

HENGLI PETROCHEMICAL COMPANY LIMITED

BUSINESS PLAN

FOR

SETTING UP AND CONSTRUCTING AN OIL REFINERY PLANT

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

JANUARY, 2024

1. GENERAL PROJECT INFORMATION

1.1 Preamble

This study covers the business plan of setting up a crude oil refinery plant by Hengli Petrochemical 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 oil refinery plant and distribution hub purposes.

1.2 The Project Promoters

The project is being promoted by **HENGLI PETROCHEMICAL 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	NING GUOFANG	1%	CHINESE
2	GUANGDONG LIBAO LUBRICANT TECHNOLOGY COMPANY LIMITED	99%	CHINESE

1.3 Location

The oil refinery 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

The Crude Oil Refinery Industry is a thriving sector of the economy globally. Tanzania offers one of the largest and fastest growing market for lubricants and petroleum refined products and this is credited to various reasons like the

growth of manufacturing industries, large population using motor vehicles as well as increased regulatory encouragement.

Tanzania the Government has embarked on expanding industrial base and seeing it as an opportunity to enable Tanzania fulfill its economic goal of attaining middle income economy by 2025. This is in recognition that industrial development has helped economic growth of modern societies. HPCL inategemea kutembea nah ii trend so as to curb the imporation of lubricant oil na mwish wasiku watanzania wanufaike na petroleum porducts which are manyfactiured in Tanzania

In 2021 a total of 55.52 million litters of Lubricants entered the Tanznaia market of which 85% was blended locally and 15% was impoted. With these numbers we intednt to ensure that the percemntance of imported lubricants and other petroleum products is reduced by 2025 na kuwa this busnies itachangia katika kukua kwa pato la taifa.

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 petroleum products is increasing over the years.

Hence the installation of the crude oil refinery plant is necessitated by the Company's urge to tap the existing local market and the further, meet the growing demand of refined petroleum 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 5,048m² at a rental consideration of USD 545,184 for a period of 3 years.

1.6 REVENUE

Following an assessment of the market, the anticipated sale of Petroleum products is expected be **USD 20,524,347** for the first year and would increase to **USD 50,769,250** during the 5th year.

Table 1.0

Showing the Estimated Revenue from HENGLI PETROCHEMICAL COMPANY LIMITED

	No. of consignments sold per product (In Cartons)	Sales prices (USD per carton)	Gross Sales (USD)
Year 1	675,143	30.4	20,524,347
Year 2	775,237	31.0	24,032,347
Year 3	875,350	32.4	28,361,340
Year 4	981,435	33.7	33,074,400
Year 5	1,450,550	35.0	50,769,250

2.0 THE MARKET

2.1 Current Trend of the Market.

As mentioned previously, the Tanzanian crude oil refinery industry is witnessed to be growing 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,

2.2 Our Products

Our intention of establishing the crude oil refinery plant is to make profits from the selling the petroleum products and we will do all that is permitted by the law in Tanzania is to achieve our corporate aim and ambition. Below are some of our products offering;

- Lubricant oil
- Gear oil
- Brake oil
- Engine Oil
- Antifreeze

3.0 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:

3.1 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 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.

3.2 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.

3.3 Increase in Price of Materials

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 products.

3.0. TABLE 3.0

Showing the SWOT ANALYSIS

STREIGHTS	WEAKNESS
<ul style="list-style-type: none">• Experienced Shareholders of the Company• Experienced Consultant team• Shareholders Commitment for the project to take off• country and neighboring countries• High demand of refined petroleum products due to increased industrialization.• Encouraging regional and inter region legal framework	<ul style="list-style-type: none">• Potential increase of prices due to global economic changes• The lack of social infrastructure near the locality of the industry.
OPPORTUNITY	THREATS

<ul style="list-style-type: none"> • Increase in sale in the Eastern and Southern Region • Increase of Industrialization and Growing demand for machinery and equipment in Tanzania. • Increasing government investments in infrastructure projects. • Expansion potential into neighboring markets. • Partnerships with local suppliers and distributors to strengthen the supply chain. 	<ul style="list-style-type: none"> • Increase in cost of materials • Intense competition from established players in the machinery and lubricants markets. • Economic and political uncertainties that may affect market conditions. • Fluctuating raw material prices impacting manufacturing costs.
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4.0 TECHNICAL INFORMATION

4.1 The Consultancy Team

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

4.2 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 petroleum products.

5.1 The marketing proposal

The marketing strategies that shall be put in place for Hengli Petrochemical 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.

5.2 Market Analysis

5.2.1 Market Trends

It is common trend in the crude oil refinery industry to find crude oil processing companies positioning their business in locations and communities where they can easily have access to raw materials and market.

