

ALKO VINTAGE COMPANY LTD

INVESTMENT PROPOSAL FOR AN APPLICATION OF TIC INCENTIVES FOR THE ESTABLISHMENT OF GRAPE JUICE FACTORY AT KIZOTA WESTERN INDUSTRIAL AREA, DODOMA CITY, TANZANIA



BY

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1. EXECUTIVE SUMMARY

1.1 Background

ALKO Vintages Company Ltd is the company, which was registered in 2007 although its business operations started back in 1999. The company deals with production of variety of high quality wines, which are made of using the locally available wine grapes from Dodoma Region. The principal location of the company is the Central Business Park, Block No 6 in Dodoma Town. The main products produced by the company are;

Alko Vintages Co. Ltd deals with production of different brands of wines like:

SAINT MARY- (Natural Sweet White Wine)

DOMPO- (Fortified sweet dry red wine),

ALTAR- (Natural Sweet Red Wine),

FOR YOU- (Sweet Rose Wine),

IMAGE- (Dry Red Wine) and

DOMPER- (Bag-in- box white wine).



1.2 New Project investment plan

Dodoma is the main region in Tanzania where grapes are grown. According to data compiled by the Dodoma regional agricultural office, in the 2014/15 season there were about 4,810 acres (1,924 ha) under grape production in the region. The total annual production was about 10,800 tons (2015), equal to an average yield of 2.25 tons per acre and has steadily been increasingly

over the last 5 years, partially due to the increased processing capacity of local processors one them being Alko Vintages Company Limited.

Alko Vintages Company Limited is the largest wine maker in Tanzania. It has been making various brands of wine for many years and the quality of wine produced is well known and appreciated all over Tanzania and beyond.

The fruits grow in the cool regions of Dodoma Basing on the study and research made relating to the grape fruit and its associated benefits, is well know that not only grapes make good wine but also make a very good juice because of its increasingly demand benefits.



Tanzania grape juice is one of the two most important products of raw grapes, the other being the wine. The juice is available in red and white colors depending on the variety of the fruit. The main cultivars in the East African country include Chardonnay, Cabernet Sauvignon, Syrah and a local type known as Makutupora.

The following have been established as benefits of grape juice;

- Taking grapes or its juice recipe on a daily basis helps increase potassium in the body that helps keep away problems like heart stroke and prevent loss of muscle mass and bone mineral density among other benefits.
- Grape juice could alter the pH levels in stomach and prevent the norovirus from multiplying.
- Grape juice is a fat-free and cholesterol-free source of vitamins and minerals. It's a low-sodium beverage and contains high levels of antioxidants, which helps in protecting the body from free radicals
- The portability, texture, flavor and assortment of grapes have made them a famous finger fruit all over the world. The potential medical advantages of consuming grapes are immense. According to studies, grapes prevent cancer, heart disease, high blood pressure and constipation.

To Alko Vintages Company this is a very big business opportunity and this the reason why the company has decided to engage in a new project of constructing a new line of factory that will be producing grape juice.

The following will be the process of making grape juice

- **Plastic Bottled Juice**

The company will establish new product line of grape juice to provide high-quality Tanzania grape juice to the local and export markets because there is a huge demand for grape juice. The new product line will need new machines, which will have a capacity of producing 700,000 bottles of grape juice per annum.

- 1) The company will source raw fruits from the areas surrounding Dodoma, the country's primary growing zone.

- 2) The process will start the processing with the removal of the stalks from the fruits. Despite being a nutritious part, the stems contain about 2% of tannin. This is a bitter compound that is toxic and often features in the making of tar products, besides being a diabetes cure. We only do away with the stems to extract any sign of sourness from the juice.
- 3) The grapes will be pounded into small pieces. Then the pieces will be inserted into an extractor to crush the fruit particles in order to squeeze out the juice which drips into a beaker underneath will be collected as crude juice after several takes at the press. This is usually the pure, unblended white juice.

In order to produce red-colored blended Tanzania grape juice, a warm press will be used. The first step is the crushing of the fruits. Their paste then passes into a heating agent at 60 degrees Celsius. This then will move from to the next stage of squeezing under a warm press. Combined with the heating phase, the production process lasts for about 15 minutes. The use of heat is to allow the melanin or the red pigment of the skin to bond completely with the juice. This gives it the blood-red color that it eventually possesses.

- 4) This is followed by a cooling bout that lets the juice to settle.
- 5) The juice will be packed in plastic bottles in various measures ranging from 250 ml to 1 liter. All the bottles feature in a secure carton for safe handling. Besides, each bottle comes with a vacuum sealing that enhances the freshness of the juice.

- 6) The process will be finalized by attaching the appropriate labels of the packing date, the expiry date, and red for transport in various destinations in Tanzania.

