

DAFFOU TRADERS COMPANY LIMITED

**BUSINESS PLAN
FOR
MANUFACTURING FOOTWEAR AND RELATED PRODUCTS**

1.0. EXECUTIVE SUMMARY.

1.0 Introduction

DAFFOU TRADERS COMPANY LIMITED is a company registered in the country under the Companies Act 2002 and bears Certificate of Incorporation No. 171478774 dated 18th January, 2024

The project promoters are Chinese and well-established businessmen. Having been in the business for over 15 years the directors are now well prepared for the establishment footwear manufacturing business and they see a very bright future in the footwear sector.

The proposed project is estimated to cost about US\$ 4,582,000. The project sponsors will provide **US\$1,582,000** and **US\$3,000,000** will be sourced from financial institutions locally and internationally.

1.1 Objective of Study

The purpose of this study is to work out the technical and commercial details and financial viability of a factory for footwear manufacture project.

1.2 Mission statement

The purpose of our business is to raise profit and create our own business and also satisfy our customers by producing new and durable products with an affordable price. Our business is targeted to customers domestic and neighboring countries. This makes us advantageous to extract the market.

1.3 The Company Objectives.

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

1.4 Short term goal

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

1.5 Long term goal

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

1.6 The Venture Products.

DAFFOU TRADERS COMPANY LIMITED is planning to come up with new products or addition to the existing one to avoid or reduce competence comes from existing companies or imported products. The company plan to sales our product with fair price to satisfied our customer and

being competitive with our competitors. To recap, our aim is giving our customers new, durable, and fashioned products and then increasing the loyalty of our product.

1.7 **Raw Material Base**

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

2.0 **The Project Promoters**

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

NAME	%. OF SHARE	NATIONALITY
CAI YUANYUN	70	Chinese
LIN XIANORONG	30	Chinese

2.1 **Location**

The project will be located at **Plot No.131, Block E, Kwagulu Stree,Kiwalani,Temeke, Dar es Salaam**

3.0 **Over view of Tanzania Leather Industry**

Tanzania's leather sector hosts the second (2nd) largest livestock population in Africa after Ethiopia. Hides, skins and leather processing is

therefore a fundamental sub-sector within the larger livestock sector, and is considered to have great potential to contribute towards economic development of Tanzania. Annual production of raw hide stands at 3.4 million hides, 2 million sheep and 4.4 million goat skins, with an estimated off-take rate of 10-15% for cattle, 28% for goats and 29% for sheep. The raw material 'potential' is exceeded by the combined installed annual capacity of 124,420,000 square feet of leather and approximately 2 million pairs of shoes. This figure highlights Tanzania's outsized reliance on imported new and second-hand leather footwear which are traded at much lower prices than similar locally produced goods.

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

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

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

4.0 Development and Production

4.1 Production process

DAFFOU TRADERS COMPANY LIMITED footwear manufacturing company planning to have mainly four departments in which a progressive route is followed for producing finished footwear. These are clicking or cutting department, closing or machining department, lasting and making departments, finishing department and the shoe room.

4.1.1 Clicking or cutting department

In this department, the top part of the shoe or the upper is made. The clicking operative is given skins of leather, mostly cow leather but not restricted to this type of leather. Using metal strips knives, the worker cuts out pieces of various shapes that will take the form of "uppers". This operation needs a high level of skill as the expensive leather has to be wasted at the minimum level possible. Leather may also have various defects on the surface such as barbed wire scratches which needs to be avoided, so that they are not used for the uppers.

4.1.2 closing or machining department

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

4.1.3 lasting and making department

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

4.1.4 finishing department and the footwear room

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

5.0 Market and Marketing Aspects

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

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

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

5.2 The Products

- Safety shoes,
- Security shoes,
- Military shoes
- School shoes
- Sandals
- Sports shoes etc.

5.3 The Markets and Total Capacity Production

The products are for both the local and export market in neighboring countries. As mentioned above, the promoters are well versed in the business with well-established market contacts, total capacity production estimated to be **800,000** pairs of shoes per year.

