

ZANZIBAR TEXTILES LIMITED

BUSINESS PLAN

FOR

MANUFACTURING OF GARMENTS AND TEXTILES

1.0. **Executive Summary**

ZANZIBAR TEXTILES LIMITED registered in Tanzania under Certificate of Incorporation No. **159248976** issued on **10th December, 2022**.

The project promoters are well established business in China, carrying out various businesses but majoring in garments and textiles products manufacturing. Having been in the business for over 10 years the directors are now well prepared for expanding business to Tanzania by establishing manufacturing projects.

The business plan has been prepared for **ZANZIBAR TEXTILES LIMITED** for garments and textiles products manufacturing project. The implementation of this project will include following activities:

- Registration of project to TIC
- Obtaining various permit and license
- Repairing industrial building
- Ordering machines
- Recruiting
- The purchase of 1 Single Cabins Pick Up
- Purchasing 1 light trucks
- Purchasing of machines and equipments
- Equipping the company with relevant facilities

The proposed project is estimated to cost about US\$ 1m. The project sponsors will prove 100% of this investment.

1.1 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	No Of Share	Nationality
Mohamed Said Ghalib P. O. Box 4462 DAR ES SALAAM	49.68	Tanzania
Sheng Yubo P.O.BOX 4462 DAR ES SALAAM	49.68	Chinese
Deng Jia P.O.BOX 19088 DAR ES SALAAM	0.64	Chinese

1.2 Location

The project head office will be located at un surveyed Area at **Plot No. 26/3/1 Block D Nyerere Road/Pugu Road Industrial area**

1.3 Objective Of Study

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

1.4 Market and Marketing Aspects

The market survey carried out reveals that the current demands for garments and textiles products and garments and textiles products are higher than local production. 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.

Tanzania Textile Garments and textiles market currently, in 2023, has witnessed an HHI of 6250, Which has increased moderately as compared to the HHI of 3641 in 2017. The market is moving towards Highly concentrated. Herfindahl index measures the competitiveness of exporting countries. The range lies from 0 to 10000, where a lower index number represents a larger number of players or exporting countries in the market while a large index number means fewer numbers of players or countries exporting in the market.

1.5 Export Opportunities

The domestic market in Tanzania exhibits a strong demand for garments and textiles products and garments, offering a lucrative avenue for local producers to replace imports and cater to the burgeoning middle class. Moreover, Tanzania's membership in regional trading blocs such as the East African Community (EAC) and Southern African Development Community (SADC) opens doors to a broader regional market for apparel. Additionally, preferential trade agreements like the African Growth and Opportunity Act (AGOA) and Economic Partnership Agreements (EPAs) provide duty-free access to lucrative markets like the United States and European Union.

1.6 **Raw Material Base**

The Tanzanian textile and garment industry stand as a beacon of untapped potential, offering investors a lucrative opportunity to capitalize on its abundant resources and growing market demands. With a combination of favorable factors including extensive cotton production, strategic trade connections, and competitive labor costs, Tanzania emerges as a promising destination for textile and garment production.

Tanzania's cotton production is concentrated in two main zones: the Western Cotton Growing Area (WCGA) and the Eastern Cotton Growing Area (ECGA). These regions collectively produce the majority of Tanzania's cotton output, laying the foundation for a robust textile value chain. However, a significant portion of this cotton is exported unprocessed, presenting an opportunity for value addition and vertical integration within the domestic industry.

Tanzania produces approximately 350,000 tons of seed cotton annually.

About 80% of Tanzania's cotton production is exported unprocessed.

The WCGA comprises seven regions: Shinyanga, Mwanza, Tabora, Mara, Singida, Geita, and Simiyu, and accounts for 97% of Tanzania's cotton production.

The ECGA comprises three regions: Coast, Morogoro, and Tanga.

1.7 **Textile Mills and Garment Factories**

Textile mills and garment factories are scattered across Tanzania, with key clusters located in cotton-growing regions and major port cities like Tanga and Dar es Salaam. Despite existing infrastructure, there remains a

gap in the production of garments and textiles to meet the demands of downstream garment producers. Yet, with investments in modern machinery and capacity enhancements, the industry is poised for growth and self-sufficiency.

1.8 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.

1.9 The Products

Various garments and textiles products as:

- Bed sheet
- Towel
- Uniform etc.

1.10 Supply Position

Apparently, there is limited production of garments and textiles 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

1.11 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.

1.12 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.

