



Business Plan – KNY Chemicals Ltd

High Quality Mining Chemical Solutions

▪

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KNY Chemicals Limited

Kilimanjaro Village, Plot-15, Block-L, Nyamalimbe, PO Box 297, Geita, Tanzania

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Confidentiality & Disclaimer

The reader of this Business Plan hereby acknowledges that the information provided is completely confidential (other than information that is in the public domain through other means) and therefore the reader agrees not to disclose anything found in the business plan without the express written consent of the founders.

This document includes “forward-looking statements”, such as the company’s financial position, business strategy, budgets, plans, and objectives of management for future operations. Although the founders believes that the expectations reflected in such forward-looking statements are reasonable, he can give no assurance that such expectations will prove to have been correct. The following information is for informational purposes only and as such it is neither a solicitation of an offer to sell securities nor is it an offer to make an investment in the company.

1 Executive Summary

Background

KNY Chemicals was incorporated in Tanzania on 6th July 2021, as a private limited liability Company, with the authorized share capital of Tshs 2,000,000,000 divided into 100,000 shares of Shillings 20,000 each.

Products

Its principal business is the supply of imported range of critical mining chemicals for the mining and mineral processing value chain in Tanzania. The unique chemical materials and physical properties make this raw material excellent catalyst in the mining processing and processing materials along the supply chain. These key enablers for the mining industry include;

- | | |
|-------------------------|----------------------------------|
| (i) Sodium Cyanide | (x) Forged Steel Grinding Balls |
| (ii) Activated Carbon | (xi) Sodium Sulphate Red Flakes |
| (iii) Caustic Carbon | (xii) Flocculants |
| (iv) Lead Nitrate | (xiii) Ammonium Nitrate |
| (v) Sulfuric Acid | (xiv) Borax |
| (vi) Hydrochloric Acid | (xv) Sodium Carbonate (Soda Ash) |
| (vii) Hydrogen Peroxide | (xvi) Geomembrane |
| (viii) Hessian Cloth | (xvii) Hydrated Lime |
| (ix) Sodium Sulphide | (xviii) Nitric Acid |

Financial performance till date

Although the company was registered and started 2021, it had achieved a record sales turnover of Tshs 7.003 billion with profit before tax amounting to Tshs 157 million and tax paid Tshs 47 million, just within one year of operations (2022). This reflects a good successful year with sales and profits moving up in both the product supplies and market share.

The main drivers of progress have been adopting an industrial strategy characterized by new products introductions and first-class sales and marketing performance. This approach has enabled the company to grow to its present size and is expected to lead to double in size over the next two years as it implements its expansion programme. The Company is a subsidiary of Kenzo! Multi Industries FZC and also a part of a larger group of Companies operating in West Africa and has presence in over 40 countries worldwide.

Over the same period the shareholders have been able to make significant and recognized investments in operational equipment's in terms of vehicles, storage facilities, as well as in people and marketing and plans to continue with additional investments in operational equipment's and working capital.

Team

During its operational period, the Company has been able to build an experienced and expert management team to work with the founders and the Directors, Mr. Ravi Ramchandani and Mr. Arpan Mathur, to take advantage of the expanded facilities. Moreover, the company plans will continue providing intensive technical training to upgrade its entire staff.

Competitive Advantage

The company has not only built a strong brand name, but also established a strong distribution network in Tanzania. Additionally, it has secured exclusive rights from leading global manufacturers for distribution of key products (Sodium Cyanide) in Tanzania.

Growth Strategy

It plans to bring in new investment, update and expand its storage facilities to increase per-customer sales to existing customers and to attract more upscale customers as well as diversifying into new

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businesses. This will help the Company to maintain supply leadership in the value chain where it is now gaining more strength, and which will require significant investment.

In order to acquire new customers, the Company plans to expand its distribution points from 2 to 5, open new Sales Offices cum Warehouses and hire Sales Personnel.

The Company has applied for a local content certificate. This certification, expected to be in place in next couple of months, will make the Company eligible for supplying to large mines.

Additionally, the company plans to diversify into other products like tyres and Agro-Chemicals.

Projections & Profitability

The performance before the implementation of the proposed expansion programme shows that KNY Chemicals Limited Safaris has been a profitable undertaking and the company's net worth portrays a healthy and steady growth. Table 2 below provides the projected financial highlights for KNY Chemicals Limited during 2022-2026

Table 2 Financial Highlight in Tshs 'Million'

Item	2022 (Actual)	2023 (Act + Proj)	2024	2025	2026
Revenue	6,525.7	8,672.1	14,665.8	23,169.0	32,268.5
Gross Profit	772.2	968.5	1,983.6	3,421.1	5,103.1
Gross Profit %	12%	11%	14%	15%	16%
Corp. Taxes	-	-	447.6	830.5	1,271.1
Net profit	245.2	(454.7)	1,044.4	1,937.8	2,965.8
% Net Profit	3.8%	-5.2%	7.1%	8.4%	9.2%

2 Company Overview

2.1 Background

KNY Chemicals commenced operation in 2021, bringing in imported mining chemicals near operational sites. The Company has marketed this activity worldwide through a network of affiliated companies and through locally registered firms that trade with.

