

CUSTOM PLASTICS CO LIMITED

PROPOSED BUSINESS PLAN

FOR

THE ESTABLISHMENT OF POLYBAGS INDUSTRY IN ILEMELA DISTRICT, MWANZA REGION , TANZANIA.

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List of Abbreviations

AGOA – African Growth Opportunity for Act
CAPEX – Capital Expenditure
DAUWASA – Dar Es Salaam Urban Water Supply Authority
EIA – Environment Impact Assessment
EU – European Union
GDP – Growth Domestic Products
IRR – Internal rate of return
Kg – kilo gram
MIS - Management Information System
MT – Metric Ton
MW – Mega Watts
NBS – National Bureau of standard
NEMC – national Environment Management Council
NW - Non - woven
OPEX – Operating Expenditure
PMAT - Plastic Bag Manufacturing Association of Tanzania
SIDO- Small Development Organization
TANESCO – Tanzania Electric Supply Company
TIC- Tanzania Investment Centre
TZS – Tanzania Shilling
UK – United Kingdom
US\$ - United State Dollar
USA - United states of America
VAT – Value Added tax
VETA - Vocation Education Training Authority

EXECUTIVE SUMMARY

Tanzania's ongoing regime has strictly insisted on promoting industrialization across all major fields of the economy. Local entrepreneurs stand to leverage that national aspiration and national packaging market over space and time. Local entrepreneurs can levitate the huge gap that exists in raw material supply for producing these bags.

Custom Plastics Co Limited aims at establishing its own factory for manufacturing of PP Nonwoven fabrics. This is a locally incorporated company with certificate of incorporation number 156898694 dated 22nd July, 2022. The office of the company is located at Plot No 611 Block B Nyamhongolo Ward, Ilemela District, Mwanza. The initial Authorized Share Capital of the company is TZS 100,000,000/= divided into 10,000 ordinary shares of TZS 10,000 each and the company have the power to divide the original or any increased capital into several classes.

Custom Plastics Co Limited aims at installing 12 machineries with the production capacity of 570.244 MT. The total estimated investment cost is projected to be US\$ 1,037,192 and this will be financed with own equity amounting US\$ 829,754 and foreign loan of 207,438US\$ with 8% interest rate. The project will be implemented within 5 years

The objectives of business plan, is to determine the viability of the proposed project and serve as a business plan for the company's development program. Secondly, will act as a supporting document in the company's application for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties as stipulated in the Tanzania Investment Act 2022.

1.0. OVERVIEW TO POLYPROPYLENE (PP) BAGS INDUSTRY IN TANZANIA.

1.1. PP Nonwoven Fabrics Industry in Tanzania.

Tanzania's ongoing regime has strictly insisted on promoting industrialization across all major fields of the economy. Local entrepreneurs stand to leverage the national aspiration on packaging materials market over space and time. Local entrepreneurs can levitate the huge gap that exists in raw material supply for producing these bags. Lucrative leeway can be drawn for the latter, whereby, local producers can dominate a profitable customer bag for bags supply, while raw material manufacturer can increase revenue and expand their operation across regions.

Tanzania packaging market is game, as cheaper and durable packaging solution are yet to surface within communities' reach. Local, entrepreneurs' artisans and recyclers stand to generate millions in revenue, through marketing renewable bags the PP bags manufactured in Tanzania promote the possibility that channeling financial and technical resource into small and medium sized renewable bag factories might be the right move. According to PMAT report, there are 35 PP woven bags industries, producing only 18% of bags circulated national wide, while almost 70% of bags were imported, which were also in substandard condition contributing to adverse environmental impacts.

Tanzania has a vast array of raw materials for making renewable bags, natural fiber and woven material at her disposal. From business perspective, it is possible for durable, cheaper and attractive bags to be made. Under the right business models, local entrepreneur stands a chance to diversify their local economies.

The Custom Plastics Co Limited aims to establish PP bags factory by importing high quality machineries from China. The company has professional expert in PP Nonwoven Fabrics Industry and will be among the list of top suppliers in Tanzania. The company will be located in Ilemela District, Mwanza, and will be among the largest polybags processing factory in selling poly bags products in different shape, size according to the demand of the market inside and outside of Tanzania.

1.2. Polypropylene bags Value Chain in Tanzania

Polypropylene (Pp) Bags is a fabric like material made from long fibers, bonded together by thermo mechanical process. The term is used in the textile manufacturing industry to denote fabrics, such as felt, which are neither woven nor knitted. PP bags have become an alternative to Plastic packaging material. Nonwoven materials are used in numerous applications, including: Packaging, Hygiene, medical, Auto, Agricultural and Other uses.

PP bags industry is not a new technology, after the government impose a statement of burning plastics bags uses in the country PP Bags has become the replacement of plastic bags that were used previously.

The government currently emphasizes all investors found in the renewable bags industry, to ensure their standards are in accordance to the National Environment Management Councils (NEMC) and Tanzania Bureau of Standard (TBS). The government is highly encouraging investment in both raw materials and the PP its self to substitute the importation.

Despite the importance of PP fabric to Tanzania, the value chain is currently fragmented and poorly coordinated. There are many layers and inefficient connections between producer and consumer. Trust, reliable information systems and the benefits of economies of scale are not well established. Past public sector support to plastic bags manufacture has focused mainly on production, and policies to encourage a market-based economy and private sector leadership have not taking the concept of environment destruction effect. There are examples of excellent progress in site-specific value chain development, but they are not widely replicated.

1.3. PP Bags fabric Processing Capacity

PP Nonwoven bags capacity and production demand (in-region demand and exports) in East Africa is expected to continue to growing driven by favorable demographics, economic conditions, local and export market demand and increasing market penetration. Taken as a whole, the 5 countries (Tanzania, Kenya, Uganda, Rwanda and Burundi) are now estimated to be the first largest market and among the largest African countries economies. Attractive economic growth amongst the East African five countries spurs has led to rising employment, higher productivity and wages. This in turn has driven increased consumption of disposable nonwoven products and other consumer goods.

