

**FEASIBILITY STUDY FOR THE
IMPLEMENTATION PROGRAMME
OF
M/S SUMRY'S ENTERPRISES LIMITED
IN
ESTABLISHING AND OPERATING A
PROJECT FOR MANUFACTURING OF
PHARMACEUTICALS**

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M/S SUMRY'S ENTERPRISES LIMITED
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M/S SUMRY'S ENTERPRISES LIMITED
INVESTMENT PROPOSAL FOR THE ESTABLISHING AND OPERATING A
PROJECT FOR MANUFACTURING OF PHARMECEUTICALS
INVESTMENT PROPOSAL

This feasibility study has been prepared by **M/S SUMRY'S ENTERPRISES LIMITED** for the company's implementation programme in establishing and operating a project for setting up facilities for manufacturing of human medicines in the form of tablets, powder and syrup in Tanzania.

The business plan has been prepared to give an analysis of the all necessary resources required for the implementation programme and also assess its economic viability and commercial viability for presentation to the company's promoters (shareholders) in order to allocate funds and machinery as well as equipment to supplement the equity contribution.

Constraints on access to medicines

Local production of pharmaceuticals for domestic use — especially in the public sector — is constrained by numerous factors, including the national and international policy and legislative environment already described. Other factors, identified by key informants, include:

- Human resource constraints
- Poor infrastructure

- High operating costs
- Weak links between local and international pharmaceutical industries
- Counterfeit drugs
- high cost of local commercial capital
- Poor price controls.

Access to medicines is affected by many factors, including the quality of existing physical and social infrastructure. Even if the government creates a policy and legislative environment to ensure access to drugs and essential health care services, its ability to improve access to health care service may still be limited, unless infrastructure improves and appropriate equipment is provided. Therefore the study sought to look at a range of factors affecting access to medicine in Tanzania and make recommendations to address problems. In Tanzania the leading pharmaceutical manufacturing companies are sheyls pharmaceuticals and keko pharmaceuticals which involved in Public Private Partnership (PPP) in Dar es Salaam and Tanzania Pharmaceutical Industry (TPI) in Arusha also involved in PPP

This study outlines the flows of private capital that lie behind the growth of the for-profit pharmaceutical sector in Tanzania, and analyses the policy, access and equity challenges

The research undertaken of three Tanzanian public-private partnerships (PPPs) focusing on the policy and legal terrain of the pharmaceutical industry and the impact on distribution of and access to medicines in Tanzania.

Pharmaceutical production occurs at three levels :

- Primary level: manufacturing active pharmaceutical ingredients (APIs) and intermediates from basic chemical and biological substances;
- Secondary production includes the production of finished dosage forms from raw materials and excipients (inactive substance); and
- Tertiary level: limited to packaging and labeling finished products or repackaging bulk finished products.

The study established the types of production taking place in Tanzania and the distribution of resultant products for internal use and for export.

The concept of access to essential medicines was analyzed in terms of :

- Physical availability
- Affordability
- Geographic accessibility
- Acceptability or satisfaction (defined as the fit between the users' and providers' attitude and expectations about the products and services and the actual characteristics of these Products and services).

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2. COMPANY'S BACKGROUND

M/S SUMRY'S ENTERPRISES LIMITED is a private owned company registered/ incorporated in Tanzania by Registrar of companies under company's ordinance on **05th** day of **September, 2000** with Certificate of Incorporation **No. 39936**

The company was incorporated with prime objectives of carrying on business of manufacturing of pharmaceuticals in the form of tablets, powder and syrup. The Company determines to manufacture different kinds of human medicines as well as to increase production capacity. And later improve the quality of all forms of pharmaceuticals.

The main purpose of the project proposal is to establish and operate facilities for manufacturing of quality pharmaceuticals to correspond with the growing demand. The quality of company's products will guarantee customer's satisfaction in this intended programme.

There is a very big market for the high quality human medicines which influenced the management of **M/S SUMRY'S ENTERPRISES LIMITED** to invest in manufacturing them. The proposed project will import machinery from Germany, china and india and install new, modern and sophisticated machinery and use of new technology.

Hence, in its implementation the proposed project is estimated to cost **USD \$ 1,000,000**. The estimated capital investment cost will be on new and modern machinery, equipment, utility vehicles and other expenses.

3. MARKET POTENTIAL

There is an extensive market potential for the company's human medicines to be manufactured under this implementation programme as the market is growing day by day especially in urban as well as rural areas for healthy purposes etc. The intended project in its implementation programme will manufacture different kinds of pharmaceuticals.

A recent survey undertaken by **M/S SUMRY'S ENTERPRISES LIMITED** has realized that there is high demand for quality Human medicines which will be made suitable for human health in rural and urban etc.

