

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. Contents

1. GENERAL PROJECT INFORMATION	1
1.1 Preamble	1
1.2 The Project Promoters.....	1
1.3 Location	1
1.4 Proposed Development.	1
1.5 The Project Justification.....	2
1.6 Revenue.....	2
2. THE MARKET	3
2.1 Current Trend of the Market.	3
2.2 Our Products.....	3
2.3 Risk factors facing the project	4
2.4 Competition	4
2.5 Cost Overruns	4
2.6 Increase in Price of Materials	4
3. TECHNICAL INFORMATION.....	6
3.1 The Consultancy Team.....	6
3.2 Work Programme	6
4. MARKETING AND SALES	6
4.1 The marketing proposal	6
4.2 Market Analysis	7
4.2.2 Our Target Market.....	7
4.2.3 Our Competitive Advantage.....	8
4.3 Marketing Strategies.....	8
5. MANPOWER REQUIREMENTS AND ORGANISATION	10
6. FINANCIAL PROPOSAL.....	12
6.1 Estimated Cost of the Project	12
6.2 Mode of Project Financing.....	12
6.3 Investment Cost Financing Pattern.....	13
6.4 Revenue.....	14
6.5 Financial Viability	15
6.6 Sustainability and Expansion Strategy	15
7. CONCLUSION	16
Appendix1	17
CASHFLOWS PROJECTION	18

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 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.

1.5 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. Hengli Petrochemical intends to flow this trend so as to assist the government of Tanzania to curb the importation of Lubricant oil and finally to allow the customers in Tanzania to use petroleum products manufactured in Tanzania.

In 2021 a total of 55.52 million liters of Lubricants entered the Tanzania market of which 85% was blended locally and 15% was imported. With these numbers we intend to ensure that the percentage of imported lubricants and other petroleum products is reduced by 2025 and that this business will contribute the government income.

Due to the above factors, the Company is also 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.

1.6 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 2.0

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. 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

2.3 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:

2.4 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.

2.5 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.

2.6 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.

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.

3. TECHNICAL INFORMATION

3.1 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.

3.2 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.

4. 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.

4.1 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.

4.2 Market Analysis

4.2.1 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.

4.2.2 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

4.2.3 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.

4.3 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.

5. MANPOWER REQUIREMENTS AND ORGANISATION

5.1 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.

5.2 Manpower requirements

Based on the proposed organization structure the project will initially employ a total of 60 persons.

5.3 Job Roles and Responsibilities.

a) Chief Executive Officer – CEO:

- Increases management’s effectiveness by recruiting, selecting, orienting, training, coaching, and disciplining managers; strategies, and objectives; assigning accountabilities; planning, monitoring, appraising job results and developing incentives
- Responsible for fixing prices and signing business deals
- Responsible for providing direction for the business
- Responsible for signing checks and documents on behalf of the company

- Evaluates the success of the organization
- Reports to the board

b) Admin and HR Manager

- Responsible for overseeing the smooth running of HR and administrative tasks for the organization
- Maintains office supplies by checking stocks; placing and expediting orders; evaluating new products.
- Ensures operation of equipment by completing preventive maintenance requirements; calling for repairs.
- Defines job positions for recruitment and managing interviewing process
- Accountable for training, evaluation and assessment of employees
- Oversees the smooth running of the daily office activities.

c) Sales and Marketing Manager

- Manages external research and coordinate all the internal sources of information to retain the organizations' best customers and attract new ones
- Identifies development opportunities; follows up on development leads and contact
- Responsible for supervising implementation, advocate for the customer's needs, and communicate with clients
- Documents all customer contact and information
- Represents the company in strategic meetings
- Helps to increase sales and growth for the company

d) Accountant/Cashier:

- Responsible for preparing financial reports, budgets, and financial statements for the organization
- Provides managements with financial analyses, development budgets, and accounting reports

- Responsible for financial forecasting and risks analysis.
- Performs cash management, general ledger accounting, and financial reporting
- Responsible for developing and managing financial systems and policies
- Responsible for administering payrolls
- Ensures compliance with taxation legislation
- Handles all financial transactions for the organization
- Serves as internal auditor for the organization