Increasing market penetration for disposable and durable PP nonwovens bags in East Africa and sub-Sahara countries, where market penetration is still low, is a positive predictive factor for good PP nonwoven bags demand growth in both. PP Nonwoven producers in the five countries are expected to benefit from good export demand from EU and USA in and outside the Asia-Pacific region. The largest market for converted PP nonwoven products will be in hygiene end uses followed by nonwovens used in durable geo-textile and other markets.

In 2019, PP nonwovens bags capacity in Tanzania consists largely of 60,000MT which are not enough to exploit the prevailing domestic market. The largest concentrations of these products are from both the regional cities and rural community especially of packaging agricultural goods products. The capacity of domestic industries is to produce 60,000MT annually which only hardily started in 2019 after the government intervention

towards burning of plastic bags. The line output will target farmers, food processing producers, etc.

1.4. Demand of PP Nonwoven bags in Tanzania

The global PP nonwoven bags market is expected to reach USD 42.1 billion by end of 2020, according to a new study by Grand View Research, Inc. Growing production of baby diapers on account of increasing birth rate particularly in Asia Pacific is expected to remain a key driving factor for the global nonwoven fabrics market. Increasing construction spending in emerging economies of China, India and Brazil is also expected to have a positive influence on the market growth. Volatile prices of key raw materials are expected to remain a key challenge for market participants over the next six years. Polypropylene nonwoven fabrics were the highest consumed product segment accounted for over 60% of total market demand in 2013. PP nonwoven fabrics are also expected to witness highest growth rate over the next six years. Increasing birth rates in emerging markets of India and China and increasing geriatric population in countries such as U.S.A, UK, Germany and Japan have driven the demand for baby diapers and adult incontinence products respectively. Increasing demand for baby diapers and adult incontinence products is expected to drive polypropylene nonwoven fabrics demand.

In Tanzania; increasing demand for personal hygiene products coupled with growing population is expected to be a key driving factor for the growth of PP nonwoven fabrics market over the forecast period. Increasing birth rate and aging population has contributed to growing demand for hygiene products such as food products, farmers packaging which in turn is expected to fuel the demand for PP nonwoven fabrics.

Tanzania has only 12 PP nonwoven fabrics companies situated in Dar es Salaam, Arusha, Mwanza, Tanga, and Mtwara regions. Mwanza Region through the Custom Plastics Co Limited aimed to expand its own factory by adding more 12 machines in Lake zone for manufacture of PP Nonwoven fabrics in Tanzania, the company is expected to produce 21,120 M squire equivalent to 1,901KG per day. Annual production of PP Non-Woven bags is 570.2404MT, this production will add up to 60,000MT produced annually for the whole 12 supplier and manufacturer of Nonwoven fabric produced in the country.

2.0. PROJECT OVERVIEW

2.1 The Industry

Custom Plastics Co Limited is a Tanzanian company registered in Tanzania with certificate of incorporation number 156898694 dated 22nd July, 2022. The office of the company is located at Plot No 611 Block B Nyamhongolo Ward, Ilemela District, Mwanza. The initial Authorized Share Capital of the company is TZS 100,000,000/= divided into 10,000 ordinary shares of TZS 10,000 each and the company have the power to divide the original or any increased capital into several classes.

The liability of the members is limited and the following names compromise the company ownership and principal shareholding as illustrated on Table 1 below.

Table 1.1: Company Ownership and Principal Shareholders

S/No.	Shareholder's Name	Occupation of Subscriber	Number of Shares
1.	WU WENJI (Chinese) (BUSINESS MAN)	Private Company by Share, Domicile in Tanzania- Incorporate Number 156898694	800
2.	CHEN NENGQIN (Chinese) (BUSINESS MAN)	Private Company by Share, Domicile in Tanzania- Incorporate Number 156898694	200

2.2. Project Description

Custom Plastics Co Limited aimed at establish her own production line by importing Machine and equipment's, the company will produce PP nonwoven fabrics bags; the project is expected to start by July 2024 whereas raw materials will be imported from Asian countries and recycled materials will be collected from local suppliers hence generated substantial direct and indirect employment. The plant capacity is per double shift of 8hours per machines is1, 1,760M squires equivalent to 158.4 KG per day. For 12 machines the plant capacity in production is 21,1200M Squire per day equivalent to 1,901KG. Annual production of 12 machines 570.244MT.

Raw material will be imported from India and China for both phases of project, the expected price of 40feets container is 1260US\$ free on-board price (FoB) while the transportation cost is 560 per container. Expected stock for raw material is 3-4 months so as the company will have a continuous operation in case of delay of importation of raw material from China or India to Tanzania.

The project envisages setting up modern equipment in installation of PP Woven bags making machines from India, the cost of all equipment and 273,192USD, this includes, Filaments/tape Winder Model LFM 200CM Quantities 144, cost 66,960US\$, Circular Loom Model LSL6 Quantities 12 cost 132,552US\$, filament /Tape winder LFW 200CM quantities 8, 3,688 Bag conversion Machines at 32,830US\$ ARM Strength brand flexographic Printing 7,662 US\$ and flight charges and contingents 13,500US\$.

2.3. Project Cost & Financing Pattern

The proposed integrated project is estimated to cost a total of US\$ 1,037,192 this including, own equity of US\$ 829,754 as proceeds from capital contribution of the project, total loan debt of 207,438US\$ with 8% interest rate. The project will be implemented within 5 years.

<i>EQUITY + LOAN IN US\$</i>	
<i>CASH (80%)</i>	<i>829,754</i>
<i>LOAN (20%)</i>	<i>207,438</i>
<i>TOTAL EQUITY</i>	<i>1,037,192</i>

2.4. Business Plan Objectives

The objectives of this study are three-fold. First is to determine the viability of the proposed project and serve as a business plan for the company's development program. Secondly, the business plan will act as a supporting document in the company's application for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferments and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997).

Thirdly, it will be presented to Banks/Financial Institutions for application of short-term Loan 307,438US\$ to support smooth implementation and running of the proposed projects. The project promoters have commissioned a reputable engineering and project planning consulting firm to advice on detailed technical and economic evaluation of the project and in determining its viability. As the report will be used to raise debt financing for the project, it is tailored to meet standard requirements of financial institutions in the region.

