

MEGA BEVERAGES LIMITED

**BUSINESS PLAN FOR
MANUFACTURING AND DISTRIBUTION OF ALCOHOLIC BEVERAGES
FIVE YEARS: FROM 2021-2025**



Presented by;
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MARCH,2021

CORPORATE INFORMATION

Date of Incorporation: 11-10-2002
Incorporation Number: 44598
TIN : 102-074-440
Business License : 2094934
VAT Reg. Number : 11-012412-Z
Business Activity : Manufacturing and Distribution of Alcoholic beverages.

Shareholders:

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ABBREVIATIONS & ACCRONYMS

CAGR	Compound Annual Growth Rate
EAC	East African Community
EAS	East African Standards
ML	Millions Litres
PESTLE	Political, Economical, Social, Technological and Legal
R&D	Research and Development
TBS	Tanzania Bureau of Standards
USD	United States Dollar
WHO	World Health Organisation

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1.0 EXECUTIVE SUMMARY

Mega Beverages Limited, is a private company registered in Tanzania in October, 2002. The company among other activities is dedicated to manufacture and sale of alcoholic beverages including gin, vodka and wine. The company is the manufacturer of the leading and popular spirit of K-Vant Asilia. The company has prepared this business plan to form a strategic guideline of all activities including production, operations and marketing of company's products. There is a growing demand of alcoholic beverages especially wines and spirits as the utilization of luxury distilled alcoholic beverages have spiralled upwards lately due to increasing in income levels of consumers. Although alcoholic drinks in Tanzania continues to be driven by the ongoing popularity of beer amongst locals and foreigners, the demand for wines and spirits keeps on rising. Recent economic trend indicates that Tanzanians are becoming more prudent in building their own economy backed up by utilising locally made products. **Mega Beverages Company Ltd** is in progress of establishing a grapevine production scheme and processing plant for wines and increase the capacity of operations of spirits in Dodoma. The intended alcoholic manufacturing plant is expected to accommodate the taste consumers who have some money at their disposal to spend up on special occasions.

The production capacity is estimated at 7,000,000 litres per annum. The company intends to utilise most of locally available materials as this will help to save lead time wasted during the process of importing raw materials and eventually boost the incomes of local suppliers in the country. The total investments in land & buildings, plant & machinery, equipment and motor vehicles totals to **US\$ 8,666,212 that will be financed through 30% owners' equity and 70% external financing**. The company is managed by experienced persons in the beverages manufacturing industry. The directors have a broad working experience through working in the same field both within the country and other countries. The management team comprises of persons with wide experience in the alcohol manufacturing sector which is a key success factor for effective and efficient management of the company and its operations. The project is expected to employ 52 staff (50 being Tanzanians and 2 foreign experts) and hundreds of indirect jobs through the entire supply chain. It is expected that the company will breakeven during its third year and start making profit during the third year.

1.1 Vision, Mission and Core Values

Our Vision: To be a leading company of choice in alcoholic beverages in Tanzania and in the African region.

Our Mission: Our corporate mission is to achieve our vision. We are a company committed to manufacture and build our brands and products both domestically and internationally, produced in accordance with international standards and quality systems that allow us to compete in the global market.

Core Values

Quality – We strive to perform at an excellent level in everything we do. We are reliable. We are committed to producing and delivering products to the highest standard possible every time.

Teamwork - We work together collectively to achieve our common vision and goals.

Honesty & Integrity - We are truthful and our actions are consistent with our words. We are honest and direct in all of our communications.

Respect & Dignity - We demonstrate respect for and appropriate loyalty towards our customers, colleagues and suppliers.

Innovation & Improvement -We drive change and challenge the status quo to exceed our customers' expectation.

Safety – We are committed to the safety, wellbeing and security of the business, facilities, people whom we serve and our employees.

1.2 Project Location

The project is located in Dodoma city at Chinangali II, Plot number 4, Block D, with title deed number 62582. The area is accessible and has basic infrastructure including water, electricity and passable roads. These facilities have enabled the area to be accessible throughout the year.

1.3 Implementation Period

The project is expected to commence on 1st December, 2021. The project area has already been acquired and prepared for the plant to be installed. The project shall be implemented in two phases. Phase one shall include preliminary stages such as site preparations, construction, plant installation and procurement of beginning raw materials and purchase of machineries and equipment. Phase two shall include activities for project expansion such as construction of a more production facilities, new equipment purchases and installation. The activities in phase two shall include installation of machinery and equipment and start of production as described in the following Table.

Table 1.1: Implementation Schedule

NO.	ACTIVITIES	PHASE ONE (Dec. 2021-Sept, 2022)		PHASE TWO	
		Dec, 2021-May, 2022	June,2022-Sept,2022	Oct-Dec 2022	Jan.2023 onwards
1	Site preparations and resource Mobilisation				
2	Construction of project facilities				
4	Purchase of machinery, installation of machines and equipment; Procurement of raw materials.				
5	Production starts				
6	Product launching and marketing				

1.4 Project Objectives

The main objective of our project is to manufacture and sale alcoholic drinks that include wines and spirits. The project is intended to improve productivity that will ensure the local demand is well served and foreign market demands are met as well.

The following activities will ensure these objectives are met:

- To ensure availability and reliability of high-quality alcoholic products in the local and foreign markets.
- To employ at least 50 people and improve livelihoods of the community and join hands with the government of Tanzania in reducing unemployment level.
- To facilitate the linkages between producers of agricultural commodities and processing industries for alcohol and manufacturing sector in general.

1.5. Project components and costs

For the project to commence its operational activities, investments in working facilities; machineries and equipment are necessary. As of current the company requires the following assets for plant facilities and offices.

