

**KVS CHEMICAL TANZANIA COMPANY LIMITED**

**BUSINESS PLAN**

**FOR**

**SETTING UP AND CONSTRUCTING A COSMETIC MANUFACTURING PLANT**

**AT SINOTAN KIBAHA INDUSTRIAL PARK IN KWALA KIBAHA-PWANI REGION**

**SEPTEMBER,2023**

<b>CONTENTS</b>	<b>Page</b>
1.0 Executive Summary.....	3
1.1 Investment Cost.....	5
1.2 Sources of Finance.....	5
1.3 Employment Opportunities.....	5
1.4 Implementation Steps.....	5
1.5 Investment Profitability.....	5
1.6 Conclusion and Recommendations.....	5
2.0 Background of the study.....	6
2.1 Overview of the Cosmetics Sector.....	6
2.2 The Economic and Social Potential of Tourism.....	7
2.3 Relevance of the Investment.....	8
2.3.1 Market Assessment.....	9
2.3.2 Supply and Demand Assessment.....	10
2.3.2.1 Supply Assessment.....	10
2.3.2.2 Demand Assessment.....	11
3.0 Investment Cost.....	12
3.1 Investment Structure.....	12
3.2 Investment Financing.....	13
3.3 Projected Operating Costs.....	14
3.4 Investment Capacity.....	14
4.0 Equipment Requirement.....	15
5.0 Man power requirement and organization structure.....	18
5.1 Management Summary.....	18
5.2 Organization.....	18
5.3 Training of Employees.....	19
6.0 Economic Benefit of the Investment.....	20
7.0 Financial Analysis.....	20
7.1 Projected Profit and Loss Account.....	21
7.2 Projected Cash Flow.....	21
7.3 Pay Back Period.....	21
7.4 Projected Balance Sheet.....	21
7.5 Discounted Cash Flow.....	22
8.0 Conclusion and Recommendations.....	22

## **PART I: GENERAL PROJECT INFORMATION**

### **1.1 PREAMBLE**

This study covers the business plan of setting up a cosmetics products manufacturing plant by KVS Chemical Tanzania Company Limited within the Sinotan Kibaha Industrial Park located in Kwala Area, Kibaha - Pwani. Basically, the activities will be geared towards the setting up of cosmetics manufacturing plant and distribution hub purposes. This report is for the purpose of obtaining an industrial license.

## 1.2 THE PROJECT PROMOTERS

The project is being promoted by **KVS CHEMICAL TANZANIA COMPANY LIMITED**; a limited liability company incorporated under the laws of Tanzania whose shareholders are as follow;

S/N	NAME OF SHAREHOLDERS	PERCENTAGE OF OWNERSHIP	NATIONALITY
1	XU HONGQUAN	1%	CHINESE
2	JINHUA KVS CHEMICAL COMPANY LIMITED	99%	CHINESE

## 1.3 LOCATION

The cosmetics manufacturing plant and distribution hub will be set up and installed within the SINOTAN KIBAHA INDUSTRIAL PARK at Kwala, Kibaha – Pwani Region.

## 1.4 THE PROJECT JUSTIFICATION

In recent years, the world has witnessed an increased number of men and women venturing in different areas of Cosmetics such as makeup artists, beauty therapists, salon specialists, massage therapists, cosmetics producers, nail technicians, etc

Moreover, the Tanzanian cosmetics industry is witnessed to be growing at a rapid rate since its being supported by the Government, where recently, the government pledged to support its burgeoning cosmetics industry in the hope that the country will reap the rewards in the form of job creation, GDP growth and infrastructure improvements.

The Government of Tanzania clearly recognizes the important role it plays in economic development and has been considering ways in which to improve its enabling environment across sectors inclusive of the cosmetics manufacturing sector where, the enabling environment can be particularly important in formulating the right measures and practices that are needed to unlock the economic potential of the industry.