Today, KNY Chemicals boasts of operational facilities which are located at Plot No 111 Block G Nyamalimbo in Geita Urban area and at Plot No 15, Block No 1 at Nyamalimbe in Geita. They also have an office facility at Maisonette No 28, Plot 305/1/2 Block 'KK' at Oloirien, Njiro Arusha City, Arusha Tanzania

2.2 Company Ownership

The overall governing body of KNY Chemicals is the Board of Directors, which is composed of shareholders. The Board is made up of the Chairman and a Director. The present shareholders of the company comprise of the following:

Name	Role	Nationality	Shareholding
Mr. Ravi Ramchandani	Director	Indian	32%
Mr. Arpan Mathur	Chairman	Indian	08%
Mr. Yash Bulani	Shareholder	Indian	32%
Ms. Gauri Mathur	Shareholder	Indian	08%
Mr. Misha Kaushik Pattni	Shareholder	Tanzanian	20%

2.3 Mission

KNY Chemicals has a mission to be the most trusted name in the mining chemicals industry for the East African nations including but not limited to Tanzania, Kenya, DRC and Uganda.

2.4 Company Objectives

The company primary objective is to expand the current operation and regenerate existing storage facilities. In order to maintain the quality supply of the product offered, investment is required to replace vehicles, trailers and ancillary equipment so that it can;

- become an exclusive chemicals supplier to mining companies that delivers materials that are aligned to the mines' goals, systems and production processes to maximize its usefulness;
- improve supply chain visibility, manage supply risk more effectively, control costs and improve supplier relationship management
- provide distribution structure that allows high degree of market and outlet coverage to facilitate speedy delivery system.
- allow the Company to respond quicker and more effectively to the needs of its customers with the distribution process being made more efficient

2.5 Keys to Success

The company believes that its past and future success depends on a handful of important operating principles: -

- The Company strives for quality, not quantity.
- Having the best delivery system.

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- Focuses on customer satisfaction while building and maintaining the best supplier relationship.
- KNY Chemicals understands well the needs of mining companies and knowledge about third party risk space, including the latest supplier management tools.
- Use of procurement professional staff who are informed about diverse chemical materials safety and environmental rules.
- Director's timely thought leadership with extensive hands-on knowledge and requisite experience in planning, leading, coordinating delivery schedules.
- Maintaining a competitive edge in this industry.

3 Management Team & Human Resources Plan

3.1 Board of Directors

A board of directors manages KNY Chemicals. The board comprises two directors. These are;

Name	Role	Nationality
Mr. Ravi Ramchandani	Director	Indian
Mr. Arpan Mathur	Chairman	Indian

The board formulates and determines the policy and strategic direction of the company. The Chief executive officer of KNY Chemicals is Arpan Mathur who is also the Director. He reports to the Board of Directors.

He is responsible for all major decisions, overall running of business, corporate planning, setting up business strategies, monitoring implementation and achievements against set goals, policy making, financial planning and administration.

3.2 Management Team

The company has a well established management structure filled with qualified personnel for Chemical Materials Trading Company. A team of two people whose profiles is detailed hereunder manages the day-to-day affairs of the KNY Chemicals.

Mr. Arpan Mathur, Managing Director

Age 48 years

An Indian citizen and founder member who has been successful entrepreneur having established KNY Chemicals and managed the businesses in Tanzania. Has over 20 years of management experience and has successfully guided KNY Chemicals to its present success. He has done his MBA from Fore School of Management, Delhi, India.

3.3 Employees

The most important long-term investment is the human resource. They are the “plant and machinery” of company’s business and are responsible for the standards of service it offers its customers. At the management level, the Company is heavily committed to management development that will enhance managerial skills and competencies, fostering leadership qualities, improving decision-making abilities, promoting effective communication and interpersonal skills, as well as developing a strategic mind-set.

The leadership team is supported by eight (8) line management staff. The number of all employees at KNY Chemicals will increase to 40 from 8 when this business plan is implemented.

3.4 Training

KNY Chemicals is committed to employee’s development with increasing emphasis on internal career development. The company has managed to train all its current employees and intends to train other new ones as company expands its services.

