Table 1** where key details are given. The company's authorized share capital is TShs. 50,000,000 divided into 100 shares of TShs. 500,000 each. The value of the share capital is equivalent to USD 21,645.

Table 1: Company Shareholding Details

S/No.	Names	Nationality	Shares Taken	Shareholding
1	Jatin Gupta	India	95	95%
2	Rakesh Gupta	India	5	5%

2.0 PROJECT OVERVIEW

Tanzania is one of the best countries for manufacturing. With mushrooming of cities, population rise and the increasing production of paper waste this project is designed to capitalize in consuming the waste by producing other products.

The company's Project will be a Factory located on Plots 1/1 block A in Mtoni Area in the city of Dar es Salaam. The company looks forward to rent the plot owned by Awale Nur Osman Shirwa. The company will not own the land but will construct a warehouse for sheltering the machineries. It will be paying a total of USD 4,500 every month as rent. The rent rate will be adjusted by 4 – 5% each year.

2.1 Core Business of the Project

This project is developed to manufacture paper products by recycling waste paper. A simple definition for paper recycling is the reprocessing of used paper to form new

paper. This business is environmental friendly as paper is one of the easiest and most commonly recycled products. Recycled paper saves millions of trees, immense amounts of water, space in landfills, and all the fossil fuels and other resources that go into the process of making and disposing of paper.

2.2 Manning Plan

The project will employ a minimum of 215 people 200 of whom are local and 15 foreigners. The foreigners are experts in the recycling industry and can mentor locals to their level of expertise. **Table 2** provides the details on the number of employees to be engaged in this project.

Table 2: Employment Plan

CATEGORY	MALE	FEMALE	TOTAL
Local	109	91	200
Foreign	10	5	15
TOTAL	119	96	215

2.3 Supplies Plan

The company will import the machineries, forklifts, cars and trucks. The imported machineries include Hydraulic Baling Pressing Machines with a capacity of 8,500 tons/Month. The tricycles (Toyo) will be sourced from within the country. Raw materials also will be sourced within the country

2.4 Production Plan

The factory is estimated to be producing 117,128 tons of recycled paper products per annum at full capacity. Production is scheduled to commence late in February or early march 2023. **Table 3** shows the projected production tonnage over the first five years of operation.

Table 3: Production Projections

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Annual Tonnage	80,000	88,000	96,800	106,480	117,128

2.5 Roll-Out Plan

Production is planned to commence within the year 2023 and full capacity to be attained in 2026. The project's life is expected to be 5 years.

	2022				2023												2024												
	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
Registrations (Including TIC)																													
Land Renting (Contract Signing)																													
Erection of the Warehouse																													
Personnel Recruitment																													
Launching and Operationalization																													

3.0 MARKET SCRUTINY

3.1 Status-Quo of the Market

As per Volza's Tanzania Export data, Waste paper export shipments from Tanzania stood at 754, exported by 92 Tanzania Exporters to 92 Buyers. Tanzania exports most of its Waste paper to Kenya, India and Uganda. Globally, the top 3 exporters of Waste paper are United States with 1,780,862 shipments followed by United Kingdom with 52,001 and Canada at the 3rd spot with 43,604 shipments. Top 3 Product Categories of Waste paper Exports from Tanzania are HSN Code 4707900000 : 4707900000, HSN Code 4707900000 : 4707900000 and HSN Code 47079000.

In 2011, it was reported that over 66.8% of paper consumed in America was recycled². In 2016 it was reported that over 72% of paper consumed in European countries was recycled, compared to 29.7% for plastics. Paper recycling is thus more in demand compared to plastic products recycling.

3.2 SWOC Analysis

3.2.1 Strengths

The promoters of the company owning the project have enough muscle to fund the project. As such the company's liquidity is assured.

The company also has got staffs who are experienced in the trade of recycling paper and manufacturing of paper products.

3.2.2 Weaknesses

The Investors are non-Tanzanian so they are new to the country. So is the company. However, owing to information technology they have grasped much about the economy.

