

**MAMUJEE PROUCTS  
LIMITED.  
P.O. BOX 394  
TANGA.**

**Feasibility Study Report**

**On**

**Establishment of mODERN  
Manufacturing Unit for Plastic Products.**

**In**

**Tanga - Tanzania**

**Prepared for  
M/s MAMUJEE PRODUCTS LTD,  
P.O. BOX 394  
Tanga.**

**MAMUJEE PRODUCTS LTD**

P.O. BOX 394,  
TANGA.

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## **0.1 Introduction**

This feasibility study report is being prepared for **M/S MAMUJEE PRODUCTS LTD. of P.O. BOX 394 Tanga, Tanzania** hereinafter referred to as MPL. MPL has undertaken a project to expand into a new space the manufacturing of their in-house Plastic Products. The company expects that by doing this project not only will they increase their in-house capability however they will sell their packaging to other FMCG & Soft drink manufacturers across Africa. The promoters are well experienced in the envisaged line of business. The promoters have enough financial resources to see through the project and will bring in foreign exchange right from the inception stage of the project.

The purpose of this study is to assess the commercial viability and operational feasibility of the project being undertaken by MPL. Most of the data has been compiled by the promoters' own research and study in Tanzania and is first hand information. The financials have also been worked out on the basis of market and cost information provided by the promoters of the project.

This report has additionally deliberated upon the social and related economic benefits (net) that will accrue to the nation and has given adequate weight age for the same in the conclusion & recommendation paragraph.

## **02. Company Details:**

Registration:

M/S MPL was registered with the Registrar of Companies on 13<sup>TH</sup> of February 1997 as a limited liability company. The Authorized share capital of the company is same as the paid-up share capital. The registration number of the company is 31491.

Object Clause:

“To carry on the business of Production of Plastic Products.

**Promoters/Shareholders & Directors:**

The Shareholders of MPL are as under:

<b>Name of the Share Holder</b>	<b>Nationality</b>	<b>% Holding</b>
ALIHUSSEIN AKIL MAMUJEE P.O. BOX 394 ATANGA.	Tanzanian	16.8%
FATEMA AKIL MAMUJEE P.O BOX 394 TANGA.	Tanzanian	21.3%
HATIM AKIL MAMUJEE P.O. BOX 394 TANGA.	Tanzanian	16.8%

The first directors of the company are:

01. ALIHUSSEIN AKIL MAMUJEE
02. FATEMA AKIL MAMUJEE

**Location of the Proposed Site:**

The site for the business shall be in Plot No.9 Gofu Chini – Industrial Park – Tanga – Tanzania.

**Registered Office Address:**

Plot No.9 Gofu Chini – Industrial Park – Tanga – Tanzania

**03. The Project:**

The basic purpose of the entire project is to add value by expanding on the existing line to create opportunity for increasing in house plastic- There after tapping into African market with new products at competitive pricing for sales to FMCG and soft drinks company.

MPL is interested in venturing into this area, as they are confident that this expansion will enable them to get enough room to add their latest technology machines and novel manufacturing process in line with international standards

The project will create nearly 100 new employment opportunities directly and more than that indirectly. Apart from adding to the wealth of the nation, it shall also increase the purchasing power of the community thereby leading to an overall increase in demand for other plastic products, which shall in turn lead to better economy conditions in Tanga region.

As Part of expansion. The project shall bring in new plant and machinery from outside the country and shall eventually train the local population in the running of the plant. The project will thus contribute towards the manufacturing sector of the economy. As per the latest findings of CTI (Confederation of Tanzanian Industries), manufacturing contributes less than 10% of contribution towards this sector which is very much welcome by the government. The manufacturing process being undertaken shall also ensure that

value addition is being done within the country, which is added advantage.

#### **04. Project Location & Inputs: -**

Since the project is related to manufacturing of Plastic Products the project location preferably has to be near to the raw materials which is next to the parent company MPL. A part from the very fact that the project requires lot of roadtransport related issues also dictate the location of such projects as being nearer to the source of raw materials.

The promoters reportedly carried out a survey of various regions in Tanzania where such project can be established with minimal obstacles. Their study led them to the Tanga region, it also has advantages in terms of availability of adequate local manpower, power and roads also, besides it is easily approachable from Dar es Salaam, which is the main commercial city of Tanzania. Tanga shall also prove to be one of the most important markets and as such Pwani, Kilimanjaro, Arusha and other central regions areas. enjoys the benefits of being near to the source of raw materials relatively better infrastructure and also being quite near to the mainmarket.

