

JIELONG HOLDING (TANZANIA) LIMITED
PROPOSED BUSINESS PLAN
FOR
ESTABLISHING SOAP MANUFACTURING PLANT
SHINYANGA REGION, TANZANIA.

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List of Abbreviations

AGOA – African Growth Opportunity for Act
CAPEX – Capital Expenditure
EIA – Environment Impact Assessment
EU – European Union
GDP – Growth Domestic Products
Kg – kilo gram
IRR – Internal rate of return
MT – Metric Ton
PMAT - Plastic Bag Manufacturing Association of Tanzania
MIS - Management Information System
NBS – National Bureau of standard
NEMC – national Environment Management Council
OPEX – Operating Expenditure
MW – Mega Watts
MWAUWASA – Mwanza Urban Water Supply Authority
NW - Non - woven
SIDO- Small Development Organization
TANESCO – Tanzania Electric Supply Company
TIC- Tanzania Investment Centre
TZS – Tanzania Shilling
USA - United state of America
UK – United Kingdom
US\$ - United State Dollar
VETA - Vocation Education Training Authority
VAT – Value Added tax

1.0. INDUSTRY OVERVIEW.

1.1. Introduction.

The global organic soap market is projected to register a CAGR of 7.2% over the forecast period. Consumers' rising concerns about the skin health issues caused by chemically composed skincare products are one of the primary reasons driving the market. The growing awareness of achieving a sustainable environment by reducing the impact of chemicals and government initiatives to support organic products are fueling market growth. Furthermore, the existence of modern-age technology, which has resulted in the introduction of innovative solutions, particularly in the skincare segment, is encouraging a significant number of individuals throughout the world to use chemical-free soaps. According to the Office for National Statistics (UK)¹, in 2021, the sales volume of soap and organic surface-active products in bars stood at 54 million kilograms in the United Kingdom.

The demand for natural and organic soaps has been fueled by the prevalence of adverse effects from chemicals in soap, which can cause conditions including skin irritation, allergies, and dull skin. Long-term usage of synthetic soaps may result in toxicity, hormone imbalance, and other health problems. On the other hand, organic soaps made of plant extracts and natural oils do not adversely affect the skin. Organic soap's advantages over synthetic ones drive the organic soap market globally.

1.2. Oil palm as a source raw materials in Tanzania

Oil palm is most popular to the west of the country, particularly in Kigoma District, where Local farmers have cultivated this palm to produce edible oil since the early 1920s. More recently, additional uses for this crop have developed, such as local soap production using palm oil. Oil palm production in Tanzania is carried out primarily by smallholder farmers living in Kigoma Region (Kigoma Rural District), as well as in Mbeya Region (mostly Kyela District) and some parts of Tanga and Pwani regions. In the case of Kigoma, the local cooperative collects about 150,000 litres of palm oil annually and sells this to local refineries and soap producers in Dar es Salaam. At the local level, women are in charge of boiling and milling of palm oil as well as in selling palm oil products (oil, soap)

Oiled soap is a common household item that helps to prevent germs and stop spreading illness within homes. These soaps are different than regular liquid or bar soaps because they produce lots of foam while washing. The amount of foam determines how effective it is at removing dirt and grime from hands and faces. Because many people rely on these products every day in their homes, it's important to understand why they're necessary.

¹ <https://www.emergenresearch.com/industry-report/soap-market>

2.0. PROJECT OVERVIEW

2.1 The Industry

JIELONG HOLDING (TANZANIA) LIMITED is a Tanzanian company registered in Tanzania with certificate of incorporation number 92314 of 13th July, 2012. The office of the company is located at Shinyanga Municipal approximately 10km from Shinyanga town, where all basic industrial requirements such as water, power, transportation facilities and raw materials are available. The factory has acquired 35 acres of land, with land title deed issued by the ministry of land.

The initial Authorized Share Capital of the company is TZS 50,000,000/= divided into 50 ordinary shares of TZS 1,000,000 each and the company have the power to divide the original or any increased capital into several classes, and to attach thereto any preferential, deferred, qualified or other special rights privileges, restrictions or conditions. Unless the conditions of issues shall otherwise expressly declare, every issue of shares, whether preference or otherwise, or any such rights, privileges or conditions shall not be altered or modified except in accordance with the registered Articles or Association. The liability of the members is limited and the following names compromise the company ownership and principal shareholding as illustrated on Table 1 below.

Table 1.1: Company Ownership and Principal Shareholders

S/No.	Shareholder's Name	Address	Occupation of Subscriber	Number of Shares
1.	JIE GI (BUSINESS MAN)	P o Box 2269, SHINYANGA, TANZANIA	Private Company By Share, Domicile In Tanzania- Incorporate Number 92314	25
2.	SHUWEI QI (BUSINESS MAN)	P o Box 2269, SHINYANGA, TANZANIA	Private Company By Share, Domicile In Tanzania- Incorporate Number 92314	25

2.2. Project Description

JIELONG HOLDING (TANZANIA) LIMITED aimed at expanding her own production line by importing soap processing machines and equipments, the company will produce different type of oiled soaps, this includes; Moisturizing Soap, Antibacterial Soap, Natural Soap. And Chemical-Free Soap. Sources of raw materials will be imported from india and Palm oil and palm kernal oil will be purchased in Kigoma Tanzania.

2.2.1 Oiled soap production process

- a. Start with saponification of oils or fats. The glycerol obtained in soap making is used as a non-food product in products such as detergents and cosmetics. Animal fat sources such as lard and tallow are processed by rendering to obtain glycerol for use in a wide variety of consumer and industrial products, Fats from plant sources, including coconut oil and palm oil are processed similarly for use in many different consumer applications including soaps and biodiesel.