Table 1.2: Project Requirements (US\$)

Type of Investment	Cost/Unit (\$)
1.0 Land & Buildings	
1.1 Land acquisition	26,000
1.2 Preliminary ground works	100,000
1.3 Construction and partitioning	1,900,000
Total Land & Buildings	2,026,000
2.0 Plant Machinery	
2.1 Tanks & Lab Equipment's Spirit	720,350
2.2 Blending Upgrade equipment (Software and Equipment)	243,913
2.3 Chiller System	114,783
2.4 Barrels + Cleaner + Racks	179,750
2.5 Pumps	65,426
2.6 Presses + Hoppers	239,896
2.7 Sorting Table	17,217
2.8 Destemers	63,130
2.9 Elevator	33,287
2.10 Stills	160,696
2.11 Self-adhesive labeler for labeling production line	86,893
2.12 Filters	183,652
2.13 Catwalk	57,965
2.14 Fittings	149,217
2.15 Bottling lines	2,496,524
2.16 Forklift	66,482
Total Machinery	4,879,181
3.0 Office Equipment	
3.1 Computers	20,374
Total Office Equipment	20,374
4.0 Motor Vehicles	
4.1 Two Stainless Steel (Food Standard) Tanker Trucks for Spirit transportation	277,179
4.2 Sales and administration vehicles	1,291,304

Type of Investment	Cost/Unit (\$)
4.3 Delivery vehicles	172,174
Total Motor Vehicles	1,740,657
Total Investment	8,666,212
5.0 Working Capital	
5.1 Raw Materials	1,924,500
5.2 Labour	184,200
Total Working Capital	2,108,700
Total Cost	10,774,912

2.0 BUSINESS DESCRIPTION

The core business of the company is to manufacture and sale alcoholic beverages which are spirits and wines. The company has already secured production area in Dodoma for production and distribution of the final products to the consumers within and outside the country. In this regard, the company requires a sufficient number of facilities and staff to carry out this assignment.

2.1 Product Description

Mega Beverages is the manufacturer and distributor of the common brand, K-Vant Asilia which is a spirit infused with carefully selected indigenous Tanzanian botanical made by fine spirit, K-Vant flavour and De-ionised water. This vibrant yet balanced spirit is best enjoyed with tonic or in a cocktail. The brand meets both national and international standards and it has been certified by Tanzania Bureau of Standards (TBS). In addition to K-Vant Asilia, the company would also like to venture into production of wines in Dodoma new project.

Image 1: K-Vant Asilia



We strive for our products to be successful to meet and satisfy our customers' specific needs and be able to function as promised. The features and benefits of the product shall be clearly communicated to current and potential customers. Another vital feature of our products is branding, because it's what differentiate our products from other similar products in the market. It also creates customer recall and loyalty. These factors ultimately affect product strategy. Other factors that we focus on aside from the product itself, are packaging, quality, and consistency of service delivery. The company will ensure that all production requirements and features are properly observed to ensure high quality products and efficient delivery methods and feedback systems from our consumers.

of Tanzanians currently are willing to pay a premium price for a product that satisfies their expectations. Demographically, the country is increasing in population where currently the country is estimated to have over 59 million people. The increase in population necessitates increase in products and services.

Technological factors: Technological factors are variables that are being used for evaluating available alternatives with respect to technological capabilities. Our company consider it as an important tool for improving operations and functions. Technological factors are one of various external environment factors that affect businesses greatly and are also an integral component of the **PESTLE analysis**. In the present scenario, utmost dependence on equipment, technological factors can have more effect on business operation and success globally than ever before. Furthermore, development of technology has also introduced digital marketing strategies through which companies are able to sell their products and services. Even the research and development R&D divisions in companies have changed its way of functioning and more advanced techniques in the development of products and services have been introduced only through technological advancements. *Mega Beverages Limited* is constantly looking for development and updates within the technological environment. In this way, we do not only improve our operations but, we will also be well aware of business transformational phase. We will derive groundbreaking strategies to grow exponentially.

3.2 Industry Analysis

Tanzania's alcohol industry is expected to experience positive growth over five-year forecast period done by WHO as total alcohol consumption increases by 10.4% between 2015 and 2020¹. The report reveals that the industry benefits from a favourable demographic outlook. Tanzania population is forecasted to grow from 55.2 million in 2016 to 62.3 million by 2020, with approximately 27% between the ages of 20 to 39. We believe this will boost Tanzania's alcohol sector, as younger cohorts tend to consume greater amounts of alcohol.

¹ BMI (2016): Tanzania Food and Drink report, WHO

4.0 MARKET ANALYSIS

The market analysis helps to determine demand level and whether the company shall be able to capture some of the market share. Also, the project shall determine methods of production, market size, pricing methods and competitors' analysis. The basic concern of this project is to manage the available resources to improve the living standards of the community and limit the effect of scarcity for locally made products.

4.1 Market Size

The market for wines and spirits in alcoholic segment is huge and not exhausted. There is huge demand especially on summer seasons compared to rainy seasons. Both global and local market trends indicating a growing demand in the alcoholic beverages. The global statistics on the wine market indicates that the value spent in the wines segment is projected to reach US\$ 457,434m in 2020. The market is expected to grow annually by 3.2% (CAGR 2020-2023). In the wine segment, volume is expected to amount to 35,404.7 ML by 2023². In Tanzania, the country's strategic location for exports and membership of the East African Community gives it the potential to act as gateway to the East African market for alcoholic beverages. The report by WHO (2017) indicates that Tanzania is among the top 10 countries in Africa with high alcohol consumption where the average consumption is 7.7 litres of alcohol per capita per year. The average consumption of alcoholic beverages in Tanzania is described in Table 4.1.