The company provides intensive training new employees immediately after recruitment. In house training of the company’s employees is elaborate. Employees continuously receive an internal

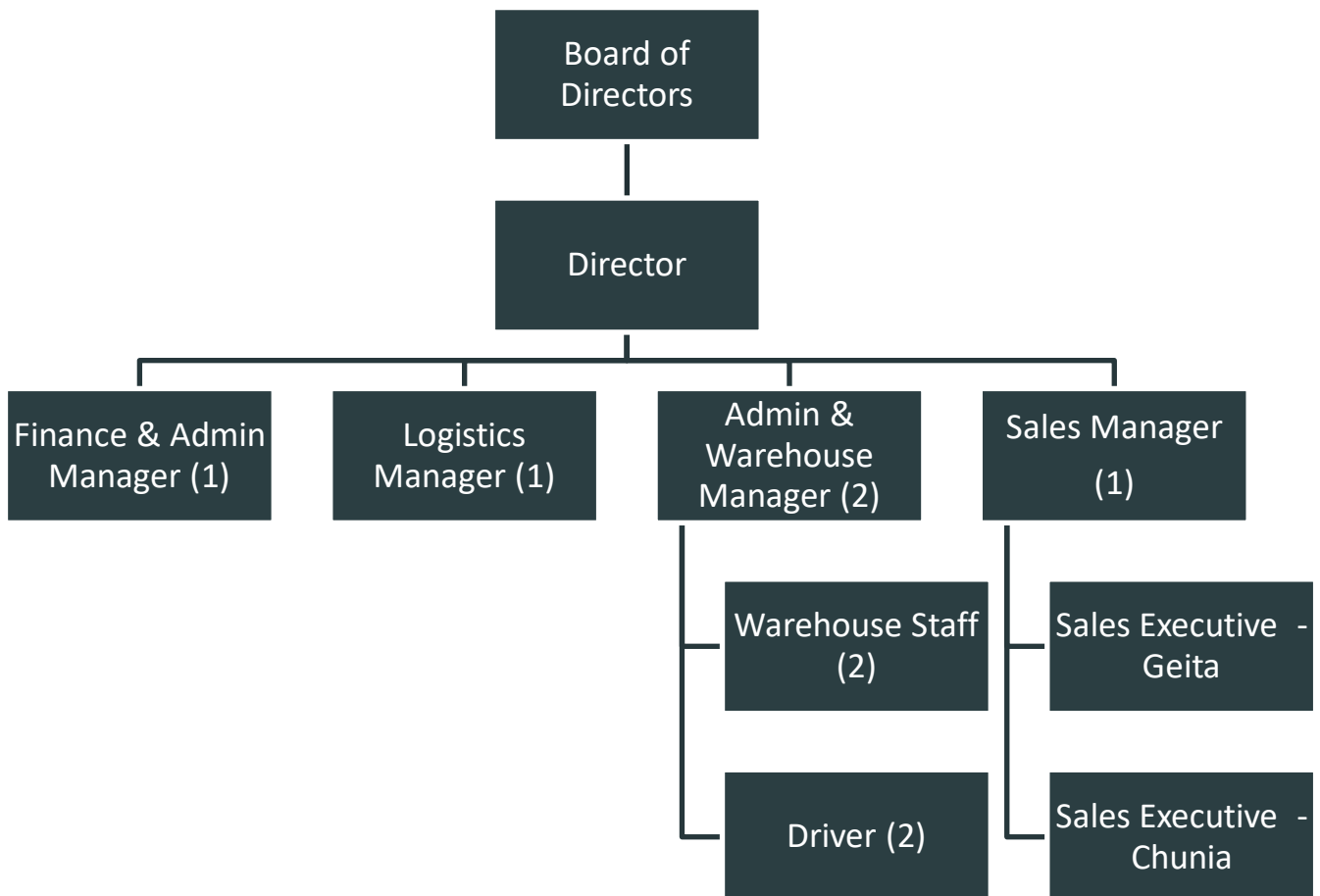
training which covers both the professional and practical aspects of the company ideals and ways of operations and its done by the management assisted by senior and experienced employees.

3.5 Remuneration Policy

The shareholders believe that good working conditions benefit both its workers and the company. Thus, the company’s remuneration packages are designed to attract, motivate, and retain employees of the right calibre and to reward them for enhancing value to shareholders. Thus, the policy, which determined in relation to the remuneration of our employees, is as follows: -

- To pay base salaries which reflect the size, performance, and contribution of individual jobholders. The company receives advice from external sources to help to assess the salary levels paid in comparable organizations.
- To operate an annual incentive plan which relates the payment of cash bonuses to pre-determined performance goals.

3.6 Organizational Chart (next 1 year)



4 Products Overview

4.1 Product Overview

KNY Chemicals is currently dealing in procurement, importation and distribution of chemicals materials for gold mining companies based in Geita, Kahama, Musoma, Chunia, Kakola, and Katoro. It operates across a broad range of chemicals for mining supplies such as:

1. Activated Carbon - **Activated carbon for gold recovery** plays a vital role in the gold refining process. **Coconut shell granular activated carbon** are used in the process because it has high adsorption capacity, large surface area, high hardness, and low ash content. It is imported from specialized chemicals companies that specializes in coconut shell granular activated carbon, which ensures the efficiency and effectiveness of gold refining process.
2. Sodium Cyanide: It also imported from countries where it produced for the purpose of gold recovery.
3. Other chemicals for mining include:
 - (i) Sulphuric Acid
 - (ii) Hydrochloric Acid
 - (iii) Nitric Acid
 - (iv) Hydrogen Peroxide
 - (v) Caustic Soda
 - (vi) Lime – Regular
 - (vii) Lime – Special
 - (viii) Grinding Balls
 - (ix) Soda Ash
 - (x) Flocculent
 - (xi) Explosives - Ammonium Nitrate
 - (xii) Equipment

5 An Overview of Mining Chemicals Business in Tanzania

5.1 Global Mining Chemicals Market

Market Size & Growth

The global mining chemicals market size was **valued at USD 10.71 billion in 2022** and is expected to expand at a **compound annual growth rate (CAGR) of 6.8% from 2023 to 2030**.

