

KEDS TANZANIA COMPANY LIMITED

**BUSINESS PLAN FOR ENTRY INTO
TANZANIA:**

MANUFACTURING HYGIENE PRODUCTS

Represented by

KEDS TANZANIA COMPANY LIMITED

A Business Plan for Entry in Tanzania

Hygiene Products Factory Project

PROJECT HIGHLIGHTS

Project name:	Hygiene products production project
Enterprise:	KEDS TANZANIA COMPANY LIMITED
Project Site:	Industrial Area at Mkoani Kibaha, Coast Region
Total Investment:	USD 15,355,600
Project Liaison:	Mr. Feng shihui
Tel:	+255 659 532 267

1.1 Summary of the Project

KEDS Tanzania Company Limited (hereinafter referred to as “KEDS Tanzania” or “this Company”) was registered in Tanzania on March 16th, 2016. The principal business is mainly the international trade of building material products, fast moving consumer goods. It is based and projected to take advantage (in the future) of the development and expansion of emerging markets in Africa.

The hygiene product factory intends to employ up to 214 employees working for the Company in 2018. KEDS is dedicated to put the customer at the foremost, with its core business philosophy as the improvement of living standards and living quality of people from emerging countries. Therefore, KEDS has formed a strong team of product research and development providing people from emerging markets with hygiene products.

1.2 Name of the Project

Project name: Hygiene products factory project.

Project liaison: Feng Shihui

Investor: KEDS TANZANIA COMPANY LIMITED

1.3 Project site

Plot No.593,594 Block A CBD AREA &197,199,201,203 &205 Industrial Area at Mkoani Kibaha, Coast Region

1.4 Production Scale and Product Varieties

The construction scale of this project shall be annually 420 million pieces of baby diapers, 180 million pieces of sanitary pad and 300 tons of toilet tissues like tissue rolls, napkin tissue etc. It is expected to achieve an estimated output value of USD 38,244,900 yearly after construction.

1.5 Necessity and Feasibility of the Project

1.5.1 Background and Necessity

(1) Africa is experiencing the rapid increase of birth rate that will generate tremendous demand of baby diapers. And as women's income is growing, there is increasing demand of sanitary pad.

(2) With a population of 55 million, 74% of it is the rural population; the penetration of diapers is not high. There is still big room to market expansion. After the establishment of the factory, all most of 200 local staff will be trained to be technician. The project is geared to empower local workers with skills for the industrial development.

(3) The project will import advanced equipment and technology to accelerate Tanzania Industrialization in personal hygiene products.

(4) Meeting demands for the expansion of markets in Tanzania, the local manufacture and sales will save transportation time and importation of goods to Tanzania. Raising the turnover efficiency of capital and inventory.

1.5.2 Steady investment environments in Tanzania

Tanzania is stable in politics and has strong ties with major investing and developed countries. Capital investment in Tanzania boasts favorable conditions such as favorable policies, sufficient labor, abundant high quality talents, stable production elements and cheap prices, etc. There will be entitlement to favorable import tariff for imported raw materials, equipment and parts and components for the plant established in the country.

1.5.3 Compliance with the requirement for local economic development

The Government of Tanzania has actively pushed forward open policy over the recent years, and encourages foreign investment dedicated to the development of national economy and improvement of people's living standards. Currently, the living standard is being constantly improved. So hygiene product will be in greater need. Therefore, this project has a very good marketing prospect.

This project takes the production of high quality hygiene products like baby diaper, sanitary pad and toilet tissue as the target, with products adaptable to market requirements and with stronger market competence

1.6 Major construction conditions

1.6.1 Raw materials

Name	Supply	Quality
Super absorbent Polymer(SAP)	adequate	high-quality
Untreated fluff pulp	adequate	high-quality
Non woven fabric	adequate	high-quality
Tissue paper in roll	adequate	high-quality
Spandex	adequate	high-quality
Hot melt adhesive	adequate	high-quality
PE film	adequate	high-quality

1.6.2 Construction site

Plot No.593,594 Block A CBD AREA &197,199,201,203 &205 Industrial Area at Mkoani Kibaha, Coast Region

1.6.3 Power supply

The project at will need at least 2 MVA national grid electricity to sustain production line.