² Statista, 2019: Spirits Worldwide report, August, 2019

Table 4.1: Total Alcoholic Drinks Spending and Consumption (Tanzania 2013-2019)

Description	2013	2014	2015	2016	2017	2018	2019
Total alcohol consumption, litre (million).	457.6	512.7	562.1	619.2	682.5	755.3	834.5
Total alcohol consumption, litre mn, % change y-o-y	6.3	12.1	9.6	10.2	10.2	10.7	10.5
Total alcohol consumption, litres per capita	16.6	18.1	19.2	20.5	21.8	23.4	25
Beer, litres (million)	445.6	492.5	541.3	596.2	657.2	727.2	803.7
Beer, litres per capita	16.2	17.4	18.5	19.7	21	22.5	24
Wine, litres (million)	4.6	5.2	5.9	6.8	7.8	9	10.2
Wine, litres per capita	0.2	0.2	0.2	0.2	0.3	0.3	0.3
Spirits, litres (million)	7.4	15.1	14.9	16.3	17.5	19	20.6
Spirits, litres per capita	0.3	0.5	0.5	0.5	0.6	0.6	0.6
Alcoholic drinks spending TZS bn	569.11	591.31	639.94	696.73	761.09	832.33	905.27
Alcoholic drinks spending, TZS %	11.77	3.90	8.22	8.87	9.24	9.36	8.76
Alcoholic drinks spending, TZS per capita	11,333.78	11,410.24	11,968.12	12,632.09	13,381.29	14,194.81	14,979.77

Source: Business Monitor International Ltd for WHO (2013-2019)

The report reveals that total alcohol consumption in 2019 was 834.5 ML which is a growth of 82% from 457.6 ML recorded in 2013. The growth from 2018 to 2019 is shown to be 10.5%. These statistics shows that alcohol consumption in the country has been growing tremendously. The consumption of beer is estimated to be 803.7 million litres in 2019 with per capita consumption of 24 litres. While for spirits the total consumption in 2019 was 20.6 million litres with per capita consumption estimated to be 0.6 litres. The total spending on alcohol drinks has been growing from TZS bn 569.11 in 2013 to TZS bn 905.27 in 2019. All these statistics indicate a lucrative nature of the alcoholic beverages sector

4.1 Market Size

Table 4.2 summarizes the expected demand trends. The expected customers are categorized based on their roles; retailers, these are those who buy our products and sale to consumers directly, they may buy in large quantities and some in small quantities, this segment will be accommodated as well. Wholesalers: buy in large quantities for further distributions to their networks mainly retailers in the various places; these will be given a special discount based on the quantity bought. Another category is the institutions that wish to have direct purchase from our plant or distributions centres; these will be accommodated as well at a discounted price.

Table 4.2: Expected Demand for Wines & Spirits per Year in US\$

Product	Potential Customer	Quantity demanded (Litres)	Price	Estimated Value
Wines	Retailers	480,000	6.5	3,120,000
	Wholesalers	600,000	6	3,600,000
	Institutions	70,000	6	420,000
	Sub-total	1,150,000		7,140,000
Spirits	Retailers	300,000	5.00	1,500,000
	Wholesalers	470,000	4.50	2,115,000
	Institutions	80,000	4.50	360,000
	Sub-total	850,000		3,975,000
Total Sales		2,000,000		11,115,000

4.2 Competition

Mega Beverages' flagship, K-vant, is one of the popular and preferred drink in Tanzania. Our objective is to increase the market share as we continue to compete in the market. Despite the presence of ready market in the country and foreign markets as well, the market of wines and spirits is also facing a stiff competition from other alcoholic beverages produced in the country and imported alcoholic beverages including similar products of wines, spirits, gins and rums and those which are close alternate such as beers. There is stiff competition from Konyagi, Valuer and host of other spirit alcohol brands i.e. gin and brandy are relatively popular amongst lower income consumers with high alcohol content usually above 35% perceived to giving consumers in this segment value for money. Although the alcoholic market in Tanzania

is dominated by local brews and beers, however with a growing economy and a more educated consumer base, the consumption of wines has been steadily rising and is now considered a commercial opportunity.

In order for the business to be able to stand out in the cloud from competition from within and outside the country, the company is focusing on the following;

Competitive Advantages;

- *Technology* – Based on modern production technology, the production and product packaging and labelling will provide a new look and stylish in the locally made wines.
- *Safety and cleanliness* – Hygiene to be maintained throughout the production process. The product is processed and kept by modern tools and clean tanks.
- *Certification* – The process for obtaining certifications from relevant authorities are underway. Well packed wines will be tested and obtain approval of TMDA and TBS for assurance to customers.

Brand awareness; to ensure that by mid of project period, 50% of the market is aware of the product and services offered by the organization. The company is intending to use media advertisement including print media, social media, audio and televisions.

Sales volume; the company intends to generate sales volume that covers both fixed and variable costs and obtain substantial profit. The company intends to keep searching new market niches in order to expand production and increase market share.

4.3 SWOT ANALYSIS

Mega Beverages Limited has conducted a thorough SWOT analysis that will help us achieve our business goals and objectives. This is the summary of the SWOT analysis that was conducted. The analysis is carried out to assess the strength that the business can leverage on, and then assess its weaknesses that need to be improved. In this part also potential opportunities are identified and how the business can utilize these opportunities. Lastly, the business has identified potential threats and challenges that are likely to face the business and the workable mitigation plans.

Strengths: Part of what is going to count as positives *Mega Beverages Limited* has vast experience and knowledge of the management team; we have people on board and the company intend to hire people for the new project who are highly experienced and who understand how to grow business from the scratch to profitability. So also, our distribution network is good and of course our excellent customer service culture will definitely count as a strong strength for the business.

Weakness: A major weakness that may count against us is the fact that we haven't penetrated enough to the foreign markets. Our new strategy will be to serve both local and foreign markets.

Opportunities: Limited wines and spirits manufacturing plants in the country opens up a huge opportunity to our business. We only need to position our business to take advantage of the existing market of wines and spirits, also we strive to create our own new market. We know that it is going to require hard work, but we are determined to achieve it.

