

# Connection Investment (T) Ltd

## PP Woven Bag Production Line (Manufacturing)

### PROPOSAL

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## SUMMARY

### Preamble

Connection Investment (T) Ltd is a newly established company created for purposes of establishing and managing a factory for making PP woven bags in Coast region. The company has acquired land at,Zinga Industrial area in Bagamoyo. This is a limited liability company, under the Companies Act 2002 with Certificate of Incorporation No. 48703, dated April 14<sup>th</sup> 2004. The company was created for the objectives of constructing, establishing and managing Medium-scale industries in Tanzania, primarily in manufacturing sector. At large, the company aims to tap into the opportunities in the flourishing manufacturing industry in the country by carrying out business as manufacturers of tools, equipments and consumables for agriculture and construction industries.

This project bears the name Connection Investment and will be promoted by the same. The company has its headquarters in the city of Dar es Salaam. The role of the company will be backed up by Tanchin Trading co. China who have been in the national and international business environment for several years, where they have accumulated massive experience on how to run and manage businesses of the same line. They are able to forecast likely opportunity and possible trends of business. The future of the manufacturing industry in Tanzania is obviously bright and in this particular proposal, they want to invest in agriculture consumable products, PP woven bags.

The factory to be developed will be a major structure outstanding, designed to in a Higher roof steel structure with 3200 sq.M area. The building will have the material storage room, machine floor (production line), warehouse for ready product, car park, container loading and unloading premises, and administrative offices.

In summary the development of the project will focus mainly on:

- The construction, furnishing and equipping the building to accommodate machinery, and smooth production of high quality PP woven bags.
- Recruiting and Training of the factory workforce to be in line with the industry's demand
- Marketing and Market penetration to the local and international market

The proposed project is estimated to cost about US\$ 3,500,000. Over an implementation period of five years. The project sponsors have enough financial resources and adequate access to bank funding to undertake the planned investment. The project promoters are planning to finance project by their own savings funds as Owners' Equity Contribution by 100% all factors held.

Before this report was produced, a feasibility study was undertaken to determine the viability of the proposed project. After this was successfully done, the report has

been written first to enable project owners mobilize funds in order to facilitate construction and furnishing of the hotel building and procurement of other project capital goods; second was to facilitate the application for Tanzania Investment Centre (TIC) Certificate of Incentives to access exemptions on duties, VAT deferments and other benefits; and protections as statutorily provided for under Tanzania Investment Act (1997) for the Investment Projects.

### **The Project Promoters**

The Project Promoter is M/s Connection Investment (T) Limited, a company which was incorporated in 2004. The company is owned by Mr. Jonathan Mbasha, Caroline Mbasha and Johnson Mbasha .

### **The Markets**

The target market of the planned factory is milling firms, governments, and individuals with needs to store grains or similar products. The company will provide high quality PP woven bag, and at affordable prices, this is due to huge production capability (50,000 pcs per day).

Prospects in the growth of this target market are quite good given the increasing investment into agriculture by both government and individuals.

## **THE PROJECT**

### **Brief Description on Rationale behind the Project**

Woven Polypropylene is a thermoplastic polymer commonly used in packaging, textiles, flood control, erosion control, levees and construction. Products made from woven polypropylene are extremely rugged and resistant to many bases, acids and chemical solvents. One of its unique properties is its ability to easily form and shape for various uses. Additionally, it is an environmentally friendly, recyclable material. In Tanzania is commonly used as feed and grain storage bags.

The investors of this project are residents of Tanzania and have been observing the growing trends of manufacturing sector in Tanzania, Jonathan is well connected with Tan chin Trading co. LTD one of the biggest exporters of machinery, goods and commodities from China to Tanzania. He believes the demand for PP woven bags in Tanzania and nearby countries 50 Million units per year. He is satisfied beyond any doubt the return of this investment is within two years only.

Agriculture industry is booming in Tanzania and it is the back bone of the economy, with massive local and international funding into agriculture sector, it is good opportunity to offer high quality storage bags to the players in this sector. Local manufacturing, high quality, availability on time and on demand is the key to success.

Tanzania imports roughly 100 40FT containers of PP woven bags monthly to cover its demand, TC industry aims to save foreign currencies in importing these bags by producing them local and sell at affordable prices.