- b. Glycerol from all these sources is typically derived using one of three processes: wet chemical (lye) method, dry method, or alcohol method. Wet chemical process utilizes potassium hydroxide as an alkali agent for saponification, whereas dry process uses sodium hydroxide to make fatty acids into soaps. In alcohol processing, vegetable oils are mixed with methanol and subjected to ultrasonic energy until all molecules split into their constituent parts: glycerol and fatty acids. Some soaps are made by reacting sulfuric acid with rendered animal fat.
- c. These reactions yield glycerol, which can be converted into a number of useful derivatives; soap has been traditionally used both personally and commercially as an emulsifying agent that assists in removing dirt and grease from skin or hair when combined with water. Saponified olive oil differs markedly from castile soap.
- d. Castile soap is almost pure sodium oleate (and has relatively little natural glycerin left); it was originally made by boiling beef or mutton fat with a strongly alkaline solution derived from hardwood ashes. Saponified olive oil contains significant amounts of stearic acid and oleic acid
- e. By contrast, most commercial liquid hand soaps contain synthetic detergents like *alkylbenzenesulfonates*, linear *alkylbenzenesulfonates* and alcohol *ethoxylates*- all complex mixtures which vary depending on manufacturer. Most household cleaning products are made with similar ingredients—alkyl sulfate, linear *alkylbenzenesulfonates* or other petrochemical compounds, denatured alcohols and perfume oils

2.2.2. Machines and equipments.

The project envisages setting up modern machines and equipment fully set of cold process, melt and pour, hot process, and rebatch machines from India, the cost of all equipments and 273,192USD, this includes the following, Soap Saponification Vessel, Sigma Mixer, Simplex Plodder Machine, Roller Mill, Duplex Vacuum Plodder, Soap Bar Cutter, Soap Cake Cutter Machine, and Soap Stamping Machine

2.3. Project Cost & Financing Pattern

The proposed integrated project is estimated to cost a total of US\$ 543,692 this including, own equity of US\$ 434,953.64 as proceeds from capital contribution of the project,, total loan debt of 1,470,885US\$ with 8% interest rate. The Current asset of US\$ 177,284 fixed assets 513,692US\$ The project will be implemented within 5 years.

<i>EQUITY</i>	
<i>CASH (80%)</i>	<i>434,954</i>
<i>LOAN (20%)</i>	<i>108,738</i>
<i>TOTAL EQUITY</i>	<i>543,692</i>

2.4. Business Plan Objectives

The objectives of this study are twofold. First is to determine the viability of the proposed project and serve as a business plan for the company's development program. Secondly, the business plan will act as a supporting document in the company's application for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferrals and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997).

2.5. Product: Demand and Market Analysis

The JIELONG HOLDING (TANZANIA) LIMITED produce soap in different uses some includes, for hand washing, clothes washing, body washing and some for industrial use etc. The company will sales at a whole marketing price so as to provide profit margin to other distributors. The project wholes sale price of in kg is 844TZS.

2.5.1. Marketing Organization

JIELONG HOLDING (TANZANIA) LIMITED; will produce soap and soap by products and sell at wholesale level. Importers from the neighboring countries will be expected to orders for their requirements to the company by mails, phones, and their orders will send to country of their destinations, but arrangements can also be made for the promoters to deliver directly to importer from Kenya, Burundi, Rwanda, Democratic Republic of Congo and south Sudan. Likewise, local buyers are expected to collect their requirements of the various products for the nonwoven fabrics bags, but the promoters will be flexible to deliver the goods on demand.

2.5.2. Pricing strategy

The basis for pricing has been from observations and data collected from various parts of Tanzania, market behavior of raw materials and by- products, production costs and profit margins. Packaging will be done in good quality material and together with other materials, the pricing has been estimated at annual sales increase of 5% and this should allow a very high standard of packing. Proposed price of a kg is 844TZS

2.6. Technical Characteristic of the project.

2.6.1. Project Location

The project will be located at at Shinyanga Municipal approximately 10km from Shinyanga town, where all basic industrial requirements such as water, power, transportation facilities and raw materials are available. The factory has acquired 35 acres of land, with land title deed issued by the ministry of land. The project is just close to tarmac road connecting Mwanza – Shinyanga, leading to Lake Zone region up to the centre of Tanzania.

2.6.2. Project Site analysis

Based on physical inspection of the proposed site, the availability of basic and essential industrial infrastructure such transport, water supply, effluent disposal, electric power supply, telecommunication system and security were all checked out and are ok for factory establishment. The realization of the project development requires successful completion of a number of necessary activities and facilities to enable a successful development of the project. The project location is already installed necessary utilities such as reliable supplies of energy, water, transportation, telecommunications services, waste disposal and other services are in place.

2.6.3. Buildings and related fixed cost

The floor plan and elevation of buildings and other related structures will be rehabilitating to JIELONG HOLDING (TANZANIA) LIMITED as owned by the shareholders. However, the total cost of Land acquisition and registration, factory buildings, Storage of raw materials and finished soap factory structure, the estimated cost of buildings 25,000US\$, project fixed cost have been estimated at US\$ 513,892 which includes purchasing of machines, motor vehicles and structure rehabilitation.

The industry also set budget as working capital which involves purchase of raw materials and factory overhead cost of 25,000US\$.. The minor rehabilitations costs are inclusive of contingency and reflect prevailing cost of building materials and labour costs in the country. Mostly local building materials will be used in the construction of the same.

2.6.4. Machinery and Equipment.

Proper machinery selection is one of the key problems in the development of an industry. The machinery must suit the two-fold requirements of the developing countries, i.e. it should be up-to-date to allow for competitive production. In view of the foregoing, an effort has been made to choose from modern technological alternatives, a level that strikes a balance between fixed costs based on depreciation and variable costs based essentially on wages.

The requirements of various items of equipment have been worked out taking into consideration the production programs, average equipment utilization and normal productivity level of an average worker etc. While working out details of equipment required, it has been assumed that the plant will be working in a double shift of 16 hours a day, 25 days a month or a total of 300 days a year.