Challenges/Threats: We are quite aware that just like any other business, one of the major threats that we are likely going to face is economic downturn and unfavourable government policies. It is a fact that economic downturn affects purchasing power. Another threat that may likely confront us is the likelihood of other companies to start manufacture of wines and spirits in similar locations where we are. However, we understand on how to position ourselves in the market, at the same time making sure that our products meet the demand requirements.

4.4 Marketing, Distribution and Communication Strategy

Various methods of marketing mix will be used to cub the existing and potential weaknesses and challenges/threats while utilizing the arising opportunities and leveraging on the key strengths of the company.

Pricing: The objectives of price strategy depend on a number of factors such as business economic and marketing objectives. Price setting can be based on cost or market based. With demand and competition orientation concepts, a fair price can be set which customers are willing to pay at the same time covers operational costs with

some profit margin. Our products will be competitively priced in relation to the dictates of the market. Due to the introductory nature of our products we intend to implement a penetration pricing strategy which will ensure that potential customers are not frightened away by our prices, up until our products are appreciated and fully operational. In this case our products will be priced a bit cheaper. However, this will dictate that our costs are prudently kept so as to ensure our financial goals come to fruition.

Distribution: *Mega Beverages Limited* has arranged to start operations by looking at the most convenient market segment. The main targeted market is selling the products to identified wholesalers in all selected regions. This helps to save time and cost of establishing shops at the start. After production expansion, distribution shall be done through company vehicles, distributed monthly and regular follow-up shall be made. While for other customer segments, online marketing shall be fully applied to contact potential customers and make orders online. However, the company shall mainly focus to engage agents for distribution (wholesaler) in strategic regions such as Dar es Salaam, Mwanza, Kilimanjaro, Arusha, Kigoma, Mbeya, Iringa, Ruvuma, Tanga, Morogoro, Zanzibar and Dodoma where the project is located. Institutions that are involved in provision of hotel and hospitality services such as hotels will be contacted and dealt with directly.

Promotion: A word of mouth has been the major promotion strategy for the business. This strategy is cheap and the product can effectively describe itself as it is clean and self-sufficient. The company shall make use of the trade fair and exhibitions in the country that will help to promote the products. The company will also be printing t-shirts and fliers as a communication strategy and promotional tools. The official website/ blog will be launched and maintained by outsourcing IT technicians. This strategy will help to promote the company in foreign market. The expected marketing expenses amounts to **USD 21,000** per annum as summarized in Table 4.3.

grain or potatoes; both are distilled to fairly high ethanol content, sometimes filtered through charcoal to attain purity, and then, in the case of gin, flavoured. Sugar cane and molasses are used to produce rum; and the Mexican spirit, tequila, is distilled from a mash made from cactus.

5.4.1 Flavoring

Flavouring is an important part of spirits. The large variety of substances used in flavouring can be grouped into three main categories: herbs and spices, seeds and plants, and fruits. The flavours can be obtained from the raw ingredients by pressure, by extraction or by distillation from an alcoholic solution. One or more ingredients may be soaked in alcohol, which is sometimes warmed to hasten the process. Another method is to mix the ingredient with alcohol and then distil the mixture; the condensed vapour then contains a high proportion of both ethanol and the flavouring components of the added ingredient, provided these components are volatile. Many flavouring ingredients may be used in a single beverage. The recipes are often closely guarded secrets, but it is well known that ingredients such as angelica, aniseed, blackcurrant, camomile, caraway, cinnamon, cloves, coffee, juniper, lavender, lemon, orange and rose petals are used, as are many other fruits and berries. The required raw materials in Phase one is shown in Table 5.1.

Table 5.1: Raw Materials

S/N	Particulars	Units	Qty	Price(\$)	Value(US\$)
1	Grapes	Ton	150	800	120,000
2	Spirit	Lts	60,000	20	1,200,000
3	Preferm or Pet Bottles	Nos	2,000,000	0.06	120,000
4	Caps for Bottles	Nos	2,000,000	0.07	140,000
5	Flavours	Lts	3,375	8	27,000
6	Caramels	Lts	2000	25	50,000
7	Carton Boxes	Nos	12,000	20	240,000
8	Sealing Tapes	Rolls	1000	25	25,000
9	Sticker labels for bottles	Nos	50,000	0.05	2,500
	Total				1,924,500

The raw materials description table shows that at the start of the production a total of USD **1,924,500** will be spent on raw materials per consignment. Raw materials purchases are planned to 4 times per year.

5.5 Long Term Operation Plan

The project is expected to be operated through two main departments; the finance and administration one hand; and operation and marketing on the other. The Finance and Administration department is responsible for all administrative and personnel issues; while the operation and production departments are responsible for field operations and technical aspects of the business and marketing activities. The operations manager is a skilled salaried employee who work day to day to achieve plant pre-set targets. On the other hand, the Finance and Administrative Manager will lead the strategic plans and make sure they correspond to available operational environment. The operational plan is associated with production costs as well as materials required as inputs in the production process.

5.6 Labour Requirements

Labour is one of the most important inputs in any industrial enterprise. The proposed plant will require both skilled and unskilled labour who will be Tanzanians and few foreign experts. It is expected that the company will employ 52 workers, 50 being Tanzanians and 2 being foreigners. Table 5.1 indicates labour required amounts to US\$ 14,900 per month that is US\$ 184,200 per year.

