

AFRICA HARMONY INDUSTRY & TRADE LIMITED

BUSINESS PLAN

ON

ESTABLISHMENT OF WASHING POWDER FACTORY

Project Name: Tanzania AHI Washing Powder Factory

Project Manager: Fei Su

Total Project Investment Cost: USD 25 Million

Expected Output per annum: 80,000 metric
tons (full capacity) Expected Output for the
first year 30,000 metric tons

Production commencement: May 2025

Mwanzange,

Mwanzange Industrial Area

Tanga Region-Tanzania

TANZANIA BACKGROUND

POLITICAL

Tanzania has a stable political environment with regular improvement of relevant business laws and regulations that continue to create attractive investment climate especially for foreign business investors to come in country. The Government is encouraging development of economic welfares of midle class through industrialization and increase opportunities of employment to its Citizen that will sce per capital income of individual going up by 2030 and the Country becoming a middle class economy.

ECONOMIC

As stated above, the economic stability in Tanzania is being driven by the current regime to ensure achievement of their goals set to reach medium economic by 2030. We have seen development of mega projects going on in the Country like construction of roads, bridges, railways, ports and airports infrastructures, construction of Hydro electric dam that has increased the supply of electric power in the national grid, involvement of local business people to participate in businesses and projects that will raise their capacities and opportunities. Instability of local currency in the economy has been mentioned among the factors affecting economic growth especially on importation but the Government has takcn some measures to control exchange rate. The underway strategies to increase number of different industries to boost local production aims to reduce importation and create job opportunities to more people. The products from these industries will either be semi-processed or full processed to give them more value. Export trading on surplus commodities is also expected to increase while the country reduces importation and at the same time encourage usc of local manufactured products as they will have added value to suit their standard. All these measures are expected to improve the country economy in the short term. The country economy is growing at the rate of 7% annually and projected to get higher than that in the coming years.

INDUSTRY

At present, the total population of Tanzania is about 67 million. According to the current Regime, Tanzania will be middle-income economy by 2030 and the main driver of the country economy is expected to be the established Industries. The Government main focus has been to open doors for investors especially those who are coming with the intention to establish manufacturing factories.

According to the World report released in 2019, China has been ranked 2nd largest source of foreign direct investment in Tanzania. Statistics released by Tanzania Investment Centre (TIC), the country's investment agency show Tanzania has registered 724 Chinese companies and most of them are manufacturing companies. Prance investment is expected to leverage on that opportunity through commissioning of detergent manufacturing plant project in Tanzania.

PROJECT JUSTIFICATION

The Research that was done by the business indicated that there is significant demand of washing powder in Tanzania than the current supply. The key man of the business who

joined the Company from another Chinese business that is operating in Country on the same product by importation of washing powders from China and Kenya indicated that there is huge demand of washing powder in Tanzania. The demand is high and growing as Tanzania population grows. The Company has then decided to construct its own factory in Tanzania whereby they will produce and sale the product to wholesale and retail to try to cover the gap between the supply and demand in the Country. Upon completion of the project, the Company expects to take supply even to the current importers of the products from China and Kenya. There are two main importers of the products from China and Kenya that covers almost 18% that is equivalent to all imported products that will be equivalent to first year production of the project

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This is newly formed Company to perform the duties of production of diapers and washing powders using the Chinese Technology. The Company has done extensive research on washing powder where they have discovered the demand for washing powder surpasses the supply in the country. After that research, the Company has decided to construct its own factory to utilize that opportunity of mismatch between demand and supply instead of importing in order to get economic scale by avoiding related costs and duties on the imported products. The analysis and findings show that it will be beneficial to establish the factory that will supply the products locally and later export to neighboring Countries. Sales team has been identified with vast experience in sales and distribution of the products from the other two Companies who imports the same products from China and Kenya and sale the products locally

The feasibility study done show that the annual consumption of washing powder is about 3kg per year per person in Tanzania. It is much less than the global average of 7kg per person. That is where the gap comes in as such the opportunity that France wanted to grab by constructing the factory.

PROJECT LOCATION

The project is located at Mwanzange Industrial area, Tanga CBD. The project covers area around 340,000 square meters. Location is near the main road from Tanga to North, Central and South West corridor that covers most of the Tanzania strategy area.

LEGALITY OF THE COMPANY

The washing powder factory has completed the feasibility assessment and project approval by authorities with all documents held by the company.