Growth Drivers

- This growth is attributable to a **growing demand for minerals in various end-user industries** such as electronics, medical equipment, paints & coating, and others. According to a World Bank article published in March 2020, the production of minerals like graphite, cobalt, and lithium will grow by 500% by 2050, **due to the growing demand for clean energy technologies**. Thus, increasing demand for minerals boosts the demand for mining chemicals in the market.

Market Segments - By Ore Types

- **Iron ore type dominated the mining chemicals market** with a revenue share of more than 18% in 2022. Its high share is attributable to the increasing demand for product with fewer impurities from the steel industry. The propelling demand for iron ore in various industries including petroleum and wastewater is expected to propel the growth.
- **Phosphate is another major ore segment** after iron accounting for a high share owing to augmenting demand from cement industries across the globe coupled with growing phosphate mining activities in major economies including China, the U.S., Indonesia, Australia, and others.
- **Other products include carbonate oxides, sulfide, zinc, and aluminum**. Depressants are used in zinc ore to increase the efficiency of the flotation process by inhibiting the interaction of the metal with the collector. Zinc is used in coatings to improve corrosion protection against white rust. The function of depressants is to prevent the flotation of the desired mineral from being floated. Thus, the rising application of the aforementioned ores in wastewater treatment activities is expected to positively impact the market growth.

Market Segments - By Application

Explosives and drilling application dominated the market with a revenue share of more than 35% in 2022. This high share is attributable to the growing demand for minerals and metals leads. Rising minerals mining activities in the major economies are expected to drive the segment growth.

Mineral processing is another major segment accounting for a revenue share of 28.8% in 2022. Growing demand for major commodities, including iron ore and copper, is driving the growth of the mineral processing market globally. The mining industry has witnessed a growth in the demand for technologies for processing complex minerals.

Market Segments – By Geography

Asia Pacific region dominated the market with a revenue share of 36.3% in 2022. This high share is attributed to growing mineral processing activities in countries including India, China, and others which are projected to promote the utilization of the product in the region over the forecast period.

5.2 Tanzania Mining Market

Mining a leading industrial sector in Tanzania with the value of mineral exports constantly increasing for the past several years. The sector is comprised of both small- and large-scale operations. Mining in Tanzania includes metals (gold, iron ore, nickel, copper, cobalt, silver), industrial minerals (diamonds, tanzanite, ruby, garnet, limestone, soda ash, gypsum, salt, phosphate, gravel, sand,

dimension stones and graphite), and fuel minerals (coal, uranium). Tanzania is also home to many rare earth and critical minerals that are currently in the exploration stage.

Mining and quarrying added 9.9 trillion Tanzanian shillings (TZS) to Tanzania's Gross Domestic Product (GDP) in 2020. This corresponded to around **4.2 billion U.S. dollars**.

Tanzania earned around 2.3 billion U.S. dollars with minerals exports in 2019, a significant increase over 2018 level of 1.6 billion U.S. dollars. **Gold had the highest contribution to the value of mineral exports. Tanzania is the 4th largest gold producer in Africa after South Africa, Ghana and Mali** and is the world's sole producer of the precious stone Tanzanite. Gold production currently stands at roughly 40 tonnes a year, copper at 2980 tonnes, silver at 10 tonnes and diamond at 112,670 carats.

Key Trends

- The GoT **would like to see more value-added activities in the country to include smelting and processing of minerals**. As of 2020 two model gold smelters were built in Lwamgasa and Katente, a one stop mineral processing and export center, strengthening of mineral control and reduction of smuggling due to construction of a 24.5km wall around the Mirerani tanzanite mine. Also, 28 markets and 25 mineral centers have been established.
- In recent years, **mineral exploration has increased in several parts of the country. The sector has attracted substantial new foreign investment** in mineral development exploration, with local investment surpassing \$1 billion. Recent nickel, helium, graphite, uranium and coal finds have spurred increased interest on the part of investors.

5.3 Tanzania Mining Chemicals Market

Minerals in both raw and processed forms contribute significantly to Tanzania's exports trade. In the Mining & Mineral Processing Industries, chemicals are used for various purposes like extraction of metal from their ores as well as in extraction and separation processes like flotation. They can be used for adjusting pH froth formation, collection and further processing and refining of metals.

Chemicals being used in mining and processing minerals if not applied scientifically (appropriately) can contaminate the land, water, and air, causing health problems for workers and people living near mines. Some of toxic chemicals used in mining include:

- Cyanide, sulphuric acid, and solvents for separating minerals from ore.
- Nitric acid, ammonium nitrate and fuel oil (ANFO) are used in blasting tunnels.