Table 5.2: Labour Requirement (US\$)

Description	Qty	Local	Unit price \$	Monthly Salary	Annual Salary
		Foreign		\$	\$
Managing Director	1	Local	1,500	1,500	18,000
Operations					
Operations Managers	2	Foreign	1,500	3,000	36,000
Section Operators	2	Local	250	500	6,000
Casual labourers	15	Local	120	1,800	21,600
Maintenance Department					
Maintenance Manager	1	Local	300	300	3,600
Safety & Health Officer	1	Local	250	250	3,000
Electricians	4	Local	250	1,000	12,000
Finance & Administration Department					
Human Resources Manager	1	Local	300	300	3,600
Assistant Personnel Officer	1	Local	250	250	6,000

Description	Qty	Local	Unit price \$	Monthly Salary	Annual Salary
		Foreign		\$	\$
Procurement Officer	1	Local	250	250	6,000
IT Officer	1	Local	250	250	6,000
Personal Secretary	1	Local	200	200	2,400
Office Attendants	2	Local	150	300	3,600
Drivers	5	Local	200	1,000	12,000
Security Officer	4	Local	150	600	3,600
Finance Department					
Finance Controller	1	Local	300	300	3,600
Accountant	1	Local	700	700	8,400
Cashiers	2	Local	400	800	9,600
Store keeper	1	Local	300	300	3,600
Marketing Department					
Marketing manager	1	Local	300	300	3,600
Sales Officers	4	Local	250	1,000	12,000
Total	52			14,900	184,200

5.5 Production Overheads

Production overheads covers costs such as utilities for water and electricity, postage and telephone, maintenance and other costs directly associated with production. Table 5.3 shows production overheads amounting to US\$ 32,600 per month that is US\$ 391,200 per year.

Table 5.3: Production Overheads (US\$)

Item	Monthly Expenses	Annual Costs
Postage & Telephone	300	3,600
Electricity bills	12,000	144,000
Water bills	300	3,600
Fuel & Lubricants	15,000	180,000
Maintenance Costs	4,000	48,000
Others	1,000	12,000
Total Costs	32,600	391,200

5.6 Total production Cost

The estimated total production cost is US\$ **391,200** per annum as shown in Table 5.4 below. The raw materials are purchased 4 times a year, thus materials per consignment amounts to US\$ 1,924,500, therefore annual costs amount to US\$

7,698,000. The costs for labour and production overheads are calculated on monthly basis. Total production cost amounts to US\$ 8,268,000

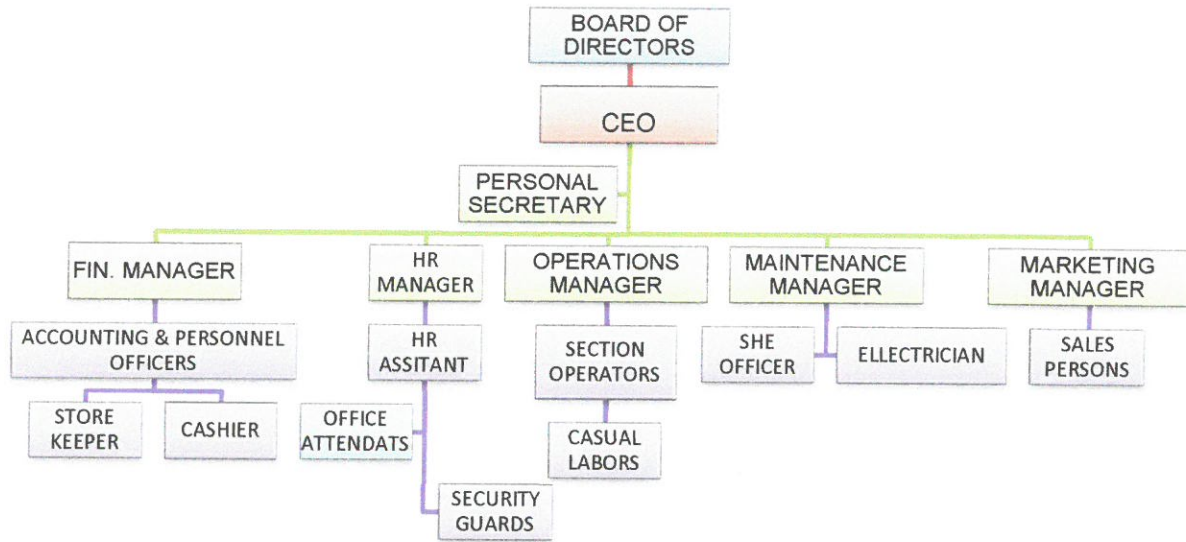
Table 5.4: Total Production Cost (US\$)

Item	Expenses/Month/Consignment	Annual Cost
Raw materials	1,924,500	7,698,000
Direct labour	14,900	178,800
Production Overheads	32,600	391,200
Total Costs	1,972,000	8,268,000

6.0 MANAGEMENT PLAN

The management structure of **Mega Beverages Limited** is headed by the CEO who is overseeing all company's operations on daily basis. The Operations Manager shall be responsible for day-to-day production and operations and manage all staff under his/her line in the project. The Finance and Administrative Manager shall be responsible for all administrative duties and finances and supervises all personnel under his/her line; The Marketing Manager shall be responsible for daily operations, sales and engaging casual workers at different levels when needed. The engineering and maintenance manager shall be responsible for technical issues of the plant. The following figure illustrates the organisation structure of the company.