5.4 Supply Position

Apparently, there is limited production of safety, security, military and school shoes products of the quality targeted by the company. State of

the art technology to be employed will enable the company produce very high-quality products.

5.5 Competition

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

5.6 Distribution

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

5.7 Promotion

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

5.8 **Pricing Strategy**

The company intend to offer best quality services that comply to the price charged as indicated earlier, there is a market segment that has spending power and can afford this pricing. Therefore, this pricing will reflect the targeted market segment in focus, the average whole sale price is estimated to be **US\$9**.

6.0 **Aspects of Project Sustainability**

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

6.1 **Monitoring and Evaluation**

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

7.0 **Project Management**

DAFFOU TRADERS COMPANY LIMITED will be under the skilled and professional Management who have experience in managing shoes manufacturing businesses.

Under this management **DAFFOU TRADERS COMPANY LIMITED** is expected to grow steadily from small to medium company producing high quality products serving domestic to neighboring states.

The company will have a team of qualified and experienced functional managers in the areas of operations/Marketing, workshop Finance and Administration. Other senior and middle level staff will be available for the start up and subsequent operations of the company, the total number of employees are expected to be **45**

7.1 **Project Management Policy**

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

8.0 **Project's Investment Capital**

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

DAFFOU TRADERS COMPANY LIMITED COST STRUCTURE US\$

Land and Buildings	1,000,000
Machinery & Equipment	2,500,000
Motor Vehicles	150,000
Furniture & Fixtures	10,000
Pre exp	15,000
Others	7,000
Working Capital	900,000
TOTAL	4,582,000

For the project to be a reality a total investment amounting to US \$4,582,000 is needed.

(i) Land and Building: Us \$1,000,000

Within 3 years the management is planning to purchase a land and construct a building and warehouse.

(ii) Machinery and Equipment: US\$ 2,500,000

US \$2,500,000 is anticipated to be spent on the purchase of various factory tools and equipment which will accommodate new such as DIP machine, Rotary machine and shoes molds, China stitching machine, Desma machine, sole making machines, Crusher, mixer, lasting line, cutting machine, computer stitching machine, riveting machine etc.

(iii) Motor Vehicles:US\$150,000

The project will need 2 heavy trucks, 2 light trucks and 5double 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 \$10,000

This investment cost item has been estimated to cost US \$10,000. It will consist of office tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

(v) Pre-Operational Expenses: US\$ 15,000

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

(vi) Initial Working Capital: US\$900,000

Calculations as will as assumptions for working capital requirements, it is estimated that it will cost US \$ 900,000.

9.0 **Financing Pattern**

The project will be financed by equity constituting US\$1,582,000 and loan US \$3,000,000.

9.1 **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.

9.2 **Considerations and Assumptions:**

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

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

9.3 **Projected Profit and Loss Statement**

The Income and Expenditure Statement shows the projected income for the 5 years period. The position depicted is that the project earns profit

throughout its life. Accumulated after tax profits grow from. **US \$ 797,300** in first year to **US \$ 4,936,336** in the 5th year

9.4 **Projected Cash Flows**

This is shown in the financial statements. The project has a positive end of year cash flow from 1st year **US\$ 1,098,300** of operation to the 5th year **US\$ 5,841,336**.

9.5 **Projected Balance Sheet**

The projected Balance Sheet of the projected is shown in the financial statements under same heading. Shareholders equity increases from **US\$ 1,582,000** in the first year of operation to **US \$ 6,518,336** in the 5th year.

9.6 **Projected Long Term Loan Repayment**

The projected loan is projected to be **US\$3,000,000** to be repaid within 5 years with bank interest of 8% annual.

9.7 **Project Projected Payback Period**

The projected Investment Cost is **US\$ 4,582,000**, Accumulated cash flow in year 3 is **US\$ 4,587,006**, which is greater than initial investment cost, therefore project payback period is within 4 years

10.0 **Economic Aspects**

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

- Footwear production will greatly add value of leather production in the country.
- The project will involve transfer of technology.
- The project will create employment for **45** people on permanent contract basis as well as on temporary basis.
- It will create more business opportunities to local suppliers.
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.
- The project will earn substantial amounts of foreign exchange.