Given the drive towards industrialization in the country, Tanzania has a huge potential to generate money from the cosmetics industry which is valued at USD 523 Billion US Dollars globally and 5 Tanzania currently enjoys a paltry 3% of the multibillion-dollar industry since a major portion of raw materials such as avocados, coconuts and other oils gives the government hope that the sector's potential is huge.

Due to the above factors, the Company is mainly focused at expanding its markets in the East and Southern Region where where the rate of development is growing, as well as the per capita income, which has ensured that demand for cosmetics products is increasing over the years.

Hence the installation of the cosmetics manufacturing and distribution hub, is necessitated by the Company's urge to tap the existing local market and the further, meet the growing demand of cosmetic products in the East and Southern regions which have remained untapped.

### 1.5 PROPOSED DEVELOPMENT

The proposed development shall consist of a manufacturing plant, distribution hub, sales points, providing a gross floor area of approximately 1,840m<sup>2</sup> at a rental consideration of USD 198,720 for a period of 3 years.

### 1.6 REVENUE

Following an assessment of the market, the anticipated sale of cosmetics products is expected be **USD 10,147,877** for the first year and would increase to **USD 22,751,671** during the 5<sup>th</sup> year.

**Table 1.0**

**Showing the Estimated Revenue from KVS CHEMICAL TANZANIA COMPANY LIMITED**

	<b>No. of consignments sold per product (In Cartons)</b>	<b>Sales prices (USD per carton)</b>	<b>Gross Sales (USD)</b>
<b>Year 1</b>	<b>356,707</b>	<b>28.4</b>	<b>10,147,877</b>
<b>Year 2</b>	<b>463,719</b>	<b>29.0</b>	<b>13,456,085</b>
<b>Year 3</b>	<b>556,463</b>	<b>29.6</b>	<b>16,470,248</b>
<b>Year 4</b>	<b>639,932</b>	<b>30.8</b>	<b>19,698,417</b>
<b>Year 5</b>	<b>703,926</b>	<b>32.3</b>	<b>22,751,671</b>

## 2.0 THE MARKET

### Current Market of Cosmetics Products

As mentioned previously, the Tanzanian cosmetics industry is witnessed to be growing at a rapid rate since its being supported by the Government, where recently, the government pledged to support the drive towards industrialization in the hope that the country will reap the rewards in different forms by enjoying markets in neighboring countries in the Eastern and Southern zone which is being s Kenya, Uganda, Rwanda, Burundi, Zambia, DRC, Malawi, Botswana, and other neighboring countries,

### **Demand and supply**

Presently, cosmetics have become an indispensable feature of modern lifestyle of individuals. In addition, growth in consciousness about external beauty along with individual's internal intellect has become one of the major driving factors for use of cosmetics in the global market. Presently, along with women, there is a rise in use of cosmetics among men in their daily routine, which complements growth of the global cosmetics market demand. Hence, such changing lifestyles, have led to growth of the global cosmetics market

The cosmetics market in Tanzania, and Uganda is worth over USD 200 Million. Tanzania's expanding middle class is increasingly young and urban, and demand for high quality cosmetics is growing. As explained earlier in this report, it is apparent that the demand for cosmetics products in Tanzania is huge as recently witnessed by the Government's pledged to create an enabling environment for the cosmetics sector to thrive, yet the demand does not carter for the local markets.

Tanzania imports of essential oils, perfumes, cosmetics, toiletries was USD \$98.78 Million during 2020 and is expected to increase over time to carter for the ever growing demand.

## **2.1. RISK FACTORS FACING THE PROJECT**

There is always an element of risk in any investment. It is therefore important to identify the risk and consider measures for their mitigation. Risks to the project have been identified as follows:

### **COMPETITION**

Competition is the key factor facing the project. The management team together with the various consultants have taken this on board and come up with a highly aesthetic design, given due attention to the quality cosmetics products.

Another area where the competition can be beaten is by delivering the best quality products to compete with the imported products and always ensure constant and continuous supply of products.