Requisite chemicals are applicable in recovering metals from ores that are too refractory for conventional processes. And are often be used in conjunction with a conventional mining or milling process to boost metal recoveries and increase ore.

The process called "Cyanidation", or cyanide leaching, is a dominant gold extraction technology that is been used since the 1970s. In this process sodium cyanide, in a dilute solution of ranging from 100 ppm to 500 ppm or 0.01% to 0.05% cyanide, is used to selectively dissolve gold from ore.

Most of these different chemical materials used in mining and processing minerals are imported from overseas countries like Korea, USA, because Tanzania industrial base does not have the capacity nor the technology. Until such a time when the country starts to produce such chemical materials, it will continue to import.

5.4 Growth Drivers & Market Opportunity

- Chemical materials are key enablers in the mining industry. Some of the chemicals like sodium cyanide are considered as critical raw materials as they are used commercially for extracting gold and silver from ore.
- The local mining industry is largely dependent on imports for many raw materials and in many cases highly exposed to vulnerabilities along the value chain.
- Operational risks or possible change in programme require holding of stocks as precaution against serious breakdown or interruptions along the value chain.

6 Competition

6.1 Key Players Globally

The mining chemicals industry is immensely competitive owing to the presence of multinational companies that are involved in continuous R&D activities and local players. Companies such as Ashland, Sasol, BASF SE, and Dow dominate the market due to their extensive product portfolio catering to each application and global brand presence. These companies dominate the global mining chemicals industry with their extensive presence throughout the value chain.

The major companies are also focusing on signing partnership agreements with distributors, capacity expansions, and adopting different operational strategies to gain an edge in the competitive market space. Key players are focusing on expanding their business in the African region, due to growing gold mining activities in Ghana, South Africa, and Mali. For instance, Clariant is focusing on acquiring established distributors to enhance its market presence in the South African region. The players penetrating the market are focusing to enhance their product placement and in turn, capture a broader share in the regional market as well as global. Some prominent players in the global mining chemicals market include:

- AECI Mining Chemicals
- BASF SE
- Ashland
- Dow
- Kimpligh Chemicals SA (Pty) Ltd (PTY) LTD
- Cytec Solvay Group
- Arkema
- Clariant
- Nowata
- Kemira
- Shell Chemicals
- Quaker Chemical Corporation
- Akzo Nobel N.V.
- Solenis
- Sasol

6.2 Competition in Tanzania & Our Advantage

There are many foreign companies coming into the country to invest into ventures that are deemed to be attractive, viable and profitable. So, there should not be a surprise to see other Companies investing in the same line of business. Below are the key players:

- Waja General
- Oxley Ltd
- Jema Africa
- Kaka Chemicals
- Prochem International
- Caribou First

However, competition on the other hand is for all intents and purposes a healthy economic exercise and should be promoted. KNY Chemicals Limited has some in-built advantage against any new competitor.

- It has established its name, experience and reputation in the mining industrial market

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- It has also established marketing and distribution network and strong relationship with the mining sectorial players which in the short period would require reputable and strong competitors to make an impact.
- It has secured exclusive distribution rights over Tanzania from major global suppliers. It has exclusive contract with Nowata Carbon and Draslovka Cyanide (Czech Republic).

The above points in a short period would require **significant effort and investment from** competitors to make an impact. It is well positioned to counter any competition and for a long period to come as well as the company is continuously improvising its business through research, diversification and strengthening of its supply chain.

7 Strategy & Growth Roadmap

7.1 SWOT Analysis

Strength

- KNY Chemicals have comprehensive supplier data and analytical tools needed to make supply chains more resilient and efficient to minimize supply risks and disruptions.
- That they have better supplier intelligence which creates a sincere supplier engagement to expand negotiations opportunities to all parties.
- Outstanding performance results.
- Good reputation.

Weakness

- Limited geographical presence – in only 2 locations
- Local Certification is missing which restricts its access to larger mines.

Opportunity

- Expansion to other regions in Tanzania
- Product Diversification
- There is wide opportunity for KNY Chemicals Ltd to grow in this chemical trading business within the mining industry. The local consumption of chemicals raw materials by mining industries is on an increasing trend. New product diversification and new mines are being explored and developed.

Threat

- Emergence of new suppliers
- Regulatory changes

7.2 Growth Strategy

In the context of the above, KNY Chemicals has decided to prepare a 5-years business plan as a guide for its business operations in its resolve to improve not only its financial position but also the return to its shareholders.

Its GOAL is to DOUBLE its revenue in 2024.

