

ORIENTAL PIGMENT CO. LIMITED

BUSINESS PLAN FOR ORIENTAL PIGMENT CO. LTD

Presented by:

PAN WEIQIANG
P.O.BOX 9472
DAR ES SALAAM

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EXECUTIVE SUMMARY

1.1 Introduction

ORIENTAL PIGMENT CO. LIMITED is a privately owned company incorporated for purposes of establishing a modern factory for the manufacturing of paints, varnishes and similar coatings, printing ink and masticks. The project will manufacture high quality products, with the aim of meeting increasing demand of paints, varnishes and coatings. The Company is registered under Certificate of Incorporation number 167505198

1.2 The Project

The promoters of this project through ORIENTAL PIGMENT CO LIMITED decided to invest on manufacture of paints, varnishes and of similar coatings, printing inks and mastics. after taking into consideration of the following:

- A: Self-assessment in order to understand their capabilities strengths, limitations and preferences of undertaking such a project.
- B: Explored possible and suitable opportunities based on environment, current business scene, technology change and linkage related ideas.
- C: Assessed the market potentiality available
- D: Identified viable project location
- E: Considers finances mobilization to suit the project requirement
- G: Re assessed their managerial strengths and is in the process of pooling up human resources from local and foreign sources.

The project aims at manufacturing alcoholic beverages for domestic purposes which will be over a wide range of products, domestic and other uses. The project will therefore have a positive indirect impact on the environment as it will reduce waste

The macro objectives of establishing the project is to support economic, social and administrative activities in the country. Also to increase the competitiveness of Tanzania goods in the export markets and improve the manufacturing industry by offering competitive transport rates.

1.3 The Project Location

The Project will be located in DAR ES SALAAM. The location is well served by all the necessary infrastructures and environmental requirements and hence well suited to the nature of the envisaged project.

1.4 The Project Promoters

The Project is being promoted by **ORIENTAL PIGMENT CO. LIMITED** based in DAR ES SALAAM. The shareholders to this project:

S/No	NAME AND ADDRESS OF SHAREHOLDER	NATIONALITY	SHAREHOLDING (%)
1	PAN WEIQIANG	CHINESE	50
2	QU LIYING	CHINESE	50

1.5 The Market

Recent reforms taking place in economy indicate that there is a continuous increase in demand for paints, varnishes and coating in the local market and in the international market. This has brought about a concern in the market. It is the idea of this project to focus on the external market especially the east and central Africa countries which are in high demand of finished products and semi-finished products. The Tanzania market is also growing as well as demand.

1.6 Project Cost and Financing Plan

The total cost of the project is estimated as US Dollars 900,000.

The following is the summary of the capital investment cost estimated.

COST STRUCTURE

PARTICULAR	AMOUNT USD
Land and Buildings	104,000
Machinery & Equipment	527,000
Motor Vehicle	105,000
Furniture & Fixtures	4,000
Pre exp	50,000
Others	0
Working Capital	110,000
TOTAL	900,000

1.6 Financing

The project's cost will be fully financed by shareholder's equity contribution by Usd 550,000 and a bank loan of Usd 350,000.

1.7 Financial Indicators

1.7.1 profitability

Profitability after tax over the years in US \$ is as follows:

1st Year	97,017.00
2nd Year	137,416.00
3rd Year	145,282.00
4th Year	155,266.00
5th Year	165,024.00

1.7.1 Liquidity

The projected net cash flow over the year shows a health position and demonstrates the ability of the company to meet financial commitments as they fall due. The drop in cash flow is due to the fact that the company will repay the Bank loan of 200,000

The Summary thereof in US \$ is as follows^{1st}

Year	222,504.00
2nd Year	245,654.00
3rd Year	255,544.00
4th Year	66,769.00
5th Year	275,005.00

1.7.2 Payback period

The Investment recoups itself in 5 years

1.8 Social and Economic Impact

The proposed project will result into the following social and economic impacts:

- 1.8.1 Increased availability of quality products alongside competitive prices of these products will result in increased healthy competition among all trading and manufacturing companies
- 1.8.2 The proposed project of the spirit beverages investment in this sector will provide employment for about 80 people.
- 1.8.3 The proposed project will have appositve impact on the environment as it expects to use spirit/ethanol as inputs or raw material to produce good quality alcohol beverages products.
- 1.8.4 The Government and other agencies will benefit from various taxes, fees and commissions that will be paid to the Treasury

1.9 Conclusion and Recommendations

The Executive Summary highlights indicate that the proposed project will be financially and economically viable. The project will generate significantly to the social and economic benefit by way of increasing the provision of spirit beverages and collection of plastic waste

Which reduces level of plastic in the city. It is recommended that the project be accorded the required institutional and financial support to pave the way for its expeditious establishment and development.

