

**DELUXE INVESTMENT GROUP LIMITED**

**BUSINESS PLAN**

**FOR**

**MANUFACTURING SHOES AND RELATED PRODUCTS**

## 1.0 Introduction

**DELUXE INVESTMENT GROUP LIMITED LTD** is a company registered in the country under the Companies Act 2002 and bears Certificate of Incorporation No. 167002668 dated 17th July 2023

The project promoters are Ethiopians and well-established businessmen in Tanzania. Having been in the business for over 10 years the directors are now well prepared for the establishment shoes manufacturing business and they see a very bright future in the transport sector.

The business plan has been prepared for **DELUXE INVESTMENT GROUP LIMITED LTD** for safety, security, military and school shoes manufacturing project. The implementation of this project will include following activities:

- Registration of project to TIC
- Obtaining various permit and license
- Repairing industrial building
- Ordering machines
- Recruiting
- The purchase of 1 Single Cabins Pick Up
- Purchasing 1 light trucks
- Purchasing of machines and equipments
- Equipping the company with relevant facilities

The proposed project is estimated to cost about US\$ 1.5m. The project sponsors will prove 30% of this investment and the remaining will be sourced from financial institutions locally and internationally.

### 1.1 Objective of Study

The purpose of this study is to work out the technical and commercial details and financial viability of a factory for safety, security, military and school shoes manufacture project.

## **1.2 Mission statement**

The purpose of our business is to raising profit and creates our own business and also satisfying our customers by producing new and durable product with an affordable price. Our business is targeted to customers domestic and neighboring Countries this makes us advantageous to extract the market.

## **1.3 The Company Objectives.**

The main objectives of our venture manufacturing is creating the organization, to be sustainable in the business, and increasing profitability. We have a short term and long-term goals

### **1.3.1 Short term goal**

The Board of Directors is planning to produce the product and reaching to customer with new products and also advertise our product using different social media, banners, and exhibition (bazaars) and also sell our product using online platform. This raises our sales and this result in increasing the profitability.

### **1.3.2 Long term goal**

The Board of Directors is planning to venture into shoes manufacturing and participate in producing shoes and related products and this makes DELUXE INVESTMENT GROUP LIMITED LTD company competitive, profitability, and then turns to export our product to a foreign country.

### **1.3.3 The Venture Products.**

DELUXE INVESTMENT GROUP LIMITED LTD is planning to come up with new products or addition to the existing one to avoid or reduce competence comes from existing companies or imported products. The company plan to sales our product with fair price to satisfied our customer and being competitive with our competitors. To recap, our aim is giving our customers new, durable, and fashioned products and then increasing the loyalty of our product.

#### 1.4 Raw Material Base

The manufacturing project will strictly adhere to the law of the land, particularly environmental issues, and raw materials will be sourced locally and other imported from China, India etc.

#### 1.5 The Project Promoters

The shareholders of this project are all entrepreneurs with a diverse professional and business backgrounds. The company is owned by 3 shareholders, namely: –

NAME	NATIONALITY	%. OF SHARE
Elshaday Abay Kinfe,	Ethiopia	10
Mulugeta Kidanemariam,	Ethiopia	45
Alula Gabremichael Paulos,	Ethiopia	45

#### 1.6 Location

The project will be located at **Chekeni Area, Mwasonga, Kigamboni District, Dar es Salaam Region.**

#### 2.0 Over view of Tanzania Leather Industry

Tanzania's leather sector hosts the second (2nd) largest livestock population in Africa after Ethiopia. Hides, skins and leather processing is therefore a fundamental sub-sector within the larger livestock sector, and is considered to have great potential to contribute towards economic development of Tanzania. Annual production of raw hide stands at 3.4 million hides, 2 million sheep and 4.4 million goat skins, with an estimated off-take rate of 10–15% for cattle, 28% for goats and 29% for sheep. The raw material 'potential' is exceeded by the combined installed annual capacity of 124,420,000 square feet of leather and approximately 2 million pairs of shoes. This figure highlights Tanzania's outsized reliance on imported new and second hand

leather footwear which are traded at much lower prices than similar locally produced goods.

