SAYONA FRUITS LIMITED

FEASIBILITY STUDY

ON

THE ESTABLISHMENT

OF

VEGETABLE AND FRUITS CANNING

MANUFACTURING FACILITIES.

1.0 EXECUTIVE SUMMARY

1.1 Introduction

This is a report prepared for Sayona Fruits Limited a company registered in Dar es Salaam to establish a manufacturing facility for Vegetable and Fruits Canning**.**

The plant intends to cater to the requirements of locals, foreigners, supermarkets, retails shops and wholesalers operating in Tanzania and outside.

1.2 The project

The basic objective of the project is to establish a manufacturing facility for Vegetable and Fruits Canning for locals, foreigners, Supermarkets, retails shops and wholesalers operating in Tanzania and outside.

It is estimated that the project will be implemented within a period of 3 years starting 2020

1.3 Market

All the products produced will be marketed in Tanzania and machines selected for the project are based on latest technologies where it will assure high quality conforming to the international standards.

1.4 Estimated Financial and Development Benefits

The project envisages an investment of US 2.0 million in the establishment of a manufacturing facilities for Vegetable and Fruits Canning. It is estimated that the plant will operate at 60%, capacity in

the 1st year, 80% in the second year and shall reach 100% capacity utilization by the 3rd year.

1.5 Conclusion

It can be concluded that the project will bring tremendous long-term benefits and all investment required would be funded by promoters. The project is economically viable and technically feasible.

2.0 THE PROJECT CONCEPT

The project intends to establish a manufacturing facility for Vegetable and Fruits Canning to be used by various consumers catering for their day-to-day requirements of individuals. The promoters of the project are well experienced and have various businesses in Tanzania.

The market for the products is assured, as the promoters will use latest equipments for manufacturing of high-quality Vegetable and Fruits Canning products.

2.1 Project Finance

The promoters will fund the project and they will also look for the term loan if the need arises. The promoters have a strong financial background, which ensure successful implementation of the project.

2.2 Brief Profile of the Investors

The promoters of the project are all Tanzanian by nationalities.

The two investors are industrialist by profession and are well experienced in the various manufacturing activities. They are well experienced Investors of more than 20 years.

The names of the promoters along with their shareholdings are as follows:

SAYONA DRINKS LIMITED	35.23%
MR SUBASH MOTIBHAI PATEL	0.015%
MR RAMANLAL MOTIBHAI PATEL	0.01%
MR PAWAN SUBHASH PATEL	0.0025%
MR VEER RAMANLAL PATEL	0.0025%

With their experience in various businesses, it is established that they are capable to conceive, plant, establish and operate business.

2.3 Location

The project will be located at plot ***No 1, Block A, Mboga, Bagamoyo, Coast Region.*** The location is well served by all the necessary infrastructure and environment requirements and well suited to the nature of the envisaged project.

3.0 The Market

The demand for Vegetable and Fruits Canning products is influenced by the presence of large population, amount of fresh vegetables and fruits and level of personal disposable income. The proposed project is designed to establish manufacturing facilities for Vegetable and Fruits Canning.

The non-existence of facilities of Vegetable and Fruits Canning, new establishment like this one and improvement of linkages in industry sector assure that the products produced will not face serious market problems.

The study has been able to show that there is a good and guaranteed market for Vegetable and Fruits Canning products. Most of the industries and wholesale shoppers import this product worldwide

4.0 VEGETABLE AND FRUIT CANNING TECHNOLOGY

4.1 Source of technology

The plant and machines plus the related vegetable and fruit canning production technology will be imported from Europe and china. These machines are expected to produce products to match in international standard.

Canning Vegetables and Fruits is a great way of preserving the shelf life, and the packaging then makes for easy distribution. Canning is the most popular method when it comes to distributing certain fruits and vegetables such as; tomatoes, beans, corn, peas and pineapple to the market place. Canning fresh fruits or vegetables is a process that requires a heating process until the appropriate temperature is

reached, selecting the right container, and a good filling and packaging technology.

The vegetable and fruit canning process require fruit and vegetable canning lines i.e. receiving units, washing, grading, de-pitting, peeling, cutting, inspecting, lines for slicing and dicing, can filling machines, syrup making and dosing, can closing machines, can sterilizing machines, can filling and packaging lines.