2.0 THE PROJECT

ORIENTAL PIGMENT CO LIMITED have invested on MANUFACTURING OF PAINTS after taking the following into consideration

- A. Self-assessment in order to understand their capabilities strengths, limitations and preferences of undertaking such a project
- B. Explored possible and suitable opportunities based on environment, current business scene, technology change and linkage related ideas.
- C. Assessed the market potentiality available
- D. Identified viable project location
- E. Considers finances mobilization to suit the project requirement
- F. Re assessed their managerial strengths and is in the process of pooling up human resources from local and foreign sources.

3.1 Machines technology capacity utilities

The project will need the following machineries:

- Water treatment tanks
- paint mixing tanks
- Blow molding machine
- filling machine
- cooling tunnel
- labeling machine
- packing machine

3.2 Source of technology & Capacity

The machines will be Import from China. The annual production capacity will be two million cartoons annually. The cartoons will be of various designs as per production schedules and demand.

3.3 Other inputs

These will include cars necessary for administration purpose and distribution:

- Civil works will include renovation of the existing workshop in and office buildings at the project site on the premises owned by the shareholders at ORIENTAL PIGMEN CO LIMITED
The site has the entire necessary infrastructure required for the business, including a production area.
- Importation of office equipment namely, telephones, facsimile machines, personal computers and air conditioners at company's head office.

3.4 The Project time table

The plant should be in fully operational with two production lines and a diversified product range by June of the year 2023

3.5 Sales revenue forecast and direct & indirect cost estimates

3.5.1 Sales Forecast

First year operation began on November 2017 after completion of machinery installation and pre-production activities. The sales generation will be as of

3.5.2 OPERATING COSTS

Since the production will be done for the last quarter in the first operating year the cost will be less to begin with and will substantially rise to reflect normal production in the following years

3.6 Environmental Aspects

Generally, Tanzania has environmental regulations governing the operation of industry and workshops. Nevertheless each operator takes basic precautions to ensure that during operations and in case of an accidental spillage or fire, damage to environment is limited to the minimum possible level. The company has taken into consideration environmental aspect in the factory and will put all necessary required facilities.

3.0 CAPITAL INVESTMENT AND FINANCING PLAN

4.1 Investment Plan

The total capital investment of the project is Usd 1,050,000. The promoters will contribute Usd 0.55 million and Usd 0.35 million will be financed by loan. The capital investment breakdown is as indicated below:

COST STRUCTURE

PARTICULAR	AMOUNT USD
Land and Buildings	104,000
Machinery & Equipment	527,000
Motor Vehicle	105,000
Furniture & Fixtures	4,000
Pre exp	50,000
Others	0
Working Capital	110,000
TOTAL	900,000

4.2 Financing Plan

It is estimated that a total of US\$ 890,000 will required price to the first year of the project to acquire the various assets as shown in the Table above

The bulk of the capital cost will be raised by the company itself through equity contribution. The other major source of funding will be internally generated revenue from operations which will be ploughed back.

Taking into account acceptable financial ratios will be financed through the following sources of finance:

Financing Source	USD
Equity	550,000
Long term loans	350,000
Total	950,000

Interest rates for the loan are assumed to be at 8% with a grace period of 5 years and will be paid back in the fifth year of operation.

4.0 MARKET AND MARKETING ASPECTS

5.1 General Overview

There is a wide market for alcoholic beverages products in Tanzania. Likewise, there is external market and the demand is increasing. Hence, it can be expected that the sponsors would not face marketing and operational problems in managing the proposed project

The existing market is supplied by importation of the products from overseas .Based on the nature of the products and its users; the company's product has a good market in Tanzania.

The ports of Dar es Salaam have undergone major rehabilitation, modernization and expansion so as not only to be able to complete with external ports in handling of the cargo and this will substantially enhance cargo handling in all phases of the project. The port would also provide the proposed freight haulage project necessary condition for its soft establishment and expansion of its future operations.

ORIENTAL PIGMENT CO LIMITED will endeavor to achieve the projected sales for both domestic and transits business in the neighboring eastern Africa countries.

5.2 Key Success Factors

Following are Key Success Factors of the manufacturing industry:

- Financial Resources
- Working Capital
- Use of Technology
- Proper logistics to meet demand

The importance of having huge funds to finance the use of latest technology which will yield a quality product which is important in project success operation. Further with a quality product there must be proper delivery of the product to the customers to meet their demand. All this depends on financial resources which the owner has to achieve desired result.

5.3 Long Term Relationships

Established transport firms enjoy the advantage of long- term relationships with corporate clients. Such corporate firms include among others, transportation companies, vehicle manufacturers companies, clearing and forwarding

companies, just to mention a few. Again the proposed project would use its Synergy of its relation with parent companies in securing huge cargo.