It passed the assessment of the legal compliance of the local Government. The factory has already obtained land title deed, manufacturing license of washing powder, National Environmental Certificate, fire certificate, chemical import and production license.

The company was incorporated on 12 December 2022 with certificate of corporation number 159265420, Tax Identification Number (TIN) 159-265-420 and VAT registration number 40-305078-I

MICRO ANALYSIS AND PRODUCT EXTENSION OF THE WASHING POWDER INDUSTRY

At present, the supply of washing powder in Tanzania market is mainly divided into two parts as follows:

- a) Local production with the annual production capacity of 135,000 metric tons
- b) Imported product, circa 30,000 metric tons to make a total of 165,000 tons per year. Local production together with imported product is not sufficient to cover the market demand, as such a need to increase supply in the market arise that create the opportunity of putting up the envisaged project.

SUMMARY OF THE PROJECT FINANCING REQUIREMENT

The total project cost is USD 25 million that include working capital of USD 5 million but the Company will need financing up to 70% of total project that is USD 17.5 million as below:

1. Total cost for Plant and Machinery is USD 8 million and the Company needs finance up to 70% that is USD 5.6 million payable in 4 years with grace period of one year.
2. Working capital line requirement is USD 5 million and the Company will need financed up to USD 3.5 million that is 70% of the total requirement. LC specific for importation of raw materials from China.
3. Total value of land and Building (construction) is USD 12 million where the Company need finance of 70% that is USD 8.4 million payable in 4 years

LETTER OF CREDIT/POST IMPORT LOAN FOR ACQUISITION OF PLANT AND MACHINERIES

The Company has identified the supplier of plant and machineries as per attached pro-forma invoices. The Company intend to open up letter of credit for 360 days that upon maturity it will be converted into post import loan to be payable for 4 years. The period of one year will be used for manufacturing of the machines, transportation and

installation of the machine. The total amount required here is USD 5.6 million

WORKING CAPITAL REQUIREMENT:

Construction of the factory buildings is at 80% to completion and all civil works expected to be completed before arrival of machineries pending installation of machineries. The Company has used its own funds to undertake feasibility study,

acquisition of the land and construction of factory up to where it has reached. Upon completion of the factory including installation of machineries, the Company will need working capital line in the form of LC for ordering of raw materials from abroad mainly China.

The Company doesn't expect to open the LC of USD 3.5m at once rather it will open series of LC's depending on production requirement. The line is expected to be revolving and renewable after every one year.

LOAN TO FINANCE LAND AND BUILDING (CONSTRUCTION) The total cost of Land and Building expected to be USD 12 million upon completion and the Company is looking for finance up to USD 8.4 million that is 70% of the total cost. The Company has used shareholders funds for construction and acquisition of land that need to be repaid back by the Company hence the request from the Bank for releasing that funds to shareholders for other investment. The loan will be payable within 4 years

THE PROMOTER/LOAN APPLICANT

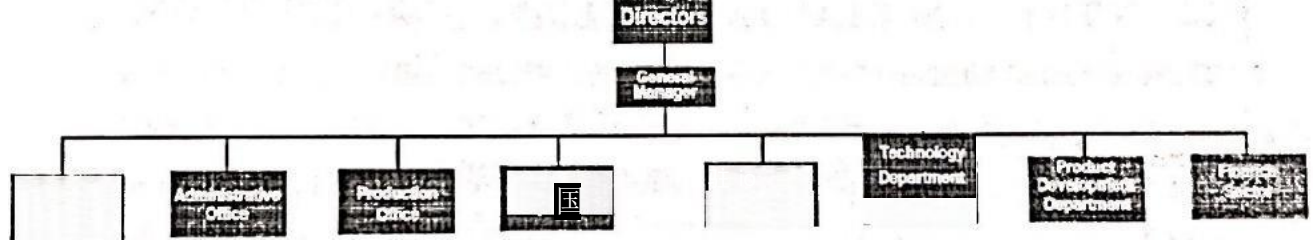
This is newly formed Company with experienced team to run the project on the ground. Currently Directors are doing the trade in Tanzania for the same product but they have the same kind of factory in Kenya and Mozambique for the same products. Shareholding structure:

SN	Shareholder	%Shareholding
1	TILEWINGS LIMITED	5
2	STELLUNA LIMITED	95
		100

COMPANY ORGANIZATION AND MANAGEMENT STRUCTURE

Prance International Trade Co Ltd structure is established to be managed by Board of Directors, General Manager, Chief Engineer, administrative office, production office, sales department, marketing department, technology department, product development department and finance department.