1.3 TOTAL INVESTMENT CAPITAL REQUIRED

Alko Vintages Co. Ltd is expecting to invest the total of Tshs. 3,130,000/= for the new project. The amount includes Building, machines and working capital required. The following table shows the investment Capital

TABLE 1: INVESTMENT CAPITAL COSTS AND FINANCING PLAN (TSHS)

S/N	PARTICULARS	QUANTITY	FINANCING PLAN		TOTAL COSTS
			LOAN	EQUITY	
1	Land		0	0	0
2	Building		0	500,000,000	500,000,000
3	Bottling line Glass Bottles	1	0	700,000,000	700,000,000
4	Labeling	1		100,000,000	100,000,000
5	Tanks 15,000 liters	20		300,000,000	300,000,000
6	Pumps	3		50,000,000	50,000,000
7	Crasher Destema	1		45,000,000	45,000,000
8	Pressing machines 8 tones	1		120,000,000	120,000,000
9	Cooling unit	1		150,000,000	150,000,000
10	Compressor	2		40,000,000	40,000,000
11	Bottling line Plastic (PET) Bottles	1		300,000,000	300,000,000
12	2 Trucks 20 tones Capacity	2		150,000,000	150,000,000
13	Wrapping module	1		85,000,000	85,000,000
14	Codding machine	2		45,000,000	45,000,000
15	Injection mold	1		195,000,000	195,000,000
16	Blow mold	1		50,000,000	50,000,000
17	Working capital			300,000,000	300,000,000
	TOTAL	38	0	3,130,000,000	3,130,000,000
	Grace period interest		0		
	Loan plus GPI		0		

2. COMPANY DESCRIPTION

2.1 The History

Mr. Archard Kato established ALKO Vintages Company Ltd in early 1999. Before starting ALKO Vintages, Mr. Kato worked for Tanganyika Vineyards Co. Ltd (TAVICO) as wine technologist. In 1999, Mr. Kato decided to establish his own business and in 2000, he started to produce small quantities of bottled wines. The customers started to show interest on his wines therefore the demand increased approximately up to 25,000 bottles in 2005 and the following year the turnover increased with an average of 45% per year. In 2007, ALKO Vintages Company Ltd was formally registered as a limited company and rented the TAVICO premises and facilities.

After formal registration, ALKO Vintages started growing with Mr. Kato starting to invest in machines and massive production in 2008. Currently the company has managed to construct the factory with production line and purchase of modern wine production machinery and equipment like labeling machines, bag in box filling machines, PET-Bottle Bottling Machine, Sachet Filling Machines, Cup Filling Machine, Wine Pressing Machine, Pumps and Horse Pipes.

During the period of establishment the sales revenues of the company was almost around 1,500,000/- TZS per annum but the sales kept on fast increasing due to high demand of our wines and currently we are recording the sales of over 5 billion TZS as per 2019 records.

2.2 Vision

“At ALKO Vintages Company Ltd, Our vision is to be the best company in Tanzania and in the world in production of variety of high quality wines which can satisfy customer needs and wants”.

2.3 Mission

To make fine handcrafted wine that is unique to the African taste and style. Our wine making techniques are handed down from various experts and wine lovers around the world.

2.4 Location

The location of the new grape wine factory is located at Kizota Western Industrial Area. The main offices of the company are located at Central Business Park, Block No. 6 in Dodoma Town

2.5 Legal Status

ALKO Vintages Company Ltd is formally registered as Company Limited by Liabilities. The company was registered in 2007 and Number of Certification of Incorporation is **59133** and Taxpayer Identification Number (TIN) is **105-411-294**. The business also has the business license from Dodoma Municipal Council.

2.6 Core Values

The company is guided with the following core values:

2.6.1 Spirit of Team Work and Unity:

At ALKO Vintage, we are one company working together as a unified team to meet our common business goals. Our team is supportive to each other's effort, loyal to one another and cares for each other both personally and professionally.

2.6.2 Respect on ourselves and to others:

Our company honors the rights and opinions of its employees, customers, shareowners and the community at large. We normally treat others with highest degree of dignity, equality and trust. We treat our team members,

customers, partners and suppliers with mutual respect and sensitivity. We respect all individuals and value their contributions.

2.6.3 Accountability:

We accept our individual and team responsibilities and we meet our commitments. We are always ready to take responsibilities of our performances in all decisions and actions we make.

2.6.4 Passion to Good Results:

We show pride, enthusiasm and dedication in everything that we do at ALKO Vintage. We are committed to production and selling of high quality products to our customers.

2.6.5 Respect for Customers:

We believe that our successes are to be brought by customers therefore; we honor our relationship with them because they are the one who have to let us be part of this world.

3 GRAPE JUICE BENEFIT

3.1 Product Benefit

Grape Juice has several uses and benefits

3.1.1 Health Benefit

- i. Taking grapes or its juice recipe on a daily basis helps increase potassium in the body that helps keep away problems like heart stroke and prevent loss of muscle mass and bone mineral density among other benefits.
- ii. Grape juice could alter the pH levels in stomach and prevent the norovirus from multiplying.
- iii. Grape juice is a fat-free and cholesterol-free source of vitamins and minerals. It's a low-sodium beverage and contains high levels of antioxidants, which helps in protecting the body from free radicals
- iv. The portability, texture, flavor and assortment of grapes have made them a famous finger fruit all over the world. The potential medical advantages of consuming grapes are immense. According to studies, grapes prevent cancer, heart disease, high blood pressure and constipation.