This transformation of fruit and vegetables can be incredibly profitable for agriculture if they realize a system where all resources are utilized to the maximum. There is a wide range of products that can be produced and sold, on top of the traditional fresh product. Various fruits and vegetables as follows can be processed and packed . Fruits: almond, apple, apricot, banana, blackberry, blueberry, cherry, chestnut, coconut, date, fig, grape, grapefruit, hazelnut, lemon, lime, mango, melon, morello cherry, orange, peach, peanut, pear, pineapple, plum, raspberry, strawberry, tangerine, watermelon Vegetables: artichoke, asparagus, beans, beetroot, broccoli, Brussels sprouts, cabbage, carrot, cauliflower, celery, corn, courgetti, cucumber, pickles, eggplant, garlic, leek, lentils, lettuce, mushroom, onion, peas, pepper, pickle, potato, pumpkin, radish, , rye, spinach,

squash, sweet potato, tomato, turnip, watercress, wheat, ginger, garlic, onion, chili .

A wide array of additional products can be produced from what many agro-food manufacturers wrongly consider to be waste product. In many cases, this "waste produce" can actually be further processed and transformed into other products for the food, cosmetics, pharmaceutical and cleaning industries. For example, simply from the fruit pulp you can extract essence oils and make jams and marmalades. A lot of cleaning and cosmetics products can also be produced from the "waste produce" of fruit and vegetables

Practically any fruit and vegetable can be processed, however it is vital to primarily consider many factors that could affect the success of the project and its profitability. Factors such as demand, quality of the raw material, regular supplies of the raw material, particularities of the fruit and vegetable, quantity to be processed, etc. need to be considered. Another point to consider would be the maximization of resources, allowing as many products as possible to be handled at the same time, so that facilities run all year round and are not limited to seasonal produce.

The desire is to maintain all the natural qualities of the fresh products,

and this is more or less possible depending on product and process selected.

5.0 CAPITAL INVESTMENT AND FINANCES

The capital investment required is estimated at **2.0 Million**. Most of the financing will be sourced from owner's equity and retained earnings. The capital investment breakdown in as follows.

capital costs US$

Item	**Total**
Land & Building	200,000
Plant	1,200,000
Vehicles	200,000
Furniture and Fitting	50,000
Pre-operational Expenses	50,000
Others	-
Initial work capital	300,000
Total	**2,000,000**

5.1 PROJECT FINANCING

The promoters of the project have decided to make contributions and finance the project with equity and the term loan. The working capital will be sourced from local banks.

US $

Source	**Amount**	**Total**
Equity	2,000,000	2,000,000
Total	2,000,000	2,000,000

5.2 Land and Building

The sum amounting to US$ 200,000 will be deployed for land development

5.3 Plant and Machinery

The cost of plant and machinery add up to US $1,200,000.

5.4 Utilities

The factory building will use power from national grid. There will be adequate supply of water and generator will supplement the electricity.

5.6 Motor vehicles

Utility pick-ups and trucks will be required. The total no of both vehicles will amount to US $ 200,000. The project will also purchase one 4-wheel drive non-utility vehicle for the use of the Managing Director.

6 .0 MANPOWER REQUIREMENTS AND ORGANISATION

6.1 Management

The success of a venture of this kind depends on the competence of the personnel recruited of manage. It is assumed that relevant personnel with requisite skills shall be available within the country. There will be a need of recruiting expatriates in some key positions.

The overall in charge, responsible for the day-to-day operations will be the Project Manager who will in turn be answerable to the Board of Directors.

6.2 Organization Set Up

Initially the operations will broadly be divided into the following:

- Administration department
- Production department
- Marketing and sales department
- Finance department

6.3 Manpower Requirements

Based on the project, initially the project will employ a total of 30 people. All new staff would be recruited at least one month before the plant operations are commenced.

6.4 Training

The management of the plant would strive to employ competent and qualified personnel in the resort business. To reduce costs few senior staff will be trained at the selected locally available institutions.

All other supporting staff will be trained on the job. However, it is expected that most of them will have some basic knowledge and experience.

7.0 IMPLEMENTATION SCHEDULE

7.1 General

Both local and external factors have been taken into account when drawing out the proposed schedule of implementation. Factors such as finalization of civil works, survey, acquisition of machinery and equipment, recruitment of qualified personnel and other factors have been looked into total trend of the implementation

7.2 Preliminary Formalities

On the finalization of the study duration of about 2 weeks will be needed for executive of the preliminary formalities of the project.