Organization Structure is as shown below;



General Manager MrSu;

This is the key man and the brain of this project. He has been working for 15 years and has a deep understanding of chemical Industry. He has rich management experience and great influence on the chemical Industry.

From 2003 to 2013 he worked as washing powder factory Director in Libai Group

From 2013 to 2018 he worked at Shenzhen Yishentai Co Ltd as General Manager of the Ethiopia Washing Powder factory, tissue paper factory and A4 paper factory.

Now he works for AHI as Chief Engineer of the Tanzania laundry powder project and as the Director of the Kenya diaper business.

Others position the organizational structure will be filled expatriates from China with experience of running such factories and will be working together with local team to make sure they transfer the knowledge to local people who will later run the factory.

PRODUCT

The Company will have a capacity to produce two types of products as described below:

NICEONE: This is low end product that is expected to be produced in Tanzania for the start. As per income expected to grow in Tanzania the Company will later start to produce the second product called "NEET" as by that time the market will be in the position to purchase the second product.

NEET: This is high end product and currently they are produced mainly in South Africa and Kenya due to their income per individual can afford to purchase that product.

Product package include plastic bags, plastic buckets, box and woven bag.

Product specification: plastic bags including 15kg/bags, 10kgs and barrel bags 3kg.

Product features: New smell, ultra clean, high efficiency and 24 hours freshness.

Advantage of using products(value addition):there will be no harm on hands,less powder but more power and ultra clean.

PRODUCT EXTENSION ANALYSIS

The product extension of washing powder is very broad.In future,the company expects to launch some complements based on the washing powder factory such as laundry detergent soap bars and so on.Therefore,the company will have complete product categories in future

COMPETITIVE ADVANTAGE

There are four major competitors that the Company will face in the market but they have organized themselves to counter the competition through use of modern technology equipment with high efficiency,their brand "AHI" is wellknown and highly demanded in the market,cost effective experiences of the technical team on the ground

will assist to control cost of production and source the raw materials in bulk will give good discount during procurement of raw materials that the competitors are not enjoying

MARKETING OF THE PRODUCTS

Much of marketing activities of the products has been done by the Company and already identified the neighboring Countries that are targeted after the market is full.

Most of the strategies to be used are as highlighted below.

- i.Strengthen the brand concept that will differentiate the product from other producers and manufactures in the market.
- i.Advertising strategies to promote the products through television, newspapers, billboards, flyers and other media that the company believes will create awareness in the market
- ii.Promotion strategies by adding values and incentives to consumers, wholesalers, retailers and other consumers to make sure they are attracted by the products.
- iv.Set up a wholesalers reward system by providing technical support for their retailers in product sales.

All the above listed strategies are expected to improve awareness of products to the customers.

SUPPLIERS OF RAW MATERIALS

Most of the raw materials will be coming from China, the customer has identified and entered into verbal agreement with them.

90% of the raw materials are chemicals and will be imported from China. The customer has done analysis of the cycle where the raw materials will be received 3 month after placing the orders. Suppliers are reliable due to their experience in the market to manufacture such chemicals and the Company will make sure they put buffer stock of atleast one month to cover the gap incase there is any delays of the ship to arrive in Country.

10% of raw materials will come from India. The suppliers are also reliable due to their experience in the market of producing such raw materials.

Risk of suppliers of raw materials is minimum due to their experience, commitment to their customers and relationship with the management of the Company as they were formally working with another Company in Kenya with the same line of business.

PROJECT INVESTMENT COSTS

Total investment costs for the project are estimated to be USD 25 million as below:

S/N	Detail	Amount in USD
1	Land	500,000.00
2	Construction	10,900,000.00
3	Remodeling	600,000.00
4	Plant and Machinery	8,000,000.00
5	Raw Materials	5,000,000.00
	Total	25,000,000.00

Expected project financing plan

Project cost expected to be carried by Bank and promoter of the business as below:

Financier	Percentage	Amount in USD
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Bank	70%	17,500,000.00
Promoter	30%	7,500,000.00
Total	100%	25,000,000.00

EXPECTED REVENUE

Washing powder price is USD 873 per ton, cost of sales expected to be USD 575 per ton. Although the maximum capacity of factory is 80,000 metric tons per annum, the company has projected to commence with 24,000 metric tons in the first year that will increase to 41,700 metric tons in the second year, 63,600 metric tons in the third year, 77,400 tons in the fourth year and 79,200 in the fifth year.