3.1.2 Refreshment and enjoyment-

Most individuals drink juice for the refreshment and enjoyment, the same applies to wedding ceremonies and other parties where wines are consumed in large quantities.

3.1.3 Gifts and Reward

Grape Juice can be used as gifts to the friends and a symbol for appreciation especially when you achieve something crucial in life.

3.2 Industry Overview

ALKO Vintages Company Ltd operates in grape wine processing industry among other wine products. This is one of the industries, which are characterized by some few small scale and large-scale participants. This industry has become hot in the recent couple of years due to increase in demand for the local manufactured grape juice especially the one, which uses the locally available raw materials.

The attitudes of many Tanzanians have positively changed towards the home produced products something, which has made this industry grow and become profitable.

Nowadays local produced juices are consumed in various social occasions and parties, they seem to have replaced the imported juice, and this is good news for the ALKO Vintages Company Ltd.

The business estimate the market will grow up to 40% at the end of 2021 due to increase in local demands for the local wines and the increase of market size will be attributed to advertising and promotional campaign which we will conduct when expansion plan is over.

3.3 Company Positioning

The company positions itself in the market as the best company, which produces good quality different local wines and grape juice made from the local raw materials. The wines produced by ALKO Vintages Company Ltd will be pure natural grape juice and can be recommended for the good health and refreshment.

4 PRODUCTION PLAN OF THE NEW PROJECT

4.1 Production and Operation Processes

The aim and objective of ALKO Vintages Company Ltd is to produce high quality grape juice by using the appropriate raw materials. Grape juice production process includes raw material selection, cleaning, sorting, stem removing, crushing, heating for color distilling, **juice** extracting, filtration, deploy, clarification, filling and sealing, pasteurization and cooling.

In order to achieve this target of producing high quality grape juice ALKO Vintages Company Ltd has designed proper system of quality control in the whole



process of grape juice production. The process will have various stages of Production before coming up with the final products. The following is the explanation of the steps, which are involved in the Production of grape juice;

4.1.1 Raw material selection

The procurement of grapes and other produce from the wine grapes farmers in Dodoma. The selection of grapes quality such as sugar level, healthy and sound grapes as well as freedom from diseases and insect infestation are taken into consideration when picking vineyards for harvesting grapes. This will include choosing fresh and fully-ripped grapes with rich flavor and juice. Removing that unripe or overripe, injured or diseased grape. A fruit-sorting machine will be used to save labor in this process

4.1.2 Grape Washing

The selected grapes will be dipped with 0.03% potassium permanganate solution, then rinse them in floating water until there is no red left. Surfing fruit washing machine, a special equipment for cleaning fruit will be used to remove completely all impurities and dirt from selected grapes.

4.1.3 Crush, remove stems and seeds

Grape stems account for 3-8% of the fruit weight. Their main ingredient is lignin, with 1-2.5% tannin, 0.5-1.5% acid and a little bitter substance. They will be removed all



of them before crushing in case they contaminate the fruit juice.

The grape stemmer is a specialized equipment for this process. It will remove the grape stem, crush the grapes



and transmit the grape pulp with a single-screw pump. The step less speed screw feeder can realize quantitative feeding. The grape stemmer adapts to different grape varieties by adjusting the rotating speed. The crushing roller is made of non-toxic high electric rubber, doing no damage to the grapes. The crushed grape pulps are transmitted to the next step by a screw pump. The pore size of drum sieve can be customized according to the size of grape grains, so you should provide the maximum and minimum size of your grapes when ordering.

4.1.4 Grape stemmer and crusher

Heat up the crushed grapes to 60—70°C. Keep this process for 15 min so that the pigment in grapes infiltrate the fruit juice.

4.1.5 Grape juice extraction and filtration

Extract juice from the crushed grape pulps, then filtrate the juice and remove the slag with fabric cloth sack.

4.1.6 Grape juice blending

Fill the grape juice into the storage vat for blending. Add 20% sugar liquor to the juice and adjust the sugar degree to 16%. Then add 3kg of 2% metatartaric acid for every 100kg of grape juice, in case the tartars separate out from it.

4.1.7 Grape juice clarification

Clarify the cloudy grape juice with gelatins and tannins. Add 4-6g tannins in every 100kg grape juice. After 8 hours, add 6-10g gelatins to it. The suitable temperature for clarification is 8-12°C. When all floccules in the juice sink to the bottom, you can suck out the clear liquor with tubs. Next, you can heat up the clarified juice to 80-85°C.

4.1.8 Filling and sterilization

Fill the grape juice into sterilized glass bottle in various volumes and seal it at once. Then put these bottled juice into 85°C hot water for 15min. Next, add cold water gradually to lower the temperature to 35°C. Then you can dry the bottles and label it with your brand.

4.1.9 Grape Juice Bottling, Labelling and Packaging

The last process of juice making is bottling whereby the juice are bottled into various volumes. After bottling the labelling by attaching the appropriate labels of the packing date, the expiry date, and ready for transport in various destinations in Tanzania



4.2 Business Location and Infrastructure

ALKO Vintages Company Ltd is located at Western Kizota Industry Area Dodoma Town. The location of the business is potential due to the following reasons:

- (i) The business is located in the city centre where there all good roads and near to financial institutions such as banking services.
- (ii) It is easy to plan distribution strategies from this location. It makes it easier for distribution of the products to the final consumers and some other key customers who are found in the outskirts of Dodoma and other parts of the country. Dodoma is the centre of Tanzania; therefore, it is easy to plan distribution from this town to other parts of the country.