To achieve it, the main thrust of KNY Chemical's growth strategy are as follows:

- **Strengthen the Sales & Distribution to acquire new clients** - Accelerate the impetus on marketing its chemical materials for mining and related business activities and acquire new clients. The company will achieve this through a mix of In-House Sales and Distribution Network.
- **Increase the market share as well as margins by leveraging exclusive distribution rights** – Exclusive distribution rights give the company access to lower price points and a huge competitive advantage. This will be leveraged to increase the margin and also to grab higher market share. Presently, the company is selling 1-2 containers of Cyanide which can increase to 5 or 6 out of total of 40 containers sold in Tanzania presently.
- **Diversify the Product Range** - KNY Chemicals will continue to carry out market study on various chemicals varieties to determine the market needs. It will also continue to work with the chemical manufacturers and mining companies to look for ways of getting substitute

products which will not change or alter the original process, but which will provide advantages of low toxicity, environmental protection, high recovery, good stability, convenient operation, quick recycle, low dosage, low cost and convenient storage and transportation.

- **Maximize the Efficiency of Existing Business through Supply Chain Infrastructure** - KNY Chemicals will aim to respond quicker and more effectively to the needs of its customers with the **sourcing and distribution processes made more efficient**.
- **Target Larger Mines by leveraging Local Content Certification** – The company has applied for local content certification, leveraging which it will be able to qualify to supply to larger mines.

7.2.1 New Market Segments

As a strategy KNY Chemicals has segmented its chemical buyers into few major segments:

- Smaller Gold Mines (Existing Target)
- Mineral Processing Companies (Existing Target)
- Big Gold Mines (Future Target)

To achieve these objectives, KNY Chemicals has established distribution and marketing branches in major mining ecological zones in the country. It has long established trading relationships with major international chemical manufacturers and large Gold Mining Companies.

KNY Chemicals does the marketing and conducts surveys every two years to introduce the Company and new products to old and new customers in the market and to evaluate at the same time explorer for new opportunities.

7.2.2 Product Diversification Strategy

The Company plans to expand in two different adjacent industries to diversify the business and also de-risk it:

Agro-Chemicals Industry

The company will diversify into supplying following chemicals:

- Herbicides
- Insecticides
- Seeds
- Sprays

This requires the company to register its products with the local authorities which is a time-consuming process. The company expects to start this from July 2024 and expects to generate revenue from July 2024 onwards from this. In this business, it expects to earn a margin of 15%.

Tyre Industry

The company also plans to start the import of following types of tyres:

- PCR - Passenger Car Radials
- TBR - Truck & Bus Radials
- Mining Application Tyres

The trial for the same has already started and the company expects to generate revenue from Jan-Feb 2024. In this business, it expects to earn a margin of 12-15%.

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7.2.3 Warehousing & Logistics Growth Strategy

The imported products are offloaded and custom-cleared by our Logistics Agent at the port. From there on, most of the containers are shipped directly to the bulk customers or distributors.

A part of the load is kept in our warehouses for faster supply small ticket sized orders to our distributors / customers.

Presently, the Company has warehouses in Geita and Kamaha – mainly for breaking the bulk.



Warehouse in Geita (550 Square Metres)



Warehouse in Kamaha (600 Square Metres)

The company plans to add 3 more warehouses in the next year (2024) more warehouses in the subsequent years.

KPIs (at the end of)	Year-1	Year-2	Year-3	Year-4	Year-5
# Warehouses	5	7	8	9	10

7.2.4 Sales and Distribution Strategy

The company has three different types of sales channels:

- **In-House Sales Team (Sales Offices)** – The company will have in-house Sales Teams which is led by Sales Managers and supported by Sales Executives. The in-house Sales Team will

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work on directly acquiring the large ticket sized customers. They will also be responsible for managing the relationship with distributors in their area. Each Sales Executive can generate anywhere between \$500,000 to \$1Million in revenue per month. The sales team operates out of Sales Offices.

- **Independent Sales Partners** – In addition to in-house Sales Team, the company also engages independent Sales Partners who introduce the Company to the key decision makers in the mining industry. These sales partners are compensated through attractive (15%) Sales Commission. Presently, the company has built a network of 15-20 such Sales Partners.
- **Distributors** – The company also has two distributors presently. It will also expand the number of distributors in the next 2-3 years. The company's policies are highly attractive for Distributors. They are provided goods on credit and need to pay the company only if they are able to sell the product otherwise, they can return the product. They are compensated with 20% profit margin. Each distributor can sell from \$50K - \$100K per month.

Type of Channel	Currently (2023)	In 2024
Sales Office	1 Sales Office - Arusha	2 More Offices by converting the Musomo & Chunia distributors to Company Owned Godown & Sales Office
Distributors	2 Distributors - 1 in Kakola - 1 in Musomo - 1 in Chunia	2 more distributors to be added in a different city
Independent Sales Partners	15-20 Partners	4-5 Additional Partners

7.3 Pricing and Unit Economics

With exclusive contract with Nowata Carbon and Draslovka Cyanide (Czech Republic), the company expects a lower purchase price. A part of the lower margin will be passed on to the customers to grab market share while the remaining part of price differential will be used to increase the profit margin of company which is very low at this point.

Presently, the gross margin is in the range of 12-13%.

With the exclusive partnerships, it is expected to increase to 14-15%.