## **2.2. COST OVERRUNS**

The consultant team has rigorously gone through the market, production requirements, machinery, specifications, legal compliance, so as to ensure that it is comprehensive so as to eliminate/minimize any variations. Furthermore, value management shall be carried out throughout the manufacturing process to forestall any cost overruns.

## **2.3. INCREASE IN PRICE OF MATERIALS AND DELAYS DUE TO COVID RESTRICTIONS**

The directors and shareholders are aware of the risk of fluctuation of prices and together with the consultants and where possible the Company shall be encouraged to make arrangements for the procurement of the materials right from the outset and have bulk storage so as to minimize abrupt changes in pricing of the cosmetics products.

### 3.0. TABLE 3.0

#### Showing the SWOT ANALYSIS

<b>STREIGHTS</b>	<b>WEAKNESS</b>
<ul style="list-style-type: none"><li>• Experienced Shareholders of the Company</li><li>• Experienced Consultant team</li><li>• Shareholders Commitment for the project to take off</li><li>• Prime location for production and transportation of cosmetics products to other parts of the country and neighboring countries</li><li>• High demand of cosmetics products</li><li>• Encouraging regional and inter region legal framework</li></ul>	<ul style="list-style-type: none"><li>• Potential increase of prices due to global economic changes</li></ul>
<b>OPPORTUNITY</b>	<b>THREATS</b>
<ul style="list-style-type: none"><li>• Increase in sale in the Eastern and Southern Region</li><li>• High Demand for cosmetic products</li></ul>	<ul style="list-style-type: none"><li>• Increase in cost of materials</li><li>• Competition from other companies and importers</li></ul>

## 4.0 TECHNICAL INFORMATION

### 4.1 OBJECTIVES OF THE DEVELOPMENT

The objectives for the development are as follows:

- To provide a framework to set up of a cosmetics manufacturing industry and distribution hub from which the Company expects to receive return on investment

### 4.2 THE CONSULTANCY TEAM

The Management has selected a team that it believes shall be able to produce cosmetics products that are safe and of high-quality fit for consumers.

### 4.3 WORK PROGRAMME

Financial charges must be paid from the day money is borrowed, and yet cannot be repaid until the sales made. The relative timing of expenditure and revenue will have an impact on

the project, it is therefore imperative that the project is completed within a short and reasonable time frame, say a maximum of 1 (one) year. The Company has already identified a production team that shall be committed to completing the production within the set time frames.

## **5.0 MARKETING AND SALES**

The management understands that for success of the investment, they should embark on marketing and right from the conception stage the company has engaged a team of professionals to ensure that strategies are put in place right from the outset.

The company uses a modern approach of multi-selling in collaboration with other reputable key agencies so as to ensure maximum exposure and onward sales of its cosmetic products.

### **5.1 THE MARKETING PROPOSAL**

The marketing strategies that shall be put in place for KVS Chemical Tanzania Company Limited will aim at attaining maximum exposure and onward sales at the optimal price so as to maximize on the return on investment. The marketing shall commence right from the conceptual stage of the manufacturing.

#### **i. Identification of the Target Market**

Identifying and listing the target market, followed by products group to cater for the identified groups.

#### **ii. Putting in place competitive pricing and top sales terms**

The results of the comparative analysis shall be embodied in the sale prices to ensure that the sale prices offered to the buyers are competitive in view of the cosmetics products that shall be produced to compete with other brands in the market.

#### **iii. Promotion Strategies**

Promotion strategies that shall be adopted by KVS Chemical Tanzania Limited will be aimed at informing, influencing, and persuading prospective buyers to purchase the Cosmetics and beauty products through the use of the below promotion tools:

- ◆ Advertising
- ◆ E- Marketing
- ◆ Personal Selling
- ◆ Sales Promotion
- ◆ Selection Mix

- **Advertising**

Various forms of Print media and visual imagery will be used to create awareness of the cosmetics and beauty products the public. The advertising will call for public attention through paid messages in newspapers, magazines, billboards, signboards, and display areas.