- (iii) Easy availability of raw materials. .All the needed raw materials especially grapes are grown in Dodoma. Easy access to raw materials reduces the costs of production.

4.3 Suppliers and Other Relevant Stakeholders

The main suppliers and relevant stakeholders of the company are explained as follows:

<i>Item Description</i>	<i>Name of Supplier</i>
Raw Materials- Grapes	Dodoma wine grapes farmers
Capsules, Filters and Corks	Imported From South Africa
Packaging Bottles	Imported from China
Labels	Italy
Preservatives and Chemicals	South Africa
Bulk Wine	South Africa
Other Materials (Packaging Boxes)	Dar es Salaam, South Africa & Italy

4.4 Labors and Skills Requirements

The business expects to have almost fourteen (14) permanent employees and twelve (12) casual labors after expansion plan. The business will also need some casual labors but their number will depend on the intensity of work. The required personnel must possess the knowledge of Production of Wines, Procurement and Store Management, Finance and Administration, Sales and Distribution.

Currently the company has some of the personnel needed but after expansion the additional number of labors will be required which is very available locally. We plan to conduct some internal trainings and seminars to the employees in the reasonable interval period to improve the performance of the company and build the corporate culture for the employees of ALKO Vintages Company Ltd.

4.5 Utilities Availability and Reliability

ALKO Vintages Company Ltd is situated in Dodoma Town where there is availability of Electricity, Water Supply, and Communication facilities like telephone and internet services. When coming to power, the electric power in Tanzania is not reliable therefore, we plan to have alternative source of power, which is standby generator of 45 KVA.

5.1 Target Customers

ALKO Vintages Company Ltd has different category of customers of its products. The segment of target customers is given as follows:

(a) **Individual customers-** This category of customers comprises of those individual customers who buy wines and grape juice for the purpose of home use only..

(b) **Institutional customers-** This category comprises of the institutions like supermarkets, bars and hotels, which are found in Dodoma and other parts of Tanzania. The company will agents in Dar es Salaam, Mwanza and Arusha who are distributing the wines products to the customers in their respective regions and zones. As Altar wine is 80% sold to the church market and it will be target will be used to distribute grape wines.

5.2 Market Size and Trends

The business is operating in Dodoma Town where both individual customers and institutional customers are found. The market of our products is big simply because, the company serves all parts of Tanzania especially the cities, which are hub of businesses like Dar es Salaam city, Arusha, and Mwanza.

The market of grape juice in Tanzania indicates growth trend whereby most of people are currently using juice made from other fruits as refreshment drink, appetizer and desert. Wines are also used for the purposes of removing cholesterol from the body of users. Juices are also used in various occasions like those of send-offs, wedding celebrations and kitchen parties something, which make this business growing and lucrative. There are many churches, which use our altar wines during mass celebration.

Due to above reasons it is anticipated that the market size is going to increase between 15% and 30%. This will be supported by advertising and promotional campaigns.

5.3 Competitors' Analysis

Juice making business is one of money earning businesses in Tanzania therefore this business is facing some strong competition especially for the local made and imported juices. The main competitors of the products from ALKO Vintages Company Ltd are Azam, Mo, Jambo Food Products, Sayona, and Afya. The business can also recognize the existence of competition from the juice products, which are imported from the country like South Africa, Europe and Kenya.

The main competitive edge for ALKO Vintages Company Ltd is having of consistent unique grades and flavor of pure natural Juice made from locally produced wine grapes.

The business has also been capitalizing on timely delivery and sometime fresh products due to proximity to the targeted customers. This has been very important weapon in beating the competitors that are coming from abroad as they have to ship their products to Tanzania something which will take time to reach the final consumers.

5.4 Pricing Strategies

ALKO Vintages Company Ltd is going to the following pricing method in determining the prices of its products and for competition purposes. The best pricing methods and strategies for the company are given as follows:

✓ **Cost Plus Pricing Method**

This will be the main pricing method for the price determination whereby the costs of producing a product are being added with the margin to get the selling price. The price will be set in such a way that it will slightly differ from that of already existing competitors to earn maximum profit.

✓ **Discount Pricing Strategy**

This category of pricing method will be used during the major festivals of the year the company will set some discounts for the customers whereby the wines will be available at lower prices than usual and this will help our company increase sales in short term.

5.5 Estimated Sales

The following schedule indicates the sales projections and profit for ALKO Vintage Company Ltd when the expansion plan is over:

Revenue table

TABLE 2: SUMMARY OF PROJECTED REVENUE (TSHS)					
PARTICULARS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Revenue	5,030,000,000	5,533,000,000	6,086,300,000	6,694,930,000	7,364,423,000
TOTAL	5,030,000,000	5,533,000,000	6,086,300,000	6,694,930,000	7,364,423,000

The sales projections can also be justified with the following reasons:

- The already established business networks, which will be vital after expansion, plan.
- Consistency of quality and flavor of the grape juice we produce an advantage which makes us retain the existing customers and acquire the new ones.