In their way to decide the came to get a clear knowledge on the country manufacturing industry and the general efforts on conducive investment environment we have learn that the government has put in place different organs including Business Strengthening Environment in Tanzania (BEST), The Tanzania Investment Centre (TIC), The Tanzania agriculture Board (TAB), the Tanzania National Business Council (TNBC), new established Agriculture bank and the Tanzania Private Sector Foundation (TPSF). These are huge efforts and we ought to appreciate by utilization of such chances and this is it.

### **Factory Design**

The factory will be set up as modern manufacturing facility, with imported steel structure high roof building, concrete floor, with vents on brick wall for cooling purpose. with a fenced surroundings carpark and detached administration offices. workers canteen, toilet and other necessary facilities.

Machinery within the Factory will include: (see attached list for full machinery and specifications)

- Flat yarn Extruder machine with capacity of producing 200Kg/hr.
- 18 sets of six circular shutters loom capacity of weaving 2 meters of PP sheet per minute per machine.
- Automatic cutting and sewing machine
- 4-color printing machine
- Bag Bailing machine
- Plastic crusher
- Dry mixer machines
- Recycling machine
- 500 KVA transformer
- 600KVA standby generator
- full color printing machine
- lamination machinery
- manual sewing machinery
- HDPE blowing machinery

Facilities within factory will include

- Administrative office block
- Toilets, praying room, canteen and recreation center block
- Factory Block

### **Motor Vehicles**

The company plans to procure utility and administration motor vehicles including:

- Delivery Vans and Light Trucks ( 10 units)
- 4-WD Administration Vehicle (4 units)
- 4 semi trailers for transporting imported of raw material to and from ports (about 60 tons weekly (two containers weekly), also for exporting foreign orders to nearby countries (our second main market will be Lubumbashi according to study).

## Location

As mentioned above, the project will be located at plot No.1, Block F,Zinga area,on the outskirts of the Coast region which has adequate space to accommodate the proposed project, offices, and other facilities for guests. The location is ideally suited for the project because it is easily accessible, high tension (380V) electricity and its infrastructure is highly developed.

## The Promoters

The company is owned by shareholders who are:

S/No.	Name and Address of Shareholders	Percentage Shares
1.	Jonathan Mbasha P.O. Box 66637 Dar	40
2.	Caroline Mbasha P.O. Box66637 Dar	30
3	Johnson J Mbasha P.o.Box 66637 Dar es Salaam	30

## MARKET ANALYSIS

### 3.1 Introductory Remarks

Woven polypropylene bags offer many advantages over paper and jute.:

- Lighter weight
- Much greater bursting strength
- Better pest resistance
- Resistance to tearing
- Reusable
- Can be air permeable and moisture, pollutants, bacteria, mildew, and oil resistant
- Properties do not degrade if wet
- Less expensive

For these reasons, more and more companies are packing their products in polypropylene. This has been especially in the B2B arena where appearances are not as important as cost and performance.

Companies who market to the consumer have not been as quick to make the switch because paper has, up-to-now, been a far better medium for bright and crisp

graphics. However, with our new process of three-layer bag-making, our graphics are the same as for paper. So now companies can enjoy the benefits of woven polypropylene while giving the customer hard-hitting and beautiful graphics--and all at a lower cost.

Merchants In Africa PP bags mostly used for grain packaging, wooden charcoal, with growing market in ore packaging as well as fertilizers, also in urban area small customized bags are common as shopping bags

Our research shows the monthly market of PP woven products in Coastal region of Tanzania is well over a million, and current local supply barely covers 30% of the needs.



### **Core Production Processes**

Company will mainly produce PP woven sacks, pictured above and customized size with maximum width of 850CM, other sizes will also be available on special request, our research shows the most common used bags in Africa are of width size 74CM

### **Demand v/s Supply**

The demand for good quality and enough supply of PP woven bag is quite alarming. The demand is now increasing fast following the expansion of agriculture activities in the region and the influx of local production. learn more <http://chinawovenbag.com/blog/woven-polypropylene-bags/>

Our research shows the monthly market of PP woven products in Coastal region of Tanzania is well over a million, and current local supply barely covers 30% of the needs.

### **Pricing**

The company's pricing policy is set with the objectives of achieving profitability, growth, better services and achieving a reasonable share of the market without necessarily pricing the the product at the cheapest rate. The company will maintain a wide set of packages on offer with different qualities and prices to suit different interests and pocket sizes.

### **Promotion and Advertising**

Creative promotion and advertising strategies will be outlined in the comprehensive marketing plan. With the objective of capturing new market segments and to attract faster responses in older market segments without stretching the company's human and financial resources too thin.

