

# G & B ANIMAL FEEDS COMPANY LIMITED

## BUSINESS PLAN



P.o Box 21290

Dar es Salaam

**Tanzania**

**June,2020**

# CHAPTER ONE

## 1.0 EXECUTIVE SUMMARY

### 1.1 General

This project document gives details on an investment of animal feeds industry at Mapinga village in Bagamoyo District Pwani Region to be run by G & B Animal Feeds Company Limited a newly established company. The company is wholly own by indigenous who have seen a greater opportunity in poultry and animal farming sectors in Tanzania and decided to fill a gap of demand in animal feeds by mobilizing their financial resources for implementing this project.

According to statistics from Ministry of Livestock And Fisheries, Tanzania has an estimated population of about 32.3 million cattle, 20 million goats and 5.5 million sheep. Other livestock include 2 million pigs, 38.5 million local chicken and 4.6 million approved chicken with an average increase of 4% annually. This population of livestock provides a greater market for animal feeds.

### 1.3 Purpose of this project document

The purpose of these documents is to fulfill one of the requirements from Tanzania investment Centre (TIC) for application of incentives on investment projects.

### 1.4 The Company.

G & B Animal Feeds Company limited was incorporated on 21<sup>st</sup> November 2019 and issued with certificate of incorporation No. 140456179 from Business Registration and Licensing Authority, having a tax identification No 140-456-179 issued on 21<sup>st</sup> November 2019. The principal activities of the company processing, production,

distribution and selling of animal feeds .At **full capacity** the company can will be able to produce **5 tons** of animal feeds per hour or **43800 tons** annually.

## **1.5 Ownership**

At the moment G & B Animal Feeds Company Limited has five Directors. Mr. Godliving Makundi who own 51 percent of total shares, currently Mr. Godliving Makundi is a Chairman of Board and Chief Executive Officer of the company. Miss Brenda Makundi is another partner who own 12.25 percent of shares, other directors are Miss. Bella Makundi, Miss. Belinda Makundi and Mr. Bosco Makundi who owns 12.25 percent of shares each.

### **1.6.0 Organization structure of the company**

In order to facilitate smooth running of the company and to achieve its long term and short objectives, a well-defined organization structure needs to be in place. This part describes the organization structure of the company. The organization structure ensures sustainable operations of the company.