- Positive changes of attitudes of Tanzanians towards locally produced juice whereby now the home produced juice have high demand.
- The advertising and promotion campaign, which will definitely lead to increase in market size and awareness.
- The company plans to increase the number of agents and build strong sales team with good skills and techniques of accomplishing sales objectives

6 BENEFIT OF THE PROJECT

The project when complete will have several benefits to the company, society and to the government

The following are expected to be the benefits of the investment when the project is operational;

- 1- The company is expected to generate a total of TZS. 7,364,423,000 over five years of operations
- 2- The company is expected to generate a total of TZS. 2,653,763,190 as net profit over the five years of operations
- 3- The company is expected to pay more than **TZS.4, 406,109,192** as tax to the government.
- 4- 30 people are expected to be employed and be paid more than TZS. 180,000,000 per year
- 5- The project will act as market to the grape farmers in Dodoma and the company will use a total of TZS. 1.3 bln per year to buy grapes from farmers in Dodoma.
- 6- Support the government industrialization policy

7.1 SWOT Analysis

STRENGTHS

- Reputable experience of making variety of wines hence additional strength for Juice Making.
- Strong business networks in terms of customer base and number of established agents
- Quality Products and Reputable branding which is difficult for the competitors to tarnish
- Proximity to Raw Materials – The company's production facilities are situated in Dodoma where is the main source grapes which are the main
- Timely Delivery - The Company can make timely delivery of orders from the customers.
- The products are not perishable – Juice is not the perishable products and its value increases as it becomes old.
- Good working team which has long experience and knowledge in wine making business that will support Juice Production,
- Establish network with grape farmers something, which assures the constant availability of raw materials at the competitive price.

WEAKNESSES

- Lack of enough funds to pay for machines and equipment's, which are highly priced due to taxes, imposed on importation. Thus looking for investment incentives from TIC.

OPPORTUNITIES

- Ever increasing demand - The demand for juice products especially for the local produced juice is keeping on increasing.

- Export opportunities – There is huge opportunities in exporting grape juice with the support of wine exportation channels.
- Government support- The government is currently supporting the development of industries (Industrialization Policy)

THREATS

- Scarcity of Raw Materials- Sometime there are shortage of wine grapes because we do not own vineyards.
- Major competitors (local & imports) may react to our competing strategies
- Power Crisis - Frequently power cut normally leads to interrupt the production activities.

7.2 Marketing Strategies

The marketing strategies which will be employed by ALKO Vintages Company Ltd to reach its potential customers is personal selling strategies where by the sale personnel of the company will visit potential customers with the samples of the business products and give them details of our wines.

The company also expects to use test marketing and promotional pricing strategies to attract many individual customers at early period after expansion plan. We expect to do this in the supermarkets, bars, wine pubs and other places where drinking are sold.

The main features of products which we are going to emphasize to customers are the quality of wines made from locally available grapes something which gives advantages of vintages over imported grape juice especially to the 'origin-conscious' clientele.

The next important thing, which we are going to do, is to establish many agents as possible in strategic areas of Tanzania whereby these agents will be distributing our products and conducting some promotional activities.

7.3 Distribution Plan

The main distribution and method of sales of ALKO Vintages Company Ltd are explained as follows:

- (i) *Direct Distribution Channel*- This is one zero channel method whereby the company sell the products directly to customers. The customers are coming to buy directly from our selling point at Central Business Park, Block 6 in Dodoma Town.
- (ii) *Use of agents*- The Company has some agents in Dar es Salaam, Arusha and Mwanza who are selling our products and conducting some promotional activities on behalf of ALKO Vintages Company Ltd.

7.4 Advertising and Promotion

The different means of advertising and promotion is used to reach the target customers. These include:

- (a) **Radios** - We use local radios to promote our products.
- (b) **Television** – The local television are also used in promoting our products.
- (c) **Newspapers** – Alko Vintages Co. Ltd uses newspapers to reach certain niches of customers.
- (d) **Brochures and Business Cards** - The Company uses brochures and business cards to convey information about its products.
- (e) **Calendars**- The calendars with the photos of products of ALKO Vintages Company Ltd will be produced and distributed to potential customers.

- (f) **Printing of t-shirts and caps**- The company will develop some t-shirts and caps with company's logo and distribute them to our agents, employees and some potential customers
- (g) **Car branding**- The distribution truck will be branded with photos of our products and therefore it will be promoting the company while delivering the products to the customers.
- (h) **Wheel covers**- We expect to have the wheel covers with logo and products display of our company
- (i) **Website Development** - ALKO Vintages Company Ltd uses its website for online marketing and advertising.

(d) Public Relations Activities

ALKO Vintages Company Ltd has always been in the frontline in participating in community development initiatives something which has earned the company high reputation before the local community.

The company will continue to participate in the development activities in the local community especially in those sectors, which are directly related to public like construction of schools, establishment/ expansion of health centers, sporting activities and water supply.