- **E-Marketing**

The Cosmetics and Beauty Products shall be available via the company website and social media pages for easy viewing by prospective buyers. Furthermore, emails shall be sent out to prospective clients with a link to the order/purchase gateway. The E-Platform shall also create an opportunity for enquiries.

- **Personal Selling**

- Personal selling in contrast to the impersonal and mass appeal of advertising will consist of individual interpersonal communication to include:
- Direct canvassing to the target market. This is a very good prospective method; a list of prospects shall be prepared and they shall be contacted and given presentations.
- Handling of enquiries over the telephone

- **Sales Promotion**

- This will be in the form of presentation of marketing brochures for the Company that shall be carefully prepared and distributed to the target market with select information to capture key information which will serve to inform, attract, influence and persuade prospective buyers.

## **5.0. FINANCIAL PROPOSAL**

### **5.1. ESIMATED COST OF THE PROJECT**

The total project investment is estimated at **USD 5,000,000=** including the land, manufacturing plant, distribution center, machines and equipment, raw materials and initial operation capital.

### **5.2. MODE OF PROJECT FINANCING**

The development shall be entirely carried out by the Company shareholders who intend to seek financing from the financial institutions at a sharing of Equity 50%: Debt 50%. The developers propose to seek a loan payable in 5 (Five) years:

	<b>USD</b>
<b>Total Development Cost:</b>	<b>5, 000,000.</b>
Equity:	5,000,000

### **5.3. INVESTMENT COST FINANCING PATTERN**

The total investment cost is estimated at **USD 5,000,000.00** a summary of the breakdown is as indicated in the table below

ITEM	USD \$
Fixed Asset	
Civil Works & Building	1,700,000
Machinery and Equipment	2,200,000
Vehicles	150,000
Furniture and Fittings	50,000
Raw materials	500,000
Pre-Operational Expenses	100,000
Sub total	<b>4,700,000</b>
Initial working capital	300,000
<b>GRAND TOTAL</b>	<b>5,000,000</b>

#### 5.4. REVENUE

**Table 5.0**

**Showing the cash flows and financial projection for KVS CHEMICAL TANZANIA LIMITED- Tanzanian Shillings**

**(Note: The Revenue line represents Earnings Before Interest, Tax, Depreciation and Amortization Cash flow)**

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Cash Inflows							
Equity	5,753,075,000						
Loan	5,753,075,000						
Revenue	3,243,119,016	4,142,415,566	4,651,437,814	5,289,846,207	5,747,192,341	6,187,326,515	6,312,341,337
Total Cash Inflows	14,749,269,016	4,142,415,566	4,651,437,814	5,289,846,207	5,747,192,341	6,187,326,515	6,312,341,337
Cash Outflows							
Machines, furniture, vehicles purchase	5,522,952,000				460,246,000		1,380,738,000
Construction work	3,912,091,000			460,246,000		230,123,000	
Loan Repayment		1,150,615,000	1,150,615,000	1,150,615,000	1,150,615,000	1,150,615,000	
Investment in working capital	2,871,107,000	1,500,000,000	2,000,000,000	2,200,000,000	2,700,000,000	3,000,000,000	3,000,000,000
Financial Charge							

Loan interest paid	836,113,567	652,015,167	467,916,767	283,818,367	99,719,967		
Taxes and fees	290,621,010	615,639,495	823,575,689	1,070,327,727	1,262,761,087	1,769,901,829	1,807,406,276
Total Cash Out Flows	13,432,884,576	3,918,269,661	4,442,107,456	5,165,007,094	5,673,342,054	6,150,639,829	6,188,144,276
Net Cash Flows	1,316,384,439	224,145,904	209,330,358	124,839,113	73,850,287	36,686,685	124,197,061
Cum.(Deficit)/Excess cash flows	1,316,384,439	1,540,530.343	1,749,860,701	1,874,699,815	1,948,550,102	1,985,236,788	2,109,433,849

## **5.5. FINANCIAL VIABILITY**

### **RETURN ON INVESTMENT**

The project indicates a very healthy return on investment with a payback period of within 3.8 years. of the completion of construction

## **6.0. MANPOWER REQUIREMENTS AND ORGANISATION**

### **6.1. MANAGEMENT**

This success of a venture of this kind depends on the competence of the personnel recruited to manage. It is assumed that relevant personnel with requisite skills shall be available within and outside the country.

