

KWAIKWAI ENTERPRISE CO. LIMITED

Business Plan for Establishment of Printing Facilities

**Presented for
KWAIKWAI ENTERPRISE CO. LIMITED
P.O. Box105858
Dar es salaam.**

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1.0. Summary

1.1 Project Concept

This project document presents a proposal by KWAIKWAI ENTERPRISE CO. LIMITED a locally registered company with Certificate of Incorporation No.136341243 dated 13th April, 2018 seeking to expand a modern printing facilities dealings with manufacturing of exercise books, envelopes and disposable paper cups, food plates and paper related products etc.

After recognizing that there are a lot of opportunities in printing business in Dar es Salaam and the country at large, the company has decided to expand to modern large format printing facilities, the company has already ordered machines of the state of art technology acquired from China and Japan. The company has identified markets from various corporate.

In essence, the project will involve ordering and setting printing machines of different model in **Plot No. 5, Warehouse No. 2, Nyerere Road, Dar es Salaam**

The project to be successful implemented and achieves expected results the following must be acquired:

- Long term leasing

- Renovation of business premises
- Printing machine

This feasibility study report lays down the financial and economic viability of the intended project.

1.2 Location

The headquarters of the project and the printing factory is located at **Plot No. 5, Warehouse No. 2, Nyerere Road, Dar es Salaam**

The premises will serve as both the head office and storage yard for both finished products and raw materials arriving from the abroad.

1.3 The Sponsors

KWAIKWAI ENTERPRISE CO. LIMITED will be sponsoring this project. The Company is jointly owned by the following shareholders.

Names of Shareholders	% of Shares	Nationality
SUHUA LIN	50	China
CHAO JIN	50	China

1.4 Project Management

KWAIKWAI ENTERPRISE CO. LIMITED will be under the Management of Mr. SUHUA LIN and CHAO JIN, who have experience managing various printing businesses over 10 years, SUHUA LIN, Financing and Administration Director Sales who has 15 years in printing business managing obtained various printing companies, the company intend to employ 20 employees

Under this management, **KWAIKWAI ENTERPRISE CO. LIMITED** is expected to grow steadily from Small Printing Factory serving local markets only to medium scale factory serving East Africa Region.

1.5 Raw Material Base

Since the sustainability and productivity of the project will highly depend on availability of raw materials, the company will be importing raw materials and some time from local market if available.

The project will strictly adhere to laws, rules and regulations of the land

2.0 An Overview of The Printing Industry in Tanzania.

2.1 Printing Sector in General

Tanzania's sector is still in its infancy stage as most of the crucial printing works is done overseas, like South Africa, China, Mauritius, and Dubai. The sector needs to be developed as most of the machines available are of 1960's which can not meet the demand requirements of the fast-growing economy of new technology. Printing companies can not afford to have modern printing equipment mainly because of financial constraints.

Most of printing houses are using outdated technology machines.

As the country is trying to boost all sectors of economy such as education, tourism, communication, health, mining and many others, this gives printing industry a need to expand and use modern machines to meet the standards require in Tanzania market and East Africa at large.

Advertisements and information transfer through printed form have been increasing in Tanzania as the education sector which requires printed materials for daily uses. Companies are advertising through brochures and fliers in high volumes in Tanzania. The increasing number of schools shows bright future

of printing business to cater for the demand of books and other materials

2.2 Commercial Printing

Following liberalization of Tanzania economy, Tanzania economy currently is dominated by private sector, there is a rapid and fundamental change in all sectors of economy, and the trend is projected to continue for many years to come.

These developments increase the opportunities for printing for commercial materials. In view of the above-mentioned developments, **KWAIKWAI ENTERPRISE CO. LIMITED** **focusing** on commercial printings as a strategic market segment.

The major customers range from firms to individuals, this is growing sector due to change in demand and customers needs. Customers needs for quality products have been increasing; however existing technology in Tanzania is limited to cope with the demand due to out dated technology used by most of printing companies in Tanzania

2.3 Book Publishing

Government has liberalized the marketing and distribution of books and decentralized the procurement powers to the head

teachers of primary schools instead of central and local government officials, the new system came into operation in July 2004 forcing all books publishers and books sellers to developing their respective distribution and marketing strategies and networks to reach the target markets.

Book publishing industry in Tanzania is still at infant stage with few established publishing houses, there are only 8 good book publishers in Tanzania with number of titles approved by Educational Material Accreditation Committee (EMAC)

2.4 Newspaper Printing

There are almost 52 registered newspapers in Tanzania of which 46 are printed regularly on a weekly basis. The rest are printed on a monthly or quarterly basis.

Currently Tanzania has the largest number of newspaper publications in East Africa and there seems to be room for more publications to be introduced in the market. However, the average circulation of serious Kiswahili newspapers is almost 35,000 copies and about 10,000 for English dailies. The average weekly is 60,000 copies. These circulation figures are a small of fraction of potential demand. The main reasons for this situation include the still nascent state of journalism in Tanzania, low reading culture among majority of Tanzanians,

poor communication infrastructure in several rural areas and imbalances in the distribution of income, studies indicate that on average one newspaper is read by about 8 to 10 people, this imply that demand for newspaper in the country is well above 400,000 although the purchasing power is currently limited to a total about 230,000 copies.

It is good to note that the on-going social economic reforms provide innovative publishers with new opportunities to increase their circulation volumes or introduce new newspapers. These opportunities will consequently lead to an increase in the printing business.

2.5 Trading conditions and license procedures for printing business.

The Government of Tanzania has simplified procedures for trading and printing to encourage printing sector.