2.5. Product: Demand and Market Analysis

2.5.1. PP Nonwoven bags Products

The Government supports PP non-woven bags as acceptable optional to carrier bags for farmers, industrial goods, food products, etc. the PP Non-woven bags are reusable and durable and helpful for environment protect. However, the manufacturers of these bags produced plenty of poor-quality bags which cannot to be used multiple times but are disposed of after single use. Finally, these disposable bags will also result in bad influence to environment.

The company will produce bags in different uses some includes, for Fertilizers, agricultural

farm produce, Sugar, Food Grains, Fabrics, Sand Bags etc. the company will sales at a whole marketing price so as to provide profit margin to other distributors. The project wholes sale price of PP non-woven Bags is 844TZS.

2.5.2. Market potential for the PP non-woven bags:

The market for PP Non-woven fabrics in world is to remain dominant for the highest growth in revenue as compared to other regions over the forecasted period, 2017-2025. The market in East Africa for PP Non-woven fabrics is expected to witness above average growth for the further few years. The economic development in East Africa is projected to have a positive impact on the market for PP non-woven fabrics. In Tanzania PP Non-woven fabrics market is expected to have considerable growth in terms of market value owing to technological advancements in the textile industries for these emerging economies which will witness a sizeable increase in the revenue contribution of the sales.

Since the government banned the use of polythene bags because of environmental concerns. PP Nonwoven bags are fast replacing polythene bags in the retail sector. There are very few bag making units in Tanzania and its neighboring countries. With availability of bags in the local market, the retails segment would gradually shift to PP non-woven bags. Creation of market for nonwoven depends upon the entrepreneur's ability to push the same in the market. Apart from retails segment, the PP non-woven bags are widely used from rural to urban areas.

The company production targets both local and international market, proportional for export to local market is 40:60, for export markets the proposed countries are Kenya, Burundi, Rwanda, Democratic Republic of Congo and South Sudan. Market intelligence conducted in domestic market still huge needs more PP non-woven fabric bags. For analysis purpose, the company expects to export 40% of its products and the remaining balance will be sold locally.

From the analysis in the preceding chapter, the marketing of the final products in the country will not pose a problem either as even if the export markets collapsed the local market itself is able to take up whatever the project will produce.

2.5.3. Marketing Organization

Custom Plastics Co Limited will produce PP Nonwoven fabrics bag and sell at wholesale level. Importers from the neighboring countries will be expected to orders for their requirements to the company by mails, phones, and their orders will send to country of their destinations, but arrangements can also be made for the promoters to deliver directly to importer from Kenya, Burundi, Rwanda, Democratic Republic of Congo and South Sudan. Likewise, local buyers are expected to collect their requirements of the various products for the nonwoven fabric's bags, but the promoters will be flexible to deliver the goods on demand.

2.5.4. Pricing strategy

The basis for pricing has been from observations and data collected from various parts of Tanzania, market behavior of raw materials and by- products, production costs and profit margins. Packaging will be done in good quality material and together with other materials, the pricing has been estimated at annual sales increase of 5% and this should allow a very high standard of packing. Proposed price of a Meter square of PP Non- woven bags is 844TZS.

2.6. Technical Characteristic of the project.

2.6.1. Project Location

The project will be located at Plot No 611 Block B Igekemaja Street, Musoma Road, Nyamhongolo Ward, Ilemela District, Mwanza.

2.6.2. Project Site analysis

Based on physical inspection of the proposed site, the availability of basic and essential industrial infrastructure such transport, water supply, effluent disposal, electric power supply, telecommunication system and security were all checked out and are ok for factory establishment. The realization of the project development requires successful completion of a number of necessary activities and facilities to enable a successful development of the project. The project location is already installed necessary utilities such as reliable supplies of energy, water, transportation, telecommunications services, waste disposal and other services are in place.

2.6.3. Buildings and related fixed cost

The floor plan and elevation of buildings and other related structures will be rehabilitating to Custom Plastics Co Limited as owned by the shareholders. However, the total cost of renovations will be 114,000US\$, project fixed cost has been estimated at US\$ 937,192, which includes purchasing of machines, motor vehicles and structure rehabilitation.

The industry also set budget as working capital which involves purchase of raw materials and factory overhead cost of 141,292US\$. The minor rehabilitations costs are inclusive of contingency and reflect prevailing cost of building materials and labor costs in the country. Mostly local building materials will be used in the construction of the same.

2.6.4. Machinery and Equipment.

The projects machinery and equipment will be sourced from China and are estimated to cost 273,192USD, this includes, Filaments/tape Winder Model LFM 200CM Quantities 144, cost 66,960US\$, Circular Loom Model LSL6 Quantities 12 cost 132,552US\$, filament /Tape winder LFW 200CM quantities 8, 3,688 Bag conversion Machines at 32,830US\$ ARM Strength brand flexographic Printing 7,662 US\$ and flight charges and contingents 13,500US\$. These cost assumptions are C.I.F Dar es Salaam and include installation, commissioning, consultancy, port charges and transport to the project site. Calculated depreciation of machines and other working facilities is estimated to cost 49,360US\$.

2.6.5. Motor Vehicles

5 heavy Box body trucks will be purchased in the first of production whereas truck will be purchased at a price of 60,000US\$ each totaling to 300,000US\$, and 10 Light Vehicles Lorries for indoor distribution at a price of 25,000US\$ will add for smoothening distribution. Total cost for all type of truck is estimated to 550,000US\$.

2.6.6. Furniture & Fittings and computers

This cost item includes the purchase of various office furniture: tables, chairs cabinets, safes, telecommunication gadgets, firefighting equipment, air conditioners etc. A budget of 2,000US\$ will be allocated from general administration budget for furniture fittings and computer accessories. The total budget for furniture and fittings is small due to nature of industry as few or minor requirement of furniture and fittings.

2.6.7. Pre-Operational Expenses

Under pre-operational expenses are considered costs like company formation, preliminary

project studies, business plan preparation costs, licenses, permits and authorization, including processing of TIC Certificate of Incentives, and legal fees, travelling expenses, initial recruitment and training expenses, and interest accrued during project construction period. Budget allocated for this is 60,000US\$.