The country's tanning industry processes up to wet blue (semi-processed) stage as production of finished leather is partly constrained by suppressed demand of finished leather occasioned by the under-developed footwear and leather-goods industry, and stiff competition from imports. This however presents an immense opportunity in finished leather tanning, domestically oriented footwear and leather goods industry manufacturing.

Tanzanian exports of leather products remain very small in comparison to its livestock population. Exports from the leather sector have been fluctuating between US \$ 7 million and US \$ 21 million over the last decade. As a whole, the United Republic of Tanzania ranks fourteenth in Africa for H&S, ahead of Botswana but behind Kenya. For articles of leather, Tanzania ranks seventeenth, and twelfth for footwear.

Mainland China is the largest export market for Tanzania's exports of hides and skins, followed by Hong Kong (China) that represent the country's second-largest export destination. Exports to India and Italy have also shown phenomenal growth.

### **3.0 Development and Production**

#### **3.1 Production process**

DELUXE INVESTMENT GROUP LIMITED LTD Shoe manufacturing company planning to have mainly four departments in which a progressive route is followed for producing finished shoes. These are clicking or cutting department, closing or machining department, lasting and making departments, finishing department and the shoe room.

##### **3.1.1 Clicking or cutting department**

In this department, the top part of the shoe or the upper is made. The clicking operative is given skins of leather, mostly cow leather but not restricted to this

type of leather. Using metal strips knives, the worker cuts out pieces of various shapes that will take the form of “uppers”. This operation needs a high level of skill as the expensive leather has to be wasted at the minimum level possible. Leather may also have various defects on the surface such as barbed wire scratches which needs to be avoided, so that they are not used for the uppers.

### **3.1.2 closing or machining department**

Here the component pieces are sewn together by highly skilled machinist so as to produce the completed upper. The work is divided in stages. In early stages, the pieces are sewn together on the flat machine. In the later stages, when the upper is no longer flat and has become three dimensional, the machine called post machine is used. The sewing surface of the machine elevated on a post to enable the operative to sew the three dimensional upper. Various edge treatments are also done onto the leather for giving an attractive look to the finished upper. At this stage only, the eyelets are also inserted in order to accommodate the laces in the finished shoes.

### **3.1.3 lasting and making department**

The completed uppers are molded into a shape of foot with the help of a “last”. Last is a plastic shape that simulates the foot shape. It is later removed from the finished shoe to be used further in making other shoes. Firstly, an insole to the bottom of the last is attached. It is only a temporary attachment. Sometimes, mostly when welted shoes are manufactured, the insole has a rib attached to it’s under edge. The upper is stretched and molded over the last and attached to the insole rib. After the procedure completes, a “lasted shoe” is obtained.

### **3.1.4 finishing department and the shoe room**

The finishing of shoe depends on the material used for making it. If made of leather, the sole edge and heel are trimmed and buffed to give a smooth

finish. To give the man attractive finish and to ensure that the edge is waterproof, they are stained, polished and waxed. The bottom of the sole is often lightly buffed, stained and polished and different types of patterns are marked on the surface to give it a craft finished look. A “finished shoes “has now been made. From show room operation, an internal sock is fitted into shoe which can be of any length–full, half or quarter. They usually have the manufacturer’s details or a brand name wherever applicable. Depending on the materials used for the uppers, they are then cleaned, polished and sprayed. Laces and any tags that might have to be attached to the shoes, such as shoes, at last, get packaged in boxes.

#### **4.0 Market and Marketing Aspects**

The market survey carried out reveals that the current demands for canvas shoes, leather shoes, imitation shoes sports shoes etc. is higher than local production.

The Tanzanian footwear industry has a production capacity of 300,000 pairs per annum, while the footwear demand is estimated at 46.8 million pairs per annum. The gap between production and demand is filled by imports, mostly from China, Kenya, the United Arab Emirates, South Africa and India (5).

There is wide gap between supply and demand and therefore, business opportunities exist for setting up additional manufacturing facilities to satisfy the market requirement. With local production, country will save huge amount of foreign earnings which otherwise could be used for importing other essential needs at present.