Our company will also continue providing support to the wine grapes farmers through borrowing funds during farming periods and the repayment will be not on cash basis rather on quantity of raw materials. Our support to wine grapes farmers will not only earn us reputation before the local community but it will help us establish constant supply of raw materials especially grapes.

8.1 Description

ALKO Vintages Company Ltd is the company, which is under strong, experienced and qualified management team and staffs who altogether are determined to goal achievements and business expansion plan. The description of management team can be given as follows:

- **Managing Director- MR. ARCHARD KATO**

Mr. Kato, a processing engineer, is the main promoter and the managing director of the business. Apart from having long working experience in wine making at Viticulture Research Centre and at Tanganyika Vineyard Company (TAVICO), Mr. Kato is trained wine technologist by profession. He attended one-year studies of wine making in Germany from 1992-1993. Mr. Kato has gained wide exposure and experience after visiting wine producing countries like of South Africa, Italy and Thailand for study tour on Tropical Wine Making. Mr. Kato will use his long experience in managerial position and wine making technology to bring success in the company in this expansion plan.

- **Procurement & Marketing- MR. ALFRED MSHAKI**

Mr. Alfred Mshaki possesses Diploma of Material Management from the recognized college in Tanzania. Mr. Mshaki has been working formerly with ALKO Enterprises since 1997 is high level of commitment and career. He is one of the shareholders of the Company therefore, he has to deploy extra effort to make sure that we are going to realize the expansion.

▪ **Production Manager- MR. HENRY ROBERT**

Mr. Henry possesses Masters of Business Administration from Mzumbe University, one of the reputable universities in Tanzania. Mr. Henry has worked closely under Mr. Kato who has imparted to him the basics of wine production.

▪ **Sales Officer- MRS DIANA ZEPHLENE**

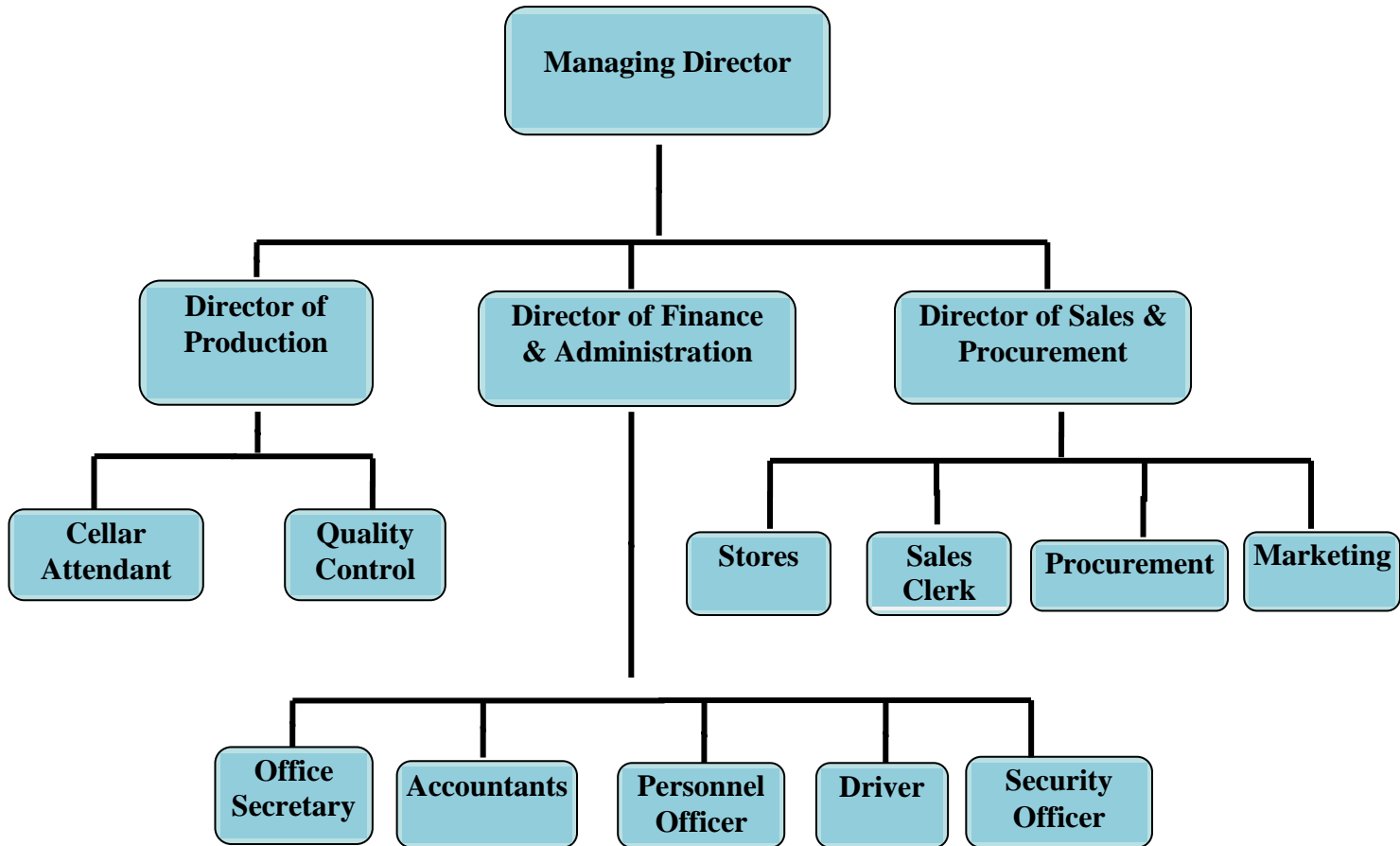
Ms Diana holds a diploma in marketing. She is young, motivated, and eager to explore new markets.