2.6.8. Initial Working Capital

This item will mainly cover initial imports of raw materials estimated to last for the first three months of operations. Otherwise, raw materials will generally be maintained at one month's stock and debtors at one month's sales volume constitute the biggest portion of current assets. Trade credits will be 15 days for the items listed. The initial working capital allocated budget is 40,000US\$.

2.6.9. Project Capital Investment Summary

INVESTMENT SUMMARY	
FIXED ASSETS	
<i>LAND ACQUISITION AND BUILDINGS FOR WAREHOUSING</i>	<i>114,000</i>
<i>5 HEAVY VEHICLES 32MT @60,000</i>	<i>300,000</i>
<i>10 LIGHT VEHICLE LORRIES @25,000</i>	<i>250,000</i>
MACHINERIES AND EQUIPMENTS	
<i>FILAMENTS/TAPE WINDER MODEL LFM 200CM</i>	<i>66,960</i>
<i>QUANTITIES 144</i>	
<i>CIRCULAR LOOM MODEL LSL6</i>	<i>132,552</i>
<i>QUANTITIES 12</i>	
<i>BAGS CONVERSION MACHINES MODEL BCS 850/45</i>	<i>32,830</i>
<i>QUANTITY 1</i>	
<i>FILAMENT/TAPE WINDER MODEL LFW 200CM</i>	<i>3,688</i>
<i>QUANTITIES 8</i>	
<i>ARM STRENGTH BRAND FLEXOGRAPHIC PRINTING</i>	<i>7,662</i>
<i>TEX WOVEN SACKS MACHINERY</i>	<i>7,500</i>
<i>FLIGHT CHARGES</i>	<i>6,000</i>
<i>OFFICE FURNITURE</i>	<i>2,500</i>
<i>LABORATORY + EQUIPMENTS</i>	<i>8,000</i>
<i>FURNITURE AND FITTINGS</i>	<i>2,000</i>

<i>CONTINGES</i>	<i>3,500</i>
<i>SUBTOTAL FIXED ASSETS</i>	<i>937,192</i>
<i>CURRENT ASSET</i>	
<i>PRE-OPERATIONAL EXPENSES</i>	<i>60,000</i>
<i>INITIAL WORKING CAPITAL</i>	<i>40,000</i>
<i>SUB TOTAL CURRENT ASSETS</i>	<i>100,000</i>
<i>TOTAL INVESTMENT</i>	<i>1,037,192</i>

2.6.10. Project Financing

The project costs, including fixed costs (machinery, equipment, building renovations, motor vehicles, office furniture and equipment and pre-operation expenses will be financed by a combination of bank term loan and shareholders own resources. Working capital requirements will be financed by short term bank financing in form of overdraft facility.

2.6.11. Project Implementation

Full implementation of the project is planned to take place by September 2024. Machineries and motor vehicles will be imported immediately while construction/renovation works are in process.

2.6.12. Explanatory Notes

The production capacity of the plant is based on 300 working days excluding Holidays and Sunday. The factory runs per day with a maximum of 1.901MT per day. Capacity utilization of the plant is 60% - 75%. The proposed project is a complete set of modern technology with output capacity of 158.4KG per Machine per day. All machines are from well-known Asia brands (India), after being over hauled, run 20-25 years.

2.6.13. Auxiliary Materials/ services

Falling under this category is packing bags, paper for bags for bran, lubricants, grease and other miscellaneous items.

Utilities and service facilities that will need to be provided in this plant are as follows:

- (i) Workshop
- (ii) Electric power
- (iii) Water supply
- (iv) Miscellaneous facilities {Canteen; First Aid Kit, Storage and transport and Office Facilities}

(i) Workshop

It is necessary to make provision for a small workshop in the plant premises so that certain maintenance operations could be carried out following sudden breakdowns and major routine matters.

The facility will comprise of necessary machines like small centre lathe, drilling machine, welding set, soldering and gas-cutting equipment including complete electrical kit to take care of necessary electrical maintenance as well as to replace worn-out parts and periodic oil and greases needs for the plant. Equipment provision has been restricted to the minimum.

(ii) Electric Power and Generator

The proposed site will be supplied with industrial production 3-phase standard power supply from Tanzania Electric Supply Company (TANESCO). As part of an alternative power supply, the company is already installing a heavy duty 500KVA power generator automated generator that will be connected to the plant and premises for standby power supply.

(iii) Water Supply

Apart from the needs of electric power, water is also required for the actual process and other social needs. The proposed site will use water from MWAUWASA, the agency is major supplier of water to urban and peri urban area in the city.

(iv) Miscellaneous Facilities e.g. First Aid Kit, Storage and Transport, Office Facilities etc

- Provision has been made in the project costs for necessary facilities for external telephones and fire alarm system;
- Sickness and ill-health are recognized to be among the cause of absenteeism and low morale leading to decreased production, increased waste and bad employee-management relations. Therefore, necessary provision has been made for the canteen and first aid facilities in case of accidents, sudden sickness etc.
- Storage and transport needs of the plant have been duly recognized and been attempted mostly manual. Regarding transport, five (5) trucks with a capacity of 32 MT will be purchased and other 10 heavy trucks will be purchased and some will be hired for PP Non-woven bag distribution
- Necessary provision for furniture and office equipment has been made in the Capital Cost estimates.
- Provision has also been made for the various types of weighing equipment in various sections for material-handling equipment

etc.

2.6.14. Warehousing and distribution

Custom Plastics Co Limited's warehousing service is ready to meet 24/7/365 with produced PP nonwoven fabric fibres products and raw materials imported. The efficiency of on-site combined with focal lift is already accommodated all needs and reduce supply chain costs. The industry uses electronics inventory management system means will ready for the efficiently movements of goods .

2.6.15. Waste management for industry

In order to create a sustainable society, it is necessary to develop effective utilization of all sorts of wastes. One of the major wastes from our living is fiber wastes. Fiber wastes are generally divided to nonindustrial (organic chemicals) and industrial wastes (inorganic Chemicals).