##### **Marketing Aspects**

#### **4.1 The Products**

- Safety shoes,
- Security shoes,
- Military shoes

- School shoes
- Sports shoes etc.

#### **4.2 The Markets and Total Capacity Production**

The products are for both the local and export market in neighboring countries. As mentioned above, the promoters are well versed in the business with well-established market contacts, total capacity production estimated to be **440,000** pairs of shoes per year.

#### **4.3 Supply Position**

Apparently, there is limited production of safety, security, military and school shoes products of the quality targeted by the company. State of the art technology to be employed will enable the company produce very high-quality products

#### **4.4 Competition**

Due to the limited and insufficient supply as aforementioned, no stiff competition is foreseen. However, it must be cautioned that the targeted market is very conscious regarding quality. Hence, production of sub-standard products or selling at prohibitive prices will immediately shift customers to substitute products.

#### **4.5 Distribution**

The company expects to establish its own show rooms to facilitate distribution of its products. This will include setting up of a special unit which will be provided with resources to enable it efficiently undertakes the distribution function of the company. The company will also consider appointing wholesalers in regions and districts level and dealers in neighboring countries when it reaches the stage of exporting products to such countries.

#### 4.5 **Promotion**

Appropriate promotion means will be employed after consultations with promotion experts to enable the company properly promote its products to the target market

#### 4.6 **Pricing Strategy**

The company intend to offer best quality services that comply to the price charged as indicated earlier, there is a market segment that has spending power and can afford this pricing. Therefore, this pricing will reflect the targeted market segment in focus, the average whole sale price is estimated to be US\$15

#### 4.7 **Aspects of Project Sustainability**

The project sponsors having studied market conditions and the infrastructure in Tanzania are convinced that the project will be able to operate undisturbed. The growing demand for quality safety, security, military and school shoes s products locally and in neighboring countries gives them assurance of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

#### 4.8 **Monitoring and Evaluation**

The monitoring and evaluation tools will be applied in running this project as well, the project sponsors are determined to cooperate fully with the government and other stakeholders for smooth business running.

#### 5.0 **Project Management**

**DELUXE INVESTMENT GROUP LIMITED LTD** will be under the skilled and professional Management who have experience in managing shoes manufacturing businesses.

Under this management **DELUXE INVESTMENT GROUP LIMITED LTD** is expected to grow steadily from small to medium company producing high quality products serving domestic to neighboring states.

The company will have a team of qualified and experienced functional managers in the areas of operations/Marketing, workshop Finance and Administration. Other senior and middle level staff will be available for the start up and subsequent operations of the company, the total number of employees are expected to be **65**

Employment	Foreign Skilled	Local Skilled	Local Unskilled	Total
Women	4	20	4	28
Men	5	28	4	37
<b>TOTAL</b>	<b>9</b>	<b>48</b>	<b>8</b>	<b>65</b>

#### 5.1 Project Management Policy

The day to day operations will be managed by the Managing Director, to be assisted by Directors of Production and Technical Director who will be the overall in charge of production, a sales & marketing Director whose major responsibility will be marketing and sales, financing and administration Director who will take care all matters related to finance resources and human resources of the company

#### 6.0 Project's Investment Capital

The estimated capital investment cost of the project is US \$ 1,500,000

##### DELUXE INVESTMENT GROUP LIMITED LTD COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	400,000.00
Machinery & Equipment	700,000.00
Motor Vehicles	100,000.00
Furniture & Fixtures	5,000.00
Pre exp	10,000.00
Others	5,000.00
Working Capital	280,000.00
<b>TOTAL</b>	<b>1,500,000.00</b>

For the project to be a reality a total investment amounting to US \$1,500,000 is needed

**(i) Land and Building: Us \$400,000**

The project area is estimated to be 750 square meter and budgeted as above, the board of directors has planned to purchase a land and construct a building and warehouse

**(ii) Machinery and Equipment: US\$ 700,000**

US \$700,000 is anticipated to be spent on the purchase of various factory tools and equipment which will accommodate new such as DIP machine, Rotary machine and shoes molds, China stitching machine, Desma machine, sole making machines, Crusher, mixer, lasting line, cutting machine, computer stitching machine, riveting machine etc.