However, it should be clearly understood that as time changes some industry forces have tended to re- modify these key success factors. Hence, generally it is the ability of a transport company to design and implement its business strategies that may suit building of a company's success in this sector.

5.0 MANAGEMENT AND ORGANIZATION STRUCTURE

6.1 Management

The Company policy is to have adequate manpower to manage its operation efficiently. **ORIENTAL PIGMENT CO LIMITED** believes in keeping onboard only the very essential manpower strength, to develop them into highly motivated and sincere company team for the best and efficient operations of the company.

The company will have a team of qualified and experienced functional managers in the areas of Operations/Marketing, Workshop Operations and Finance & Administration. Other senior and middle level staff will be available for the startup and subsequent operations of the company. The personnel will be qualified, well-seasoned and most possessing considerable industrial experience.

6.2 Management Policy

The day to day operations will be managed by the General Manager, to be assisted by the Operations Manager who will be the overall in charge of the fleet, a Sales & Marketing Manager whose major responsibility will be marketing and a Finance & Administrative Manager who will manage finance and administrative issues. The Company's fleet pool will therefore be professionally managed.

6.3 Organization Structure

Once the company has well established the market its organizational structure will have to change so as to give it a corporate structure of manufacture of beverages Company. Therefore, the shareholders will have to embark on a meticulous manpower planning and recruitment, which will be preceded by a manpower consultant's report.

It is proposed that the company's operations then be headed by the General Manager under whom there will be functional managers, that is : Personnel & Administration Manager, Sales & Marketing Manager, Finance & Administration manager, and Production manager.

The Marketing Manager will be responsible for both the countrywide and regional wide sales and marketing for the service .The job responsibilities willinclude market planning and development, sales promotion and sales co- ordination.

6.4 Manpower requirement and emoluments

SCHEDULE 5

SALARIES & WAGES

No	DEPARTMENTS/DESIGNATION	N O	SALARY PE RMONTH	SUBTOTA L MONTHLY SALARY	ANNUAL GROS S SALAR Y
1	Managing Director	1	750	750	9,000
2	General Manager	1	700	700	8,400
3	Personnel Administration Department	4	150	1500	18,000
4	Finance Department	5	150	750	9,000
5	Marketing Department	3	150	1500	18,000
6	Storage department	4	150	600	7,200
7	Production Department	19	100	4900	58,800
	TOTAL USD \$	47	2,150	10,700	128,400

6.0 FINANCIAL ANALYSIS

7.1 Financial Viability

The analysis of the propose ORIENTAL PIGMENT CO LIMITED project shows that the project can generate a fairly good profit and that it generates sufficient cash to meet its financial obligations

7.2 Fundamental Assumptions:

The preparation of the financial projections took into account the following mainassumptions:

7.2.1 The operation period under which the viability of the project is beingevaluated is 5 years

7.2.2 The capital of the proposed project is US\$ 900,000

7.2.3 All the calculations throughout the economic lifetime of the project areconstant with September 2017 being the base date.

7.2.4 The projected operational costs are shown

7.2.5 Capital Expenditure has been assumed to be incurred for a period of 1 year

7.2.6 The financial plan is for the shareholders to finance the project from own sources by ploughing back profits

7.3 Working Capital Requirements

Ideally, working capital requirements are directed by the volume and business tempo

7.4 Projected Profitability

The projected profit and loss account is shown in the *Financial Analysis Schedule*. On the basis of the operating assumptions and cost the proposed investment is expected to be profitable throughout the project period of five years. The aftertax profits (US\$) are as follows:

1st Year	97,017
2nd Year	137,416
3rd Year	145,282
4th Year	155,266
5th Year	185,024

7.5 Cash Flow Projection

The liquidity performance of the project is shown in the Financial Analysis Schedules. The projections take into account the assumed sources and applications of funds over the planned period and show the ability of the project to meet financial obligations and capital expenditure requirements.

Cash flow on the 5th year will be used to pay back the loan and this reflects the small balance at the end of the year but the activities will be performed as usual

7.6 Financial Review

The financial review of the proposed ORIENTAL PIGMENT CO LIMITED shows that:

7.6.1 The project is profitable

7.6.2 The liquidity position is sound and that it should be able to meet its financial commitments without any undue difficulty.

7.6.3 The operations are financially viable

7.6.4 The key ratios are acceptable with Internal Rate of Return (IRR) of 20%, Net Present Value of US\$ 199,476 and a Payback Period of 5 years.

7.7 Development Aspects

The following are the major economic and social benefits, which will be generated by the proposed project.