Figure 6.1: Organization Chart



7.0 FINANCIAL PLAN

7.1 Financial Assumption

Several assumptions were made and considered in the preparation of this financial plan and projection. The assumptions are based on professional judgment, economic trends and current financial market environment. These are as noted below;

- (i) The focus market shall be domestic market through wholesalers, retailers, direct sales and to other countries through exports;
- (ii) All sales will take place throughout the month and billing will be done at the end of the month;
- (iii) The annual sales are projected to grow by 5% per annum;
- (iv) Loan interest rate is projected at 18% per annum on reducing balance.
- (v) Depreciation will be charged on straight line method to allocate the cost of each value over its estimated useful life. The rates to be used are as follows;

(a) Buildings	5%
(b) Furniture & Fittings	10%
(c) Equipment	10%
(d) Motor vehicles	20%

The financial assumptions will also include issues on credit sales, payments of interest rates, taxes and other levies. From the beginning, we recognize that payment terms and hence collection days are critical, but not a factor we can influence easily. At least we are planning on the problem, and dealing with it. Interest rates, tax rates, and personnel burden are based on conservative assumptions. Some of the more important underlying assumptions are:

- We assume a strong economy, without major recession.
- We assume, of course, that there are no unforeseen changes in economic policy to make our service immediately obsolete or unwanted.
- We assume an inflation rate of 5% yearly.
- Maintenance costs 5% of Property Plant and Equipment
- Corporate tax is 30% of Net Income

7.2 Sources of Funds

The project financing shall come from owners' equity (30%) and bank loan (70%). The owners have already committed some funds used for land acquisition and preliminary costs of the project.

7.3 Profitability Analysis

The project profitability analysis indicates that the project will be able to generate substantial amounts of profits throughout the project, table 7.1 summarizes the profit analysis for 5 years.

Table 7.1: Profit Projections (US\$)

Year	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEARS 5
Sales	11,115,000	11,670,750	12,254,288	12,867,002	13,510,352
Total production cost	8,268,000	8,681,400	9,115,470	9,571,244	10,049,806
Profit Margin (Loss)	2,847,000	2,989,350	3,138,818	3,295,759	3,460,546

7.4 Operating Expenses

The following table shows the projected operating costs for five years. All expenses reflect an inflation rate of 5% annually.

Table 7.2 Operating Expenses (in US\$)

Expenses	Year 1	Year 2	Year 3	Year 4	Year 5
Marketing expenses	21,000	22,050	23,153	24,310	25,526
Bank Charges	522	548	576	604	634
Insurance	347,826	365,217	383,478	402,652	422,785
Office expenses	1,045	1,097	1,152	1,210	1,270
Permits and Licenses	435	457	480	504	529
Vehicle expenses	13,480	14,154	14,862	15,605	16,385
Professional fees	2,608	2,738	2,875	3,019	3,170
Provisional for bad & doubtful debts	63,900	67,095	70,450	73,972	77,671
Depreciations	939,387	939,387	939,387	939,387	939,387
Miscellaneous expenses	2,100	2,205	2,315	2,431	2,553
Total	1,392,303	1,414,948	1,438,728	1,463,694	1,489,910

7.5 Break-even Analysis

A **break-even analysis** is a financial tool which helps to determine at what stage a company, or a new service or a product, will be profitable. In other words, it's a financial calculation for determining the number of products or services a company should sell to cover its costs (particularly fixed costs). Break-even analysis (or break-even point) was calculated to determine how much of a good or service need to be sold in order to cover the total fixed costs. Table 7.3 indicates the break-even analysis.

Obtained as; *Break-even analysis in units = fixed costs / (sales price per unit – variable cost per unit)*

Table 7.3: Break-Even Analysis

Description	Unit	Value
Total Sales in year 1	US\$	11,115,000
Total Volume in Year 1	Litres	2,000,000
Sales/per unit	US\$	5.56
Fixed cost	US\$	8,666,212
Variable cost	US\$	8,268,000
Variable cost/unit	US\$	4.13

Beak-even units	Litres	6,087,960.66
Break-even sales	US\$	33,833,841.37

From the analysis it is clear that the project will be able to break-even in 3 years and one month of the project when 6,087,960.66 units are produced. The break-even sales value is realised at US\$ 33,833,841.37.

7.6 The Projected Income Statement

The projected income statements for five years indicate that the project shall be able to generate substantial amounts of profits as detailed below.

Table 7.4 Projected Income Statements for five years

Description	Year 1	Year 2	Year 3	Year 4	Year 5
	US\$	US\$	US\$	US\$	US\$
Sales	11,115,000	11,670,750	12,254,288	12,867,002	13,510,352
Total production cost	8,268,000	8,681,400	9,115,470	9,571,244	10,049,806
Profit Margin (Loss)	2,847,000	2,989,350	3,138,818	3,295,759	3,460,546
Less Operating Expenses	1,392,303	1,414,948	1,438,728	1,463,694	1,489,910
<i>Earnings before Interest and Tax (EBIT)</i>	1,454,697	1,574,402	1,700,090	1,832,064	1,970,637
Less Loan interest	1,095,652	898,435	736,717	604,108	495,368
<i>Earnings Before Tax</i>	359,045	675,967	963,374	1,227,957	1,475,269
Less TAX 30%	107,713	202,790	289,012	368,387	442,581
NET PROFIT/ (Loss)	251,331	473,177	674,362	859,570	1,032,688
Dividend 30%	75,399	141,953	202,309	257,871	309,806
Retained Earnings	175,932	331,224	472,053	601,699	722,882

7.7 Projected Balance Sheets for Five Years

The projected balance sheet for five years is shown in Table 7.5 below.

Table 7.5: Projected Balance Sheet for five Years.