In Tanzania pharmaceutical products are distributed by the public medical stores department (MSD) in tendering processes and TMDA registered private wholesalers. Tanzania Medicines and Medical Devices Authority – It is a regulatory authority which ensuring safety, quality and effective medicines and medical devices for people.

There are number of factors which will make the proposed project to dominate the market such as well researched drugs, Quality and goodwill. There are few manufacturers and importers of pharmaceuticals who can compete with the company's quality products.

Later the intended project expects to export the pharmaceuticals to the neighboring countries in order to earn foreign currency especially in this implementation programme.

4. THE COMPANY'S OBJECTIVES

M/S SUMRY'S ENTERPRISES LIMITED is a project for carrying on business of manufacturing different kinds of human medicines in powder, tablets and syrup. The mission of project

is basically aimed at research, production and marketing of the pharmaceuticals for local and foreign market in order to achieve the following objectives: -

- To foster the growth of pharmaceuticals manufacturing industry in Tanzania.
- To reduce dependence on external sources for importation of pharmaceuticals.
- To promote local markets for locally pharmaceuticals.
- To promote export market for locally produced pharmaceuticals.
- To promote brand and quality of pharmaceuticals locally.
- To promote growth and expansion of private sector.
- The company will create more employment (more job opportunities from unskilled to professionals/technicians etc.)
- Skill development (human resources development) through on job training and use of modern machinery from Germany, India and china and application of new technology (Chinese Technology).
- Income generation, alleviation of poverty and improve their social welfare

- The company contributes to the government revenue through taxes- corporate tax, SDL, PAYE, WITHHOLDING Taxes and other levies.
- Etc

5. PLAN/PROSPECTS

- High production performance of pharmaceuticals.
- To increasing export market to neighboring countries and hence resulting foreign earnings in addition to the prevailing local market.
- To purchase/ import new plant & machinery and workshop equipment with introduction of new technology.
- To increase the volume of production capacity of pharmaceuticals.
- Opening research centre and modern laboratory.

6. SHAREHOLDERS (PROMOTERS)

The following sponsors are promoting the proposed project **M/S SUMRY'S ENTERPRISES LIMITED**. These are Directors and shareholders of **M/S SUMRY'S ENTERPRISES LIMITED** with their shareholders position.

No	Name of Shareholders	No. of Shares	Nationality	% shareholding structure
1.	Hamoud Abdallah Sumry	70	Tanzanian	70%
2.	Ghalib Ahmed Hamoud	30	Tanzanian	30%
	TOTAL	100		100%

The share capital of the company is Tshs.10,000,000/= divided into 100 shares of Tshs. 100,000/= each, and the Company shall have the power to increase its capital and to divide the shares in its capital for the time being into several classes of stock or shares and to attach thereto respectively such preferential, deferred or special rights, privileges, or conditions as may be determined by or in accordance with the Articles of Association of the Company.

7. LOCATION

The company's business premises are located at plot **No. 15-16, Vikindu / Mkuranga District – Coastal Region**. The Postal Address: P. O. Box 170 Sumbawanga/ Tanzania,

8. IMPLEMENTATION SCHEDULE

8.1 MARCH - 2020

- Preparing feasibility study for the implementation programme in setting up facilities for manufacturing of pharmaceuticals.
- Registration with **Tanzania Investment Centre (TIC)** in implementation programme for the proposed project i.e. application for the Certificate of Incentives.

8.2 APRIL – 2020

- Application for Import Duty exemption on capital/deemed capital goods after being awarded certificate of incentives.
- Ordering/Importing Project machinery, workshop equipment, tools, generators, office equipment, vehicles etc.
- Clearing the goods from the customs control (at the Port and Airport)

8.3 MAY- 2020

- Installing the plant and machinery for manufacturing of human medicines in form of tablets, powder and syrup - To manufacture pharmaceuticals.
- Recruiting new staffs and training them on new technology skills (on how to operate new plant and machinery).

8.4 JUNE – 2020

- Fully commencement of production of all kinds of pharmaceuticals in establishment programme.

9. CAPITAL INVESTMENT COST

Land/Building	USD \$	300,000
Plant/Machinery	USD \$	500,000
Vehicles	USD \$	50,000
Furniture and Fittings	USD \$	-
Pre-expenses	USD \$	50,000
OTHER EXPENSES	USD \$	50,000
Working Capital	USD \$	50,000
TOTAL CAPITAL	USD \$	1,000,000

10. FINANCIAL PLAN (SOURCE OF FUNDS)

M/S SUMRY'S ENTERPRISES LIMITED is a project for manufacturing of high quality pharmaceuticals. The proposed project has firmed up finances for the intended programme by its own ~~own~~ funds (equity):-

Own own fund (equity)	USD \$	1,000,000
TOTAL	USD \$	1,000,000

11. SUBMISSION

M/S SUMRY'S ENTERPRISES LIMITED wishes to submit its investment plan and application to the Tanzania Investment

Centre (TIC) its proposal for registration and award of Certificate of Incentives in the proposed programme of investing in pharmaceuticals Manufacturing project. This will enable the project to qualify for Tax exemption on Capital/ Deemed Capital Goods.