1.13 **Promotion**

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

1.14 **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.

1.14 **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.

2.0. **Project Details**

Tanzania is geographically strategically located in relation to her neighbors. Because of the above-mentioned factor, the country's manufacturing sector has a great potential in contributing in economic growth of Tanzania Economy.

Sector pays a critical role in the social and economic development of a country. There is a wide market for various garments and textiles

products in Tanzania and in other neighboring countries, Hence the project is not expecting to face operational problem.

Tanzania market is supplied by imported products from Asia based on the quality of products which will be supplied by **ZANZIBAR TEXTILES LIMITED** the company's products is expected to have a good market in Tanzania and other countries

It is quite gratifying to note that the Government of Tanzania realizes the role of manufacturing sector for its economic and social development, and as a result has developed fiscal and non fiscal incentives which are very instrumental in improving the business and investment environmental in the manufacturing sector.

It is alleged that limited availability of switches boxes products produced within Tanzania is the major causes of importation of low-quality products in Tanzania. It is in view of this that, **ZANZIBAR TEXTILES LIMITED** has resolved to assist by providing a solution to stimulate manufacturing sector by increasing supplies and productivity.

ZANZIBAR TEXTILES LIMITED has major objectives as following: -

- To promote manufacturing in Tanzania
- To bring new technology and technical know how in the country in the course of its business transactions.
- To provide extra employment to more people in the sector.
- To manufacture products of high quality

3.0 **Project Management**

ZANZIBAR TEXTILES LIMITED will be under the skilled and professional Management who have experience in managing international businesses.

Under this management **ZANZIBAR TEXTILES 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 **35**

3.1 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.

4.0 Project Investment Cost

The estimated capital investment cost of the project is US\$5

ZANZIBAR TEXTILES LIMITED COST STRUCTURE US\$

PARTICULAR	
Land and Buildings	1,000,000.00
Machinery & Equipment	2,000,000.00
Motor Vehicles	630,000.00
Furniture & Fixtures	10,000.00
Pre exp	10,000.00
Others	350,000.00
Working Capital	1,000,000.00
TOTAL	5,000,000.00

For the project to be a reality a total investment amounting to US\$ 5m is needed.

4.1 Financing pattern

The project will be financed by foreign loan and equity US\$ 5m

4.1 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.

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

4.2 Projected income and Expenditure

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 \$ 784,840 in first year to US \$ 5,087,408 in the 8th yea

4.4 Projected Cash Flows

This is shown in the financial statements. The project has a positive end of year cash flow from year1 accumulated Cash US\$770,360 rise up to US \$7,909,639 in 8th year

4.5 Projected Balance Sheet

This is shown in the financial statements. The project has a positive end of year owners' equity; in the first year the equity was NIL however after 8 years of operation the owners' equity rise up to US \$5,087,408 in the 8th year

4.6 Projected Payback Period

The projected payback period is 5years where the accumulated cash flow is US\$ 6,387,257 which is greater than the total initial investment by US \$ 1,387,257.

4.7 Projected Loan repayment schedule

The projected payback period is 5years where the accumulated cash flow is US\$ 6,387,257 which is greater than the total initial investment by US \$ 1,387,257

5.0 Economic Aspects

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

- The project will create employment for **35** people 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 pay as you earn.
- The project will have transfer of knowledge to textile industry

6.0 Implementation

Project implementation is expected to be relatively very short once project has been approved it is estimated that construction and operations will be commenced within one year: -

ACTIVITY	PERIOD
Processing TIC Certificate of Incentive	April 2025
Resources mobilization	April –December 2027
Ordering plant and machine	July -October 2025
Machine installation	December- June 2026
Testing business and in house training	June-Dec 20126
Commercial operations	January 2027

9.0 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 Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 2022.

ZANZIBAR TEXTILES LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

	1	2	3	4	5	6	7	8
Revenue	2,592,000	2,851,200	3,136,320	3,449,952	3,794,947	4,174,442	4,591,886	5,051,075
Cost of raw materials	1,036,800	1,140,480	1,254,528	1,379,981	1,517,979	1,669,777	1,836,754	2,020,430
Profit before Depreciation &Interest	1,555,200	1,710,720	1,881,792	2,069,971	2,276,968	2,504,665	2,755,132	3,030,645
Interest	250,000	171,429	142,857	114,286	85,714	57,143	28,572	-
Depreciation	184,000	184,000	184,000	184,000	184,000	184,000	184,000	184,000
Net Profit before Tax	1,121,200	1,355,291	1,554,935	1,771,685	2,007,254	2,263,522	2,542,560	2,846,645
Tax (30%)	336,360	406,587	466,481	531,506	602,176	679,057	762,768	853,993
Profit After Tax	784,840	948,704	1,088,455	1,240,180	1,405,078	1,584,466	1,779,792	1,992,651
Accumulated Profit	784,840	1,191,427	1,657,908	2,189,413	2,791,590	3,470,646	4,233,414	5,087,408