If you make the mistake of positioning this type of business in a location where you would have to travel a distance before you can access crude oil, then you would have to struggle to make profits and maintain your overhead and logistics. Because a good chunk of your expenditure will go into transportation of the raw materials as well as the products.

It is indeed a brisk business if you can secure reliable international client. Besides there is always a ready market for petroleum products all across the globe.

5.2.2 Our Target Market

When it comes to retailing petroleum products, there is indeed a wide range of available customers. In essence, our target market can't be restricted to just a group of people, but all those who make use of any of the following lubricants, greases, gear oil, engine oil, diesel fuel oil, residual fuel oil, other refined petroleum products.

One thing is certain; there are no restrictions to the demographic and psychographics composition of the target market for petroleum products in the world. This goes to show that the target market for petroleum products is wide and far reaching, you can create your own make niche yourself to serve a specific purpose.

In view of that, we have conducted our market research and we have ideas of what our target market would be expecting from us. We are in business to engage in retailing and wholesale distribution cum exporting of petroleum products to the following groups of people;

- Cars cum automobile owners
- Generators cum plant owners
- Corporate organization
- Households who make use of petroleum products
- Industries that depends on raw materials from crude oil manufacturing industries to produce their products

5.3 Our Competitive Advantage

First and foremost, the fact that anybody or group of investors with good financial standings and business interest in the oil and gas sector can decide to start a crude oil refinery business means that the business is open to all and sundry hence it is expected that there will be high – level competition in the industry.

We are going to be one of the very few Crude oil refineries industry in the

Pwani Region that will also engage in wholesale distribution of petroleum products all across Tanzania and also export petroleum products to other neighbouring countries.

Another competitive advantage that we have is the vast experience of our management team, we have people on board who are highly experienced and understands how to grow business from the scratch to becoming a national phenomenon, especially businesses in the oil and gas sector.

Lastly, our employees will be well taken care of, and their welfare package will be among the best within our category (startups small scale but standard crude refinery companies) in the industry, meaning that they will be more than willing to build the business with us and help deliver our set goals and achieve all our aims and objectives.

We will also give good working conditions and commissions to freelance sales agents that we will recruit from time to time.

5.4 Marketing Strategies.

i. 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 petroleum products that shall be produced to compete with other brands in the market.

ii. 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 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 products the public. The advertising will call for public attention through paid messages in newspapers, magazines, billboards, signboards, and display areas.

- **E-Marketing**

The 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.

6.0 FINANCIAL PROPOSAL

7.0 MANPOWER REQUIREMENTS AND ORGANISATION

7.1 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.

7.2 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 products are reasonably priced and competitive comparative pricing at USD 30 per carton the starting years.

HENGLI PETROCHEMICAL COMPANY LIMITED
ESTIMATION OF REVENUE AND EXPENDITURE FOR THE YEAR 2024

1st Month	2nd Month	3rd Month	4th Month	5th Month	6th Moth	
(000)	(000)	(000)	(000)	(000)	(000)	(000)
Beginning Cash Amount	200,000,000					
Sales: Cash and Credit	100,000,000	93,200,000	94,950,000	114,300,000	151,150,000	207,000,000
Other Income	20,000,000	35,000,000	50,000,000	80,000,000	120,000,000	150,000,00
Total Income Available	320,000,000	128,000,000	144,950,000	194,300,000	271,150,000	357,000,000
Expenses in Production:	10,000,000	15,000,000	25,000,000	40,000,000	70,000,000	75,000,000
Raw material Expenses	10,000,000	13,000,000	18,000,000	20,000,000	28,000,000	30,000,000
Expenses for Labors	3,000,000	4,000,000	6,000,000	6,200,000	7,500,000	9,500,000
Other Direct cost of Production	2,000,000	7,000,000	10,000,000	16,000,000	24,000,000	25,000,000
Indirect Cost of Production:	1,000,000	1,500,000	2,500,000	4,000,000	6,000,000	8,000,000
Electricity	200,000	350,000	500,000	800,000	120,000	150,000
Transportation	150,000	200,000	350,000	550,000	1,050,000	1,350,000
Wages and Salary	1,800,000	3,000,000	4,500,000	7,000,000	9,000,000	12,000,000
Promotion Cost	1,500,000	1,800,000	2,000,000	2,500,000	2,700,000	2,900,000
Advertising and Posters Cost	2,000,000	2,000,000	2,000,000	1,000,000	1,000,000	1,000,000

Office furniture cost	500,000	500,000	500,000	500,000	500,000	500,000
Other Asset Procurement	3,000,000	200,000	200,000	300,000	300,000	300,000
Add: Other Indirect Cost	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Production Expenses	266,500,000	350,150,000	482,500,000	606,500,000	831,500,000	940,500,000
Ending Balance:	(6,650,000)	(150,000)	175,000	19,350,00	36,850,000	55,950,000