The projects machinery and equipment will be sourced from India and are estimated to cost 273,192USD, this includes, Complete Soap Saponification Section, Soap Saponification Vessel, Steam Boiler and Complete Steam Circulating System, Soap Chips Making Machine, Complete Soap Finishing Section, Soap Mixer Machine, Soap Roller Machine. And Laboratory + equipments

These cost assumptions are C.I.F Dar es Salaam and include installation, commissioning, consultancy, port charges and transport to the project site. Calculated depreciation of machines and other working facilities is estimated to cost 18,027US\$

Others working facilities have already in place this includes weighing scales, mini laboratory equipment, communications, computers and other office equipment, standby power generator and miscellaneous machinery and equipment.

2.6.5. Motor Vehicles

3 heavy Box body trucks will purchased in the first of production whereas truck will be purchased at a price of 60,000US\$ each totaling to 180,000US\$, and 2 light vehicle cost 30,000US\$. Total cost for all type of truck is estimated to 210,000US\$.

2.6.6. Furniture & Fittings and computers

This cost item includes the purchase of various office furniture: tables, chairs cabinets, safes, telecommunication gadgets, firefighting equipment, air conditioners etc. A budget of 2,000US\$ will be allocated from general administration budget for furniture fittings and computer accessories. The total budget for furniture and fittings is small due to nature of industry as few or minor requirement of furniture and fittings.

2.6.7. Pre-Operational Expenses

Under pre-operational expenses are considered costs like company formation, preliminary project studies, business plan preparation costs, licenses, permits and authorization, including processing of TIC Certificate of Incentives, and legal fees, travelling expenses, initial recruitment and training expenses, and interest accrued during project construction period. Budget allocated for this is 5,000US\$

2.6.7. Initial Working Capital

This item will mainly cover initial imports of raw materials estimated to last for the first three months of operations. Otherwise, raw materials will generally be maintained at one month's stock and debtors at one month's sales volume constitute the biggest portion of current assets. Trade credits will be 15 days for the items listed. The initial working capital allocated budget is 25,000US\$.

2.6.8. Project Capital Investment Summary

INVESTMENT SUMMARY	
FIXED ASSETS	
LAND ACQUISITION AND BUILDINGS FOR WAREHOUSING	25,000
3 HEAVY VEHICLES 32MT @60,000	180,000
2 UTILITY VEHICLES	30,000
MACHINERIES AND EQUIPMENTS	
COMPLETE SOAP MAKING MACHINERY	
COMPLETE SOAP SAPONIFICATION SECTION	
SOAP SAPONIFICATION VESSEL	

<i>STEAM BOILER AND COMPLETE STEAM CIRCULATING SYSTEM</i>	
<i>SOAP CHIPS MAKING MACHINE</i>	
<i>COMPLETE SOAP FINISHING SECTION</i>	273,192
<i>SOAP MIXER MACHINE</i>	
<i>SOAP ROLLER MACHINE.</i>	
<i>LABORATORY + EQUIPMENTS</i>	
<i>FENITURE AND FITTINGS</i>	2,000
<i>CONTINGES</i>	3,500
<i>SUB TOTAL FIXED ASSETS</i>	513,692
<i>CURRENT ASSET</i>	
<i>PRE OPERATIONAL EXPENSES</i>	5,000
<i>INITIAL WORKING CAPITAL</i>	25,000
<i>SUB TOTAL CURRENT ASSETS</i>	30,000
<i>TOTAL INVESTMENT</i>	543,692
<i>EQUITY</i>	
<i>CASH (80%)</i>	434,954
<i>LOAN (20%)</i>	108,738
<i>TOTAL EQUITY</i>	543,692

2.6.10. Project Financing

The project costs, including fixed costs (machinery, equipment, building renovations, motor vehicles, office furniture and equipment and pre-operation expenses will be financed by a combination of bank term loan and shareholders own resources. Working capital requirements will be financed by short term bank financing in form of overdraft facility. The project promoters are planning to finance project cost in the following pattern:

2.6.11. Project Implementation

Full implementation of the project is planned to take place by end of june 2023. Machineries and motor vehicles will be imported immediately while construction/renovation works are in process.

2.6.12. Explanatory Notes

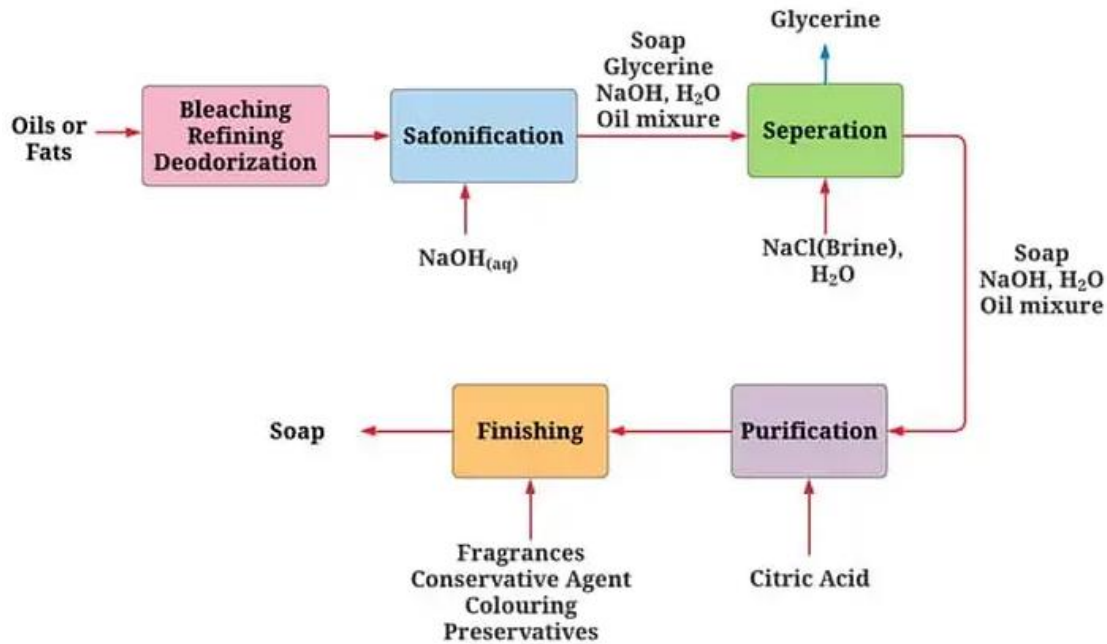
The production capacity of the plant is based on 300 working days excluding Holidays and Sunday. The factory runs per day with a maximum of 1.901MT per day. Capacity utilization of the plant is 60% - 75%. The proposed project is a complete set of modern technology with output capacity of 158.4KG per Machine per day. All machines are from well-known Asia brands (India), after being over hauled, run 20-25 years.