DESCRIPTION	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
NON CURRENT ASSETS	US\$	US\$	US\$	US\$	US\$
Property, Plant & Equipment	6,925,555	6,334,300	5,743,044	5,151,789	4,560,533
Motor Vehicles	1,740,657	1,392,526	1,044,395	696,264	348,133
Total Non-Current Assets	8,666,212	7,726,826	6,787,439	5,848,053	4,908,666
Current Assets					
Receivables and Deposits	271,910	137,400	139,800	141,200	143,369
Cash and Bank Balance	135,097	175,515	215,106	377,002	435,434
Total Current Assets	407,007	312,915	354,906	518,202	578,803
TOTAL ASSETS	7,332,562	6,647,215	6,097,950	5,669,991	5,139,336
CAPITAL & RESERVES					
Share Capital	434,783	434,783	434,783	434,783	434,783
Retained Earnings	171,896	325,357	464,265	591,893	710,957
Total Equity	606,679	760,140	899,048	1,026,676	1,145,740
Non-Current Liabilities					
Borrowings	6,086,956	4,991,304	4,092,869	3,356,153	2,752,045
Current Liabilities					
Trade Payables	522,327	779,881	976,977	1,260,939	1,226,981
Accrued expenses	116,600	115,889	129,055	26,223	14,569
TOTAL LIABILITIES	6,725,883	5,887,074	5,198,901	4,643,315	3,993,595
TOTAL EQUITY AND LIABILITIES	7,332,562	6,647,215	6,097,950	5,669,991	5,139,336

7.8 Projected Cash Flows

The projected cash flow statements for five years are shown below.

Table 7.6 Projected Cash Flow Statements

DESCRIPTIONS	Year 1	Year 2	Year 3	Year 4	Year 5
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Cash from operations:					
Profits before tax	1,454,697	1,574,402	1,700,090	1,832,064	1,970,637
Adjustments for non-cash items:					
Depreciations	939,387	939,387	939,387	939,387	939,387
Change in Working Capital:					
Receivables	-271,910	-137,400	-139,800	-141,200	-143,369
Trade payables	522,327	779,881	976,977	1,260,939	1,226,981
Accruals	116,600	115,889	129,055	26,223	14,569
Total	2,761,101	3,272,159	3,605,709	3,917,413	4,008,205
Less: Tax payments	-107,713	-202,790	-289,012	-368,387	-442,581
Total Cash Inflow from Operating Activities	2,653,388	3,069,369	3,316,697	3,549,026	3,565,624
Cash from investing activities:					
Purchase of property, plant & equipment	-8,666,212				
Other purchases	0	-771,171	-1,120,690	-1,307,760	-1,484,626
Net Cash Outflow from Investing Activities	-6,012,824	2,298,198	2,196,007	2,241,266	2,080,998
Cash from financing activities:					
Term loan	6,086,956				
Loan repayments	-1,217,391	-1,217,391	-1,217,391	-1,217,391	-1,217,391
Interest Paid	-1,095,652	-898,435	-736,717	-604,108	-495,368
Dividends	-75,399	-141,953	-202,309	-257,871	-309,806
Change in cash & cash equivalent	-2,314,311	40,418	39,591	161,896	58,432
<i>Beginning Cash Balance</i>	<i>2,449,408</i>	<i>135,097</i>	<i>175,516</i>	<i>215,106</i>	<i>377,002</i>
<i>Ending Cash Balance</i>	<i>135,097</i>	<i>175,516</i>	<i>215,106</i>	<i>377,002</i>	<i>435,434</i>

8.0 ECONOMIC ASPECTS

8.1 National economic and social Benefits

The economic and social impact of establishing the proposed project to Tanzania is expected to be positive. This positive impact is expected to be direct and indirect as explained below

(i) Direct economic impact

Direct positive economic impact is expected to come from three factors, namely;

- (a) Tax payments to the government
- (b) Foreign currency savings,
- (c) Employment opportunities generation (52 direct jobs expected to created).
- (d) Technology transfer.

(ii) Indirect economic (job creation)

In addition to the direct employment opportunities that the proposed project is expected to generate, its operations are expected to boost operations of their distributors and suppliers of goods/services that the project will need to sustain its operations. With the increase in the activities of these suppliers, there is great likelihood that the increase will create additional employment opportunities in their businesses.

(iii) Corporate Social Responsibility

The project is also expected to operate as a responsible corporate citizen by fulfilling some of its corporate responsibilities such as assisting some of the disadvantage communities by way of donations, starting from the communities living near the factory.

9.0 conclusion

The financial analysis in this plan indicates a positive growth and ability of the project to recover initial investments and make substantial profits in the successive years. The objectives indicated in this plan are likely to be met; hence it is feasible undertaking this project. In addition, the community where the project will operate is likely to benefit from employment created through provision of locally made wine and spirit at a

reasonable price and thus create more indirect jobs to all stakeholders engaged in the purchase and sell of ball pens. The project is also expected to benefit the society through social corporate responsibility activities of the company; and most importantly; the government will get taxes from the project and help to contribute to countries economic growth strategies.

9.1 Recommendation

We are highly encouraged to undertake this project, due to the fact that it has proven to have great potentials of meeting the locally available demand and foreign markets as well. The financial analysis also shows a significant contribution of the to the country's economic activities through employment creation along the distribution channels and raising tax revenues to the government. Various stakeholders both from the public and private sector are highly requested to support this project at whatever capacity that may make this project a success.

Annex II: Product Regulations-Spirits

Standards and regulations related to spirit drinks have been established by different countries and international organizations to ensure the safety and quality of spirits. In Tanzania the standards and regulations for spirits are issued and regulated by Tanzania Bureau of Standards (TBS). Tanzania being a member of EAC there has been agreements on harmonised standards in the region. Spirits are alcoholic beverages consumed by relatively many people in East Africa and hence their effects on people in terms of health, social status and income are remarkable. The demand for spirits in the country is increasing as a result of social climbing and population increase. As a result, the nation has to spend some money to import some of the spirits or their raw materials for the locally made spirits. In order to ensure that spirits that are manufactured locally or imported are safe and of good quality the preparation of this East African Standard was found necessary. The scope of East African Standard specifies requirements and methods of sampling and test for potable spirits.

The EAC standards provide the following definitions of terms:

Potable spirits: an ethyl alcohol product obtained by distilling fermented carbohydrate material or mixing neutral spirit with water in proportion suitable for human consumption.

Ethanol: alcohol (ethyl alcohol), having the chemical formula C_2H_5OH .

Liquor: distilled potable alcohol as distinguished from fermented beverages such as wine.