7.3 Project Stage

7.3.1 Finalization of the Plot Acquisition

The management of Sayona Fruits Limited. has already decided the likely location of Plot for the plant.

7.3.2 Construction of the Buildings

This undertaking will require a period of 36 months to completion.

7.3.3 Ordering of Machinery/Equipment/Vehicles/Furniture

Timely ordering will have to be executed to match the rate of development of the plant. Time needed will run into several days.

7.3.4 Installation of Machinery/Equipment/Furniture

Once the buildings are constructed and then will follow the installation of machinery/equipment/furniture and fittings upon arrival at the project site.

7.3.5 Trial Runs

Upon completion of the installation of machinery and equipment then will follow trial runs of the unit. This will take about 4 weeks.

7.3.6 Commercial Production

On completion of the buildings/fitting of machinery and equipment/furniture, trial runs then will follow commercial production.

8.0 INVESTMENT AND FINANCING

8.1 Assumptions

- The project construction time is assumed to be three years.
- The economic life of the project is 10 years.
- The currency exchange rate of TShs. 2,300/= to one US$ has been adopted.
- Re-investment in vehicles shall be done after every four years.

8.2 Investment Structure

The total initial investment in fixed assets is estimated at **US$ 2.0** million whose breakdown of which is as follows;

US $

US$

Item	**Total**
Land & Building	200,000
Plant	1,200,000
Vehicles	200,000
Furniture and Fitting	50,000
Pre-operation Expense	50,000
Others	-
Initial work capital	300,000
Total	**2,000,000**

9.0 OPERATING COSTS

Assumptions

The prices of inputs are assumed to remain constant over the ten years period because under rising inflation the prices and services will rise including those of outputs hence having the profit margin unchanged.

9.1 Operation Cost Structure

The operating costs has been estimated at 60% of the total Revenue.

9.2 Breakdown on the Operating Expenses

The main cost items will include salaries and wages, vehicle running expenses, electricity, water, insurance, advertising/marketing and administrative overheads.

9.3 Depreciation

Depreciation rates have been calculated as follows:

Land, building and civil works	4% Straight Line
Vehicle	25% Straight Line
Pre-Operational Expenses	20% Straight Line
Equipment	12.5% Diminishing Value

9.4 Tax

Corporation tax is charged at 30% on profits before tax. Tax year 1 is estimated at US$ 364,725 in year 10 rising to US$ 652,725 in year 10.

10.0 FINANCIAL AND ECONOMIC ANALYSIS

10.1 Income

The project's income at full capacity utilization is estimated to average at US$ 6.0m

10.2 Projected Cash Flows

The project has a positive net cash flow from year 1 of operation to the tenth year when the long-tem loan will have been paid in full.

10.3 Economic Benefits

The successful operation of this processing plant will contribute significant economic benefits to Coast region people and Tanzania as whole. In summary the benefits which will be realized are as follows: -

- The execution of this project will bring about employment opportunities for 30 people.
- Provision of income to other services providers, thus contributing to the reduction of poverty. The income to be earned will help in improving standard of living of the workers and other people residing in the region.
- The direct income for the workers, combined with other social benefits that the Management of will provide, will

help in overall efforts of alleviation of poverty in the Region.

- There will be Provision of a market for goods and services demanded by Expanded tax base to the Treasury and local Government authorities and generation of substantial income to the Government. The Government earns considerable revenue from the manufacturing sector in term tax collections.
- This project will facilitate opportunities to increase foreign exchange earnings through export of some of its value products.

11.0 Conclusion

The investment and development of this agro processing plant undertaking is in line with the Government objective of encouraging proper development of industries in the country. In addition, it will have a positive impact on the development of the region, as it would generate a number of benefits and more positive impact on the economy of the region. As noted above this undertaking will bring about the generation a number of benefits and reliable incomes for the employees of the project

and providers of the services and goods demanded by the project's workforce/their families.

This document has provided a full analysis on the financial, Techno-economic viability on the establishment/operation of the Integrated Agro-processing undertaking along with the financing requirements/parameters have been considered and have established that the proposed project is technically sound, financially viable, and economically/socially beneficial.

