

CHINATEX INDUSTRIES LIMITED

BUSINESS PLAN

FOR

ESTABLISHMENT OF MANUFACTURING OF GARMENTS AND TEXTILES

1.0. **Executive Summary**

CHINATEX INDUSTRIES LIMITED registered in Tanzania under Certificate of Change of Name **No.182406538** issued on **18th February 2025**.

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 **CHINATEX INDUSTRIES 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
SUN LIANZHONG P.O.BOX 19088 DAR ES SALAAM	4250	Chinese
WANG QIUNING P.O.BOX 19088 DAR ES SALAAM	4250	Chinese
WANG YING P.O.BOX 19088 DAR ES SALAAM	1500	Chinese

1.2 Location

The project head office will be located at un surveyed Area at **Kigogo Street, Kisarawe II, Kigamboni District, Dar es Salaam Region.**

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 **CHINATEX INDUSTRIES 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, **CHINATEX INDUSTRIES LIMITED** has resolved to assist by providing a solution to stimulate manufacturing sector by increasing supplies and productivity.

CHINATEX INDUSTRIES 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**

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

Under this management **CHINATEX INDUSTRIES 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 **25**

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 \$ 1,500,000

CHINATEX INDUSTRIES 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 1 double 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 **CHINATEX INDUSTRIES 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.

4.1 **Financing Pattern**

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

4.2 **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.

5.0 **Financial Analysis**

5.1 **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.

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.

5.2 **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.

5.3 **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**

5.4 Projected Balance Sheet

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

5.5 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.

5.6 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

6.0 Economic Aspects

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

- The project will involve transfer of technology.
- The project will create employment for **25** 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.

7.0 **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.

CHINATEX INDUSTRIES 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

CHINATEX INDUSTRIES 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

CHINATEX INDUSTRIES 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

CHINATEX INDUSTRIES 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

CHINATEX INDUSTRIES 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