In his strategic management for a Custom Plastics Co Limited; the industry has to move from an understanding of improvement at all costs to an understanding of continuous and balanced improvement once established. In modern times, environmental protection is being implemented not because it is enforced law, but as an administrative philosophy.

3.0. MANPOWER REQUIREMENT AND PROPOSED SALARY BUDGET

3.1. Employment

The whole process of production lines is looking at providing direct employment to at least 29 permanent jobs on full implementation and operation of the project. The industry is divided into 2 Departments; Corporate (1), Production (28), Marketing & sales, finance and administration department are already in place.

3.2. Recruitment

Recruitment of the 29 persons will be carried out by giving first preference to ex- technician from our local technical institutes such as Vocation Education Training Authority “VETA” and employees of PP non-woven bags factories in Tanzania, based on demonstration of skills and aptitude basis and their willingness to work for Custom Plastics Co Limited. Careful methodology is being worked out by a competent management consultant who will set the job descriptions. To ensure that the right caliber is recruited. Recruitment of expatriate personnel will be carried out in consultation with the relevant authorities in Government and the collaborating agencies.

3.3. Training and the use of consultants

The Company plans to initially carry out on the job training for most of the technical staff to be dispatched to the project site by the suppliers of the plant which will be specified under sales agreement. In general, the company will ensure that employees acquire new skills and procedures to increase their productivity fourfold. Educational materials will be subsidized or paid for to motivate the workers to develop themselves.

3.4. Organization and Management

The project will be managed by qualified professionals given the vast experience that the promoters have acquired over years in running and managing similar businesses. The Board of Directors formulates policy and offer strategic business guidance to management and regularly monitor and evaluate performance of the company.

All the production line will be under the administrator under which the day-to-day leader/management of production line will be vested in the management team headed by a Administrator. The Administrator is to be assisted by qualified and experienced personnel.

Table 3.1. Proposed organization and manpower requirement for the plant is as follows:

<i>S/NO.</i>	<i>CATEGORY</i>	<i>NOS</i>	<i>MONTHLY SALARY (US\$)</i>	<i>TOTAL ANNUAL SALARY (US\$)</i>
<i>CORPORATE OFFICE</i>				
1	<i>ADMINISTRATORS</i>	1	500	6,000
	<i>SUB TOTAL</i>	1		6,000
<i>PRODUCTION DEPARTMENT</i>				
2	<i>PRODUCTION MANAGER</i>	2	300	7,200
3	<i>OPERATORS</i>	12	240	34,560
4	<i>HELPERS</i>	12	180	25,920
5	<i>SUPERVISOR- FABRIC FACTORY</i>	2	280	6,720
	<i>SUB TOTAL</i>	28		74,400
	<i>GRAND TOTAL</i>	29		80,400

4.0. FINANCIAL ANALYSIS

4.1. Production, Revenue and project viability

- ✚ The estimated revenue gain in selling PP Non-woven bags annually 2,345,432US\$ in the first year of production per 570.24MT excluding Value Added Tax.
- ✚ Net profit before tax is 564,113US\$, second year earning is 627,945US\$, which show the profit is increasing,
- ✚ Net profit after tax for the first years in production is 320,804US\$ and for remaining year increasing positively,
- ✚ Gross sales contribution in the first year of production is 24% which increases tremendously in the second years up to 5 years
- ✚ The expected sales increase annually is 5% while increase production cost is 3% which depends on inflation rate of the country, for Victoria Poly bags Limited,
- ✚ The discount rate has been assumed to be 8%,
- ✚ Total investment cost of the project is 1,037,192US\$ whereas the own equity is 80% and loan-able amount is 20%
- ✚ The end balance of project in cash flow statement is positive and increases tremendous.
- ✚ The yearly loan payment schedule of project is 77,000US\$ for 5-year loan recovery schedule,
- ✚ Testing the project viability is positive whereas IRR is positive 11.97%, and payback period of project is within 4.2 years.

4.2. Capacity Utilization

For projection purposes, it is assumed that the plant will operate for a double shift with approximately of 8 hours per single shift, (makes 16 hours/day) in a day, 25 days a month or 300 days per year, processing a total of 570.24MT annually.

5.0. RISK ANALYSIS

5.1. Risk Analysis

Risk is the probability that an event or action will adversely affect the organization. Risk assessment is the identification and analysis of risks associated with the achievement of operations, financial reporting and compliance goals and objectives. Risk management is a central part of the Custom Plastics Co Limited. The industry's management will determine the level of operations, financial and compliance risk they are willing to assume. Risk assessment is one of the Company's management responsibilities.

5.2. Macroeconomic risk analysis

Since early 1986, the government of Tanzania has launched a comprehensive economic policy and stabilization plan with the aim to enhance the amount of infrastructure construction and improve the lives of the poor. During this time the main economic indicators significantly improved. However, uneven development of various region in the country, lack of relevant infrastructure in transportation, telecommunications, networking, health facilities, electricity and water supplies have proven to be investment barriers. Overall, Tanzania has a weak economic foundation but the project can achieve a greater impact in attaining social and economic goals for the country.

5.3. Finance risk analysis

- a) **Supply Risk:** The risk in Primary production relates to supply of raw material, transportation and price fluctuations. There is no assurance of enough supply of raw materials in the local market instead mostly of raw materials are imported.
- b) **Processing Risks:** The technology, machines and equipment used in nonwoven fabrics bags are in rudimentary stages all of which contribute to reducing production efficiency. Also, quality/food safety and standards consideration in the production environment is limited. In nonwoven fabrics facilities operation know-how is very low as there are notarized laborers.
- c) **Sales/market risk:** Placing value added products on the consumer markets bears risk of demand fluctuations and rejections through retailers. Furthermore, consumers are not aware of the nonwoven fabrics quality and safety criteria and are usually very price sensitive.