#### **1.6.1 Board of Directors**

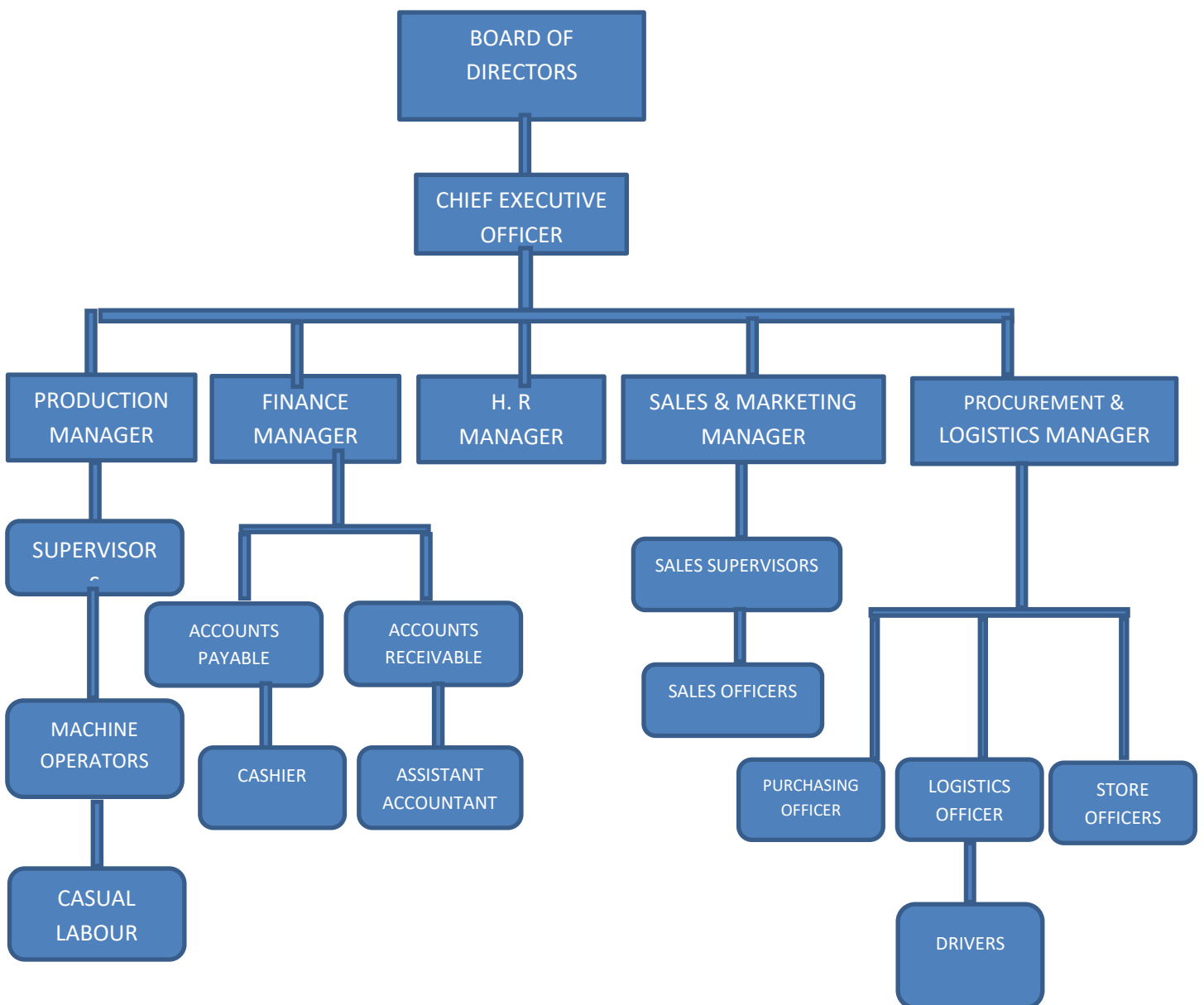
As for any organization, the company has the Board of Directors. As mentioned above, Board of Directors has five members including Chairperson. The Board has number of committee that undertakes numerous activities on behalf of the Board. The committee includes finance and planning, ethics and audit and human resources and management. The Board has meetings in each quarter of the financial year.

#### **1.6.2 Management team**

The management of the company is under Chief Executive Officer who is responsible for day to day operation of the company. Chief Executive Officer is answerable to the

Board of Directors and is assisted by line managers from five departments, production, finance, human resources, sales and marketing and procurement and logistic departments.

Figure 1



## 1.7 Cost of the project

As analyzed in **appendix i** investment cost of the projected is estimated to be **Tshs 1,491,851,400.00** which includes,

▪ Acquisition of land	Tshs 150,000,000.00
▪ Acquisition of machinery	Tshs 412,201,400.00
▪ Construction of factory building and offices	Tshs 300,000,000.00
▪ Cost of trucks	Tshs 560,000,000.00
▪ Computerized accounting system	Tshs 25,000,000.00
▪ Office furniture	Tshs 18,900,000.00
▪ Computers	Tshs 25,750,000.00

**Total investment cost** **Tshs 1,491,851,400.00**

## 1.8 Physical location

G & B Animal Feeds Company Limited is located at Mapinga Village in Bagamoyo District, Pwani Region with Head Office along Nkruma Street, Ilala Municipality, Dar es Salaam.

## 1.9 Postal address

G & B Animal Feeds Company Limited

P.O Box 21290

**Dar es Salaam**

**Tanzania**

**Tel. 0659 272 895**

### **1.10 The objectives of the company**

The main objective of the company is to deal in processing, manufacturing, distribution, wholesale and retail, marketing and production of animal feeds, by products of agriculture foods, animal food for cows, chickens, pigs, cats, horses, goats and all the animal as may be applicable.

### **1.11 Implementation schedule**

From January 2020, construction process of industrial building and offices started at mapinga village, Bagamoyo District. On September 2020 the company is expecting to install machines and starting trial production for three months to December 2020. The company will officially start production on January 2021.

### **1.12 Vision and mission**

The vision and mission of the company is stated below.

- **Vision**

To be a market leader in animal feeds production and distribution in Tanzania, East and Central Africa, we will earn our customers enthusiasm through continuous improvement driven by integrity, team work and innovation.