Neutral spirit: A distillate obtained from fermented carbohydrate material, purified by fractional distillation with complete removal of fuel oil and furfural.

Ethyl alcohol content: The ethyl alcohol content in potable spirits shall be between 35 % and 45.0 % by volume at 20°C when determined according to the method prescribed in EAS 104 Alcoholic beverages – Method of sampling and test.

Permitted food additives: Potable spirits may contain food additives which are prescribed in EAS 103, Schedule for permitted food additives. Potable spirits may be

flavoured with fruit or other botanical substances that are intended to impart the characteristic taste and aroma associated with the product. Such additions should not be injurious to health.

Taste and aroma: The potable spirit shall possess the characteristic taste and aroma associated with the product.

Hygienic conditions: Potable spirits shall be manufactured in premises built and maintained under hygienic conditions. The handling equipment like tanks, bottling machines and packing equipment shall be clean. In all cases EAS 39: Hygiene in the food and drink manufacturing industry – Code of practice shall apply.

Chemical requirements: When tested the chemical characteristics of potable spirits shall conform to the requirements specified in Table below.

Table 1: Chemical requirements for potable spirits

Characteristics	Requirements	Method of test EAS 104 (see Clause 2) Clause numbers
Alcohol percent by volume	35 - 45	5
Specific gravity	0.9592 - 0.9199 (align to adjusted alcohol)	6
Acidity, as acetic acid, mg/L absolute alcohol, max	12	10
Aldehydes (as acetaldehyde), mg/ L, max	5	12
Furfural,	to pass the test	
Methanol content, mg/L, max	50	14
Fusel oil	to pass the test	
Ash, percent by mass	0.001 - 0.041	17

Organoleptic requirements: Spirits shall comply with the organoleptic requirements shown in Table 2.

Table 2: Organoleptic requirements for potable spirits

Property	Requirements
Appearance	Clear, free of suspension sediments and characteristic colour
Odour	Characteristic odour and free of foreign odour
Taste	Characteristic taste and free of foreign taste.

Packing, marking and labelling:

Packaging: Potable spirit shall be packaged in suitable food grade containers. The net volume of the spirit content in the bottle shall be the volume indicated on the container subject to a tolerance of $\pm 1\%$ on individual bottle, measured at room temperature.

Labelling: Labelling of potable spirit shall be done in accordance with the requirements of EAS 38 and shall include the following in each consumer unit

- i) Common name as 'potable spirit';
- ii) Name, physical location and address of manufacturer;
- iii) Ethyl alcohol content, % by volume;
- iv) List of ingredients in descending order of proportion by mass;
- v) Net contents in accordance with the weights and measures requirements;
- vi) A declaration by common name of any additives used;
- vii) Date of manufacture, batch identification number/code;
- viii) Country of origin.
- ix) Statutory warnings.

Sampling and test methods: Sampling and test of potable spirit shall be done in accordance with respective clause of EAS 104 and as specified in relevant clauses.

Annex III: Product Regulations-Wines

This section has been prepared based on the specification under EAS 138:2014 published by East African Community (EAC) and Tanzania Bureau of Standards Third Edition, which specifies the requirements and methods of sampling and test for wine prepared from grapes and other fruits.

Still Table wine

Still table wine is a common commercial alcoholic beverage in the country. The wine industry is expanding very fast to cater for the increasing demand of the commodity. This standard was prepared in order to ensure safety and good quality is maintained during production of wine.

Terms and definitions

For the purposes of this standard, the following terms and definitions shall apply.

Wine: Alcoholic beverage produced by the complete or partial fermentation exclusively of fresh grapes, grape must, or products derived from fresh grapes.

Still table wine: wine without carbon dioxide that is generally dry or sweet

Fruit wine: Alcoholic beverage produced by the complete or partial fermentation of fresh fruits, or products derived from fresh fruits other than grapes.

Dry wine: wine in which practically all the sugar has been converted by fermentation into alcohol

Sweet wine: wine which contains some unfermented sugar

Red wine: a wine with a predominantly red color derived during fermentation from the natural pigment in the skins of dark-colored grapes. **Red wine** shall derive the red colour from natural pigments; mainly anthocyanins present in fruits. No colour shall be added to give or amplify the red colour. The wine shall derive its colour solely from the grapes.

White wine: wine produced by the normal alcoholic fermentation of fruit juice, usually grapes without the pigment extraction.

Skins rose wine: wine produced by the normal alcoholic fermentation fruits juice, usually grapes, in which the colouring matter of skins and stems are removed before fermentation, yet retaining the pink colouration.

Types

This standard covers the following types of still table wine and fruit wine based on sugar content.

- a) dry;
- b) medium dry
- c) semi sweet and
- d) sweet;

Specific quality requirements

Still table wine shall meet the requirements of specified in the table below;

Table 3 — Quality requirements for still table wine

S/N	Characteristic	Specifications	Test method
i	Ethyl alcohol content, %, max	6.5 -16.5	EAS 104
ii	Total solids, g/L	40 - 150	
iii	Total acids, as tartaric acid, g/L of absolute alcohol (grape wine); Total acids, as citric acid, g/L of absolute alcohol (other wine)	4 - 12	
iv	Volatile acids, as acetic acid, g/L of absolute alcohol, max.	2	
v	Total sugar as Invert sugar, g/L	Dry wine max: < 4 Medium wine 4 - 45 Sweet wine > 45	
vi	Sorbic acid, mg/kg, max.	1 000	ISO 5523
vii	Free sulphur dioxide, mg/kg, max.	50	
viii	Total sulphur dioxide, mg/kg, max.	350	
ix	Copper, mg/L, max	2.0	ISO 7952
x	Iron, mg/L, max.	8.0	ISO 5517
xi	Zinc, mg/L, max.	5	ISO 6636-2