Any trader basically is expected to have a business license obtained from municipal council, Tax Identification Number (TIN) from Tanzania Revenue Authority, Industrial License from BRELA, and evidence of working premises.

2.6 **Aspects of Project Sustainability**

The project sponsors having studied market environment and the infrastructure in Tanzania are convinced that the project will be able to operate undisturbed taking into consideration that, the company has been in this business for 10 years and the management has got vast knowledge and experiences in this sector. The growing demand for quality printing materials gives them assurance of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

2.7 **Monitoring and evaluation**

The monitoring and evaluation tools that have been successful in previous projects, will be applied in the project expanded as well, the project sponsors are determined to cooperate fully with the government and other stakeholders for smooth business running.

2.8 **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.

A Board of Directors will closely supervising the proposed project as it has been mentioned above, SUHUA LIN and CHAO JIN, will be directly managing the project. The Managing Director will be assisted by properly trained managers in areas of Sales and Marketing, Finance and Administration and Production, who will together comprise the management team.

The management team will be supported by a team of **15 local** and **5 foreigners' experts'** permanent staff in various capacities. Casual laborers will also be employed on a daily or weekly payment basis.

3.0 Project Investment Coast

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

KWAIKWAI ENTERPRISE CO. LIMITED 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
TOTAL	1,500,000.00

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 technology in mattresses production.

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

The project will need 2 heavy trucks, 2 light trucks 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 **KWAIKWAI ENTERPRISE CO. LIMITED** in exploring the viability of the project, especially the market/client identification exercise. This pre-operational cost 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.

3.1 Financing Pattern

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

3.2 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.

4.0 MARKETING ASPECTS

4.1 The Products

The main products of the proposed project mainly involve different categories of printing such as:

- Exercise books,
- Envelopes
- Disposable paper cups,
- Food plates and Other printed based products etc

4.2 Supply Position

Apparently, there is limited printing factory of the high quality which meets local demand targeted by the company. The company intends to employ State of the art technology which will enable the company produce very high quality of products and in large quantities, in order for project to be sustainable and economically viable, the project plan to produce 30-50 square meters per day

4.3 Competition

Due to the limited availability of high-quality printing, 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 competitors.

4.4 Distribution

KWAIKWAI ENTERPRISE CO. LIMITED depend on the following as distribution strategies to reach company's clients

- Its Customer Care Service Centre and delivery centre located at **Plot No. 5, Warehouse No. 2, Nyerere Road, Dar es Salaam**
- Government tender
- NGOs
- International Organizations
- Private companies
- Individuals
- Agents etc.

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. Generally, the company will put more efforts in

promotion by participating in different trade fairs like Sabasaba, Nane nane and any other,

KWAIKWAI ENTERPRISE CO. LIMITED will be sponsoring some activities as promotion strategy

4.6 **Costing and pricing**

From the survey made in different printing houses, there are differences in pricing depending on whether printing is done using new technology or old technology, the company will be market-based price, the emphases will be on quality and customized services.

4.7 **Advertising**

The company will be using Fm radio and other radio, Television, billboard, Posters, T-shirt, News papers, internet etc to promote company's products.

4.8 **Sales representatives**

The company will be having sales representatives that will be paid on commission basis and been budgeted at the rate of 5% for all sales that will be made as the result of representatives

5.0 Financing Pattern

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

5.1 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.

5.3 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 imported. Revenues have been conservatively estimated based on experience of the promoters and trends in the industry.

5.3 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 5th year.

5.4 **Projected Cash Flows**

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

5.5 **Projected Balance Sheet**

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

5.6 **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.

5.7 **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

7.0 **Economic Aspects**

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

- The project will involve transfer of technology in printing industry.
- The project will add more employments, 20 people will be employed on permanent contract basis as well as on temporary basis.
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and levies.

8.0 **Implementation**

Project implementation is expected to be relatively very short once project has been approved, it is estimated that once certificate of incentives obtained, the company will clear the goods and install the machines immediately.

8.1 **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 granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 2022 and other laws of the land.

KWAIKWAI ENTERPRISE CO. LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT

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

KWAIKWAI ENTERPRISE CO. LIMITED PROJECTED CASH FLOW US\$

SOURCES:		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					
Total Sources	1,500,000	1,056,000	1,108,800	1,164,240	1,222,452	1,283,575
Applications:						
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
Sub total	1,500,000	1,056,000	1,108,800	1,164,240	1,222,452	1,283,575
Total applications	1,500,000	1,056,000	1,108,800	1,164,240	1,222,452	1,283,575
Accumulated cash		770,400	1,571,760	2,405,928	3,274,844	4,180,547

KWAIKWAI ENTERPRISE CO. LIMITED PROJECTED BALANCE SHEET USD

Fixed Assets	-	1	2	3	4	5
Opening balance	-	1,210,000	1,186,000	1,162,000	1,138,000	1,114,000
Total Long-term Assets	-	1,210,000	1,186,000	1,162,000	1,138,000	1,114,000
Less depreciation	-	24,000	24,000	24,000	24,000	24,000
Closing balance	-	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
Total assets	290,000	2,246,400	3,023,760	3,833,928	4,678,844	5,560,547
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
Total equity	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	-	-
Total debts	1,000,000	750,000	500,000	250,000	-	-
Total equity and debts	1,500,000	1,916,400	2,383,760	2,903,928	3,478,844	4,360,547

KWAIKWAI ENTERPRISE CO. LIMITED 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

KWAIKWAI ENTERPRISE CO. LIMITED 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

