

Annexure 2

TANZANIA INVESTMENT CENTRE DAR ES SALAAM

PROGRESS REPORT

(Information required for the project's progress report after every six months or for amendment of Certificate of Incentives)

1. Planned Activities for the period
2. Achievements made on the project implementation to date:

(i.e. from the date the project was approved to the date of writing the report)

Describe the status of activities that have already been undertaken e.g. construction of buildings, acquisition of supplies, installation of equipment, etc.

3. Provide updated information on the following aspects;

S/No.	Information	Description	Current Project Status
1.	Shareholder's Information	Current Shareholders names, nationality and percentage of ownership	<ol style="list-style-type: none">1. Public Service Social Security Fund - 86% of shares2. Prisons Corporation Sole - 14%of shares3. Tanzanian Entities
2.	Company Communication Information	Email address	info@klicl.co.tz
		Mobile Number	
		Land Line Telephone Number	0737169295
		Physical Address (Plot No., Block No, Street, District and Region	P.O Box 74, Plot 581. Block LLL Kilimanjaro Region, Karanga, Magereza Area
3.	Contact Person	Name	Eng. Saiba Edward
		Position	Ag. Managing Director
		Communication Details (Email, Mobile and telephone)	saiba.edward@klicl.co.tz 0719 555 494

4.	Incorporation	Certificate of Incorporation No.	135503
5.	TIN information	TIN Certificate No.	135-614-629
6.	Project Objective	Project Core Activity	Manufacturing of leather, leather shoes, soles and leather related articles
7.	Capacity	Project Capacity per Year	The Project Capacity is 540,011 pairs for shoe factory, 30,000 units for leather articles, sole 945,000 units and 5,850,000 Sqft of finished leather
8.	Direct Employment	Foreign-Men	N/A
		Foreign-Women	N/A
		Local-Men	165
		Local-Women	108
9.	Indirect employment	Estimated Total No.	273
		Type/areas of Indirect Employment	N/A

4. Project Financial Expenditure to date (USD):

	Foreign (USD)	Local (USD)	Total (USD)
Land and Buildings		28,977,862,959.88	12,560,842.20
Plant and machinery	68,754,616,424.80		29,802,607.90
Vehicles/Aircrafts		227,096,913.00	98,438.19
Furniture		117,353,667.30	50,868.52
Office equipment		1,804,133,124.16	782,025.63
Insurance Cover		133,913,520.00	58,046.61
Pre-operational expenses		12,277,190,427.47	5,321,712.37

Working sub-total capital		9,820,541,966.67	4,256,845.24
GRAND TOTAL		53,358,092,578.47	23,128,778.75

5. Project Financing

Explain how the project is being financed e.g. equity, loans, sources of loans, conditions, etc. See table below.

	Amount (USD)	Source Country
Local Equity	70,000,000,000	Tanzania
Local Loans	42,819,581,731	Tanzania
Foreign Equity	N/A	
Foreign Loans	N/A	
Total Investment	112,819,581,731	

6. Problems and Solution

Explain problems, which the management is encountering in executing the project and the steps being taken to solve them.

➤ **Limited orders from Military Institutions**

Limited orders with few quantities from Military Institutions thus negatively affected our quarterly performance. However, Sales Commission Policy has been approved for implementation to attract for bulky orders.

➤ **Seasonality for school shoes**

Limited sales due to seasonality issue, we expect improved sales in Q2 (New intakes and Children returning back to school), 70% of the stock is school shoes whose demand is in December/January.

➤ **Brand Awareness**

KLICL and its brands are new in the market and not much known by the community. However, we are currently building brand equity, awareness, distribution network so as to gain brand loyalty for more volume.

➤ **Pricing strategy**

Our products especially civilian footwear have been perceived to have relatively higher prices than the **market expectations** and **competitor's** selling prices thus negatively affected the Q1 performance. However, Price review with effect from November 2024 has been done for implementations.

➤ **Unavailability of Injection machine for Safety shoes**

We are expecting orders by 2025 for safety shoes from TANAPA, Fire and Rescue Force, Immigration department worth of TZS 644,750,000) However, we do not have Injection Machine for massive production to meet the orders. It should be noted that the massive sales volume comes from Military footwear, Safety Industrial boots and School shoes.

➤ **Poor quality of raw materials**

The materials received from suppliers such as leather and other accessories do not meet the required standards as manifested in the form of large number of rejects thereby limiting production output.

➤ **Price of raw materials**

The Company buys raw materials (i.e. Finished Leather) from competitors who are also in the same business.

(i) Solutions

- Continue expanding distribution networks mainly on Distributors & wholesalers
- Continue improving Company's image & Brand awareness through various advertising campaigns.
- Continue engaging Military Institutions and Government stakeholders for more orders.
- Continue with engagement programs for external market such as EAC, SADC, COMESA, AGOA
- Investing in Injection machine for Industrial safety boots. The same has been recommended for inclusion in the review of feasibility study by consultant
- Complete construction of tannery
- To implement the SLA which is currently under approval stages for smooth operations in the Military factory.
- To make continuous improvement on product and raw materials quality through proper use of standard specifications, sharing experiences and requirement with manufacturers/suppliers (E.g. leather).
- To continue with the engagement of other new suppliers especially big manufacturers of raw materials and other accessories in order to supply materials at competitive prices.

7. Future Plans

Explain future plans for the next coming six months and planned financial Commitments

- To complete design, construction, installation and commissioning of Tannery by the year 2024/2025. The construction of Shoes, Soles and Leather articles Industries is complete by 100%.
- To recruit 605 employees following completion of shoe, soles and Leather articles Industries. On the other hand, recruitment for Tannery factory will be in line with the progress of construction.
- To reach a production target of 540,011 pairs for shoe factory, 30,000 units for leather articles, sole 945,000 units and 5,850,000 Sqft of finished leather.
- Timely payment to service providers of raw materials as well as good customers care to customers of the Company's products.
- To continue developing the supply chain of raw materials for the Industries.
- To attain annual sales target of TShs 37,688,789,432.31

8. Recommendations and any other comments

The Company requests the extension of the project Implementation period in order to complete the Tannery establishment