In Order to streamline the manufacturing and sales operations, it is proposed to engage a team of qualified and experienced personnel to meet the Company target. These along with the Project Manager and Management will form the central operational core that will ensure the success of the project.

### **6.2. MANPOWER REQUIREMENTS**

Based on the proposed organization structure the project will initially employ a total of 100 persons.

## CONCLUSION

We are of the opinion that the project is viable and the proposed marketing strategies will achieve maximum exposure for the achievement of 100% sales as summarized hereunder:

- The proposed sales prices for cosmetic and beauty products are reasonably priced and competitive comparative pricing from USD 28 to USD30 per carton the starting years.

## APPENDIX: I

### KVS CHEMICAL TANZANIA COMPANY LIMITED INVESTMENT COST

ITEM	USD \$
<b>Fixed Asset</b>	
<b>Civil Works &amp; Building</b>	<b>1,700,000</b>
<b>Machinery and Equipment</b>	<b>2,200,000</b>
<b>Vehicles</b>	<b>150,000</b>
<b>Furniture and Fittings</b>	<b>50,000</b>
<b>Raw materials</b>	<b>500,000</b>
<b>Pre-Operational Expenses</b>	<b>100,000</b>
<b>Sub total</b>	<b>4,700,000</b>
<b>Initial working capita!</b>	<b>300,000</b>
<b>GRAND TOTAL</b>	<b>5,000,000</b>



Figures on thousands TZ shs	value	Rate %	1	2	3	4	5	6	7	8	9	10
Land and Civil Works	3,912,091	5%	3,716,486	3520,881	3,325,277	3,129,672	2,934,068	2,738,463	2,542,859	2,347,254	2,151,650	1,956,045
Machinery and Equipment	5,062,706	20%	5,062,706	4,050,164	3,037,623	2,025,082	1,012,541					
Furniture & Fittings	115,061	20%	115,061	92,049	69,036	46,024	23,012					
Motor Vehicles	345,184	29%	345,184	276,147	207,110	138073	69,036					
Operational.												
Total	9,435,043		9,435,043	8,134,848	6,834,653	5,534,458	4,234,263	2,738,463	2,542,859	2,347,254	2,151,650	1,956,045



<b>Capital expenditure</b>	<b>9,345,043,000</b>				<b>460,246,000</b>	<b>460,246,000</b>	<b>230,123,000</b>	<b>1,380,738,000</b>			
<b>Other Applications (excl. working capital)</b>		<b>1,126,734,576</b>	<b>2,418,269,661</b>	<b>2,442,107,456</b>	<b>2,504,761,094</b>	<b>2,513,096,054</b>	<b>2,920,516.829</b>	<b>1,807,406,276</b>	<b>1,917,261,600</b>	<b>2,233,450.963</b>	<b>2,569,048,060</b>
<b>Total Applications</b>	<b>9,345,043,000</b>	<b>1,126,734,576</b>	<b>2,418,269,661</b>	<b>2,442,107,456</b>	<b>2,965,007,094</b>	<b>2,973,342,054</b>	<b>3,150.639,829</b>	<b>3,188,144,276</b>	<b>1,917,261,600</b>	<b>2,233,450.963</b>	<b>2,569,048,060</b>
<b>Working capital</b>	<b>2,071,107,000</b>	<b>800,000,000</b>	<b>1,500,000,000</b>	<b>2,000,000,000</b>	<b>2,200,000,000</b>	<b>2,700,000,000</b>	<b>3,000,000,000</b>	<b>3,000,000,000</b>	<b>4,700,000,000</b>	<b>5,500,000,000</b>	<b>5,900,000,000</b>