11.0 **Conclusion and Recommendations**

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

It is recommended that the project be approved by TISEZA and be granted the Certificate of Incentives.

DAFFOU TRADERS COMPANY LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT

	1	2	3	4	5
Revenue (Food & drinks)	7,200,000	7,560,000	7,938,000	8,334,900	8,751,645
Operating Expenses:	5,760,000	6,048,000	6,350,400	6,667,920	7,001,316
Profit before Depreciation & Interest	1,440,000	1,512,000	1,587,600	1,666,980	1,750,329
Interest	240,000	144,000	108,000	72,000	36,000
Depreciation	61,000	61,000	61,000	61,000	61,000
Gross Profit	1,139,000	1,307,000	1,418,600	1,533,980	1,653,329
Tax (30%)	341,700	392,100	425,580	460,194	495,999
Profit After Tax	797,300	914,900	993,020	1,073,786	1,157,330
Accumulated Profit	797,300	1,712,200	2,705,220	3,779,006	4,936,336

DAFFOU TRADERS COMPANY LIMITED PROJECTED CASH FLOW US\$

SOURCES:		1	2	3	4	5
Profit before interest and depreciation	-	1,440,000	1,512,000	1,587,600	1,666,980	1,750,329
Equity	1,582,000					
Loan	3,000,000					
Total Sources	4,582,000	1,440,000	1,512,000	1,587,600	1,666,980	1,750,329
Applications:						
Capital expenditure	3,660,000	-	-	-	-	-
working Capital & Others	922,000					
Cash	-	1,098,300	1,119,900	1,162,020	1,206,786	1,254,330
Tax	-	341,700	392,100	425,580	460,194	495,999
Sub total	4,582,000	1,440,000	1,512,000	1,587,600	1,666,980	1,750,329
Total applications	4,582,000	1,440,000	1,512,000	1,587,600	1,666,980	1,750,329
Accumulated cash		1,098,300	2,218,200	3,380,220	4,587,006	5,841,336

DAFFOU TRADERS COMPANY LIMITED PROJECTED BALANCE SHEET USD

Fixed Assets		1	2	3	4	5
Opening balance	-	3,660,000	3,599,000	3,538,000	3,477,000	3,416,000
Total Long-term Assets	-	3,660,000	3,599,000	3,538,000	3,477,000	3,416,000
Less depreciation	-	61,000	61,000	61,000	61,000	61,000
Closing balance	-	3,599,000	3,538,000	3,477,000	3,416,000	3,355,000
Working capital	922,000	922,000	922,000	922,000	922,000	922,000
Accumulated cash	-	1,098,300	2,218,200	3,380,220	4,587,006	5,841,336
Total assets	922,000	5,619,300	6,678,200	7,779,220	8,925,006	10,118,336
Financed by						
Equity	1,582,000	1,582,000	1,582,000	1,582,000	1,582,000	1,582,000
Accumulated profit	-	797,300	1,712,200	2,705,220	3,779,006	4,936,336
Total equity	1,582,000	2,379,300	3,294,200	4,287,220	5,361,006	6,518,336
Long term loan	3,000,000	2,400,000	1,800,000	1,200,000	600,000	-
Total debts	3,000,000	2,400,000	1,800,000	1,200,000	600,000	-
Total equity and debts	4,582,000	4,779,300	5,094,200	5,487,220	5,961,006	6,518,336

DAFFOU TRADERS COMPANY LIMITED PROJECTED LONG TERM LOAN REPAYMENT US\$

Year	Principle	Loan Interest (8%)	Total Amount Paid	Loan Balance
1	600,000.00	240,000.00	840,000.00	3,000,000
2	600,000.00	144,000.00	744,000.00	2,400,000.00
3	600,000.00	108,000.00	708,000.00	1,800,000.00
4	600,000.00	72,000.00	672,000.00	1,200,000.00
5	600,000.00	36,000.00	636,000.00	600,000.00