**(iii) Motor Vehicles:US\$100,000**

The project will need 2 heavy trucks, 2 light tucks and 1double cabin pick. These vehicles will be used in transportation of final products and double cabin pick up for administrative purposes.

**(iv) Office Furniture and Equipment: US \$5000**

This investment cost item has been estimated to cost US \$2,000. It will consist of office tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

**(v) Pre-Operational Expenses: US\$ 10,000**

They cover things like company registration, expenses spent by **DELUXE INVESTMENT GROUP LIMITED LTD** in exploring the viability of the project, especially the market/client identification exercise. This pre-operational coast item also covers the architectural designs of project buildings and other engineering services. Also included under this item are issues like consultancy fees, legal fees and recruitment and training costs of personnel.

(vi) **Initial Working Capital: US\$280,000**

Calculations as well as assumptions for working capital requirements, it is estimated that it will cost US \$ 280,000.

6.1 **Financing Pattern**

The project will be financed by equity constituting US\$ 500,000 and loan US \$1,000,000

6.2 **Project Operating Costs**

In order to realize its intended objective, the project will have to meet the following operating costs which have been estimated to be 80% of total revenue.

7.0 **Financial Analysis**

7.1 **Considerations and Assumptions:**

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are exempted from custom duty and Value Added Tax. The straight-line method to depreciate the project's capital items has been applied.

It is assumed that the major raw material will be procured from local market. Safety, security, military and school shoes products will be manufactured at the factory. Revenues have been conservatively estimated based on experience of the promoters and trends in the industry.

7.2 **Projected Profit and Loss Statement**

The Income and Expenditure Statement shows the projected income for the 8 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from **US \$ 666,400** in first year to **US \$ 3,860,547** in the 5<sup>th</sup> year

### 7.3 Projected Cash Flows

This is shown in the financial statements. The project has a positive end of year cash flow from 1<sup>st</sup> year **US\$ 770,400** of operation to the 5th year **U S \$ 4,180,547**

### 7.4 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under same heading. Shareholders equity increases from **US\$ 500,000** in the first year of operation to **US \$ 4,360,547** in the 5<sup>th</sup> year.

### 7.5 Projected Long Term Loan Repayment

The projected loan is projected to be **US\$1,000,000** to be repaid within 4 years with bank interest of 8% annual.

### 7.6 Project Projected Payback Period

The projected Investment Cost is **US\$1,500,000**, Accumulated cash flow in year 3 is **US\$ 2,225,928**, which is greater than initial investment cost, therefore project payback period is within three years

## 8.0 Economic Aspects

Implementation of this project will have the following social and economic values

- Shoes production will greatly add value of leather production in the country.
- The project will involve transfer of technology.
- The project will create employment for **65** people on permanent contract basis as well as on temporary basis.
- It will create more business opportunities to local suppliers.
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.
- The project will earn substantial amounts of foreign exchange.

## 9.0 Conclusion and Recommendations

The project is technically feasible, financially viable, and economically sound, provided the sponsors will manage it efficiently.

It is recommended that the project be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 2022.

**DELUXE INVESTMENT GROUP LIMITED LTD PROJECTED INCOME & EXPENDITURE STATEMENT**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Revenue	5,280,000	5,544,000	5,821,200	6,112,260	6,417,873
<b>Operating Expenses:</b>	4,224,000	4,435,200	4,656,960	4,889,808	5,134,298
<b>Profit before Depreciation &amp;Interest</b>	<b>1,056,000</b>	<b>1,108,800</b>	<b>1,164,240</b>	<b>1,222,452</b>	<b>1,283,575</b>
Interest	80,000	60,000	40,000	20,000	–
Depreciation	24,000	24,000	24,000	24,000	24,000
<b>Gross Profit</b>	<b>952,000</b>	<b>1,024,800</b>	<b>1,100,240</b>	<b>1,178,452</b>	<b>1,259,575</b>
Tax (30%)	285,600	307,440	330,072	353,536	377,872
<b>Profit After Tax</b>	<b>666,400</b>	<b>717,360</b>	<b>770,168</b>	<b>824,916</b>	<b>881,702</b>
Accumulated Profit	666,400	1,383,760	2,153,928	2,978,844	3,860,547