5.4. Other potential external risk

- a) **Lack of Governance:** the governance mechanism in the value chain is underdeveloped, actors operate in an uncoordinated and unorganized fashion, and if rules exist, they are often ignored;
- b) **Lack of market coordination:** No lead organization has a coordinating role in relation to markets, technology and information such that producers and processors have no incentives for improving neither their product nor the chain process to promote sustainable income earning opportunities;
- c) **Unclear and conflicting roles regulatory authorities:** Regulatory Agencies are responsible for quality control as well as enforcing TBS, NEMC etc, are regulatory role in issuing licensing etc
- d) **Industry associations:** Associations are weak at all levels of the chain;
- e) **Operating procedures:** Standard procedures are inadequately enforced, or not enforced at all, because of relaxed production and trade regulations; and
- f) **Integration:** there is little vertical integration of importers, mid chain actors and processors.

5.4. Mitigating potential risk

The development of a large and complex project such as Custom Plastics Co Limited is necessarily accompanied by multiple risks during all the phases of the project development, construction, operation and maintenance. The right approach to manage the project in a manner which is fairly and adequately address the multiple risks in a comprehensive as well as systematic manner is to use the risk analysis and management methodology which identifies the risk issues and their instrumental cause. In this regard, the risk is eliminated or effectively managed by the party best suited with capacity to handle or deal with the risk factors.

6.0. ECONOMIC AND SOCIAL ASPECTS

The project is also likely to have a positive impact on the economy of Tanzania as a whole by creating employment, and contributing to Government revenues through various taxes, which will be paid. It also has potential for substantial exporting to foreign markets specially to neighboring countries in the Great Lakes Region. In summary the following table will show impact investment index framework

6.1. Impact Investment Index Framework

Impact Investment Index		
Frame Work for CUSTOM PLASTICS CO LIMITED		
Performance Area	Quantitative Indicator	Remarks
Investment Capital	Total investment capital, CAPEX and OPEX US\$ 1,037,192 US\$	Substantial amount of capital invested into the domestic economy.
Export Earnings	Indicative Annual sales of 40% earnings of 938,173US\$ out of annual average collection of 2,345,432US\$ for the project will be exported.	Increased foreign earnings.
Job requirements	Job creation after plant in operation 2020-2021. DIRECT TANZANIAN JOBS 29 locals employed	<ul style="list-style-type: none"> • Reasonable number of direct jobs created to local Tanzanians with direct impact on poverty reduction through enhanced income generation; and • Improving skills development for Industrial production
Technology applied	High Tech Environmentally friendly machinery	<ul style="list-style-type: none"> • Enhancing technological transfer; and • Applied technology which is free from environmental pollution,
Other Implied Project Benefits		

- Increased sales to the Utility Companies providing services of electricity, water and sewerage, telecommunications;
- Increased business transacted by local banks and institutions providing financial services;
- Business opportunities for local entrepreneurs in market distribution channels,
- Business opportunities to contractors and sub-contractors during the minor construction phase;
- Increased regional intra-trade and international trade due to better infrastructure facility and links to markets;
- Increase of technology transfer & expertise to local employed staff,
- Capital spends in local economy over 1.54US\$ Millions and
- Contribution to GDP growth through increased economic activities

Based on the Impact Investment Index analysis, the company can develop projections that the project can deliver both value for money in the context of broad socioeconomic impact and return on investment while complying with governance requirements. In this regard therefore, Custom Plastics Co Limited will promote the industrialization process in the country, create employment, attract new technologies, expand foreign exchange earnings and ultimately contribute substantially to the country's economic growth.

7.0. FINANCIAL MODELLING AND ANALYSIS

The Financial Modelling and analysis, is the main source of information for assessing the potential financial viability of the Custom Plastics Co Limited. The analysis is based on the assumptions that have been taken for the implementation of the site development, demand and the associated potential investment requirements for a 5-year time period. The purpose of establishing this PP Non-woven plant is to speed up the country's economic development by being a catalyst for restructuring the existing local PP Non-woven industrial set up and attracting new, both foreign and domestic entrepreneurs to a liberalized legal business framework.

7.1. Project investment inputs

<i>Expected quantities for production</i>	<i>Unit</i>	
<i>Polybags Sales projections</i>	<i>KG</i>	
<i>Working days per month</i>	25	
<i>Annual working days</i>	300	
<i>Polybags production per Hour in Meter</i>	110	
<i>Polybags production per double shift (16 hours) in Meter per single machine</i>	1,760	
<i>Number of Machines</i>	12	
<i>Total production for 12 Machines per day in Meter</i>	21,120.0	1,901
<i>Annual production for 12 machines in 300 days</i>	6,336,000.0	570,240
<i>Price per Unit M squires in TZS</i>	844.0	
<i>Total Sale Revenue TZS</i>	5,347,584,000	
<i>sales in USD at exchange rate of 2300TZS</i>	2,345,432	

7.2. Objective and Scope of Financial Model

7.2.1. Objective

The main objective of the financial modelling and analysis is to setup a financial model framework for potential generated revenues and operational & maintenance costs for the full operation of Custom Plastics Co Limited based on the assumptions taken for the Market Analysis, the plan for the facility development, unit production costs and other overhead and operational charges.

7.2.2. Scope

The scope consists of a financial model that will be used to analyse the potential financial viability of the project based on the assumptions taken for the concept and scope of the PP non-woven bags processing factory on the Market Analysis. The financial model has been developed in excel spread sheet and include information on costs, expenses and the subsequent sales revenue based on the average market prices and linked to the financial cash flow.