1.6.4 Water supply

With regards to the kibaha project site, DAWASCO water is to be used for the plant, with quality and quantity of water capable of meeting the requirements of this project for production and living or firefighting. Water consumption of the production line will be approximately 2 tons per day.

1.6.5 Seismic intensity

The project is located in the eastern side of Tanzania. There is seldom earthquake.

1.6.6 Weather information

Climate and Temperature

The project features natural tropical climate with average temperature. According to the records over the past five years, the average temperatures are 25.6 degrees centigrade.

Rainfall:

The average annual rainfall is 1100mm, with plentiful rainfall and surface water. Raining season is from April to September. Dry season is from October to next March. The most rainfall is from March to June. The temperature is hot and thunder day is about 31 to 49 days.

1.6.7 Regional Environmental Status

Around the plant sites for this project, with greater capacity for land in industrial zone, air and water environment, it is allowed to build Tanzania Plant. Moreover, because it is a hygiene processing factory,

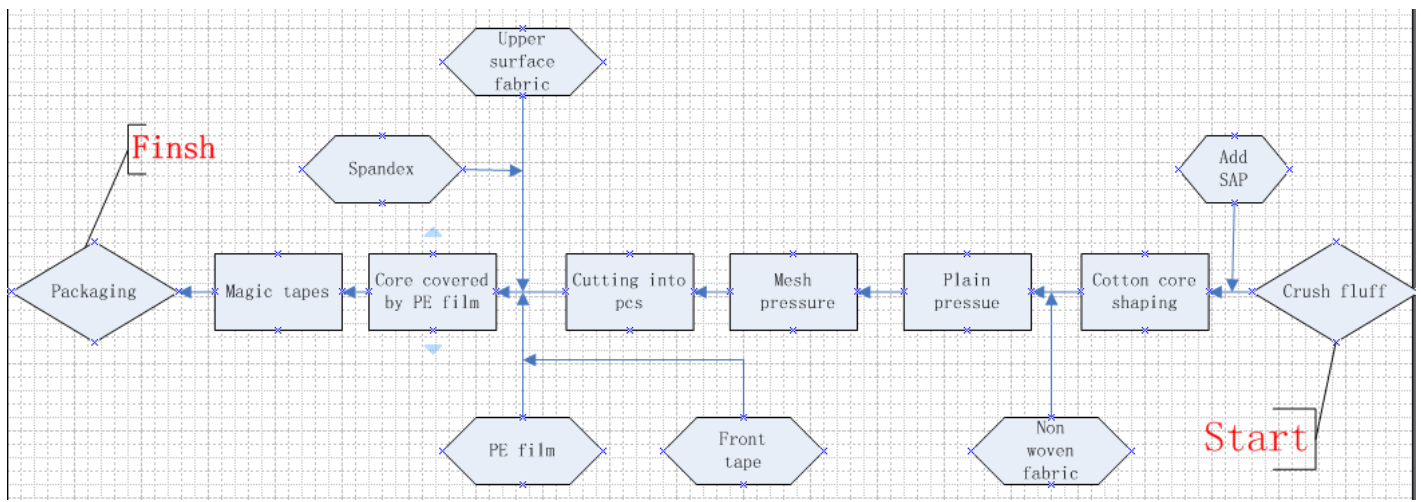
so there is very less waste generated. And the factory will actively compliant with the set environmental standards.

1.7 Key Technical Production Process

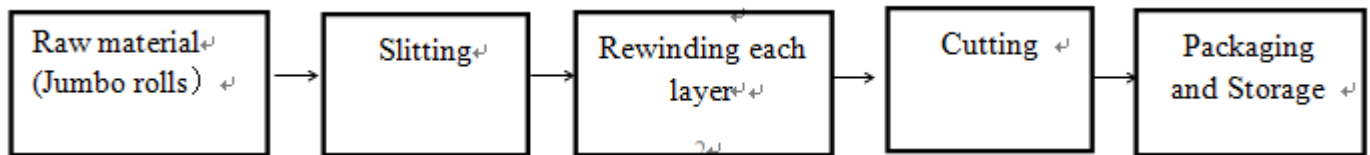
1.7.1 Brief Summary of the Production Process

This project applies the existing mature production technical solution to make baby diapers and sanitary pad

Process flows and raw materials of baby diapers and sanitary pads are all most the same.