12. LIST OF MACHINERY & EQUIPMENT

-Plants & Machines and equipment for Manufacturing of pharmaceuticals.

13. PRODUCTS

- Human drugs in the form of powder, tablets and syrup.

14. ECONOMIC GROWTH

The positive economic growth which had been registered in Tanzania have attracted more investments in the country, which resulted an increase in human resources development projects such as health centres and hospitals for human health, hence increase in demand for pharmaceuticals.

15. COMPETITION/MARKET

Though there are number of importers and manufacturers of human medicines in Tanzania, still the supply is not enough compared to the level of demand.

However, the company expects to dominate the local and export market because of the brand/quality of the pharmaceuticals. Also the prices of the pharmaceuticals will be affordable.

The other factors which the company is proud of in dominating the markets are well researched drugs, goodwill and promptness.

16. PROMOTION/ ADVERTISEMENT

Promotion/ advertisement, is one of the marketing strategies and aids to trade. The company will advertise its products in the newspapers, street banners and later on in the televisions.

17. BUSINESS STRATEGY

Management of the company has developed and implemented some strategies in order to increase productivity, meet the growing demand and dominate the entire market. These business strategies are technology/ product quality, Advertisement/ promotion, employing qualified and experienced personnel, on job training, business discipline etc

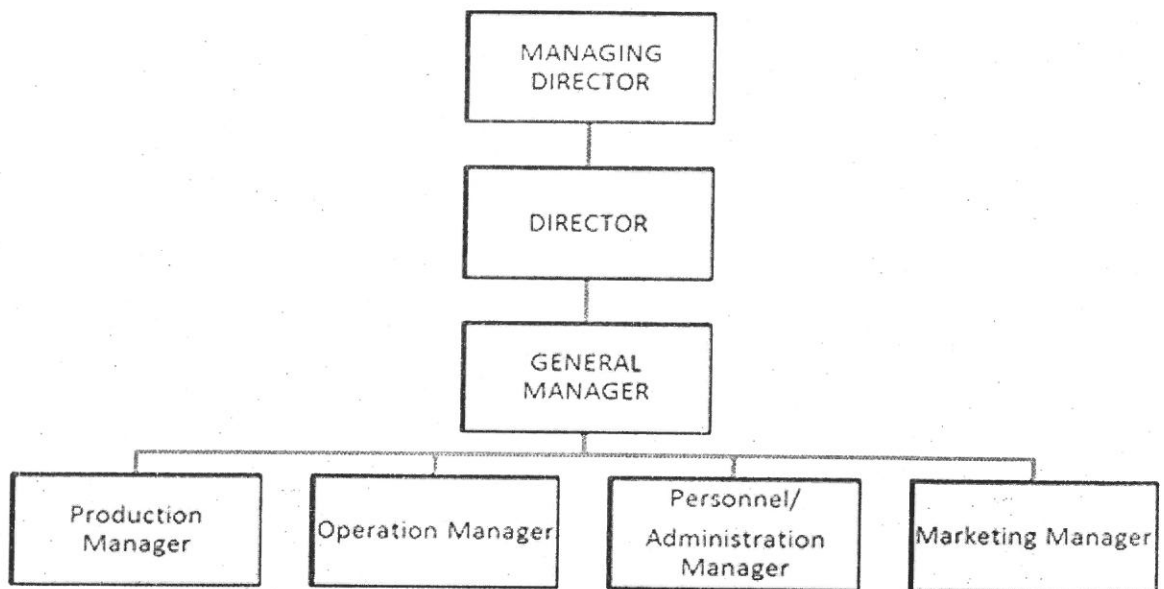
18. ENVIRONMENTAL ISSUE

All the project's operations will be carried out in environmental friendly matter; the wastes will be recycled. It will have good sewerage and drainage system.

19. PROJECT MANAGEMENT

The overall management of the **M/S SUMRY'S ENTERPRISES LIMITED** is vested in the Board of directors. Mr.Hamoud Abdallah Sumry is the Managing Director of the company; He is well versed in manufacturing of human drugs. The other Director is: Mr. Ghalib Ahmed Hamoud.