2.6.13. Production flow description

Soap businesses, in general, rely on high volume production which is highly engineered and, because of competitive pressures, there is a constant need to innovate to ensure high quality, in-specification products are produced at the minimum cost. The industry is driven by technology developments in machinery, process control and materials and, to have a sustainable future, soap enterprises need to be at the forefront of these developments.

Oiled soap manufacturing can be described in simple terms as a series of manufacturing steps consisting of forming a fibrous web, entangling or bonding the fibres in the web to impart mechanical integrity to the structure and finishing/converting the fabric to impart some special properties to the fabric that the customer specifies. The manufacturing steps are described below;

Complete Soap Saponification Section, Soap Saponification Vessel, Steam Boiler and Complete Steam Circulating System, Soap Chips Making Machine, Complete Soap Finishing Section, Soap Mixer Machine, and Soap Roller Machine. And Laboratory + equipments



Flow Diagram for Soap Production

2.6.14. Auxiliary Materials/ services

Falling under this category is packing bags, paper for bags for bran, lubricants, grease and other miscellaneous items.

Utilities and service facilities that will need to be provided in this plant are as follows:

- (i) Workshop
- (ii) Electric power
- (iii) Water supply
- (iv) Miscellaneous facilities {Canteen; First Aid Kit, Storage and transport and Office Facilities}

(i) Workshop

It is necessary to make provision for a small workshop in the plant premises so that certain maintenance operations could be carried out following sudden breakdowns and major routine matters.

The facility will comprise of necessary machines like small centre lathe, drilling machine, welding set, soldering and gas-cutting equipment including complete electrical kit to take care of necessary electrical maintenance as well as to replace worn-out parts and periodic oil and greases needs for the plant. Equipment provision has been restricted to the minimum.

(ii) Electric Power and Generator

The proposed site will be supplied with industrial production 3-phase standard power supply from Tanzania Electric Supply Company (TANESCO), the electricity is available through the National Grid Line from Tabora to Shinyanga Region. As part of an alternative power supply, the company is already install a heavy duty 500KVA power generator automated generator that will be connected to the plant and premises for standby power supply.

The JIELONG HOLDING (TANZANIA) LIMITED will install an online UPS system that secures clean and uninterrupted power free of surges, brownouts, fluctuations and other power problems. The client manufactures oiled soap in a high-temperature, high-pressure environment, in which electricity interruptions cause economic and material losses. The total cost of generator not included to business plan as it's already in place.

(iii) Water Supply

Apart from the needs of electric power, water is also required for the actual process and other social needs. The proposed site has close to KASHUWASA water network, the agency is major supplier of water to urban and peri urban area in the city. While depending on water supply from KASHUWASA, the main line is close to the proposed industry from Shinyanga town ship to the factory. The main line from this source will be tapped and let to the land site and water collected in an overhead reservoir provided at the top of the building of the plant. Adequate provision has been made in the project cost for the overhead tank and supply and laying of pipelines etc.

(iv) Miscellaneous Facilities e.g. First Aid Kit, Storage and Transport, Office Facilities etc

- Provision has been made in the project costs for necessary facilities for external telephones and fire alarm system;
- Sickness and ill-health are recognized to be among the cause of absenteeism and low morale leading to decreased production, increased waste and bad employee-management relations. Therefore, necessary provision has been made for the canteen and first aid facilities in case of accidents, sudden sickness etc.

- Storage and transport needs of the plant have been duly recognized and been attempted mostly manual. Regarding transport, five (3) trucks with a capacity of 32 MT will be purchased and other 2 light vehicles and some will be hired for collection of raw materials and distribution purpose,
- Necessary provision for furniture and office equipment has been made in the Capital Cost estimates.
- Provision has also been made for the various types of weighing equipment in various sections for material-handling equipment etc.

2.6.15...Warehousing and distribution

JIELONG HOLDING (TANZANIA) LIMITED's warehousing service is ready to meet 24/7/365 with produced oiled soap products and raw materials imported. The efficiency of on-site combined with focal lift is already accommodated all needs and reduce supply chain costs. The industry uses electronics inventory management system means will ready for the efficiently movements of goods to next level.

The industry will use quick dispatch for fast distribution of final products and packed by manual means or by semi-automatic machines. The industry will take Extra care is therefore taken to make it hygienic so that the products do not get spoiled during storage.

2.6.16. Waste management for industry

In order to create a sustainable society, it is necessary to develop effective utilization of all sorts of wastes. One of the major wastes from our living is fiber wastes. Fiber wastes are generally divided to nonindustrial (organic chemicals) and industrial wastes (inorganic Chemicals)

In his strategic management for a JIELONG HOLDING (TANZANIA) LIMITED; the industry has to move from an understanding of improvement at all costs to an understanding of continuous and balanced improvement once established. In modern times, environmental protection is being implemented not because it is enforced law, but as an administrative philosophy.

Rapid degradation in environmental conditions has changed at attitude of industrial managers toward ecological environment and had them consider ecology a significant factor while taking decisions related to industrial management. Parameters responsible for environmental pollution include chemicals discharged into air, water and soil as well as energy pollution all these will taken into consideration of the proposed project.

Noise pollution caused by poorly planned settlement programs is also included in this plan. Furthermore, safety and health of those working in production will be also taken into account by installing modern machines free from noise pollution.

3.0. MANPOWER REQUIREMENT AND PROPOSED SALARY BUDGET

3.1. Employment

The whole process of production lines is looking at providing direct employment to at least 17 permanent jobs on full implementation and operation of the project. The industry is divided into 2 Departments; Corporate (1), Production (16), Marketing & sales, finance and administration department are already in place.