3.2.3 Opportunities

- (i) There is assurance of availability of raw materials because the country exports waste paper.
- (ii) With a population of 62 million people the country provides assurance of market. This assurance comes from the government's stance against plastic bags and pro environmental friendly materials like paper.
- (iii) Tanzania being a member of the EAC has duty-free-quota-free market access to Burundi, DRC, Kenya, Rwanda, South Sudan and Uganda. The company can easily access these markets from Tanzania as compared to accessing them from India.
- (iv) In terms of power utilities Tanzania has got relatively lower tariffs and has less power cuts. More so in the near future Tanzania is expecting to be exporting electricity which will be generated from the Julius Nyerere Hydro Electric Power plant.
- (v) In governance Tanzania is characterized by peace and tranquility for there has been no material havoc in the country for years. This is strength as it provides our business with assurance that we will operate smoothly resting assured of our property security.
- (vi) There is stiff competition in the industry as Tanzania has many factories manufacturing paper products by recycling paper. The company has taken this into account via the marketing strategy.

3.2.4 Challenges

- (i) The procedures in the country are many and relatively complex. The company engages experienced business consultants.
- (ii) The open doors for Tanzania into the rest of EAC member countries imply the same for the other EAC members into Tanzania. This implies stiffer intra-regional competition where there is duty-free quota-free market access intra-regionally.

3.3 Market Worthiness

From the SWOC analysis conducted of the company and of the operating environment the promoters are confident that the project will be a success.

3.4 Marketing Strategy

Considering the fact of many players in the manufacturing of recycled paper products the company has developed a special focus on the 4Ps mix in order to have a good share of the market. Here is the company's view on the mix:-

Product: The project will produce best quality paper products as final ones. This will make the products stand out from the crowd by being very appealing. Through R&D the company will know more about the changing needs of the consumers and adjust the products accordingly.

Price: Through the Marketing and Production Departments the company will develop a pricing mix that will make the products price-competitive in order to gain a larger share of the market within Tanzania and in the neighboring countries

Place: The project is strategically located within the city of Dar es Salaam which is the commercial capital of Tanzania. In this regard the distribution channels are designed to see to it that delivery of the products is effective and appealing to customers. The product has huge demand in the global market therefore, the owners will also export most of the re-cycled products.

Promotion: Through the qualified marketing personnel the company will design excellent promotion campaigns that will pull consumer toward the products.

4.0 FINANCIAL ANALYSIS

This part covers project financing and financial projections. Project financing includes source of funding and financing of items in the project. Financial projections, on the other hand, cover sales projections, income projections, projected retained earnings and projected cash flow.

4.1 Project Financing

4.1.1 Sources of Financing

The project will be financed by equity by 100%, to the tune of **USD 500,000** as shown on **Table 4**. All the equity comes from India.

Table4: Project Financing

DETAILS	AMOUNTS	PERCENTAGES
Equity		
Local Equity	-	0%
Foreign Equity	500,000.00	100%
TOTAL EQUITY	500,000.00	100%
Loan		
Local Loan	-	0%
Foreign Loan	-	
TOTAL LOAN	-	0%
TOTAL FINANCING	500,000.00	100%
TOTAL INVESTMENT	500,000.00	

4.1.2 Financing of Project Items

The invested capital will fund various items in the project. These include buildings (as land will be leased and the factory building constructed by the company), plant, vehicles and other items as shown on **Table 5** below.

Table 5: Financing of Items

ITEMS	FINANCING IN USD
Land & Buildings	75,000.00
Plant	190,000.00
Vehicles	80,000.00
Furniture & Fittings	90,000.00
Pre Expenses	30,000.00
Others	-
Working Capital	35,000.00
TOTAL	500,000.00
FIXED CAPITAL	465,000.00
WORKING CAPITAL	35,000.00

4.2 Financial Projections

4.2.1 Sales Projections

The company has projections of steadily growing sales over the first five years of operation of the project. From year 1 to year 5 the company expects to sell sales amounting to USD 5,000,000; 9,400,000; 9,800,000; 10,400,000 and 11,000,000 respectively. The costs of sale are projected to be 4,093,000 for almost each year.