The local authorities have assured the promoters about adequate supply of power and water, which is required for the successful running of the business. Power requirement has been estimated at 1,100 h.p. With 24 hours running.

#### **0.5 The Market Demand:-**

Tanzania as a country has been enjoying a steady economic growth rate of nearly 4.5% to 5% for last more than 8 years and

that has resulted into spurt of demand for quality products. The demand has been more pronounced in the basic necessity sector.

From marketing angle, apart from the points noted above, this project enjoyed a distinct advantage. There are certain international standards in which the dimensions are available for Plastic Products; however MPL envisaged producing Plastic Products, which can suit the requirements of local populace. This strategy shall provide the project with an additional marketing edge compared to imports, the first edge being lower prices. MPL believes that creation of non-standard size shall not only make it more viable/profitable but will in long run also ensure maximum utilization of available resources.

MPL promoters firmly believe that they will not encounter any major hurdle in marketing their products. Sometime will definitely be required as the product boast of being import substitute and the products are not meant for direct consumption (which implies that they are being sold to an intermediary). However, in long run MPL promoters and management are very much sure about the successful operation of the project.

#### **06. Promoters & Management:-**

The importance of well-informed promoters and professional management can never be overestimated for successful implementation of the any project. It is said that well – informed

promoter and professional management can make even a not so viable project otherwise and vice-a-versa.

## **07. Manufacturing Process & Technology: -**

The factory is to be put-up for manufacture Plastic Products. The factory already processes several good quality injection machines. However other fast and servo driven new machines such as PET injection machines and blow molding machines will be purchased to supply to various industries such as water Cola and film for bread making factories.

Briefly the manufacturing process is as follows

Plastics Virgin resin will be imported and stored and in the warehouse facility of the factory. The material will be placed into the hopper/barrel of the plastics injection machine. Heaters will heat this resin material convert the resin to molten state, finally they will pass through the molds in the machine to take shape and be expelled out of the machine for collection.

For cola bottles

A two-step process will be followed. In the first step there will be use of PET virgin material which will be converted into “preform” these are test tube like structures that are hollow in nature. These preforms will then be transferred to blowing machines . The blowing machine have molds that take shape of the Cola bottle by blowing hot air as the test tube passes through the molds.

The process use several utilities like chiller, cooling tower , high pressure and low pressure compressors for smooth operations.

**08. Manpower: -**

Although the project of manufacturing plastic products will require lot of automatic machines, lot of manpower especially at lower end shall be required to carry out preparatory processes as well as for quick movement of raw material within the factory premises.

MPL will utilize existing expatriate to oversee the operations supported by one hundred local workers. Workers will be guided and trained by the expatriate technical experts to run machines. Organization hierarchy shall be as under: -

**a. Top level**

Chairman cum Managing Director  
General Manager

**b. Middle Level**

Production Manager  
Chief Engineer  
Finance Manager  
Marketing Manager

**c. Lower Level**

Production Supervisors  
Personnel and Administrative Officer  
Accounts Officer.  
Sales Officer

MPL shall endeavor to promote local staff as much as possible to ensure better employment opportunities to the local populace. However, it shall always ensure that efficiency of the unit is kept intact.

MPL shall run simultaneously a small in-house training house where the experts will provide training to the new recruits before they are put on the jobs for on-job training. MPL believes that a motivated and skilled manpower can for sure bring in immense benefits to the industry and can ensure peaceful co-existence of all concerned.

## 09. Cost of the Project & Means of Finance:-

### A. Cost of the Project: -

Sr. NO.	Details	US \$
1	Land & Building	500,000
2.	Plant & Machinery	200,000
3.	Furniture, Computers & Fixtures	50,000
4.	Vehicles	50,000
5.	Pre-operating Costs	
6.	Others	50,400
7.	Initial working capital	150,000
	<b>Total Cost of the Project</b>	<b>1,000,000</b>

### B. Means of Finance:-

Sr. NO.	Details	US \$
1	Equity Funds	500,000
2	Promoters' Loan	500,000
	Total Means of finance	1,000,000

The total cost of the project consisting of both the phases has been estimated at **US \$ 1,000,000** as can be seen from the above chart, majority of the expenses involved will be on Plant, Machinery and Vehicles. Nearly 73.33%.