3.2. Recruitment

Recruitment of the 16 persons will be carried out by giving first preference to ex-technician from our local technical institutes such as Vocation Education Training Authority “VETA” and employees of oiled soap factories in Tanzania, based on demonstration of skills and aptitude basis and their willingness to work for JIELONG HOLDING (TANZANIA) LIMITED .Careful methodology is being worked out by a competent management consultant who will set the job descriptions. To ensure that the right calibre is recruited. Recruitment of expatriate personnel will be carried out in consultation with the relevant authorities in Government and the collaborating agencies.

3.3. Training and the use of Consultants

The Company plans to initially carry out on the job training for most of the technical staff to be dispatched to the project site by the suppliers of the plant which will be specified under sales agreement. In general the company will ensure that employees acquire new skills and procedures to increase their productivity fourfold. Educational materials will be subsidized or paid for to motivate the workers to develop themselves.

Whereas the company will endeavor to obtain the best talents to fill the permanent posts in the organization, it is intended where necessary, to continue with the policy of hiring out some specialized skills by way of consultants. Alternatively, those skills not required throughout the year will be left to consultants. These include legal counsels, systems and management consultants. To ensure efficient and scientific management, operational manuals will be prepared for the core functions of the company.

3.4. Organization and Management

The project will be managed by qualified professionals given the vast experience that the promoters have acquired over years in running and managing similar businesses. The Board of Directors formulates policy and offer strategic business guidance to management and regularly monitor and evaluate performance of the company.

All the production line will be under the administrator under which the day to day leader/management of production line will be vested in the management team headed by a Administrator. The Administrator is to be assisted by qualified and experienced personnel.

Table 3.1. Proposed organization and manpower requirement for the plant is as follows:

<i>S/NO.</i>	<i>CATEGORY</i>	<i>NOS</i>	<i>MONTHLY SALARY (US\$)</i>	<i>TOTAL ANNUAL SALARY (US\$)</i>
<i>CORPORATE OFFICE</i>				
1	<i>ADMINISTRATORS</i>	1	300	3,600
	<i>SUB TOTAL</i>	1		3,600
<i>PRODUCTION DEPARTMENT</i>				
2	<i>OPERATORS</i>	3	240	8,640
3	<i>HELPERS</i>	10	180	21,600
4	<i>SUPERVISOR- FABRIC FACTORY</i>	2	280	6,720
5	<i>ELECTRICIAN - FABRIC</i>	1	300	3,600
	<i>SUB TOTAL</i>	16		40,560
	<i>GRAND TOTAL</i>	17		44,160

4.0. FINANCIAL ANALYSIS

4.1nm. Production, Revenue and project viability

- ✦ The estimated revenue gain in selling processed oiled soap in KG annually 468,632US\$ in the first year of production per 1320MT excluding Value Added Tax.
- ✦ Net profit before tax is 308,752US\$, second year earning is 322,657US\$, which show the profit is increasing,
- ✦ Net profit after tax for the first years in production is 177,284US\$ and for remaining year increasing positively,
- ✦ Gross sales contribution in the first year of production is 62% which increases tremendously in the second years up to 5 year
- ✦ The expected sales increase annually is 5% while increase production cost is 3% which depends on inflation rate of the country, for the factory,
- ✦ The discount rate has been assumed to be 8%,
- ✦ Total investment cost of the project is 543,692US\$ whereas the own equity is 80% and loan-able amount 20%
- ✦ The end balance of project in cash flow statement is positive and increases tremendous.
- ✦ The yearly loan payment schedule of project is 27,234S\$ for 5 year loan recovery schedule,
- ✦ Testing the project viability is positive whereas IRR is positive 18.16%, and payback period of project is within 3 years.

4.2. Capacity Utilization

For projection purposes, it is assumed that the plant will operate for a double shift with approximately of 8 hours per single shift,(makes 16 hours/day) in a day, 25 days a month or 300 days per year, processing a total of 570.24MT annually.

5.0. RISK ANALYSIS

5.1. Risk Analysis

Risk is the probability that an event or action will adversely affect the organization. Risk assessment is the identification and analysis of risks associated with the achievement of operations, financial reporting and compliance goals and objectives. Risk management is a central part of the JIELONG HOLDING (TANZANIA) LIMITED. The Industry's management will determine the level of operations, financial and compliance risk they are willing to assume. Risk assessment is one of the Company's management responsibilities.

5.2. Macroeconomic risk analysis

Since early 1986, the government of Tanzania has launched a comprehensive economic policy and stabilization plan with the aim to enhance the amount of infrastructure construction and improve the lives of the poor. During this time the main economic indicators significantly improved. However, uneven development of various region in the country, lack of relevant infrastructure in transportation, telecommunications, networking, health facilities, electricity and water supplies have proven to be investment barriers. Overall, Tanzania has a weak economic foundation but the project can achieve a greater impact in attaining social and economic goals for the country.

5.3. Finance risk analysis

- a) **Supply Risk:** The risk in Primary production relates to supply of raw material, transportation and price fluctuations. There is no assurance of enough supply of raw materials in the local market instead mostly of raw materials are imported.
- b) **Processing Risks:** The technology, machines and equipment used in nonwoven fabrics bags are in rudimentary stages all of which contribute to reducing production efficiency. Also quality/food safety and standards consideration in the production environment is limited. In nonwoven fabrics facilities operation know-how is very low as there are notarized labourers.
- c) **Sales/market risk:** Placing value added products on the consumer markets bears risk of demand fluctuations and rejections through retailers. Furthermore, consumers are not aware of the nonwoven fabrics quality and safety criteria and are usually very price sensitive.