Table 6: Sales Projections

YEARS	Y1	Y2	Y3	Y4	Y5
Sales	5,000,000	9,400,000	9,800,000	10,400,000	11,000,000
Total Production Costs	4,093,000	4,093,000	4,093,000	4,093,000	4,093,000
Profit/ (Loss)	907,000	5,307,000	5,707,000	6,307,000	6,907,000

The project promises to yield gross profit through the first five years. In Year 1 the profit is expected to be the lowest as it is the year of investment which implies much spending while the product is new in the market and thus sales are picking up the pace.

4.2.2 Income Projections

Through the first five years of operation the project is expected to be making profits. In year 1 the profits will be the lowest because of the heavy spending in investment in the first year of operation. The profits, as shown on **Table 7**, are USD 331,576; 2,771,552; 2,991,072; 3,300,136 and 3,655,868

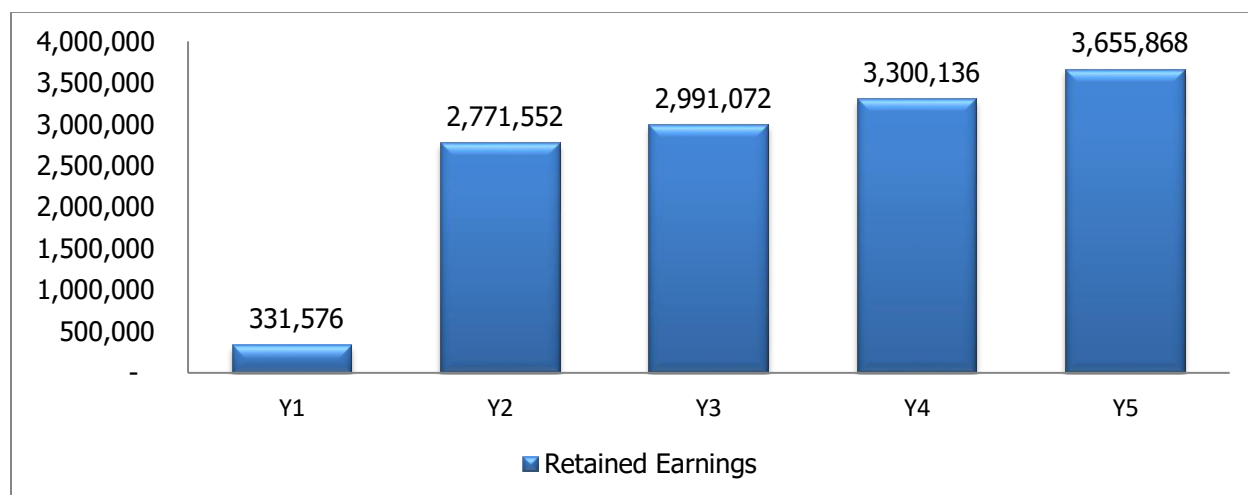
Table 7: Projected Income Statement

Description	Y1	Y2	Y3	Y4	Y5
Total Sales	5,000,000	9,400,000	9,800,000	10,400,000	11,000,000
Less: Cost of Sales	4,093,000	4,093,000	4,093,000	4,093,000	4,093,000
Gross Profit	907,000	5,307,000	5,707,000	6,307,000	6,907,000
Less: Operating Expenses	314,900	357,800	365,800	413,900	378,664
EBIT	592,100	4,949,200	5,341,200	5,893,100	6,528,336
Less: Loan Interest	-	-	-	-	-
EBT	592,100	4,949,200	5,341,200	5,893,100	6,528,336
Less :Taxes (30%)	177,630	1,484,760	1,602,360	1,767,930	1,958,501
Net Profit/(Loss)	414,470	3,464,440	3,738,840	4,125,170	4,569,835
Dividend (20%)	82,894	692,888	747,768	825,034	913,967
Retained Earnings	331,576	2,771,552	2,991,072	3,300,136	3,655,868

4.2.3 Projected Retained Earnings

Retained earnings projections show a positive trend for the project. This will give the company an edge in the market as it can re-adjust the price mix in order to keep more competitive. **Figure 2** gives the picture.