Phase I will be implemented within a span of three months and the second and the final phase will be completed within a span of nearly 21 months from the date of the completion of the first phase.

Building will be a simple structure based on pillars with sidewalls open to facilitate future expansions. The height of the factory shed will be 15 feet. A small training house and a rest room for the workers will also be constructed.

**Details of Plant & Machinery to be imported is as under:-**

Sr. NO.	Description
01	
02	
03	
04	
05	
06	
07	
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12	
13	
14	
15	

Three in-house utility vehicles will be needed to transport the finished goods from the factory to the buyers' place and also for moving the logs within the factory premises wherever required.

Office furniture will be bare minimum and so will be computers (may be three sets). Telephone lines; fax line and Internet line will be kept handy at the factory to ensure speedy and cheap communication.

Pre-operating costs will take care of the preliminary expenses, initial survey and travel costs including accommodation charges, professional charges for preparation of reports etc and shall also cover for the initial joining costs of various key personnel till the real operations commence. Initial working capital shall include the money required to bring in enough quantity of road construction materials, spend for the revenue

expenses for the process carried out on them and the financing of other revenue costs till the time money starts flowing back from the debtors for the goods sold to them on credit.

The promoters of MPL are in possession of required finances and are committed to put in the same as and when required. The initial capital has been created at 2 million dollars and balance amount will be treated as loan from promoters, interest free.

#### **10. Project Implementation Schedule:-**

As has been stated in the earlier paragraphs the entire project will be implemented within a period of 24 months. The first phase is expected to be completed within a span of nearly three months and the next phase is expected to be completed in another 21 months.

The project implementation schedule is shown in form of a table hereunder: (PHASE I).

Sr. No	Activity	Completion Period
01	securing TIC certificate of incentive Industrial license etc.	Aug 2023
02	Importation of Pre-fabricated steel structure	Sept 2023

The project implementation schedule is shown in form of a table hereunder (PHASE II)

<b>Sr. NO.</b>	<b>Activity</b>	<b>Completion Period</b>
01	Site Mobilization & Factory Construction	January/February 2024
02	Plant Layout finalized for implementation.	September 2024

03	Order placement for various machineries, recruitment of key personnel	October 2024
04	Installation of Plant & Machines	March 2025
05	Commencement of Trial Runs	May/June 2025
06	Commencement of Commercial Operations.	May/June 2025

The second phase implementation will begin immediately after 3 months and it is expected that within a span of another 1 year with construction and set up along with commissioning.

## **11. Project Financials:-**

### **11.01 Assumptions**

- a) The rate of one US \$ is equal to T.shs 2,450/=
- b) Required labor force will be available
- c) Required permits will be granted within the limited time schedule to ensure implementation as per schedule.
- d) The first phase will be operational within a span of three months.
- e) The second phase will taken nearly 21 months to complete after the start of first year and will increase the capacity of machinery to produce plastics
- f) Total investment will be US \$ 1,000,000
- g) The project will have own finance
- h) Land will be available on lease in future as and when required.
- i) Import duty exemption and deferment of VAT will be available on import of plant and machinery.

### **11.02 Projected Five Years Profitability Statements**

As can be seen from the enclosed projected profitability statement, the company will not earn profits in the first year where the operations are to run only for six months; however there will be cash- profits.

The company will attain a turnover of US \$ 0.5 million in first six months; will go up to US \$ 0.240 millions in the next years and from third year of operation will remain steady at US \$ 1 million.

The profits will start coming from the 2nd year of operations. From the year 4 and onwards the annual profits will be in the range of US \$ 0.3 million and above. The project enjoys a payback period of 5 years.

The company will be earning gross profit @ 20% and net profit of nearly 5%. For a moderate project, like this a net profit of 5% is quite reasonable. Government will earn lot of revenues due to such high turnover.

Selling costs have been assumed at 2% of the sales and other overheads have been assumed not to cross US \$ 50,000 a month including manpower costs.

Depreciation has been provided as per the prevailing income tax rates. Further full depreciation has been provided on assets purchased during the year. Separate schedules are attached with this report for calculation of depreciation.

### **11.03 Projected Five Years Balance Sheet**

The enclosed balance sheet shows a very sound position of the company. The current assets ration is in excess of 1.2 from the beginning and by the year 5 it reaches 2.

Inventory will be maintained only for a period of one week. The reason being the plant is going to be located in the close proximity of Road Constructions materials.

