GUUSH INVESTMENT LIMITED

FEASIBILITY STUDY FOR

A PROJECT

OF

MILLING AND PACKAGING ALL TYPES OF GRAINS

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EXECUTIVE SUMMARY

1.1. INTRODUCTION

This report has been prepared for GUUSH INVESTMENT LIMITED a locally registered company under Companies Act 2002 in Dar es Salaam on 13th July 2018. The project Intends to engage in Grain Milling facilities to mill all kinds of grains.

GUUSH INVESTMENT LIMITED Authorized share capital is Tshs. 200,000,000 . The shareholding pattern of the shareholders is indicated in the table below;

S/N	Names	Nationality	Shares Taken	Percentage Holdings
1.	Warsan Mahamed Mahammud	Tanzanian	520	52%
2.	Abdinuur Mohamed Guushaa	British	280	28%
3.	Unalloted	-	200	20%

1.2 THE PROJECT

GUUSH INVESTMENT LIMITED has embarked on an establishment of a milling processing facilities. The crux is to exploit the rich experience gathered in view of the current market trends in the grain milling.

GUUSH INVESTMENT LIMITED has decided to carry grain milling plant facilities and adopt the best technology available. The aim of the promoters is to attain a bench market level of accuracy and efficiency in production of grains.

The project envisages milling of grains to obtain milling products as the finished product and bran and pollards as by product. The processing capacity envisaged for this project is to 10,000 ton of milling products in a year of 300 working days. Starting with a capacity utilization of 65% in the first year the overall production will stabilize at 85% from the fifth year of operations. The project cost has been estimated at USD 1.0 million.

The promoter has the required technical and marketing strength to see through the project and make it a success story. The only requirement is availability of adequate timely funds.

1.3.THE MARKET

Tanzania offers a huge market potential for the product envisaged by this agro-processing project. GUUSH INVESTMENT LIMITED has been exposed to the milling industry for a number of years and through research hence knows about the way the industry behaves.

1.4. INVESTMENT COST

The project envisages an investment of USD 1.0 million including USD 0.140mby way of initial working capital. This will be needed to purchase raw material, packing material and for meeting the day-to-day expenses of the business till the inflow from debtors is commenced. The project will import machineries and technology into the country.

1.5 EMPLOYMENT

The money spent will result into employment to various individuals within the country in direct as well as in indirect manner. During the implementation period it is expected that nearly 1000 local indirect employments will be generated and after completion of the project nearly 70 will secure permanent employment.

1.6 SOCIAL &ECONOMIC DEVELOPMENT

Apart from employment generation, the project shall also contribute towards the finances of local bodies by contributing towards, different levies like PAYE, Skills and Development Levy, City Service Levy. VAT and Corporate Tax.

The above mentioned are direct development benefits of the envisaged project. However, there will be considerable advantages coming out to the society out of such project. It will lead to creation of demand in various other products and thereby support the consumer goods industry to develop within Tanzania. It will also provide impetus to better standard of living among the residents of the country and as such the project shall contribute positively to Nations economic development.

1.7 CONCLUSION

The conclusion, based on above brief is to go ahead as envisaged and establish the contemplated manufacturing facilities as early as possible. The immediate and long-term benefits of the project are quite attractive from everybody's angle.

- The entrepreneurs will earn profit, the laborers will get their share, the government will benefit out of the taxes and levies, the national economy will benefit out of increased supply, there will be foreign exchange creation as the output on this project will be exported
- Latest technology, technical, managerial and marketing expertise will come on this country. The project will also lead to so many other indirect benefits in terms of ancillary businesses and overall growth for demand of consumer product is leading to growth of those industries within Tanzania and thereby leading to overall growth of the economy.

  On careful evaluation of such factor, it is a very obvious conclusion that the project is technically, commercially and financially feasible and viable. It is therefore recommended to consider this project, as feasible and all concerned authorities should accord all required support in completing the setting up of this project.