ZANZIBAR TEXTILES LIMITED PROJECTED CASH FLOW (US\$)

	-	1	2	3	4	5	6	7	8
SOURCES:									
Profit before interest and depreciation	-	1,555,200	1,710,720	1,881,792	2,069,971	2,276,968	2,504,665	2,755,132	3,030,645
Loan	5,000,000								
Total Sources	5,000,000	1,555,200	1,710,720	1,881,792	2,069,971	2,276,968	2,504,665	2,755,132	3,030,645
Applications:									
Capital expenditure	3,640,000	-	-	-	-	-			
working Capital &Others	1,360,000								
Cash	-	770,360	762,016	793,337	829,791	871,898	920,199	975,340	1,037,994
Tax	-	784,840	948,704	1,088,455	1,240,180	1,405,078	1,584,466	1,779,792	1,992,651
Sub total	5,000,000	1,555,200	1,710,720	1,881,792	2,069,971	2,276,976	2,504,665	2,755,132	3,030,645
Total applications	5,000,000	1,555,200	1,710,720	1,881,792	2,069,971	2,276,976	2,504,665	2,755,132	3,030,645
Accumulated cash		770,360	2,481,080	3,274,417	4,104,208	4,976,106	5,896,305	6,871,645	7,909,639
Necessary working capital	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000

ZANZIBAR TEXTILES LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

	-	1	2	3	4	5	6	7	8
Fixed Assets	-								
Opening balance	-	3,640,000	3,456,000	3,272,000	3,088,000	2,904,000	2,720,000	2,536,000	2,352,000
Total Long-term Assets	-	3,640,000	3,456,000	3,272,000	3,088,000	2,904,000	2,720,000	2,536,000	2,352,000
Less depreciation	-	184,000	184,000	184,000	184,000	184,000	184,000	184,000	184,000
Closing balance	-	3,456,000	3,272,000	3,088,000	2,904,000	2,720,000	2,536,000	2,352,000	2,168,000
Working capital	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000
Accumulated cash	-	770,360	2,481,080	3,274,417	4,104,208	4,976,106	5,896,305	6,871,645	7,909,639
Total assets	1,360,000								
Financed by									
Loan	5,000,000	4,285,715	3,571,430	2,857,145	2,142,860	1,428,575	714,290	5	-
Accumulated Profit	-	784,840	1,191,427	1,657,908	2,189,413	2,791,590	3,470,646	4,233,414	5,087,408
Total equity	-	784,840	1,191,427	1,657,908	2,189,413	2,791,590	3,470,646	4,233,414	5,087,408
Total equity and debts	-	784,840	1,191,427	1,657,908	2,189,413	2,791,590	3,470,646	4,233,414	5,087,408

ZANZIBAR TEXTILES LIMITED PROJECTED PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	784,840	184,000.00	968,840.00	968,840.00
2	948,704	184,000.00	1,132,704.00	2,101,544.00
3	1,088,455	184,000.00	1,272,455.00	3,373,999.00
4	1,240,180	184,000.00	1,424,180.00	4,798,179.00
5	1,405,078	184,000.00	1,589,078.00	6,387,257.00
6	1,584,466	184,000.00	1,768,466.00	8,155,723.00
7	1,779,792	184,000.00	1,963,792.00	10,119,515.00

ZANZIBAR TEXTILES LIMITED PROJECTED LOAN REPAYMENT SCHEDULE

Year	Principle	Loan Interest (5%)	Total Amount Paid	Loan Balance
0				5,000,000
1	714,285	250,000	964,285	4,285,715
2	714,285	171,429	885,714	3,571,430
3	714,285	142,857	857,142	2,857,145
4	714,285	114,286	828,571	2,142,860
5	714,285	85,714	799,999	1,428,575
6	714,285	57,143	771,428	714,290
7	714,285	28,572	742,857	5
8	714,285			
TOTAL	5,714,280	850,001	5,849,996	