7.7.1 Revenue to the government Treasury and other organs in the form of taxes, fees and levies.

7.7.2 Increase in employment opportunities

7.7.3 Savings/earnings of local currency because of the project's active engagement in the local trade

7.7.4 Facilitate in increased improvement and availability of the paint manufacture especially in the collection of raw materials, spirits, materials and finished products to and from markets.

With the liberalization of the economy in full swing the resultant industrial growth is expected to push up the demand for the manufacturer industrial and consumer goods services considerably.

7.0 CONCLUSION AND RECOMMENDATIONS

The foregoing discussion highlights on the social, economic and financial dimensions which the envisaged project is set to generate in this country. The brief financial analysis indicates that the project will be financially viable. Therefore, it is strongly recommended that the sponsors, **ORIENTAL PIGMENT CO LIMITED** be availed with the required institutional assistance so as to enable them establish the proposed project.

FINANCIAL PROJECTIONS FOR ORIENTAL PIGMENT CO LIMITED

COST STRUCTURE

PARTICULAR	AMOUNT USD
Land and Buildings	104,000
Machinery & Equipment	527,000
Motor Vehicle	105,000
Furniture & Fixtures	4,000
Pre exp	50,000
Others	0
Working Capital	110,000
TOTAL	900,000

REVENUE PROJECTION

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Sales Revenue	282,500	610,600	641,130	673,187	706,846

SCHEDULE 2**OTHER OPERATING COSTS**

OTHER OPERATING COST	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Motor Vehicle running expenses	7,800	31,200	32,760	34,398	36,118
Salaries and wages	32,100	128,400	134,820	141,561	148,639
Pension Contribution	3,210	12,840	13,482	14,156	14,864
Depreciation	7,105	28,420	28,420	28,420	28,420
Administrative Overhead Costs	8,655	34,620	36,351	38,169	40,077
Marketing Costs	3,525	7,050	7,403	7,032	6,681
Utility Costs	5,881	23,525	24,710	25,936	27,233
Insurance	5,250	21,000	22,050	22,050	22,050
Communicatio	2,963	11,850	12,443	12,443	12,443
Total Costs	76,489	298,905	312,429	324,165	336,524

CASH FLOW PROJECTION

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
CASH FLOW AT THE	222,504	245,654	255,544	66,769	275,005
END OF THE YEAR					

PROJECTED INCOME & EXPENDITURE STATEMENT

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Sales Revenue		282,500	610,600	641,130	673,187	706,846
Cost of Sales		70,625	128,226	134,637	141,369	148,438
Gross Profit		211,875	482,374	506,493	531,817	558,408
Operating Expenses						
Administrative Overhead						
Costs		8,655	34,620	36,351	38,169	40,077
Motor Vehicle running						
expense		7,800	31,200	32,760	34,398	36,116
Salaries and wages		32,100	128,400	134,820	141,561	148,639
Depreciation		7,105	28,420	28,420	28,420	28,420
Marketing Costs		3,525	7,050	7,403	7,032	6,681
Utility Costs		5,881	23,525	24,701	25,936	27,233
Insurance		5,250	21,000	22,050	22,050	22,050
Communication		2,963	11,850	12,443	12,443	13,443
Total Expense		73,279	286,065	298,947	310,009	322,660
Profit before Tax		138,596	196,309	207,545	221,809	235,748
Tax (30%)		41,579	58,893	62,264	66,543	70,724
Profit After Tax		97,017	137,416	145,282	155,266	165,024

PROJECTED BALANCE SHEET

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YAER 5
Fixed Assets					
Long Term Assets	890,000	861,580	747,900	634,220	520,540
Depreciaton	28,420	113,680	113,680	113,680	113,680
Total Long term Asset	861,580	747,900	634,220	520,540	406,860
Current Assets					
Cash	222,504	468,158	723,702	790,471	1,065,477
Accounts Receivable	32,363	39,689	41,673	43,757	45,945
Inventory	34,950	36,636	38,468	40,391	42,411
Total Current Assets	289,817	544,483	803,843	874,620	1,153,833
Total Assets	1,151,397	1,292,383	1,438,063	1,395,160	1,560,693
Current Liabilities					
Accounts Payable	2,119	3,847	4,039	5,655	5,938
Other Current Liabilities	2,260	4,103	4,308	4,524	4,750
Subtotal Current	4,379	7,950	8,348	10,179	10,688
Liabilites					
Long - term Liabilities					
Long term Liabilities	200,000	200,000	200,000		
Total Liabilities	204,379	207,950	208,348	10,179	10,688
Net Assets	947,018	1,084,433	1,229,716	1,384,981	1,550,005
Capital and Reserves					
Owners Contribution	850,000	850,000	850,000	850,000	850,000
Retained Earnings	97,017	234,434	379,715	534,982	700,005
Total Capital	947,017	1,084,434	1,229,715	1,384,982	1,550,005