Figure 2: Projected Retained Earnings



4.2.4 Projected Cash Flows

The project is a promising venture as projections show a positive cash flow as shown on **Table 8**. This is a muscle giving the company an edge in the market as cash flow implies liquidity which helps the project operate smoothly.

Table 8: Projected Cash Flow

DESCRIPTIONS	Y1	Y2	Y3	Y4	Y5
Cash from Operations					
Profit Before Tax	592,100	4,949,200	5,341,200	5,893,100	6,528,336
Adjustment for Non-cash Items:					
Depreciation	120,000	120,000	120,000	120,000	108,864
	472,100	4,829,200	5,221,200	5,773,100	6,419,472
Change in Working Capital:					
Receivables (-ve)	(230,000)	(215,000)	(187,000)	(179,000)	(157,000)
Trade Payables and Accruals	120,000	135,000	115,000	223,000	359,000
Capital Additions	-	-	-	-	-
Total	(110,000)	(80,000)	(72,000)	44,000	202,000
	362,100	4,749,200	5,149,200	5,817,100	6,621,472
Tax Payments	(177,630)	(1,484,760)	(1,602,360)	(1,767,930)	(1,958,501)
Total Cash Inflow from Operating Activities	184,470	3,264,440	3,546,840	4,049,170	4,662,971

Cash from Investing Activities:					
Land Rent and development of Property	129,000	54,000	54,000	54,000	54,000
Net Cash Outflow from Investing Activities	55,470	3,210,440	3,492,840	3,995,170	4,608,971
Cash from Financing Activities:					
Dividends	(82,894)	(692,888)	(747,768)	(825,034)	(913,967)
Change in Cash and Cash Equivalents	138,364	3,903,328	4,240,608	4,820,204	5,522,938
<i>Opening Cash Balance</i>	10,000	5,000	4,500	6,500	5,000
<i>Closing Cash Balance</i>	5,000	4,500	6,500	5,000	6,000

5.0 PROJECT RATIONALE

This project's rationale can be viewed in monetary, fiscal and social aspects. From the financial analysis conducted this project is worth a green light in the Tanzanian economy. Monetarily it will create income for SMEs, fiscally it will pay taxes (both Income Tax and VAT), and socially it will contribute to social development as detailed under subsequent items.

5.1 Monetary Rationale

The project is expected to incur a total of **USD 22,296,064** on production and operating expenses through its first five years. This money will go to supplier SMEs and other companies that will be supplying raw materials to the plant. **Annex 1** gives the details.

5.2 Fiscal Rationale

Fiscally the project will pay a total of **USD 20,671,181** as taxes to the government in its first five years. Of this amount income tax is projected to be **USD 6,991,181** while VAT is projected to total to **USD 13,680,000**. **Annex 1** gives the details.

5.3 Social Rationale

Socially the project will participate in various engagements as part of its CSR program. Over the first five years it is expected to incur a total amount of **USD 466,079** on CSR as shown on **Index 1**. In addition, the project will employ a total of at least 200 locals. These are those directly employed by the project. Others will be employed indirectly, like those supplying raw materials and service providers.

Environmentally, the recycling will consume rejects and process them to manufacture other products which are environmental friendly.

6.0 POST SCRIPT

This is a paper recycling project designed to produce paper products. Analyses conducted – from financial to marketing analyses – pinpoint to imminent success of the business. This success is not limited to the benefit of the shareholders but also to the economy of Tanzania. Recycling is friendly to the environment and production of paper products including packaging materials is in support of the government's commitment to ban the use of plastic bags. On the other hand there are financial benefits to the private sector suppliers, tax revenue to the government, employment of at least 200 locals and CSR to the local community in the vicinity of the project.