ANNEX I – INCOME STATEMENT

Income Statement Projections							
<i>(All numbers in US\$)</i>							
<u>Revenue</u>							
	<u>Year 0</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>TOTAL</u>
Revenue Generated from PP NW Bags	-	2,345,432	2,462,703	2,585,838	2,715,130	2,850,887	- 12,959,990
Total Operating Revenue	-	,345,432	2,462,703	2,585,838	2,715,130	2,850,887	12,959,990
<u>Expenses</u>							
	<u>Year 0</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Total</u>
Salaries		66,667	68,667	70,727	72,848	75,034	- 353,942
Social Charges & Pension Payments		13,333	13,733	14,145	14,570	15,007	70,788
Purchase of Raw Materials		960,000	988,800	1,018,464	1,049,018	1,080,488	5,096,770
Fuel and Lubricants		29,325	30,204	31,110	32,044	33,005	155,688
5 H/vehicles @ 60,000USD and LHV 10 @ 25,000USD		550,000	566,500	594,825	624,566	655,795	2,991,686
Factory overhead cost		141,292	145,531	149,897	154,394	159,026	750,139
Insurance/licensing/other charges		5,702	5,873	6,049	6,230	6,417	30,271
Other Costs		15,000	15,450	15,914	16,391	16,883	79,637
Total Operating Costs	1,781,318	1,834,758	1,901,131	1,970,061	2,041,654	2,041,654	9,528,923
Operational Net Earnings before Depreciation, Interest & Tax		564,113	627,945	684,708	745,069	809,232	3,431,067
%Age Gross Contribution		24	25	26	27	28	1
Depreciation at 12.5%		49,360	54,945	59,912	65,194	70,808	308,796
Net Earnings before Tax & Interest		514,753	573,000	624,796	679,876	738,425	3,122,271
Interest Paid (Bank Loan)		24,595	20,403	15,875	10,985	5,704	77,561
Tax (30%)		169,354	188,517	205,558	223,679	242,942	1,030,049
Net Earnings		320,804	364,080	403,363	445,212	489,779	2,023,238

CASH FLOW STATEMENT FROM INVESTING ACTIVITIES FOR TEN YEARS					
<i>(ALL NUMBERS IN US\$)</i>	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>					
CASH RECEIPTS FROM SALES	2,345,432	2,462,703	2,585,838	2,715,130	2,850,887
CASH PAID TO SUPPLIERS AND EMPLOYEES	(1,781,318)	(1,834,758)	(1,901,131)	(1,970,061)	(2,041,654)
CASH GENERATED FROM OPERATIONS	564,113	510,455	673,837	813,021	948,505
DIVIDENDS RECEIVED*	0	0	0	0	0
INTEREST RECEIVED	0	0	0	0	0
INTEREST PAID	(24,595)	(20,403)	(15,875)	(10,985)	(5,704)
TAX PAID	(169,354)	(188,517)	(205,558)	(223,679)	(242,942)
NET CASH FLOW FROM OPERATING ACTIVITIES	370,164	301,535	452,404	578,357	699,860
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>					
REPLACEMENT OF EQUIPMENT	0	0	0	0	0
PROCEEDS** FROM SALE OF EQUIPMENT	0	0	0	0	0
NET CASH FLOW FROM INVESTING ACTIVITIES	0	0	0	0	0
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>					
PROCEEDS FROM CAPITAL CONTRIBUTED	1,229,754	0	0	0	0
PROCEEDS FROM LOAN	307,438	0	0	0	0
PAYMENT OF LOAN	(52,405)	(56,597)	(61,125)	(66,015)	(71,296)
NET CASH FLOW FROM FINANCING ACTIVITIES	1,484,787	(56,597)	(61,125)	(66,015)	(71,296)
<u>NET INCREASE/DECREASE IN CASH</u>	1,854,951	244,938	391,279	512,342	628,563
CASH AT THE BEGINNING OF THE PERIOD	320,804	364,080	403,363	445,212	489,779
CASH AT THE END OF THE PERIOD	2,175,756	609,018	794,642	957,554	1,118,343

ANNEX II – BALANCE SHEET

PRO FORMA BALANCE SHEET					
<i>(ALL NUMBERS IN US\$)</i>	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<u>ASSET</u>					
<i>CURRENT ASSET</i>	320,804	364,080	403,363	445,212	489,779
<i>FIXED ASSET</i>	1,437,192	2,017,192	2,420,630	2,469,043	2,518,424
<i>LIQUIDITY</i>	564,113	510,455	673,837	813,021	948,505
TOTAL ASSET	2,322,109	2,891,727	3,497,830	3,727,276	3,956,708
NET ASSET MINUS DEPRECIATION	2,272,750	2,836,782	3,437,918	3,662,082	3,885,900
<u>EQUITY & LIABILITIES</u>					
<u>EQUITY</u>	1,537,192	1,577,774	1,717,628	1,869,878	2,035,624
RESERVES					
TOTAL OWN EQUITY	1,537,192	1,577,774	1,717,628	1,869,878	2,035,624
PROVISIONS	439,844	938,546	1,377,821	1,426,331	1,459,526
LONG TERM LOAN	77,000	77,000	77,000	77,000	77,000
SHORT TERM LIABILITIES	218,714	243,462	265,470	288,873	313,750
TOTAL EQUITY & LIABILITIES	2,272,750	2,836,782	3,437,918	3,662,082	3,885,900

ANNEX III= LOAN PAYMENT SCHEDULE

LOAN DATA		LOAN SUMMARY			
<i>ORIGINAL PRINCIPAL</i>	207,438.40	<i>SCHEDULED PAYMENTS</i>		\$77,000	
<i>LOAN TERM (YEARS)</i>	5	<i>SCHEDULED NUMBER OF PAYMENT</i>		5	
<i>ANNUAL INTEREST RATE</i>	8.00%	<i>ACTUAL NUMBER OF PAYMENT</i>		5	
<i>PAYMENTS PER YEAR</i>	1	<i>TOTAL EARLY PAYMENT</i>		-	
<i>PAYMENT</i>	\$447,088	<i>TOTAL INTEREST</i>		\$1,470,885	
YEAR	PAYMENT	INTEREST	CUMULATIVE INTEREST	PRINCIPAL	BALANCE
0					\$207,438
1	\$77,000	\$24,595	\$24,595	\$52,405	\$255,034
2	\$77,000	\$20,403	\$44,998	\$56,597	\$198,436
3	\$77,000	\$15,875	\$60,873	\$61,125	\$137,311
4	\$77,000	\$10,985	\$71,858	\$66,015	\$71,296
5	\$77,000	\$5,704	\$77,561	\$71,296	\$0