2.0 THE PROJECT

The project contemplates augmentation of the production capacity of grain milling facilities with the capacity of 10,000tons per annum. The capacity utilization has been worked out at 65% in years thereafter. It is expected that the capacity utilization of nearly 95% will be maintained thereafter. Following factors have been deemed to be instrumental in conceiving of this project.

a) Tanzania grain market has huge potential and the demand supply gap is quite huge. Such situation ensures very less marketing efforts for quality products.

b) Tanzania is perceived as one of most stable countries in the East African belt and therefore it has been thought more proper to expand the base in Tanzania rather than any other country in the African continent.

c) The promoters are already in this business since several years. With an endeavor to be the best in the industry, with the use the most modern technology, automate the production and run business as efficiently as possible, the promoters have envisaged this project.

All machines will be imported and as per the estimates of the promoters the first phase of the project should be operational by the end of December 2020. In order to run the machineries, furnace oil, electricity, diesel, lubricants and machinery spares will be required and these are easily available locally. The project envisages employment on a permanent basis for nearly 70 Tanzanians once the capacity

utilization touches 85%. Casual laborers will also be hired from time to time to meet the market demands.

2.1 FINANCING

The promoters of this project will finance this project through equity and if the need arise, they will seek the term loan.

2.2 BRIEF PROFILE OF THE PROMOTERS

The project is sponsored by GUUSH INVESTMENT LIMITED. It is very apparent that the promoters are well qualified and experienced in field of their business of milling. The promoters are quite capable of seeing through the project and can take up the responsibility of making the project another success story.

3.0 THE MARKET

The overall Agro-processing Sector in Tanzania has been growing very slow. There is less contribution of agro processing industries to GDP. This is because not many investors have decided to embark on the agro processing. The industry estimates indicate that this share of manufacturing Sector in the GDP of the Nation is going to increase at faster rate in the years to come. As stated in the executive summary there is tremendous demand within Tanzania for the products envisaged by the project.The grain produced in Tanzania is excellent quality GUUSH INVESTMENT LIMITED is quite aware of such requirement s and has geared up for required expertise.

3.1 DEMAND FOR GRAIN PRODUCTS

The demand for Grain products is high and the promoters of the project intends to sell 80% of the output locally and 20% to export to the neighboring countries The company will sell the products through its existing fleet of transport trucks and will ensure proper stockyard within the factory premises, to keep adequate stocks of finished products. There is considerable demand supply gap that is being filled up by few milling plants in existence in Tanzania .The demand is also affected by purchasing power of the consumers choice and proper marketing and the company has made plans to establish authorized dealers in main cities of Tanzania and then make the products aggressively through there outlets.

3.2 The Market

The company will set up most effective channel for marketing the product and operate a product mix. Since Management has adequate exposure in their areas no major challenge is envisaged as far as marketing of the farm produce and milling products is concerned. The challenge in front of this is to produce cost effectively and distribute the milling products effectively and keep the qualities of the grains comparable.

3.3 Distribution channels

Apart from the fact that grains are one of the most fundamental requirements of human existence, the demand for grains is also influenced by other factors such as purchasing power of the

consumers, choice and proper marketing. The company has made plans to establish authorized dealers in main cities of Tanzania and then market the products aggressively through these outlets.In immediate plans the company is not very eager to export the products as its own study indicates tremendous demand on domestic front.

4.0 PRODUCTION PROCESS AND TECHNOLOGY FOR THE MILLING

The production of milling products does not involve many technicalities. The whole process comprises or four steps. These are described in brief below: -

1. **Receiving:**

   The raw material is sourced from farmers. The Raw Material is first received Products and is stocked at the factory by the receiving department. Once product, are brought to the factory it is dumped in the receiving pit. From there are sent to the separator through conveyors and elevators, where the raw material separated from the dirt. After the dirt is removed at the separators, the rice is stored.

2. **Cleaning and Conditioning**

   By the time the grains reach here the separator would have cleaned it once. At this stage stonnerators are used for

fine cleaning and aspiration fans are used to suck the loose dirt.

3. **Milling:**

Depending on the type of grain, the actual process of grinding, dreading, sieving and separation. These activities are repeatedly performed till final product and the by-product are obtained. Once the milling is over is over, sifters are used to sieve and grade the ground stocks. Later pneumatic conveyors and elevators are used to transport the finished product to the packaging section.