Manufacturing process of toilet tissue



1.7.2 Comparison of major equipment

Baby diaper machinery



Sanitary pad machinery



Toilet tissues machinery



1.7.2.1 Crusher Equipment

Crusher is one of the most important equipment for diaper. Its function is to crush the fluff which is used as absorption core from rolls to pulp. The most state of art technology will be adopted in this crusher so that the top capacity could be processing 600kg fluff per hour.

1.7.2.2 Adhesive Spray Equipment

All the components of diapers, namely top sheet, back sheet, front tape, side tape are combined by hot melt adhesive. Eight sets of adhesive spray equipments constitute the whole system for one production line. The volume of adhesive will be controlled by computer to reach the optimum result that is 2-3 gram of adhesive per square meter.

1.7.2.3 Servo-Motors

All the devices of production line are transmitted by servo-motor which is able to guarantee the precision and reduce the consumption of energy, while previously all parts were transmitted by shaft which is of poor precision and high cost of energy. There will be almost 40 sets of servo-motors will be installed for each production line. All the servo-motors are controlled by PLC.

1.7.3 Layout of production lines

1.7.3.1 Principles for the layout of production lines

The production areas, living quarters, drinking water sources and domestic sewage discharge points, residue stack yards, wastewater disposal sites and various rooms for health protection and auxiliary rooms and other land for works for this project comply with TJ36-79 Designed Hygiene Standards for Industrial Enterprises and the requirements for local construction planning.

- (1) The production area is chosen at the land section with low concentration of air pollution and with good diffusion conditions, and is located on the upwind side of minimum frequency wind direction in a year adjacent to the neighboring workshop.
- (2) It is required to lay out workshops separately by classification of workshops with louder noise and workshops with lower noise. The primary noise sources should be arranged at brims of the plant far away from front areas and living quarters.

1.7.3.2 Layout of production lines

The production lines are placed paralleled. The total area of this factory is about 12,000 square meters. Each of the production line has a length of about 40 meter and requires operation space of 10 meters width. And the crusher will be installed separately with production workshop to lower noise.

1.7.3.3 Advantages in this production line

In the process of preparing this plan, the advanced property and operability is regarded as an important principle, which will be implemented to the end. With the optimized application of energy, repeated application of industrial water and comprehensive utilization of solid wastes taking the lead, it is required to analyze the current advanced hygiene production process and equipment, so this production line plan has been finalized.

1.7.4. Process

(1) Process flows are designed based on the functions of making diaper. The principle for determining process parameters is the maximization of the connection between different processes and performance-price ratios of equipment. The large scale and advanced property of equipment is the advantage of this model selection, and can save land, energy and reduce pollution and waste caused by a small scale due to environments.

(2) Reasonable plant layout: the four production lines are laid out in a parallel manner, which can save land resources.

1.7.4.1 Disposal of wastes

Wastes include: solid wastes, dust

All the waste materials generated when producing diaper are solid waste which could be recycled very well for making plastics products like barrel or sandal. The only water needed for production is to cool down machinery which could be recycled. Thus, there will be no liquid waste of production.

Therefore, based on the 3R principle, all wastes are recycled and reused on the basis of zero emission.

1.7.5 Conclusion

This project regards the advanced technologies and equipment and their operability as important guidelines to be implemented from beginning to the end. Guided by optimized application of energy, recycling of industrial wastewater and integrated utilization of solid wastes, advanced hygiene production process and equipment is used to fix process and technical solution.

1.8 Organization and labor staffing

The organization structure shall be the General Manager Accountability system led by the Board of Directors, and the general manager shall be totally responsible for the production and operation of the Company.

The total staffing for the plant will be 214 employees

1.9 Estimation of total investment in the project

The total investment in the works will be USD 15,355,600 including USD 6,638,400 fixed assets investment and USD 8,717,300 in current assets investment.

Table 1: Constitution of fixed assets investment

Project name	Total	Construction works	Equipment purchase
Amount (expressed in US\$ '000)	6,638	1,383.6	5,254.7
(%)	100	20.84	79.16

1.10 Capital financing

The total investment in this project shall be USD 15,355,600. The shareholders shall provide the Initial capital of USD 15,355,600 as shareholders' equity.