THE ORGANIZATION CHART



20. MANPOWER AND TRANSFER OF TECHNOLOGY

This project being manufacturer of pharmaceuticals, in its implementation programme will usher in the country new technology (Transfer of knowledge/technology). The advantages to the country are quite significant, and will get the advantage of value addition due to such incoming technology.

Further the country can reduce its dependence on importation and shortage of pharmaceuticals. Hence Tanzanians will be able to purchase human medicines at the reasonable price.

The programme on commencement will cause more people to be employed about 30 local people and raise their income, improve their social welfare and pay taxes; it is poverty alleviation programme to them.

Local employees will get on job training and in long run will improve the technical competence in manufacturing of pharmaceuticals.

21. CONCLUSION AND RECOMMENDATION

The financial evaluation of the proposed project done so far indicates that this programme will be profitable both economically and financially viable venture.

The management being experienced businessmen possess ample managerial capabilities in various business disciplines. Based on the above factors, it is recommended that the company should be granted the certificate of incentives for the proposed programme so as to enjoy tax exemption on capital/deemed capital goods and increase its production capacity.

22. FINANCIAL AND ECONOMIC ANALYSIS

Projected Profit and Loss Account

The company envisages generating a profit of **USD \$ 110,000** this operating year. The profit amount is expected to steadily rise to **USD \$ 120,000** in year two, **USD \$ 130,000** in year three and **USD \$ 140,000** in year four.

Projected cash flows

The projected cash flows for the next five years indicate that the company will have enough funds to service/repay the loan and interest payments. Hence the financial obligations will be met in a timely fashion.

23. SENSITIVITY ANALYSIS

To assess further the viability of the implementation project, sensitivity analysis has been worked out on the basis of several unfavourable conditions that might negatively affect the operations of **M/S SUMRY'S ENTERPRISES LIMITED**

23.1 Effect of cost increase on profitability (on the basis of year II pharmaceuticals income in **USD \$**)

Income	Costs	Increase	Profit before depreciation
390,000	270,000	%	120,000
390,000	283,500	5%	106,500
390,000	297,000	10%	93,000

23.2 Effect of pharmaceuticals income decrease/drop on profitability (on the basis of year II costs in **USD \$**)

Income	Income Decrease	Cost	Profit before depreciation
390,000	%	270,000	120,000
370,500	5%	270,000	100,000
351,000	10%	270,000	81,000

The viability/profitability of the company operations appears more sensitive to sale income/revenue than increase in the

operating costs. This implies that the company should strive to maintain the existing market and undertake an aggressive marketing strategy to hire more clients and expand its market or clients base.

Appendix I

M/S SUMRY'S ENTERPRISES LIMITED
PROJECTED INCOME STATEMENT

Income	Years			
	I	II	III	IV
Sales Income	360.0	390.0	420.0	440.0
Total Income	360.0	390.0	420.0	440.0
Utilities	40.0	50.0	65.0	70.0
Salaries and wages	30.0	30.0	35.0	40.0
Transportation/fuel	10.0	15.0	15.0	20.0
Administrative expenses	20.0	25.0	25.0	30.0
Other Expenses	150.0	150.0	150.0	150.0
Total Expenditure	250.0	270.0	290.0	300.0
Net Profit (pre tax and depreciation)	110.0	120.0	130.0	140.0

M/S SUMRY'S ENTERPRISES LIMITED
 PROJECTED CASHFLOW STATEMENT

(Fig. USD \$ '000')

Year	I	II	III-	IV	V	Total
Cash inflow						
Income from operation	110.0	120.0	130.0	140.0	150.0	650.0
	110.0	120.0	130.0	140.0	150.0	650.0
Cash outflow						
Wear and tear	20.0	20.0	20.0	20.0	20.0	100.0
Taxes	11.0	12.0	13.0	14.0	15.0	65.0
	31.0	32.0	33.0	34.0	35.0	165.0
Surplus cash generate	79.0	88.0	97.0	106.0	115.0	485

**M/S SUMRY'S ENTERPRISES LIMITED
PROJECTED BALANCE SHEET**

(Fig. in USD \$ '000')

No.	ITEM	YEAR 1	YEAR II	YEAR III	YEAR IV	YEAR V
	Source of funds					
1.	Shareholders funds	100.0	150.0	200.0	250.0	300.0
2.	Associated Cos/ Directors	100.0	100.0	100.0	100.0	100.0
3.	Current Liabilities	200.0	250.0	300.0	350.0	400.0
		400.0	500.0	600.0	700.0	800.0
	Application of funds					
1.	Fixed Assets	300.0	300.0	300.0	300.0	300.0
2.	Current Assets	100.0	200.0	300.0	400.0	500.0
		400.0	500.0	600.0	700.0	800.0