**DELUXE INVESTMENT GROUP LIMITED LTD PROJECTED CASH FLOW US\$**

<b>SOURCES:</b>		1	2	3	4	5
Profit before interest and depreciation	–	1,056,000	1,108,800	1,164,240	1,222,452	1,283,575
Equity	500,000					
Loan	1,000,000					
<b>Total Sources</b>	<b>1,500,000</b>	<b>1,056,000</b>	<b>1,108,800</b>	<b>1,164,240</b>	<b>1,222,452</b>	<b>1,283,575</b>
<b>Applications:</b>						
Capital expenditure	1,210,000	–	–	–	–	–
working Capital &Others	290,000					
Cash	–	770,400	801,360	834,168	868,916	905,702
Tax	–	285,600	307,440	330,072	353,536	377,872
<b>Sub total</b>	<b>1,500,000</b>	<b>1,056,000</b>	<b>1,108,800</b>	<b>1,164,240</b>	<b>1,222,452</b>	<b>1,283,575</b>
<b>Total applications</b>	<b>1,500,000</b>	<b>1,056,000</b>	<b>1,108,800</b>	<b>1,164,240</b>	<b>1,222,452</b>	<b>1,283,575</b>
Accumulated cash		770,400	1,571,760	2,405,928	3,274,844	4,180,547

**DELUXE INVESTMENT GROUP LIMITED LTD PROJECTED BALANCE SHEET USD**

<b>Fixed Assets</b>	–	1	2	3	4	5
Opening balance	–	1,210,000	1,186,000	1,162,000	1,138,000	1,114,000
<b>Total Long-term Assets</b>	–	1,210,000	1,186,000	1,162,000	1,138,000	1,114,000
<b>Less depreciation</b>	–	24,000	24,000	24,000	24,000	24,000
<b>Closing balance</b>	–	1,186,000	1,162,000	1,138,000	1,114,000	1,090,000
Working capital	290,000	290,000	290,000	290,000	290,000	290,000
Accumulated cash	–	770,400	1,571,760	2,405,928	3,274,844	4,180,547
<b>Total assets</b>	<b>290,000</b>	<b>2,246,400</b>	<b>3,023,760</b>	<b>3,833,928</b>	<b>4,678,844</b>	<b>5,560,547</b>
Financed by						
Equity	500,000	500,000	500,000	500,000	500,000	500,000
Accumulated profit	–	666,400	1,383,760	2,153,928	2,978,844	3,860,547
<b>Total equity</b>	500,000	1,166,400	1,883,760	2,653,928	3,478,844	4,360,547
Long term loan	1,000,000	750,000	500,000	250,000	–	–
<b>Total debts</b>	<b>1,000,000</b>	<b>750,000</b>	<b>500,000</b>	<b>250,000</b>	<b>–</b>	<b>–</b>
<b>Total equity and debts</b>	<b>1,500,000</b>	<b>1,916,400</b>	<b>2,383,760</b>	<b>2,903,928</b>	<b>3,478,844</b>	<b>4,360,547</b>

DELUXE INVESTMENT GROUP LIMITED LTD PROJECTED LONG TERM LOAN REPAYMENT  
US\$

Year	principle	Loan Interest (8%)	Total Amount Paid	Loan Balance
1	250,000.00	80,000.00	330,000.00	1,000,000.00
2	250,000.00	60,000.00	310,000.00	750,000.00
3	250,000.00	40,000.00	290,000.00	500,000.00
4	250,000.00	20,000.00	270,000.00	250,000.00

DELUXE INVESTMENT GROUP LIMITED LTD PROJECT PROJECTED PAYBACK PERIOD US\$

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	666,400	24,000	690,400	690,400
2	717,360	24,000	741,360	1,431,760
3	770,168	24,000	794,168	2,225,928
4	824,916	24,000	848,916	3,074,844
5	881,702	24,000	905,702	3,980,547