### **Modern and Adequate Equipment**

To be able to provide quality product that conforms to the demands of different industries, the company plans construct a state-of-art factory in bagamoyo and equip the facilities with the newest production technology available in the market. These will include:

- 80M by 24 M by 8M steel structure building with office, toilet and other facilities attached adjacent to it.
- High quality machinery as attached in exhibit 3

### **CONSTRUCTION COST**

The cost of any project (buildings and infrastructure) which include acquiring the land for the project, construction materials, labor and others as explained in exhibit 2 attached

### **Costs Conscience**

#### **Use of local contractors**

In this analysis, it is recommended that the project should contract local construction firms charging competitive rates but delivering good quality works compared with foreign firms. The selection of the main contractor may be made through tendering process.

#### **Building Materials**

The project developer plans to source most of the construction materials from China which will have the effect of lowering the overall construction costs and enhancing the quality. With the exception of cement, flooring materials and timber, almost all other materials will be imported. These include steel structure, aluminum windows, roofing sheets and wall tiles, toilet fittings, aluminum fixtures and fittings, electrical fittings, security system equipment, firefighting equipment, standby generator, transformer and other electrical.

### **Construction Procedures**

The construction progress assessment will be carried out using the agreed program of works submitted prior to commencement of the project just immediately after site hand over to contractor.

The following sequence of work will be performed at site for smooth execution of the project:

- Site handing over to the contractor.
- Mobilization period to be agreed upon including construction services.
- Building setting out
- Foundations excavations
- Construction of the framed additions on buildings
- Fixtures, fittings, finishes and decoration
- External works including plumbing, water supply, parking, roads and landscaping.

### **Costing Details**

The quantity surveyor will be doing costing using the standard format of bills of quantities basing on the part of tender document comprising of drawings and specifications.

The renderers will apply the current market rates for pricing the bill and come up with a competitive tender sum.

## **INVESTMENT AND FINANCING**

### **Assumptions**

- All prices and costs used in this project are based on October 2022 market levels and are kept constant for the entire project life on the assumption that when costs rise, in future it would be possible to increase prices to a level where acceptable profit margin can be maintained.
- The project's accounts projections life span is assumed to last 20 years after completion of constructions.
- To bring all costs to a conservative level, capital and operating costs estimates have been increased by a contingency allowance.

### **CAPITAL INVESTMENT (Cost of the Project)**

As detailed in the Appendix I, the projected investment capital is USD 3,500,000. This comprises the fixed investment of USD 3,300,000. And the working capital of USD 200,000. The construction of buildings and the furniture components of the plan are the main budget consumers for this capital.

### Cost of the Project:-

Sr. NO.	Details	US \$
1	Land & Building	140,000/=
2.	Plant & Machinery	1,950,000/=
3.	Furniture, Computers & Fixtures	20,000/=
4.	Vehicles	1,160,000/=
5.	Pre-operating Costs	20,000/=
6.	Initial working capital	200,000/=
7.	Others	10,000/=
	<b>Total Cost of the Project</b>	<b>3,500,000/=</b>

Other components will be

#### Financing Plan

The project is expected to be financed by owners' equity contributions at 100%

#### MANAGEMENT AND STAFF

To perform a professional job in the manufacturing industry a company requires a team of skilled and well-motivated personnel. Under the implementation program the project plans to undertake 2 approaches.

- Hiring staffs with relevant and adequate industrial work skills capable of putting in place strategies for growth and profit oriented activities. The local labor market has enough personnel with relevant skills and experience in the fields of marketing, operations and information technology.
- Motivation and retention scheme: Continuity being a vital element in any efficient operation, focus will be given to minimize frequent manpower move-out. In order to achieve this, an attractive incentive package will be part of the expansion program. The objective is to attract the best-qualified personnel to the company labour force and to retain them for a reasonable period of service in order to achieve continuity and harmony in the company's operations.

#### SWOT ANALYSIS

##### Strengths

The strengths of this project are:

- Sound and credible management and financial policies
- All incredible determination and perseverance of the investors.
- A fairly well skilled, committed and efficient labor force
- The lack of high quality PP bags at affordable prices in the local market, provides opportunities for demand.