7.4 Capital Investments

Below are the details of Capital Investment Plan in the next few years:

	Investment / Unit	# New Units (Year-1)	# New Units (Year-2)	# New Units (Year-3)
Go-Downs & Branch Office				
- Capex	\$ 5,000	3	1	1
- Inventory	\$150,000	3	1	1
Delivery Trucks	\$25,000	2	3	4
Cars (For Sales)	\$25,000	2	3	4

7.5 Project Risk Factors

The chemical industry is a highly competitive but low-margin industry, and its supply chain market is a dynamic and complex. The production and transportation of chemicals is a risky process with high-cost operations for members of the supply chain, where some of the materials deteriorate over time and deal with value-reduction challenges. It is also critical in delivering chemical material and related products to various sectors of the economy.

The supply chain risks include a range of potential disruptions and threats, including economic risks (e.g., supplier insolvencies, economic downturns), environmental risks (e.g., natural disasters, climate change), political risks (e.g., political instability, trade policy changes), and ethical risks (e.g., sourcing from

To prevent potential hazards and improve product quality, the manufacturer invests in risk reduction and quality improvement technologies that can also attract more market demand.

With the ongoing development of Environmental, Social and Governance (ESG) standards, there is a dire need for more accountable chemical supply chains. Hence, a deep dive into chemical supply chain stability and practical implementation of sustainability standards is significant to strengthen the safety of chemical supply chain operations, improve the chemical industry's competitiveness, reduce global energy consumption, and protect the social environment.

Chemicals companies and supplies are continuing to explore current approaches as well as more aggressive options for the future, such as vertical integration strategies.

The above risks notwithstanding, it is hoped that The KNY Chemicals will continue to successfully steer operations of the company either off or through any risks that it will face in the future. This optimism arises out of the fact that the owners and management of Company are astute businessmen who have so far successfully managed their businesses successfully.

8 Financial Projections

Based on the proposed procurement plan stated in the section above, financial projections have been prepared for a period of five years. Projections have been made under several assumptions indicated in annexes. The expected financial results of the Company's 5-year Business Plan is based on the assumptions stated in the cited annexes are shown in the subsequent sections.

8.1 Projected Annual Profit & Loss Statement

Income Statement Projection (TZS Million)	Year-1	Year-2	Year-3	Year-4	Year-5
Revenue					
Gross Revenue (Including VAT)	17,305.7	27,339.4	38,076.9	52,408.9	72,045.4
VAT	2,639.9	4,170.4	5,808.3	7,994.6	10,990.0
Total Revenue	14,665.8	23,169.0	32,268.5	44,414.3	61,055.4
Direct Costs	-	-	-	-	-
Cost of sales	12,682.2	19,747.9	27,165.4	37,390.4	51,399.8
Total Direct Costs	12,682.2	19,747.9	27,165.4	37,390.4	51,399.8
Gross Margin	1,983.6	3,421.1	5,103.1	7,023.9	9,655.7
EBIDTA (%)	14%	15%	16%	16%	16%
Operating Expenses					
Payroll	99.2	96.9	135.9	179.2	236.7
Marketing	-	-	-	-	-
Rent	56.2	104.3	144.1	196.0	263.3
Professional Consultancy Fees	18.0	18.0	19.8	21.8	24.0
Travelling and Conveyence	12.0	12.0	13.2	14.5	16.0
Repair & Maintenance	9.5	16.8	22.8	30.7	41.0
Utilities	10.7	18.0	24.2	32.2	42.6
Other Expenses	109.3	108.0	118.8	130.7	143.7
Total Operating Expenses	315.0	374.0	478.8	605.1	767.2
EBIDTA	1,668.7	3,047.1	4,624.3	6,418.9	8,888.4
EBIDTA (%)	11%	13%	14%	14%	15%
Other Expenses	-	-	-	-	-
Amortized Start-up Expenses	-	-	-	-	-
Depreciation	3.6	5.4	6.7	8.0	9.3
Interest	-	-	-	-	-
Bad Debt Expense	173.1	273.4	380.8	524.1	720.5
Total Other Expenses	176.6	278.8	387.5	532.1	729.7
EBIT	1,492.0	2,768.3	4,236.9	5,886.8	8,158.7
Income Tax	447.6	830.5	1,271.1	1,766.0	2,447.6
Net Profit/Loss	1,044.4	1,937.8	2,965.8	4,120.7	5,711.1
Net Profit/Loss (%)	7.1%	8.4%	9.2%	9.3%	9.4%