▪ **Other Staffs**

The company has some existing staffs that are performing better and others will be recruited to run the new project. The following is the list of existing staffs and the staffs to be recruited

- Cellar Attendant
- Quality Control
- Procurement
- Marketing Personnel
- Drivers
- Personnel Officer
- Office Secretary
- Security Personnel

8.2 Organization Chart



8.3 Ownership Structure

ALKO Vintages Company Ltd is owned by shareholders. The owners of the business are from one family with majority shareholder being Mr. Archard Kato. The description of shares distribution and the main shareholders is given in the following schedule:

S/NO.	Name of Shareholder	Percentage of Shares he/she owns
1	MR. ARCHARD KATO	65%
2	ALFRED MSHAKI	20%
3	HILDER KATO	15%

8.4 Professional and Advisory Support

The performance of the company is attributed by professional services and advisory support it receives from various companies and individuals. The schedule below shows the type of professional supports and the service providers:

NO.	Type of Profession/ Advisory Support	Name of Company/Person
1	Accounting & Auditing Services	Shabrila Business Consultants
2	Marketing and Business Consultancy	Kunda Business Solutions- Dar es Salaam
3	Legal Services/Matters	Rweyongeza & Co. Advocates

9 FINANCIAL PLAN

9.1 Fund Requirements & Uses

The new project plan requires the total amount of Tanzania Shilling Three Billion, One Hundred Thirty Million, **(3,130,000,000/- TZS)** which will cover the costs for building, purchase of wine raw materials and machinery. The detailed breakdown of finance needed is given in the schedule below:

9.2 Sources of Funds

The finance needed is expected to be obtained from own sources.

INVESTMENT CAPITAL COSTS AND FINANCING PLAN (TSHS)

S/N	PARTICULARS	QUANTITY	FINANCING PLAN		TOTAL COSTS
			UNIT PRICE	LOAN	
1	Land				0
2	Building				500,000,000
3	Bottling line Glass Bottles	1	700,000,000	700,000,000	0
4	Labeling	1	100,000,000	100,000,000	0
5	Tanks 15,000 liters	20	15,000,000	300,000,000	0
6	Pumps	3	16,666,667		50,000,001
7	Crasher Destema	1	45,000,000		45,000,000
8	Pressing machines 8 tons	1	120,000,000		120,000,000
9	Cooling unit	1	150,000,000	150,000,000	0
10	Compressor	2	20,000,000		40,000,000
11	Bottling line Plastic (PET) Bottles	1	300,000,000	300,000,000	0
12	2 Trucks 20 tons Capacity	2	75,000,000	150,000,000	0
13	Wrapping module	1	85,000,000		85,000,000
14	Codding machine	2	22,500,000		45,000,000
15	Injection mold	1	195,000,000		195,000,000
16	Blow mold	1	50,000,000		50,000,000
17	Working capital		0		300,000,000
	TOTAL	38	0	1,700,000,000	1,430,000,001

10 FINANCIAL PROJECTIONS

10.1 Assumption Made

The following assumptions were made in the computation of financial projection:

Assumptions:

Income Assumptions

- 1- There will be 300,000 litres of wine produced per annum
- 2- After production there will be 300,000 bottles of wine
- 3- Selling Price of one bottle is
Tshs.10,000
- 4- The total income from sale of bottle wine is 300,000 bottles times 10,000
Tshs
- 5- Income from sale of bag in box wine is 14,000 bag in boxes *45,000shs
1. Total income from sale of juice is 700,000 bottles* Tshs.2000
2. Sales Increase - 20% percent per annum
3. Purchases Assumptions
4. There will be 950 tons of grapes purchased during the year.
5. 40,000 litres of Fortifying brand will be purchased at Tshs.4000 per litre
6. 300 bags of Sweet reserves will be purchased at Tshs.115,000 each.
7. Expenses Assumptions
8. The Company will buy 500,000 Bottles at Tshs.1500 each
9. Bag and box for 75,000 litres; will be 20,000boxes at 8000 Tshs each.
10. Corks and Capsules 320,000*300Tshs
11. The Company will buy 320,000 Labels at 250Tshs.
- 12.5. Parking boxes will 40,000 at 30,000Tshs each
13. Other supplies
14. Wages cost will be Tshs.3,000,000 per month