1.11 Project implementation progress

Based on overall deployment and arrange of the Company, and by referring to the actual operation of domestic similar works, it is recommended that this project be put into operation within 12 months.

Table 2: Project Implementation Plan [12 Months Plan]

Events	Construction phase											
	Mon 1st	Mon 2nd	Mon 3rd	Mon 4th	Mon 5th	Mon 6th	Mon 7th	Mon 8th	Mon 9th	Mon 10th	Mon 11th	Mon 12th
Plant drawing planning	▲	▲										
Equipment survey			▲	▲								
Civil works tender, construction permit procedures and environmental protection assessment				▲	▲	▲						
Civil works construction							▲	▲	▲			
Equipment shipping								▲	▲			
Equipment commissioning test and installation									▲	▲	▲	
Plant personnel recruitment and training									▲	▲		
Trial production										▲	▲	
Formal operation and quality test											▲	▲

1.12 Summary of key technical and economic indicators of the project

Table 3: Key Technical Indicators

No.	ITME	Unit	Quantity	
1	Product	Baby diaper	pcs/ a	418,500,000
		Sanitary pad	Pcs/a	180,000,000
		Toilet tissue	Ton/a	300
2	Investment	Fixed assets	US\$ '000	6,638
3		Current assets	US\$ '000	8,717
4		Total invest	US\$ '000	15,355
5	Staff	Production	person	188
		Administration	person	26
7		Total	person	214
10	Raw material fuel	Raw material	t/a	14,647
12		Power	KWH/a	6,277,500

Table 4: Economic Indicators

NO.	Indicators	Unit	Value
1	Financial Internal Rate of Return(FIRR) on Project (before tax)	%	35.26
2	Financial Internal Rate of Return(FIRR) on Project (after tax)	%	25.61
3	Financial Net Present Value from Project Investment (Before tax,ic=10%)	000 USD	20,122,0
4	Financial Net Present Value from Project Investment (after tax,ic=10%)	000 USD	11,998,7
5	Investment Recovery Duration (before tax)	Year	2.78
6	Investment Recovery Duration (after tax)	Year	3.67
7	Return on Total Capital	%	29.08
8	Return on Project Investment	%	20.35
9	Return on Net Assets	%	20.35

1.13 Financials

(Please see the detailed breakdown attached- **Annex 3**)

Working Capital: It is planned that all initial operation and capital expenses will be provided by Shareholders equity. Initial capital injection is estimated at USD 15,355,600 for project start up in the end of 2017.

Estimated Capital expenditure ('000 USD) during the construction phase:

Direct KEDS start-up costs expenditure is estimated at USD 68,900

(Please see the detailed breakdown attached- **Annex 4A**)

Operational areas: (Please see the detailed duly executed Lease Agreement attached- **Annexure 5**)

1.14 Conclusion and Summary of the Business Plan

(1) This project has very ideal factory building conditions. There is good traffic and transportation conditions, guaranteed water and power supply for the plant. The construction site can meet the requirements for the plant to be built. The company initiating this project has advantages in technology, management and funds, which lay a foundation for the successful implementation of the project.

(2) The design plan recommended by this report is based on the achievement of economic benefits for the enterprise. Under the precondition of guaranteed reliable production, it is required to use technically mature equipment made in technologically developed countries to further reduce costs and to increase economic benefits.

(3) The total estimated investment in the construction of this project will be USD 15,355,600

Attachments:

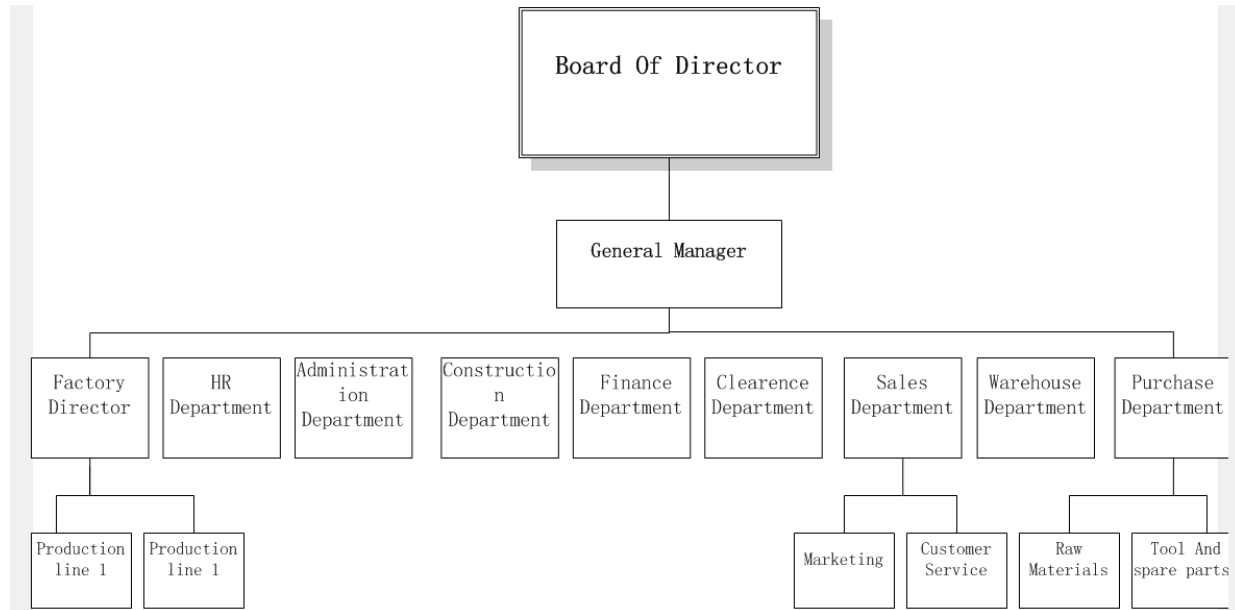
- Annex 1 – Staff List
- Annex 2 – Organization Structure – KEDS Hygiene phase
- Annex 3 – Estimated Investment on Assets
- Annex 4 – Expense Table
- Annex 5 – The Lease Agreement

- Annex 6 – Financials (Profit and Loss, Balance Sheet, Cash flow)
- Annex7 – Depreciation statement
- Annex8 – Schedule of pay-back on investment

Annex 1 – Staff List for construction phase

Department	Staff list	
	Chinese	Tanzania
GM office	1	9
Production workshop	16	133
Quality Control	1	4
Warehouse	3	3
Purchase department	1	5
Warehouse department	1	20
Administration department	1	4
Maintenance department	2	10
Subtotal	26	188
Total	214	

Annex 2 – Organization Structure – KEDS Hygiene



Annex 3 – Estimated Investment on Assets (during Construction phase)

Estimated Investment on Assets		Unit: '000 USD
		Rate:1
Items	project/charges	Subtotal
1	Equipments for production line	5,254.7
1.1	Equipments of production line	3,388.1
1.1.1	Assisting equipment	658.7
1.1.2	Maintenance equipment	79.7
1.1.3	Transportation vehicle	58.7
1.1.4	Fixing fees	42.5
1.1.5	Administration vehicle	78.8
1.1.6	Power supply equipment	334.9
1.1.7	Others	613.3
2	Infrastructure Investment	1,383.6
2.1	Construction of workshop & steel structure	583.1
2.2	Warehousing equipment	330.7
2.3	Drawing design	15.9
2.3	Ground leveling	24.1
2.4	Fencing, road & paving	186.3
2.5	Toilet and roofing	84.0
2.6	Other raw materials	159.5
3	Total of Construction Investment	6,638.36

Annex 4.A – Expense Table (start-up costs During construction phase 1 year)

NO.	Name of expense	Amount (US \$)
1	Wage	18900
2	bonus	11780
3	Staff Training Costs	13712
4	welfare	1368
5	Administrative Expenses	5340
6	Vehicle Fee	3417.6
7	Shipping Fee	5340
8	Rental Fees	1780
9	Telecommunications Charges	391.6
10	Labor Protection Fee	890
11	Security Costs	1780
12	Water And Electricity Charges	213.6
13	Property Insurance	462.8
14	travel	3204
15	Other Fee	320.4
	Total	68,900

Annex 4B – Expense Table (During Production phase First year to fourth year)