Creditors will be outstanding for a period of 15 days and suppliers of services will be paid at the expiry of one month.

### **11.04 Projected Five Years Funds Flow Statements:-**

As can be seen from the appended projected funds flow statement the company will be financed by the promoter's own funds.

Operating profits will be ploughed in to the business. Once the operations are steadied from the year 2015, the annual contribution of operational profits shall be turning the tune of US \$ 300,000/=

As the operations will grow, the net working capital requirement will also grow. As can be seen the increase in net current assets will be from US \$ 90,000/= (year 2023) to US \$ 680,000/= (year 2015).

The company assumes to maintain a positive cash balance of US \$ 45,000/= to US \$80,000/=.

#### **11.05 Projected Five Years Taxation Schedule:-**

The company will enjoy tax incentives as per the governing laws of the country. It will have taxable profits only from the year 2023 and will then onwards contribute to the exchequer in excess of US \$ 150,000/= in the first year and then onwards in excess of US \$ 340,000/= The company may reduce its tax burden by investing or expanding its operations and in either case the country benefits.

#### **12. Social & Development Benefits:-**

Generally it is presumed that a project for manufacture of granite stones or concretes will result into block making. Whilst this is true to a very larger extent, it should be noted that this project plans not to acquire more and more land even for manufacturing.

##### ◆ Employment creation

As has been observed earlier this project will provide direct employment opportunities to more than 500 locals inclusive of skilled, semi- skilled and un-skilled class. One expatriate will also be employed as per the requirement of the project.

This direct employment of more than 500 individuals will generate indirect employment for more than 1,500 individuals. In nutshell it can be concluded that this project will have a very positive impact on the level of employment in the country and will be welcome change.

##### ◆ Transfer of technology

This project being a manufacturing project will usher in the country technology. Although the technology is simple the advantages to the country are quite significant. The country will get the advantage of value addition due to such incoming technology. Further the country can reduce its dependence on

imports for the finished products manufactured by this project. Local employees will get on-the-job training from the experts (expatriate) employed and in long run will improve the technical competence of the local population.

+27605592832

◆ Contribution to the exchequer.

This project will contribute substantially to the society in general and to the exchequer in particular. As has been observed the total turnover at 100% utilization will be in the range of US \$ 24 million. This will result into VAT outflow of substantial amounts. Besides the company will be contributing tremendously in terms of PAYE and NSSF. In addition the company will also be contributing in terms of corporate taxation from the year 2025 onwards.

◆ Positive cascading impact on the nation's economy.

This project will have overall positive impact on the society. It will not only save the precious foreign currency reserves of the country by producing import substitute products, and by exporting the final product, but will also generate direct employment to more than 500 individuals and will provide means of livelihood to more than 1,500 individuals. The cascading positive impact on the society will be too great. This project will lead to creation of national wealth. Its contribution to the exchequer will also be quite significant in terms of NSSF, PAYE, VAT and direct taxation apart from skills and development levy.

One more advantage of this project is its location. Since it is located at Lugoba, Coast Region, which is not fully developed, will get more opportunities to commercially expand and develop. This project will thus result into regional development. This project will thus hold the government to further its own objective of promoting regional development.

**13. Conclusion & Recommendation:-**

The foregoing write-up indicates following benefits to the country, which in turn pleads for immediate acceptance of this project as a feasible project.

- ◆ The country will get a manufacturing unit, which will add to its scarce manufacturing base. As on date the country's manufacturing base is very low with contribution of 9% to the GDP and thereby making the economy pre-dominantly agriculture oriented.
- ◆ The project will bring in latest technology in the relevant field and will ensure training or development of skilled labour force in the country. The labour force will get on –job training and will thus make them more and more competent.
- ◆ The project when implemented in full over a period of 24 months will ensure that there will be a direct flow of foreign currency in the country to the tune of US \$ 1,500,000/= which is considerable by any standard.
- ◆ The project will lead to regional development besides. As it will be located in Coast Region. This advantage has many other advantages running parallel. There will be tremendous boost to the economic development in the region. It will arrest migration of individuals and will also alleviate the problem of congestion and concentration of working force in neighboring regions.
- ◆ It will provide cascading positive impact on the economic situation in Tanga and other neighboring regions.

There are many other benefits direct and indirect of this project and therefore we conclude that this project is feasible technically as well as economically.