15. Salaries Cost will be Tshs.15,000,000 per month
16. Electricity cost will be Tshs1,500,000 per month
17. Water cost will be Tshs1,000,000 per month
18. Communication cost will be Tshs 500,000 per month
19. Fuel cost will be Tshs1,000,000 per month
20. Marketing cost will be Tshs4,000,000 per month
21. Injection materials will be 25 tones at Tshs.4,800,000
22. Screw Capings will be 15 pieces at Tshs.900,000/=
23. Total annual cost is expected to be Tshs.1,749,500,000/=

10.2 Projected Income Statement

PARTICULARS	TABLE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Revenue		5,030,000,000	5,533,000,000	6,086,300,000	6,694,930,000	7,364,423,000
Less: Purchases		1,334,500,000	1,441,260,000	1,556,560,800	1,681,085,664	1,815,572,517
Less: Operating costs		1,749,500,000	1,889,460,000	2,040,616,800	2,203,866,144	2,380,175,436
Less: Depreciation		342,125,000	342,125,000	342,125,000	342,125,000	342,125,000
Operating Profit		1,603,875,000	1,860,155,000	2,146,997,400	2,467,853,192	2,826,550,047
Interest on Loan		170,842,202	170,842,202	170,842,202		
Profit before taxes		1,433,032,798	1,689,312,798	1,976,155,198	2,467,853,192	2,826,550,047
Income tax (30 %)		429,909,839	506,793,839	592,846,559	740,355,958	847,965,014
Net Profit after tax		1,003,122,958	1,182,518,958	1,383,308,638	1,727,497,234	1,978,585,033

10.3 Projected Cash Flow Statement

PARTICULARS	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
A:CASH INFLOWS						
Revenue (Table 3)		5,030,000,000	5,533,000,000	6,086,300,000	6,694,930,000	7,364,423,000
Total inflows	0	5,030,000,000	5,533,000,000	6,086,300,000	6,694,930,000	7,364,423,000
B: CASH OUTFLOWS:						
Purchases Cost		1,334,500,000	1,441,260,000	1,556,560,800	1,681,085,664	1,815,572,517
Operating Costs (Table 4)		1,749,500,000	1,889,460,000	2,040,616,800	2,203,866,144	2,380,175,436
Interest on loan		170,842,202	170,842,202	170,842,202		
Income Tax (Table 6)		429,909,839	506,793,839	592,846,559	740,355,958	847,965,014
Capital Investment Co:	3,130,000,001	0	0	0	0	0
Total outflows	3,130,000,001	3,684,752,042	4,008,356,042	4,360,866,362	4,625,307,766	5,043,712,967
Net cash flows	-3,130,000,001	1,345,247,958	1,524,643,958	1,725,433,638	2,069,622,234	2,320,710,033
C:FINANCING						
Owner's equity (Table	1,430,000,001					
Bank loan (Table 1)	1,700,000,000					
Loan repayment (Annex 1):		-566,666,667	-566,666,667	-566,666,667		
Interest on loan		-170,842,202	-170,842,202	-170,842,202	0	0
Sub total	3,130,000,001	-737,508,869	-737,508,869	-737,508,869	0	0
Cash balance ending	0	607,739,089	787,135,089	987,924,769	2,069,622,234	2,320,710,033
Cumulative cash bala	-3,130,000,001	-2,522,260,912	-1,735,125,823	-747,201,053	1,322,421,181	3,643,131,214

10.4 Ratios

ANNEX 1: NPV CALCULATIONS (TSHS)					
'YEAR	NET CASH FLOW	DISCOUNT FACTOR (P/F, 5% n)	5.0%	PV OF CASH FLOWS	CUMULATIVE PV OF CASH FLOWS
0	-3,130,000,001		1.00	-3,130,000,001	-3,130,000,001
1	-1,784,752,043		0.95	-1,699,763,850	-4,829,763,851
2	-260,108,084		0.91	-235,925,700	-5,065,689,551
3	1,465,325,554		0.86	1,265,803,308	-3,799,886,243
4	3,534,947,789		0.82	2,908,210,294	-891,675,949
5	5,855,657,822		0.78	4,588,061,125	3,696,385,177
NET PRESENT VALUE	5,681,071,038			3,696,385,177	(14,020,630,418)
NPV IS 5% p.a.					
ANNEX 2: INTERNAL RATE OF RETURN (IRR) CALCULATIONS (US\$)					
'YEAR	NET CASH FLOW	DISCOUNT % FACTOR	5.0% 'PV	DISCOUNT % FACTOR	20.1% 'PV
0	-3,130,000,001	1.00	-3,130,000,001	1.00	-3,130,000,001
1	-1,784,752,043	0.95	-1,699,763,850	0.83	-1,485,570,478
2	-260,108,084	0.91	-235,925,700	0.69	-180,212,369
3	1,465,325,554	0.86	1,265,803,308	0.58	845,045,789
4	3,534,947,789	0.82	2,908,210,294	0.48	1,696,854,071
5	5,855,657,822	0.78	4,588,061,125	0.40	2,339,658,945
NPV	5,681,071,038		3,696,385,177		85,775,957
NB: IRR is the discount rate that makes the net present value (NPV) equal to zero.					
IRR = Lower discount rate + (Higher discount rate - Lower discount rate) x (NPV at lower Discount rate) divide by Absolute difference of the two NPVs					
IRR =	20.5%				