### Weaknesses

- Depend on Imported materials (PP (polypropylene pigments) mostly from middle east
- Taxation system in Tanzania (unclear and unstable)

### Opportunities

The company is focused to take optimum possible advantage on the following:

- The increased attractiveness of the local manufacturing sector, to set Tanzania as an export country in a very near future.
- The introduction of investor friendly government policies including :
  - i. Market liberalization
  - ii. Lucrative investment incentive package
  - iii. Provision of land and on and off site infrastructure.
  - iv. good taxation system for local industries
- A stable economic and political environment
- Heavy investments in infrastructural development in roads (all weather)
- Telecommunications facilitation available for a very wide coverage of the country.

### Threats

These are many and profound and the most vicious to the company's well being includes:

- Unfair competitive practices among stakeholders such as negative publicity, skilled manpower draining and agent/client poaching.

### FINANCIAL AND ECONOMIC ANALYSIS

Projecting for financial statements is based on the following assumptions:

- The project is evaluated for 10 years based on the useful life of major assets.

The implementation of the project will cost US\$ 3,500,000.

- Capital expenditure will be spread over a period of 3 years.
- Economic depreciation rates are based on useful life of fixed assets and capital items.

### Depreciation and Amortization Schedule

Item	Scrap Value (%)	Depreciation rate
Land & Buildings	20%	5%
machinery Equipment	40%	12.5%
Tools and equipment; and Power Generator	10%	5%
Vehicles	15%	25%
Furniture and Office Equipment	1%	12.5%
starting capital (raw material + labour)	10%	0%

NOTE: It is assumed that the project will be granted a 50% capital investment allowance on the year of acquisition of capital/deemed capital goods and thereafter the balance of 50% be subjected to the normal depreciation rates. This applies to Machinery, Equipment, Motor Vehicles and furniture for this particular case.

The Analysis of Costs fall into two main categories:

**Operating costs:**

- Motor running expense
- Salaries, wages and allowances plus Social Benefits
- Utilities (water + electricity bills)  
Water: and Electricity
- Communications (postage, telephone, faxes, internet)
- Repairs and Maintenance
- Depreciation at full project implementation

**Administrative Costs**

- Directors/Board fees
- Professional/audit fees
- Traveling
- Insurance: 2% of major capital assets( motor vehicles and Machinery/equipment)
- Licenses
- Taxes / duties / levies
- Marketing and Advertisement

**Financial Statements**

**Assumptions**

The prices of inputs and outputs are assumed to remain constant over the project life i.e. 8 years. However, in case of changes in the costs of inputs, to maintain the desired profit margin, the prices of the outputs will be accordingly adjusted.

**Income**

The project's annual income at full commercial production is estimated to average at US\$ 2,811,807.75 as presented in the Income Statement under the FINANCIAL STATEMENTS. Net profit increases from US\$ 344,893.25 in the first year of operation to US\$ 897,766.50 per annum by year eighth.

**Expenditure**

The expenditure items are as indicated above. They include all costs items plus depreciation and financial charges. These are listed under Annual Production Costs.

**Projected Cash Flows**

This is shown in the cash flow, the project has a positive net cash flow from year 1 of operation to the 8<sup>th</sup> year.

**Financial Indicators**

Financial indicators showing the financial viability of the project are summarized below:

### **Internal Rate of Return (IRR)**

The project' internal rate of return (IRR) after tax is computed at 20% at the discount rate of 4% given in Appendix VIII.

### **Payback Period**

The payback period is computed at 3 years.

### **Economic Benefits of the Project**

The successful operation of the Project will contribute significant economic benefits to the Coast people and Tanzania as whole. In summary, the benefits that will be realized are as follows:-

- It will serve to provide more standard tourist hotels in the city to cater for the increasing number of visitors
- Employment opportunities for over 20 permanent staff at full commercial operations
- Provision of income to other services providers, thus contributing to the reduction of poverty.
- The direct income for the workers, combined with other social benefits that the Management will provide, will help in overall efforts of alleviation of poverty.
- Provision of a market for goods and services demanded by expanded tax base to the Treasury and local Government authorities and generation of substantial income to the Government.
- This project will facilitate the increase of foreign exchange earnings through services provision as most of the tourists to be served will be foreigners.

### **CONCLUSION AND RECOMMENDATIONS**

#### **Conclusion**

The project as analyzed in this report is both economically and technically viable. The project has come at the right time to provide the much needed quality bags and other packaging materials and successful business people in Tanzania as a whole.

#### **Recommendations**

A fast implementation of this venture is therefore highly recommended.