5.4. Other potential external risk

- a) **Lack of Governance:** the governance mechanism in the value chain is underdeveloped, actors operate in an uncoordinated and unorganized fashion, and if rules exist they are often ignored;
- b) **Lack of market coordination:** No lead organization has a coordinating role in relation to markets, technology and information such that producers and processors have no incentives for improving neither their product nor the chain process to promote sustainable income earning opportunities;
- c) **Unclear and conflicting roles regulatory authorities:** Regulatory Agencies are responsible for quality control as well as enforcing TBS, NEMC etc, are regulatory role in issuing licensing etc
- d) **Industry associations:** Associations are weak at all levels of the chain;
- e) **Operating procedures:** Standard procedures are inadequately enforced, or not enforced at all, because of relaxed production and trade regulations; and
- f) **Integration:** there is little vertical integration of importers, mid chain actors and processors.

5.4. Mitigating potential risk

The development of a large and complex project such as JIELONG HOLDING (TANZANIA) LIMITED is necessarily accompanied by multiple risks during all the phases of the project development, construction, operation and maintenance. The right approach to manage the project in a manner which is fairly and adequately address the multiple risks in a comprehensive as well as systematic manner is to use the risk analysis and management methodology which identifies the risk issues and their instrumental cause. In this regard, the risk is eliminated or effectively managed by the party best suited with capacity to handle or deal with the risk factors.

6.0. ECONOMIC AND SOCIAL ASPECTS

The project is also likely to have a positive impact on the economy of Lake Zone regions and Tanzania as a whole by creating employment, and contributing to Government revenues through various taxes, which will be paid. It also has potential for substantial exporting to foreign markets especially to neighboring countries in the Great Lakes Region. In summary the following table will show impact investment index framework

6.1. Impact Investment Index Framework

Impact Investment Index		
Frame Work for CMC PYRAMID INDUSTRY LIMITED		
Performance Area	Quantitative Indicator	Remarks
Investment Capital	Total investment capital, CAPEX and OPEX US\$ 543,692 US\$	Substantial amount of capital invested into the domestic economy.
Export Earnings	Indicative Annual sales of 40% earnings of 187,453US\$ out of annual average collection of 468,632US\$ for the project will be exported.	Increased foreign earnings.
Job requirements	Job creation after plant in operation 2020-2021. DIRECT TANZANIAN JOBS 17 local employed	<ul style="list-style-type: none"> • Reasonable number of direct job created to local Tanzanians with direct impact on poverty reduction through enhanced income generation; and • Improving skills development for Industrial production
Technology applied	High Tech Environmentally friendly machinery	<ul style="list-style-type: none"> • Enhancing technological transfer; and • Applied technology which is free from environmental pollution,

Other Implied Project Benefits
<ul style="list-style-type: none">▪ Increased sales to the Utility Companies providing services of electricity, water and sewerage, telecommunications;▪ Increased business transacted by local banks and institutions providing financial services;▪ Business opportunities for local entrepreneurs in market distribution channels,▪ Business opportunities to contractors and sub-contractors during the minor construction phase;▪ Increased regional intra-trade and international trade due to better infrastructure facility and links to markets;▪ Increase of technology transfer & expertise to local employed staff,▪ Capital spends in local economy over 0.544Milion US\$ and▪ Contribution to GDP growth through increased economic activities

Based on the Impact Investment Index analysis, the company can develop projections that the project can deliver both value for money in the context of broad socioeconomic impact and return on investment while complying with governance requirements. In this regard therefore, **JIELONG HOLDING (TANZANIA) LIMITED** will promote the industrialization process in the country, create employment, attract new technologies, expand foreign exchange earnings and ultimately contribute substantially to the country's economic growth.

7.0. FINANCIAL MODELLING AND ANALYSIS

The Financial Modelling and analysis, is the main source of information for assessing the potential financial viability of the JIELONG HOLDING (TANZANIA) LIMITED. The analysis is based on the assumptions that have been taken for the implementation of the site development, demand and the associated potential investment requirements for a 5 year time period. The purpose of establishing this oiled soap plant is to speed up the country's economic development by being a catalyst for restructuring the existing local oiled soap industrial set up and attracting new, both foreign and domestic entrepreneurs to a liberalized legal business framework.

7.1. Project investment inputs

EXPECTED QUANTITIES FOR PRODUCTION	UNIT
POLYBAGS SALES PROJECTIOONS	KG
<i>WORKING DAYS PER MONTH</i>	25
<i>ANNUAL WORKING DAYS</i>	300
<i>SOAP PRODUCTION PER HOUR IN KG</i>	110
<i>SOAP PRODUCTION PER DOUBLE SHIFT (16 HOURS) IN METER PER SINGLE MACHINE</i>	1,760
<i>MACHINES</i>	3
<i>TOTAL PRODUCTION FOR MACHINES PER DAY IN METRE</i>	4,400.0
<i>ANNUAL PRODUCTION FOR MACHINES IN 300DAYS</i>	1,320,000.0
<i>PRICE PER UNIT KGS IN TZS</i>	844.0
TOTAL SALE REVENUE	1,114,080,000
SALES IN USD	488,632

7.2. Objective and Scope of Financial Model

7.2.1. Objective

The main objective of the financial modelling and analysis is to setup a financial model framework for potential generated revenues and operational & maintenance costs for the full operation of JIELONG HOLDING (TANZANIA) LIMITED based on the assumptions taken for the Market Analysis, the plan for the facility development, unit production costs and other overhead and operational charges.

7.2.2. Scope

The scope consists of a financial model that will be used to analyse the potential financial viability of the project based on the assumptions taken for the concept and scope of the oiled soap processing factory on the Market Analysis. The financial model has been developed in excel spread sheet and include information on costs, expenses and the subsequent sales revenue based on the average market prices and linked to the financial cash flow.