8.2 Projected Annual Cash Flow Statements

Cash Flow Projection (TZS Million)	Year-1	Year-2	Year-3	Year-4	Year-5
A. CASH FLOW FROM OPERATING ACTIVITIES					
Net Profit (Loss)	1,044	1,938	2,966	4,121	5,711
Adjustment for					
Depreciation & Ammortization	4	5	7	8	9
Interest Expenses	-	-	-	-	-
(Increase)/decrease in accounts receivable	(252)	252	(249)	190	(304)
(Increase)/decrease in inventory	(983)	18	(757)	(218)	(1,166)
(Increase)/decrease in prepaid expenses	-	-	-	-	-
Increase/(decrease) in accounts payable	655	(12)	505	146	778
Net Cash Generated from Operations	468	2,201	2,471	4,245	5,027
B. CASH FLOW FROM INVESTING ACTIVITIES					
(Purchase) of Fixed Assets	(23)	(9)	(8)	(8)	(8)
(Purchase)/Sale of Tangible Assets	-	-	-	-	-
Net Cash used in Investing Activities	(23)	(9)	(8)	(8)	(8)
C. CASH FLOW FROM FINANCING ACTIVITIES					
Issuance of debt	-	-	-	-	-
Issuance of share capital	1,000	-	-	-	-
Repayment of debt	-	-	-	-	-
Distributions	-	-	-	-	-
Net Cash used in Financing Activities	1,000	-	-	-	-
Net Increase in Cash & Cash Equivalents	1,446	2,193	2,464	4,238	5,020
Cash & Cash Equivalents (Opening Balance)	10	1,456	3,648	6,112	10,350
Cash & Cash Equivalents (Closing Balance)	1,456	3,648	6,112	10,350	15,370
Cash & Cash Equivalents (Closing Balance)	228	1,756	3,716	6,541	10,577

8.3 Projected Annual Balance Sheets as at the end of each year

Balance Sheet Projection (TZS Million)	Year-1	Year-2	Year-3	Year-4	Year-5
ASSETS					
Current Assets					
Cash	1,456	3,648	6,112	10,350	15,370
Accounts Receivable	252	-	249	59	364
Inventory	983	965	1,722	1,941	3,107
Prepaid Expenses	-	-	-	-	-
Total Current Assets	2,691	4,613	8,083	12,350	18,840
Fixed Assets					
Land	-	-	-	-	-
Building	-	-	-	-	-
Leasehold Improvement	-	-	-	-	-
Plant & Machinery	4	6	8	9	10
Computer Equipment	-	-	-	-	-
Office Equipment	-	-	-	-	-
Furniture and Fixtures	-	-	-	-	-
Vehicle	19	25	31	38	44
Software & Others	-	-	-	-	-
Total Fixed Assets	23	31	39	46	54
(Less Accumulated Depreciation)	4	9	16	24	33
Total Assets	2,710	4,636	8,106	12,373	18,861
LIABILITIES					
Current Liabilities					
Account Payable	655	643	1,148	1,294	2,071
Current portion of Long-Term Debt	-	-	-	-	-
Long Term Liabilities					
Loans	-	-	-	-	-
Total Liabilities	655	643	1,148	1,294	2,071
SHAREHOLDER'S EQUITY					
Owner's Equity	1,010	1,010	1,010	1,010	1,010
Retained Earnings	1,044	2,982	5,948	10,069	15,780
Total Shareholder's Equity	2,054	3,992	6,958	11,079	16,790
Total Liabilities and Shareholder's Equity	2,710	4,636	8,106	12,373	18,861

9 Economic Impact

The company's main economic benefits to the country are as follows:

- **Employment** - The KNY Chemicals expansion programme is expected to increase direct employment of 41 people in the next 5 years. Which means the income and social wellbeing of the employees will improve through employment.

Headcount at the end of	Year-1	Year-2	Year-3	Year-4	Year-5
Headcount (CXOs)	1	1	1	1	1
Headcount (Head Office - Employees)	6	10	13	16	20
Headcount (Warehouse)	10	14	16	18	20
Total Headcount	17	25	30	35	41

- **Commercial Spin-Off** - The investment will generate commercial spin-off for fuel suppliers and provision suppliers.
- **General raise of living standard** - For the people living in the project surroundings through generation of job opportunities and improvement of the infrastructure and facilities of the area. Workers are likely to be beneficiary of the project, as benefits will include salaries better than average Tanzanian conditions, social and health security, and access to the credit and saving schemes.
- **Government revenue** - The government is expected to get additional taxes from the operations of KNY Chemicals when the expansion and rehabilitation of the project is implemented.

TSh (Million)	2022 (Actual)	2023 (Act + Proj)	2024	2025	2026
Revenue	6,525.7	8,672.1	14,665.8	23,169.0	32,268.5
Gross Profit	772.2	968.5	1,983.6	3,421.1	5,103.1
Gross Profit %	12%	11%	14%	15%	16%
Corp. Taxes	-	-	447.6	830.5	1,271.1
Net profit	245.2	(454.7)	1,044.4	1,937.8	2,965.8
% Net Profit	3.8%	-5.2%	7.1%	8.4%	9.2%

- **Environmental impact** - KNY Chemicals recognize its responsibility to drive positive change. Actions such as reducing carbon footprint, using ethically sourced materials, cutting down on energy consumption and streamlining shipping practices re practical steps to take. It doesn't only focus on eco-friendly procurement or green sourcing and green procurement but take a more holistic approach to sustainable procurement as it considers environmental, social and economic factors together. In sourcing specific chemical materials for mining industry they hire and use procurement professional staff who are informed and understand about diverse chemical materials safety, environmental rules,



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