In order to ensure prompt implementation of the project and achieving the production targets a number of factors have to be taken into account this will include the level of the proposed investment in this project, economic impact anticipated, the overall status of the national economy, and the proposed project area.

In the context of the immense useful potential of this project, the management Sayona Fruits Limited anticipates that all interested parties in the region/and the Government of Tanzania will give their full support so as to ensure timely implementation of the project and apprehension of successful operation.

SAYONA FRUITS LIMITED

INVESTMENT COST

US $

Item	**Total**
Land & Building	200,000
Plant	1,200,000
Vehicles	200,000
Furniture and Fitting	50,000
Pre-operation Expense	50,000
Others	-
Initial work capital	300,000
Total	**2,000,000**

SAYONA FRUITS LIMITED

SALES REVENUE

Year	1	2	3	4	5	6	7	8	9	10
Capacity % 100,000cortoons per month	60	70	80	100						
	720,000	840,000	960,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Total production	720,000	840,000	960,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Sales revenue	**3,600,000**	**4,200,000**	**4,800,000**	**6,000,000**	**6,000,000**	**6,000,000**	**6,000,000**	**6,000,000**	**6,000,000**	**6,000,000**

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DEPRICIATION SCHEDULE USD

		Rates	1	2	3	4	5	6	7	8
Land and Building	200,000	4%	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Machinery and Equipment	1,200,000	12.50%	150,0000	150,0000	150,0000	150,0000	150,0000	150,0000	150,0000	150,0000
Motor Vehicles	200,000	25%	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Furniture and Fittings	50,000	12.5 %	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250
Pre-operation Expenses	50,000	20%	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
			224,250	224,250	224,250	224,250	224,250	224,250	224,250	224,250

SAYONA FRUITS LIMITED

PROJECT PROFIT AND LOSS STATEMENT

US $'000'

	1	2	3	4	5	6	7	8	9	10
Sales Revenue	3,600,000	4,200,000	4,800,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Operation cost	2,160,000	2,520,000	2,880,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
Gross Profit	1,440,000	1,680,000	1,920,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
Operating Profit	**1,440,000**	**1,680,000**	**1,920,000**	**2,400,000**	**2,400,000**	**2,400,000**	**2,400,000**	**2,400,000**	**2,400,000**	**2,400,000**
Less Depreciation	224,250	224,250	224,250	224,250	224,250	224,250	224,250	224,250	224,250	224,250
Profit before Tax	1,215,750	1,455,750	1,695,750	2,175,750	2,175,750	2,175,750	2,175,750	2,175,750	2,175,750	2,175,750
Taxes 30%	364,725	436,725	508,725	652725	652725	652725	652725	652725	652725	652725
Profit after tax	**851,025**	**1,019,025**	**1,187,025**	**1,523,025**	**1,523,025**	**1,523,025**	**1,523,025**	**1,523,025**	**1,523,025**	**1,523,025**
Accumulated profits	**851,025**	**1,870,050**	**3,057075**	**4,580,100**	**6,103,125**	**7,626,150**	**9,149,175**	**10,672,200**	**12,195,225**	**13,718,250**

	0	1	2	3	4	5	6	7	8	9	10
Sources											
Profit before Interest and depreciation		1,440,000	1,680,000	1,920,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
Equity	**2,000,000**	-	-	-	-	-	-	-	-	-	-
Total sources	**2,000,000**	1,440,000	1,680,000	1,920,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
Applications											
Capital expenditure	**2,000,000**	-	-	-	-	-	-	-	-	-	-
Tax	**2,000,000**	364,725	436,725	508,725	652725	652725	652725	652725	652725	652725	652725
Sub-Total	**2,000,000**	364,725	436,725	508,725	652725	652725	652725	652725	652725	652725	652725
Total Applications	**2,000,000**	364,725	436,725	508,725	652725	652725	652725	652725	652725	652725	652725
Net working capital		1,075,275	1,243,275	1,411,275	1,747,275	1,747,275	1,747,275	1,747,275	1,747,275	1,747,275	1,747,275
Accumulated cash	-	**1,075,275**	**2,318,550**	**3,729,825**	**5,477,100**	**7,224,375**	**8,971,650**	**10,718,92**	**12,466,200**	**14,213,475**	**15,960,750**

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PROJECTED CASH FLOW