Expense Table (During Production First year to fourth year) (Currency USD x 1000)					
No	Name of expense	First year	Second year	Third year	Fourth year
1	Production cost	32,947.9	32,947.9	32,947.9	32,947.9
1.1	Raw materials	30,764.1	30,764.1	30,764.1	30,764.1
1.2	Energy cost	747.2	747.2	747.2	747.2
1.3	Wage & allowance	376.0	376.0	376.0	376.0
1.4	Depreciation	1,060.7	1,060.7	1,060.7	1,060.7
2	Management cost	832.0	832.0	832.0	832.0
2.1	salary & allowance	832.0	832.0	832.0	832.0
3.0	Total cost	33,779.9	33,779.9	33,779.9	33,779.9
3.1	Fix cost	2,268.7	2,268.7	2,268.7	2,268.7
3.2	Floating cost	31,511.3	31,511.3	31,511.3	31,511.3
4	Operation cost	32,719.3	32,719.3	32,719.3	32,719.3

Annex 6 – Financials (Profit and Loss, Balance Sheet, Cash flow)**6.A Profit and Loss**

Unit: '000 USD

Items	Description	Production Phase			
		1	2	3	4
	Year				
1	Operating Income	38,244.9	38,244.9	38,244.9	38,244.9
2	Operating Cost	32,947.9	32,947.9	32,947.9	32,947.9
3	Gross Profit	5,297.0	5,297.0	5,297.0	5,297.0
4	administrative expense	832.0	832.0	832.0	832.0
5	Sales Cost	-			
6	Financial Cost	-			
7	Total profit	4,465.0	4,465.0	4,465.0	4,465.0
8	Income Tax	1,339.5	1,339.5	1,339.5	1,339.5
9	Net Profit	3,125.5	3,125.5	3,125.5	3,125.5
10	Accumulated and Undistributed Profit	3,125.5	6,251.0	9,376.5	12,502.0
11	Profit (before tax)	4,465.0	4,465.0	4,465.0	4,465.0

6.B Balance Sheet

Unit: '000 USD

Items	Description	Construction Phase	Production Phase	Production Phase	Production Phase	Production Phase
	Year	1	1	2	3	4
1	Assets	15,355.6	17,562.3	23,316.9	29,071.6	34,826.2
1.1	Total Current Assets	8,717.3	11,984.6	18,799.9	25,615.2	32,430.5
1.1.1	Cash and Cash Equivalents	8,717.3	11,061.7	17,877.0	24,692.3	31,507.6
1.1.2	Account Rceivable	-				
1.1.3	Account Prepayable					
1.1.4	Inventory		922.9	922.9	922.9	922.9
1.2	Construction in-progress					
1.3	Net value of Fixed assets	6,638.4	5,577.7	4,517.0	3,456.4	2,395.7
1.4	Net value of Intangible assets and others					
2	Liability and Equity	15,355.6	18,481.2	21,606.7	24,732.2	27,857.7
2.1	Current liability	-	-	-	-	-
2.1.1	Short-term loan	-				
2.1.2	Account Payable	-	-	-	-	-
2.1.3	Account Prereceiveable					
2.2	Construction Loan					
2.3	Floating capital loan	-	-	-	-	-
2.4	Subtotal of liability	-	-	-	-	-
2.5	Equity and Reserves	15,355.6	18,481.2	21,606.7	24,732.2	27,857.7
2.5.1	Reserves	-	-	-	-	-
2.5.2	Capital	15,355.6	15,355.6	15,355.6	15,355.6	15,355.6
2.5.3	Retained Earnings	-	3,125.5	6,251.0	9,376.5	12,502.0