For the first year the company expected to make revenue of USD 26,190,000 that after removing all the costs it will remain with net profit of USD 5m as account profit.

RISKS ON THE PROJECT

Political Risks: Politically the country is stable and policies are favorable towards the foreign investment as such we don't see much risk politically.

Economic Risk: Tight monetary policy, Government pays much attention on projects new projects that impacts people's livelihood positively e.g. creation of job opportunities.

Exchange rate fluctuation: USD has been gaining stability against the local currency but the Government has taken stance measures to make the local currency stable that we believe they will be sustainable to make investment environment stable as well.

Market Risk: Research and training will be carried every now and then to make sure the project team is aware on the market requirement.

Pricing will be reviewed to make sure the Company makes profit but also it is affordable to lower class end, distribution channel will be improved to make sure their products reaches to every area planned to be reached.

Management Risk: Competent and qualified management teams are prepared to run the project. The team we have is very strong with vast experience to run such a project, besides the company will carry out training to management to make sure they are equipped with new skills

Technical risk: The team has experience and we are quite sure that innovation will be done according to the market requirement.

LOAN REPAYMENT PROGRAMME

The credit facility will be fully recovered within the period of 4 years inclusive of one year grace period inclusive at a scheduled equal installment as indicated here below:-

Principal amount payable per annum

Year 0 USD.	Year 1. USD	Year 2 USD	Year 3. USD	Year4 USD	TO TA L US D
0	3,897,228.31	4,199,780.27	4,525,820.12	4,874,543.16	17,500,000.00

INTEREST ON LOAN/FINANCIAL COSTS

The interest on Loan will be paid at the rate of 7.5%per annum on Reducing Balance as well as the bank charges of0.1%per annum are assumed based on bank transactions and

PROJECTED CASHFLOW STATEMENT

The cash flow projection indicates that the business will be able to service the proposed loan within the period proposed by the client with the grace period of one year to allow the business to stabilize in the market.

Cash flow is attached together with the assumptions for the better evaluation of the project.

SECURITIES OF THE LOAN

The loan expected to be secured by landed property located at Kibaha with title number- -----size of the plot is 340,000 square meters.This is new factory with the -----

estimated value of over USD 12 million that include building and machineries upon completion.

Debenture over fixed and floating assets that will cover raw materials,semi finished and finished goods at the factory.

Personal Guarantee from Directors

CONCLUSION AND RECOMMENDATIONS

To the best of study and investigation in the market,it has been revealed that there is a potential market of washing powder in the country that need to be addressed by either private entity in collaboration with Government authorities.

Based on the analysis and research done by the Company to establish the demand for washing powder,there is a need to address the shortage of that product in the market that is why PRANCE decided to take that opportunity to address it.

The Government vision for the Country to become middle economy by 2025 and the support ofthe Government through Tanzania Investment Centre where the Company has been granted all necessary documents from TIC that indicated the project is viable and getting positive support from the Government.

Finally,it can be concluded that the project will be financially viable.Socially acceptable and economically viable,hence the promoter requests the approval of bank loan for timely implementation of the project as indicated on the implementation schedule.

of raw materials.The expectation is that the requested financing will be timely available to enable implementation of the project to proceed at least by June 2025 this year as per the following schedule:-