ANNEX IV – IRR

IRR FOR THE PROJECT		
<i>(ALL NUMBERS IN US\$)</i>		
	INITIAL INVESTMENT	-1,037,192
YEAR 1	ADDITIONAL ANNUAL NET PROFIT	320,804
YEAR 2	ADDITIONAL ANNUAL NET PROFIT	364,080
YEAR 3	ADDITIONAL ANNUAL NET PROFIT	403,363
YEAR 4	ADDITIONAL ANNUAL NET PROFIT	445,212
YEAR 5	ADDITIONAL ANNUAL NET PROFIT	489,779
	IRR (IN 5 YEARS)	11.97%
<p>THE IRR ABOVE INDICATES THAT THE EXPECTED RETURN ON THE US\$1,537,192 INITIAL INVESTMENT AFTER 5 YEARS IS 11.97%.</p>		

ANNEX V – PAYBACK PERIOD

PAYBACK PERIOD ANALYSIS				
	<i>YEAR</i>	<i>BEGINNING BALANCE</i>	<i>NET CASH FLOWS</i>	<i>ENDING BALANCE</i>
<i>COST OF INVESTMENT</i>	<i>0.00</i>	<i>1,037,192.00</i>	<i>0.00</i>	<i>1,037,192.00</i>
	<i>1.00</i>	<i>1,037,192.00</i>	<i>320,804.35</i>	<i>1,216,387.65</i>
	<i>2.00</i>	<i>1,216,387.65</i>	<i>364,080.29</i>	<i>852,307.36</i>
	<i>3.00</i>	<i>852,307.36</i>	<i>403,362.99</i>	<i>448,944.36</i>
	<i>4.00</i>	<i>448,944.36</i>	<i>445,211.58</i>	<i>3,732.78</i>
	<i>5.00</i>	<i>3,732.78</i>	<i>489,779.20</i>	<i>486,046.42</i>
<i>PAYBACK PERIOD =</i>		<i>4.00</i>	<i>YEARS</i>	

8.0. CONCLUDING REMARKS AND WAY FORWARD

8.1. Evidence of project viability based on financial model and policy framework support

On the basis of all the analysis done on this Business Plan on all aspects of assessment on both SWOC Analysis, market analysis, risk analysis and the financial analysis, the proposed investment options in the meat processing plant as prescribed on this business plan have shown that the project is commercially viable. Nonetheless, Custom Plastics Co Limited through professional consultative manner, will continue to find ways of implementing cost effective options given time and financial resources that will be made available. Financial analysis results show that when the construction of PP Non-woven bags plant facility is financed using a combination of equity debt ratio (80:20), it gives an IRR of about 11.97%. The computed IRR is well above Dollar market of the annual loan interest rate of (8.00%) which is technically interpreted that the project is financially viable. The payback period for the project is estimated at 4 years, which is within the range for this type of investment. Sensitivity analysis results also favor the project. Financial analysis for the project has shown feasible returns. Based on the investment scope and the assumptions taken in this Business Plan, the project will not face any difficulties during establishment, according to the projected cash flow be in a position to accomplish repayment of the loan and start generating profit.

8.2. Policy Framework Support

The development of the Custom Plastics Co Limited is designed to take advantages of the current Tanzanian market-oriented reforms. The Project will be developed and established to accelerate the industrialization process. The vision 2025 emphasizes the importance of the allocation of public funds for strategic investments and private sector financing for development investments.

The 15 years Perspective Plan (2020-2025); Periodize private investment in the context of Public Private Partnership. The First Five Years Development Plan (2020-2025)

recognizes the fundamental role of the private sector in enabling the government to allocate its fund to strategic projects to facilitate a higher level of development. MKUKUTA II (2020-2025) identifies Public Private Partnership as a means of increasing the level of stakeholder participation and of easing the financial burden on the government. It should be noted that existing public resources are clearly insufficient to meet Tanzanian's huge development needs. The increased use of private enterprises participation in development projects can help alleviate the financing gap. This approach is now applied by Custom Plastics Co Limited to ensure development of one among the ultra-modern pp non-woven bags plant to be developed in Ilala, Dar Es Salaam Region. Private sector and investment have been recognized as the most significant potential source of additional funding required to facilitate development projects.

8.3. Conclusive Remarks and Way Forward

The development of this PP Non woven bags Fabric plant will be funded by private finances. The company acting through its various shareholders and structures will provide the initial risk capital amounting to 1,537,192 US\$ and the amount of \$ 307,438 will be raised through borrowing from investment banks either within or outside the country. The company will fund the development of the project minor rehabilitations of factory building, business offices, bulk storage facilities and purchasing machines as stated on this business plan. Before the Company engages into the development of this project as a private enterprise, it needs to accomplish the pre development activities to make way for the development of the designated project. The company has to accomplish the following;

a) Apply for TIC certificate

The company by using this Business Plan and other required supporting documents should apply for the TIC Certificate at Tanzania investment centre or Dar Es Salaam zonal Office. with this certificate, the company will be able to access tax reliefs which to a large extent will help to in reducing project costs, particularly in the purchasing of machineries and minor building of area of proposed industrial area.

b) Conduct Environmental Impact Assessment.

The company has to engage a consultant to conduct EIA in order to ensure that environmental and possibly other sustainability aspects are considered effectively in policy, plan and project development. The EIA Directive aims at introducing systematic assessment of the environmental effects of strategic land use related plans and programs. It typically applies to regional and local, development, waste and transport plans, within the country. EIA ensures that plans and programs take into consideration the environmental effects they cause.

c) Minor rehabilitation to suit PP Non woven bags Industrial requirement

The company should engage a firm to make minor rehabilitation of existing structure that will suit PP Non woven bags Fabric manufacturing requirements. The structure should include all vital service facilities described in this business plan. When possible, the process of design of the facility should be consultative inasmuch that it should allow and incorporate ideas from experienced professionals from the industry.

d) Mobilizing Funds

As previously discussed on the Financial Analysis of this business plan, financing mechanism for the PP non woven bags Fabric plant should be scrutinized well before commencing the project implementation. There may be several options of financing the project development but the company will find the best option. The investment team should do consultation with relevant financial institutions (Banks and non-bank Financial Institutions), both within and outside the country. This exercise should be more effective if the team works closely with central government agencies, particularly TIC and the Ministry of Industry & Trade and Ministry of Investment.