6. FINANCIAL PROPOSAL

6.1 Estimated 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.

6.2 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 shareholders propose to seek a loan payable in 5 (Five) years:

Total Development Cost:	USD 5, 000,000.
Equity:	2,500,000
Loans:	2,500,000

6.3 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	550,000
Civil Works & Building	2,350,000
Machinery and Equipment	400,000
Vehicles	100,000
Furniture and Fittings	300,000
Raw materials	500,000
Pre-Operational Expenses	500,000
Sub total	4,700,000
Initial working capital	300,000
GRAND TOTAL	5,000,000

6.4 Revenue

Table 5.0

Showing the cash flows and financial projection **for Hengli Petrochemical Company Limited** - Tanzanian Shillings

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

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Cash Inflows						
Equity	5,753,075,000					
Loan	5,753,075,000					
Revenue (EBITDA)	3,243,119,016	4,142,415,566	4,651,437,814	5,289,846,207	5,747,192,341	6,187,326,515
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
Cash Outflows						
Machines, furniture,	5,522,952,000				460,246,000	
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 Financial	2,871,107,000	1,500,000,000	2,000,000,000	2,200,000,000	2,700,000,000	3,000,000,000
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
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
Net Cash Flows	1,316,384,439	224,145,904	209,330,358	124,839,113	73,850,287	36,686,685
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

6.5 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

6.6 Sustainability and Expansion Strategy

The future of a business lies in the numbers of loyal customers that they have, the capacity and competence of the employees, their investment strategy and the business structure. If all of these factors are missing from a business (company), then it won't be too long before the business close shop.

One of our major goals of starting the oil refinery plant is to build a business that will survive off its own cash flow without the need for injecting finance from external sources once the business is officially running. The company will make sure that the right foundation, structures and processes are put in place to ensure that our staff welfare are well taken of.

Check List/Milestone

- Application for business license and permit: **Completed**
- Leasing of a facility: **Completed**
- Conducting Feasibility Studies: **Completed**
- Applications for Loan from the bank: **In Progress**
- Design of The Company's Logo: **Completed**
- Recruitment of employees: **In progress**
- Purchase of Machinery for blending process: **Completed**
- Setting up of the machinery within the facility: **In progress**
- Purchase of the Needed furniture, racks, shelves, computers, electronic appliances, office appliances and CCTV: **In progress**
- Health and Safety and Fire Safety Arrangement (License): **In progress**
- Opening party / launching party planning: **In Progress**

- Establishing business relationship with vendors – wholesale suppliers / merchants of cooking gas: **In Progress**

7. 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.

Appendix1**HENGLI PETROCHEMICAL COMPANY LIMITED FINANCING PATTERN****(Note: Borrowing assumed to be local borrowing in Tanzanian Shillings hence interest rate of 16%)**

		USD
Equity		2,500,000
Shareholder's loan		2,500,000
TOTAL LOAN AMOUNT		2,500,000
Interest rate p.a. on usd Borrowing	16%	
Loan Period	Years	5
Capital Repayment Grace Period	Years	1

HENGLI PETROCHEMICAL COMPANY LIMITED
CASHFLOWS PROJECTION (Tanzanian Shillings)

YEAR	0	1	2	3	4	5	6
Sources							
Profit before interest/depreciatio		3,243,119,016	4,142,415,566	4,651,437,814	5,289,846,207	5,747,192,341	6,187,326,513
Other Sources	11,506,150,000	3,243,119,016	4,142,415,566	4,651,437,814	5,289,846,207	5,747,192,341	6,187,326,513
Total sources	11,506,150,000						
Applications							
Capital expenditure	9,345,043,000				460,246,000	460,246,000	230,123,000
Other Applications (excl. working		1,126,734,576	2,418,269,661	2,442,107,456	2,504,761,094	2,513,096,054	2,920,516.829
Total Applications	9,345,043,000	1,126,734,576	2,418,269,661	2,442,107,456	2,965,007,094	2,973,342,054	3,150.639,829
Working capital	2,071,107,000	800,000,000	1,500,000,000	2,000,000,000	2,200,000,000	2,700,000,000	3,000,000,000