ANNEX I

INCOME STATEMENT PROJECTIONS							
(ALL NUMBERS IN US\$)							
<u>REVENUE</u>							
	<u>YEAR 0</u>	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>	<u>TOTAL</u>
OILED SOAP REVENUE	-	488,632	513,063	538,716	565,652	593,935	2,699,998
	-	-	-	-	-	-	-
TOTAL OPERATING REVENUE	-	488,632	513,063	538,716	565,652	593,935	2,699,998
<u>EXPENSES</u>							
	<u>YEAR 0</u>	<u>YEAR 1</u>	<u>YEAR 2</u>	<u>YEAR 3</u>	<u>YEAR 4</u>	<u>YEAR 5</u>	<u>TOTAL</u>
SALARIES		44,160	45,485	46,849	48,255	49,702	234,451
SOCIAL CHARGES & PENSION PAYMENTS		8,832	9,097	9,370	9,651	9,940	46,890
PURCHASE OF RAW MATERIALS		36,522	37,617	38,746	39,908	41,106	193,899
FUEL AND LUBRICANTS		36,522	37,617	38,746	39,908	41,106	193,899
		-	-	-	-	-	-
FACTORY OVERHEAD COST		28,333	29,183	30,059	30,961	31,889	150,426
INSUARANCE/LICENSING/OTHER CHARGES		8,772	9,035	9,306	9,585	9,873	46,571
OTHER COSTS		21,739	22,391	23,063	23,755	24,468	115,416
TOTAL OPERATING COSTS		184,880	190,426	196,139	202,023	208,084	981,552
OPERATIONAL NET EARNINGS BEFORE DEPRECIATION, INTEREST & TAX		303,752	322,637	342,577	363,629	385,851	1,718,445
<i>%AGE GROSS CONTRIBUTION</i>		<i>62</i>	<i>63</i>	<i>64</i>	<i>64</i>	<i>65</i>	<i>1</i>
DEPRECIATION AT 12.5%		26,578	28,231	29,976	31,818	33,762	154,660
NET EARNINGS BEFORE TAX & INTEREST		277,173	294,406	312,602	331,811	352,089	1,563,785
INTEREST PAID (BANK LOAN)		8,699	7,216	5,615	3,885	2,017	27,433
TAX (30%)		91,190	96,860	102,846	109,166	115,837	515,899
NET EARNINGS		177,284	190,330	204,141	218,760	234,234	1,024,750

ANNEX II

CASH FLOW STATEMENT FROM INVESTING ACTIVITIES FOR TEN YEARS						
<i>(ALL NUMBERS IN US\$)</i>	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>						
CASH RECEIPTS FROM SALES	488,632	513,063	538,716	565,652	593,935	
CASH PAID TO SUPPLIERS AND EMPLOYEES	(184,880)	(190,426)	(196,139)	(202,023)	(208,084)	
CASH GENERATED FROM OPERATIONS	303,752	510,455	673,837	813,021	948,505	
DIVIDENDS RECEIVED*	0	0	0	0	0	
INTEREST RECEIVED	0	0	0	0	0	
INTEREST PAID	(8,699)	(7,216)	(5,615)	(3,885)	(2,017)	
TAX PAID	(91,190)	(96,860)	(102,846)	(109,166)	(115,837)	
NET CASH FLOW FROM OPERATING ACTIVITIES	203,863	406,379	565,376	699,970	830,650	
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>						
REPLACEMENT OF EQUIPMENT	0	0	0	0	0	
PROCEEDS** FROM SALE OF EQUIPMENT	0	0	0	0	0	
NET CASH FLOW FROM INVESTING ACTIVITIES	0	0	0	0	0	
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>						
PROCEEDS FROM CAPITAL CONTRIBUTED	434,954	0	0	0	0	
PROCEEDS FROM LOAN	108,738	0	0	0	0	
PAYMENT OF LOAN	(18,535)	(20,018)	(21,619)	(23,349)	(25,217)	
NET CASH FLOW FROM FINANCING ACTIVITIES	525,157	(20,018)	(21,619)	(23,349)	(25,217)	
NET INCREASE/ DECREASE IN CASH	729,019	386,361	543,757	676,621	805,434	
CASH AT THE BEGINNING OF THE PERIOD	177,284	190,330	204,141	218,760	234,234	
CASH AT THE END OF THE PERIOD	906,304	576,691	747,898	895,381	1,039,668	

ANNEX III

Pro forma balance sheet					
<i>(all numbers in US\$)</i>	Year 1	Year 2	Year 3	Year 4	Year 5
<u>ASSET</u>					
Current asset	177,284	190,330	204,141	218,760	234,234
Fixed asset	513,692	1,093,692	1,312,430	1,338,679	1,365,453
Liquidity	303,752	510,455	673,837	813,021	948,505
TOTAL ASSET	994,728	1,794,477	2,190,408	2,370,460	2,548,192
NET ASSET MINUS DEPRECIATION	968,150	1,766,247	2,160,433	2,338,643	2,514,430
<u>EQUITY & LIABILITIES</u>					
Equity	543,692	558,045	607,511	661,360	719,983
Reserves					
Total Own Equity	543,692	558,045	607,511	661,360	719,983
Provisions	279,455	1,055,876	1,392,867	1,509,065	1,617,613
Long term loan	27,234	27,234	27,234	27,234	27,234
Short term Liabilities	117,768	125,090	132,821	140,983	149,599
Total Equity & Liabilities	968,150	1,766,247	2,160,433	2,338,643	2,514,430
NET FA/CL	18.86	40.16	48.19	49.15	50.14
CL/CA	0.66	0.66	0.65	0.64	0.64
DEBIT/CAPITAL RATIOS	0.44	0.68	0.72	0.72	0.71
ROI	32.6	34.1	33.6	33.1	32.5
BREAK EVEN POINT	1.69	3.39	3.83	3.68	3.54
BREAK EVEN RATIO	1.09	1.06	1.04	1.02	1.00
EQUITY/TOTAL LIABILITIES	56	32	28	28	29

ANNEX IV

LOAN INFORMATION AND PAYMENT SCHEDULE			
LOAN DATA	LOAN SUMMARY		
ORIGINAL PRINCIPAL	108,738.40	SCHEDULED PAYMENTS	\$27,234
LOAN TERM (YEARS)	5	SCHEDULED NUMBER OF PAYMENT	5
ANNUAL INTEREST RATE	8.00%	ACTUAL NUMBER OF PAYMENT	5
PAYMENTS PER YEAR	1	TOTAL EARLY PAYMENT	-
PAYMENT	\$447,088	TOTAL INTEREST	\$1,470,885