4. **Packaging:**

As a result of the production process one gets milling products as the main products. Both these are sent to the sacking machine through conveyors, where they are packed. Packing activity is considered to be one of the most important activities. Any lethargy could result in adulteration and company might have to pay a huge price for it by way of wastage and liquidated damages.

5.0 ORGANISATION STRUCTURE & MANPOWER

The project will create permanent jobs for nearly 70 individuals from the milling activities. However, during the setting-up stage the need for labour will be higher. The project will also provide labour to some casual employees on a seasonal basis. As a known fact, the economy of the country is one the up-rise and

the population are increasing as well. Moreover, it seems apparent that the demand for grain products is going to increase steadily over the years.The break-up expected for total employment of 70 Individuals is as under: -

Skilled	10
Semi-Skilled Staff	20
Un-Skilled Staff	40
	70
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Skilled staff will cater to the positions of Executive director.Mill manager, Head Miller Assistant Miller, Marketing Manager, General Manager and Commercial Cum Financial Manager.

Semi-Skilled staff will consist of shift Supervisor, Fitters, Electrician, Laboratory Attendant, Technical Assistants, Stores Personnel, Finance and Accounts Assistant and Marketing Assistant.

Un-Skilled labor consists of screen room attendant, packers, dirt receiving helpers, etc.

6.0 PROJECT IMPLEMENTATION SCHEDULE

The project will take nearly 3 years to become fully commercially operational. The project will be implemented in phases . Since the Promoters have adequate knowledge about the setting-up and running of such unit and also have established contacts with suppliers of the machines and technical experts who can assist in installation and commissioning of the plant, the implementation period had been worked out on tight and will be adhered to.

7.0 INVESTMENT AND FINANCING

7.1 ASSUMPTIONS;

- Prices used are those prevailing in 2020. Any price increase of inputs is expected to be compensated by a proportionate rise in the selling price.
- The project implementation period is 3 years. The first year will be from January 2020.
- Projections have been assumed that the file of the project is nearly 10 years.
- The unit of account in all financial analysis is cost of Machines to be imported is inclusive of any technical support required for installation and commissioning up to the said machines.

7.3 ESTIMATED CAPITAL COST OF THE PROJECT

S.No.	Item	USD

1.	Land and Building	100,000
2.	Plant and Machinery	500,000
3.	Vehicles	50,000
4	Furniture and Fitting	10,000
5	Others	200,000
6	Initial Working Capital	140,000
	TOTAL	**1,000,000**

7.4 FINANCING OF THE PROJECT

S.No.	**Item**	**USD**
1	Equity share Capital	1,000,000
TOTAL		1,000,000

7.5 MACHINERY & EQUIPMENTS

As far as plant and machinery is concerned, they will be imported from abroad. The total cost of all machineries and other ancillary equipment as listed hereunder will be to the tune of USD 0.500m. The machinery will have an annual installed production capacity of 10000 tons of various grains per annum. A detailed list of plant and machinery and supporting equipments required for the project is as under: -

S. No.	**Name of the Machine**
1.	Receiving

2.	Cleaning & Conditioning
3.	Milling
4.	Auxiliary
5.	Electrical Installation
6.	Electronic Flow Measure
7.	Cylinder Separator
8.	Double Purifier
9.	Other Fixture and Fittings
10.	Machinery Installation including Electrification
11.	Travel Fare, Hotel Stay & Miscellaneous Expenses Technicians.
14	Vehicles

In order to support large scale of operations, the company will need vehicles, which will consist of 5 trucks (Special Grains Haulers), three 3.5-ton trucks, two Nissan Pick-Ups and one 4x4 Car.

Considering the size of this project, and also keeping in mind the implementation period the contingencies and pre-operational expenses have been estimated at USD 10,000 millions.

The Initial Working Capital has been estimated at USD 0.140 million and the components thereof are assumed as explained

The entire capital cost of the project thus works out to USD 1.0 million.