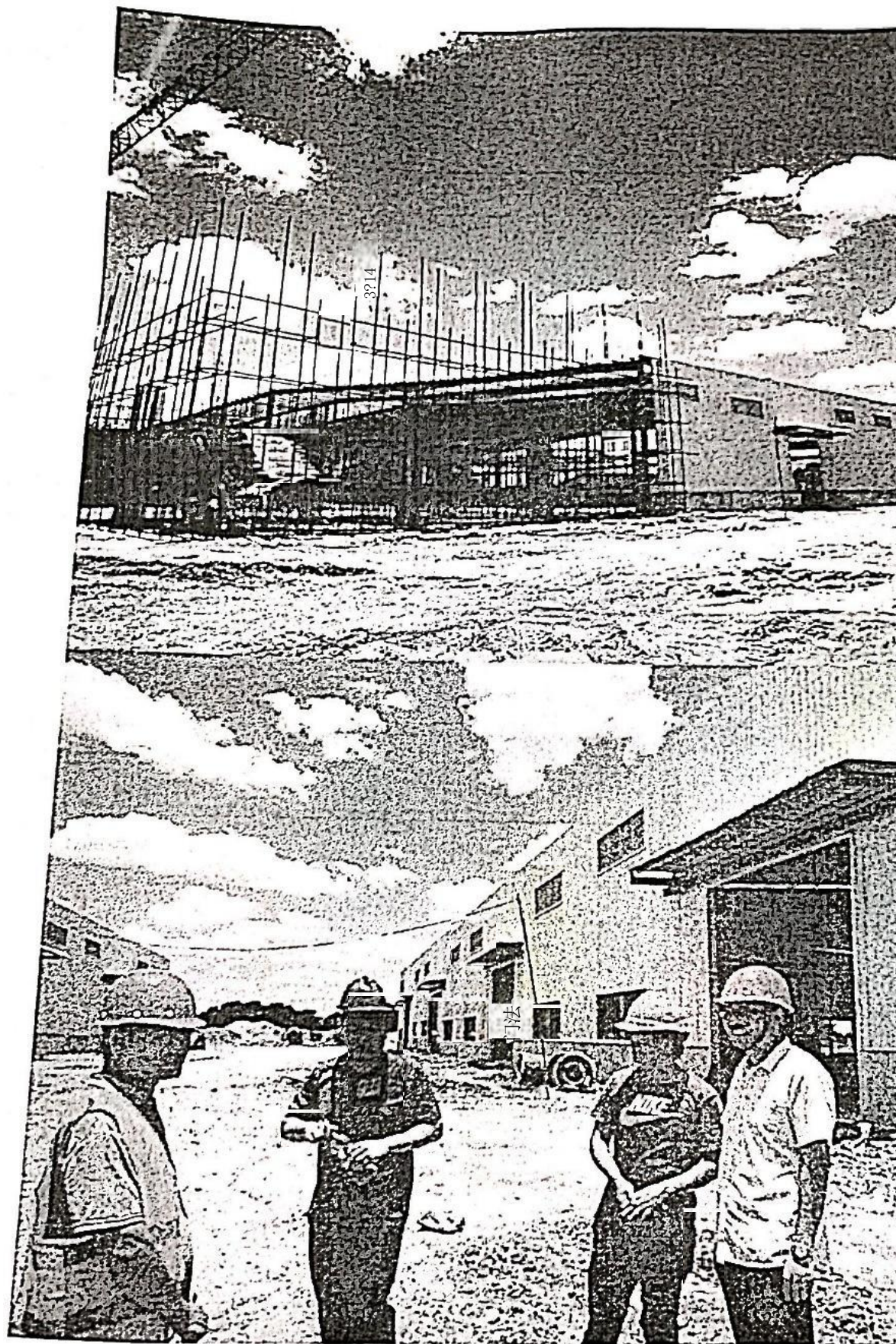
PROJECT IMPLEMENTATION PLAN:

N o.	ACTIVITY/PERI OD	Jan 2025	Feb 2025	Mar 2025	Apr 2025	May 2025	RESPONS BILITY
1.	Preparation of Project Business Plan	XX					Business Consultant
2.	Submission of necessary documents to Bank		XX				Project Mgt and consultant
3.	Evaluation of the project proposal by the Bank			XX			Bank
4.	Approval of the application by Bank			XX			Bank
5.	Issue of Bank facility letter			XX			Bank
5.	Procur o t ement f h Machin e eries e material a ra			XX	XX		Project Mgt

	s n d						
6.	Testing and commissioning of the project					XX	Project Mgt

ASSUMPTION OF BUSINESS PLAN

- o The research conducted revealed the actual market demand of the washing powder requirement in the country.
- o The exchange rate will be stable at the rate of USD/TZS 2,400 for atleast a year and there will be no much fluctuation in the next couple of years.
- o The Government plan to be the middle economy countries by 2030 is achievable
- o The project will commence as per the schedule of implementation indicated above
- o Political stability will continue to be the same as now.
- o Presence in the SADC and EAC market and the current trading markets remain the same
- o Tanzania economy will continue to grow at the rate of 6% or better than that in the five years to come on the debt repayment.



Some of the progress on the Project is as below