YEAR	PAYMENT	INTEREST	CUMULATIVE INTEREST	PRINCIPAL	BALANCE
0					\$108,738
1	\$27,234	\$8,699	\$8,699	\$18,535	\$90,203
2	\$27,234	\$7,216	\$15,915	\$20,018	\$70,185
3	\$27,234	\$5,615	\$21,530	\$21,619	\$48,566
4	\$27,234	\$3,885	\$25,415	\$23,349	\$25,217
5	\$27,234	\$2,017	\$27,433	\$25,217	\$0

ANNEX V

IRR for the Project	
	(all numbers in US\$)
	Initial Investment -543,692
Year 1	Additional Annual Net Profit 177,284
Year 2	Additional Annual Net Profit 190,330
Year 3	Additional Annual Net Profit 204,141
Year 4	Additional Annual Net Profit 218,760
Year 5	Additional Annual Net Profit 234,234
	IRR (in 5 years) 18.16%
The IRR above indicates that the expected return on the US\$534,692 initial investment after 5 years is 18.167%.	

ANNEX VI

Payback Period Analysis

	<i>Year</i>	<i>Beginning Balance</i>	<i>Net Cash Flows</i>	<i>Ending Balance</i>
<i>Cost of investment</i>	0.00	543,692.00	0.00	543,692.00
	1.00	543,692.00	177,284.29	366,407.71
	2.00	366,407.71	190,330.26	176,077.44
	3.00	176,077.44	204,140.94	28,063.50
	4.00	28,063.50	218,760.15	246,823.65
	5.00	246,823.65	234,234.27	481,057.92

Payback Period = 3.00 Years

8.0. CONCLUDING REMARKS AND WAY FORWARD

8.1. Evidence of project viability based on financial model and policy framework support

On the basis of all the analysis done on this Business Plan on all aspects of assessment on both SWOC Analysis, market analysis, risk analysis and the financial analysis, the proposed investment options in the meat processing plant as prescribed on this business plan have shown that the project is commercially viable. Nonetheless, JIELONG HOLDING (TANZANIA) LIMITED through professional consultative manner, will continue to find ways of implementing cost effective options given time and financial resources that will be made available. Financial analysis results show that when the construction of OILED SOAP plant facility is financed using a combination of equity debt ratio (80:20), it gives an IRR of about 18.167%. The computed IRR is well above Dollar market of the annual loan interest rate of (8.00%) which is technically interpreted that the project is financially viable. The payback period for the project is estimated at 3 years, which is within the range for this type of investment. Sensitivity analysis results also favor the project. Financial analysis for the project has shown feasible returns. Based on the investment scope and the assumptions taken in this Business Plan, the project will not face any difficulties during establishment, according to the projected cash flow be in a position to accomplish repayment of the loan and start generating profit.

8.2. Policy Framework Support

The development of the JIELONG HOLDING (TANZANIA) LIMITED is designed to take advantages of the current Tanzanian market-oriented reforms. The Project will be developed and established to accelerate the industrialization process. The vision 2025 emphasizes the importance of the allocation of public funds for strategic investments and private sector financing for development investments.

The 15 years Perspective Plan (2010-2015); Prioritize private investment in the context of Public Private Partnership. The First Five Years Development Plan (2011-2016) recognizes the fundamental role of the private sector in enabling the government to allocate its fund to strategic projects to facilitate a higher level of development. MKUKUTA II (2010-2015) identifies Public Private Partnership as a means of increasing the level of stakeholder participation and of easing the financial burden on the government. It should be noted that existing public resources are clearly insufficient to meet Tanzania's huge development needs.

The increased use of private enterprises participation in development projects can help alleviate the financing gap. This approach is now applied by JIELONG HOLDING (TANZANIA) LIMITED to ensure development of one among the ultra-modern oiled soap bags plant to be developed in shinyanga Region. Private sector and investment have been recognized as the most significant potential source of additional funding required to facilitate development projects.

8.3. Conclusive Remarks and Way Forward

The development of this PP Non woven bags Fabric plant will be funded by private finances. The company acting through its various shareholders and structures will provide the initial risk capital amounting to 543,692 US\$ and the 20% will be raised through borrowing from investment banks either within or outside the country. The company will fund the development of the project minor rehabilitations of factory building, business offices, bulk storage facilities and purchasing machines as stated on this business plan. Before the Company engages into the development of this project as a private enterprise, it needs to accomplish the pre development activities to make way for the development of the designated project. The company has to accomplish the following;

a) Apply for TIC certificate

The company by using this Business Plan and other required supporting documents should apply for the TIC Certificate at Tanzania investment centre or Mwanza zonal Office. With this certificate, the company will be able to access tax reliefs which to a large extent will help to in reducing project costs, particularly in the purchasing of machineries and minor building of area of proposed industrial area.

b) Conduct Environmental Impact Assessment.

The company has to engage a consultant to conduct EIA in order to ensure that environmental and possibly other sustainability aspects are considered effectively in policy, plan and project development. The EIA Directive aims at introducing systematic assessment of the environmental effects of strategic land use related plans and programs. It typically applies to regional and local, development, waste and transport plans, within the country. EIA ensures that plans and programs take into consideration the environmental effects they cause.

c) Minor rehabilitation to suit oiled soap Industrial requirement

The company should engage a firm to make minor rehabilitation of existing structure that will suit oiled soap manufacturing requirements. The structure should include all vital service facilities described in this business plan. When possible, the process of design of the facility should be consultative insomuch that it should allow and incorporate ideas from experienced professionals from the industry.

d) Mobilizing Funds

As previously discussed on the Financial Analysis of this business plan, financing mechanism for the oiled soap plant should be scrutinized well before commencing the project implementation. There may be several options of financing the project development but the company will find the best option. The investment team should do consultation with relevant financial institutions (Banks and non-bank Financial Institutions), both within and outside the country. This exercise should be more effective if the team works closely with central government agencies, particularly TIC and the Ministry of Industry & Trade and Ministry of Investment.