8 COST AND REVENUE ESTIMATES

8.4 ASSUMPTIONS:

- The project will have an effective file of 10 years
- The project will start its commercial operation from the end of December 2020
- The project will start its operations at 65% of capacity in the first year and increasing at a steady to attain 85% of the capacity utilization from the year 2025 onwards.
- It has been estimated that prices will remain constant throughout the period of the project. It has been also assumed that any increase in prices of input will be compensated by proportionate increase in the selling price of the finished product.
- Supply of power, water, raw material and other inputs has been assumed to be available without any major interruptions.
- Availability of adequate skilled and semi-skilled labour in the country has been assumed.

8.5 COST ESTMATES:

The basic raw material for this project in various grains the same has been considered at a price of US$800 per ton of rice and US $ 350per ton of maize. This is the only major raw material required for the production of Milling Products. For the sake of the calculations the cost of good sold has been estimated at 65% of the revenue

Manpower cost has been actually worked out and production related labour cost has been taken according to the capacity utilization, whereas the administrative manpower cost has been taken on the basis of period.

8.3 REVENUE ESTIMATES

The project envisages production and sale of milled grains products and a marginal contribution by sale of the by-products. The revenue estimates have been considered to be US$1000 of rice and US$ 500 of maize. There is a demand in the domestic market for the product and is envisaged to grow in the near future. The average price taken for the milling product is US$1000.

Capacity Utilization & Production

USD

Year	Capacity Utilization	Annual Production including by-product (Tons)
Year1	65%	6500
Year2	75%	7500
Year3	80%	8000
Year5	85%	8500

After taking cognizance of above capacity utilizations and the selling price estimates the annual turnover for year 1 to year 5 are as under:

Projected Sales Turnovers

Year ended – 31st December	Turnover USD
1	6,500,000
2	7,500,000
3	8,000,000
4	8,500,000
5	8,500,000

9 FINANCIAL STATEMENTS

9.1 PROJECTED PROFITABILITY STATEMENT

As can be seen from the appended projections of profitability for the project, the company estimated to make a healthy profit from the first year of operation. Moreover, the company is expected to generate cash from operations in the first year, which is quite encouraging. The estimates indicate that the company will not look back thereafter, and would earn considerable profits in the later years. It has been further assumed that any changes in the costs will be offset by equivalent increase in the selling price of the product.

It is worth noting that Cash Profits are generated from the very first year of operations .

9.2 PROJECTED CASHFLOW STATEMENT

The appended projected cash flow statement shows that the initial funding will be Equity Share Capital. The cash flow statement also reveals that over a period of five years the total inflow from operations

will increase. Further the project generates enough balance to re-pay the loans in six year.

9.3 PROJECTED WORKING CAPITAL ESTIMATES

Despite the fact that the manufacturing process is not very long, raw Material stock has been estimated at 90 days requirement, finished goods of 7 days and WIP of 4 days, with debtors, level estimated at 30 days. The creditors are assumed at 120 days.

9.4 PROJECTED DEPRECIATION SCHEDULE

Depreciation has been taken as per the provisions of Income Tax Law. No depreciation for land has been assumed and. It has been estimated on Straight-line method.

Rate of depreciation

S.NO.	Item	Depreciation Rate
1.	Land and Factory Shed	5.00%
2.	Plant & Machinery	12.50%
3.	Vehicles	25.00%

10. PROJECT DEVELOPMENT BENEFITS

The project envisages an investment of USD 1.0 million. This investment will result into bringing in plant and machinery and will thus increase the productive capacity in the country. This will help the

country in increasing the share of industrial output in its GDP, which is as of date very low.

a) The project envisages employment of 70 permanent basis and equal number of casuals as per the requirement will be employed.

b) The employment generation stated in point b) above will have cascading impact on the overall economy in a positive manner.

c) Along with machines, there will be inflow of foreign technology. This will help the country in updating the State-of-the-Art technology within the country.

d) The project will also have an in-house training center and as such it will help the local community to improve upon their technical skills.

11. CONCLUSION AND RECOMMENDEATION

The above study of the project reveals that the project is technically, commercially and economically feasible, viable and is desirable for country's economy. In light of anticipated financial, social and

development benefits the project qualifies for positive recommendation for immediate implementation. Since the promoters are confident of arranging the required funds and of establishing the project within the committed time frame the conclusion is to recommend to all concerned authorities to accord utmost support to this project so as to enable the country to realize the benefits as perceived in this report.