6.C Cash Flow Statement

Unit: '000 USD

Items	Description	Construction Phase	Production Phase	Production Phase	Production Phase	Production Phase
	Year	1	1	2	3	4
1	Cash flows from operating activities	-	3,263.2	4,186.2	4,186.2	4,186.2
1.1	Cash inflow subtotal	-	45,129.0	45,129.0	45,129.0	45,129.0
1.1.1	Cash from sales	-	38,244.9	38,244.9	38,244.9	38,244.9
1.1.2	VAT-output	-	6,884.1	6,884.1	6,884.1	6,884.1
1.2	Cash outflow subtotal	-	41,865.8	40,942.9	40,942.9	40,942.9
1.2.1	Cash outflow on operating	-	32,719.3	32,719.3	32,719.3	32,719.3
1.2.2	VAT-input	-	5,672.0	5,672.0	5,672.0	5,672.0
1.2.3	Cash paid for raw materials	-	922.9	-	-	-
1.2.4	VAT tax paid	-	1,212.1	1,212.1	1,212.1	1,212.1
1.2.5	Corporate tax paid	-	1,339.5	1,339.5	1,339.5	1,339.5
2	Cash flows from investment activities	-15,355.6	-	-	-	-
2.1	Cash inflow subtotal	-				
2.2	Cash outflow subtotal	15,355.6	-			
2.2.1	Cash paid on construction	6,638.4	-			
2.2.2	Cash paid on investment	8,717.3	-			
2.2.3	Interests on construction	-				
3	Cash flows from financing activities	15,355.6				
3.1	Cash inflow subtotal	15,355.6	-			
3.1.1	Capital	15,355.6				
3.1.2	Construction loan					
3.1.3	Floating capital loan					
3.1.4	Reserves					
3.2	Cash outflow subtotal	-				
3.2.1	Interests payment	-				

3.2.2	Cash paid for loan÷nd	-				
4	Cash and cash equivalents	-	3,263.2	4,186.2	4,186.2	4,186.2
5	Accumulated Cash and Cash Equivalents	-	3,263.2	7,449.4	11,635.6	15,821.8
6	Opening balance	8,717.3	8,717.3	11,980.5	16,166.7	20,352.9
7	Closing balance	8,717.3	11,980.5	16,166.7	20,352.9	24,539.0

Annex 7 – Depreciation statement

Unit: '000 USD

Item	Description	Value	depreciation rate(scrap value rate 10%)	Construction phase	Production Phase	Production Phase	Production Phase	Production Phase
1					1	2	3	4
1.1	Plant							
	Value	1,383.6	0.05	1,383.6	1,383.6	1,383.6	1,383.6	1,383.6
	Depreciation cost	622.6		-	62.3	62.3	62.3	62.3
	Net value	761.0		1,383.6	1,321.4	1,259.1	1,196.8	1,134.6
1.2	Equipment	-		-	-	-	-	-
	Value	5,254.7	0.19	5,254.7	5,254.7	5,254.7	5,254.7	5,254.7
	Depreciation cost	4,992.0		-	998.4	998.4	998.4	998.4
	Net value	262.7		5,254.7	4,256.3	3,257.9	2,259.5	1,261.1
1.3	Land cost							
	Value							
	Depreciation cost							
	Net value							
2	total							
	Value	6,638.4			6,638.4	6,638.4	6,638.4	6,638.4
	Depreciation cost	5,614.6			1,060.7	1,060.7	1,060.7	1,060.7
	Net value	1,023.7			5,577.7	4,517.0	3,456.4	2,395.7

Annex8 - Schedule of pay-back on investment

Unit: '000 USD

Items	Description	Construction Phase	Production Phase	Production Phase	Production Phase	Production Phase
	Year	1	1	2	3	4
1	Cash inflow subtotal	-	38,244.9	38,244.9	38,244.9	38,244.9
1.1	Cash from sales	-	38,244.9	38,244.9	38,244.9	38,244.9
1.2	Disposal of fixed assets					
1.3	Getting-back cash and Cash Equivalents					
2	Cash outflow subtotal	15,355.6	32,719.3	32,719.3	32,719.3	32,719.3
2.1	Cash paid on construction	6,638.4				
2.2	Cash paid on working capital	8,717.3	-	-	-	-
2.3	Cash outflow on operating	-	32,719.3	32,719.3	32,719.3	32,719.3
3	Net cash flow before tax	-15,356	5,526	5,526	5,526	5,526
4	Accumulated net cash flow before tax	-15,356	-9,830	-4,304	1,221	6,747
5	Corporate tax	-	1,340	1,340	1,340	1,340
6	Net cash flow after tax	-15,356	4,186	4,186	4,186	4,186
7	Accumulated net cash flow after tax	-15,356	-11,169	-6,983	-2,797	1,389