- **Mission**

We are fully dedicated to producing, selling and serving poultry and livestock farmers by providing the most advanced best nutritional products throughout.

## CHAPTER TWO

### 2.0 SWOT ANALYSIS

#### 2.1 Overview

This chapter provides analyzed details on strength, weaknesses, opportunities, threat and challenges management of the company is expecting to face and to overcome in the future operation of the business. The chapter also provides details on objectives in short and long term.

#### 2.2. Strength

##### 2.2.1 Human resources.

The management of the company has recruited qualified; experienced, committed and competent management and operational staffs that will devote their time to make sure objectives of company are achieved.

##### 2.2.2 Experience of the management in manufacturing industry for more than twenty years.

Chairman of Board of Director of the company is also a Managing Director and the owner of G & B soap Industries Limited manufacturer of laundry soap, detergent soap and cooking oil since 1997, being in operation in manufacturing industry for more than twenty years is greater experience, for those years of operation management of the company has enough experience in solving challenges in manufacturing and distribution industry.

### **2.2.3 Exposure, qualification and experience of Board of Directors**

The Board of directors consists of members of different professional background and experience including laws, finance, engineering, Information Technology and business management. Also member of Board of Directors has attended numerous training, workshops and seminars abroad and locally which add value in management skills.

### **2.2.4 Highly and sophisticated technology invested.**

The company has invested in modern and advanced technology animal feeds processing machinery. Processing plant will have a capacity or producing 5 tons of animal feeds per hour, the plant will also have capacity of packing final products in bags ready for distribution to the market hence reducing laborer cost and increase complete advantage.

## **2.3 Weakness**

### **2.3.1 Limited financial resources**

For the early months of operation the company will need sufficient financial resources for operating activates before starting generating its owns form sales. Limited financial resources at this stage may hinder the future growth of the company.

### **2.3.2 Lack of technical skills**

As mention earlier the company has invested in modern technology machinery for animal feeds processing and production from abroad, it will take time for our engineers to make repair and maintenance when fault occurs .Management of the company will need to hire technical expertise from the supplier or other reliable sources which will cost the company.

## **2.4 Opportunities**

### **2.4.1 Growth in livestock farming and poultry sector in economy**

According to statistics from Ministry of Livestock And Fisheries, Tanzania has an estimated population of about 32.3 million cattle, 20 million goats and 5.5 million sheep. Other livestock include 2 million pigs, 38.5 million local chicken and 4.6 million approved chicken with an average increase of 4% annually. This population of livestock provides a greater market opportunity for animal feeds production industry.

### **2.4.2 Regional economic cooperation**

Regional economic cooperation such as Southern Africa Development Community (SADC) and East African Community (EAC) are important Regional blocks in creating new trade agreements and business opportunities. Regional cooperation allows free access of goods and services between member's countries. Our company will use that opportunity to capture market for animal feeds from customers within member countries, according to study made by the management of the company, Mozambique is one among members' countries who have a greater demand.

### **2.4.3 Industrialization policy.**

Government policy of industrialization encourages local and foreign investors to build processing and manufacturing industries in Tanzania which are using local materials and agriculture products. The Government provides several incentives including tax exemptions. Tax incentives and other benefits reduce cost of production and speed up revenue earned.

#### **2.4.4 Availability of raw materials used**

The company will use raw materials locally produced by farmers, fisherman and by products from cooking oil producers. Maize which is 60% of raw materials used are produced in high quantity of tons yearly country wide, sunflower and cotton seed cakes (mashudu) from cooking oil producers are always available in sufficient quantities. Also the company can easily get whitebait (dagaa) from local fisherman in Lake Victoria, Lake Tanganyika and Lake Nyasa and Indian Ocean.

#### **2.4.5. Availability of modern communication technology**

The availability of the latest internet, telephone and computer technologies promotes communication and business deals with customers within and outside country.

### **2.5 Threat**

#### **2.5.1 Stiff competition from giant producers of animal feeds**

In animal feeds business, the company will compete with giant producers who have been in this industry for many years now like Hill animal Feeds company limited, Kibo Animal Feeds, Falcon and others. In this business plan management of the company will come with strategies to overcome business competition.

### **2.6 Short and long term objectives to meet challenges and raise business revenue.**

#### **2.6.1 To establish strong sales and marketing unit**

The management of the company is willing to establish strong and committed sales and market department which will be capable of promoting sales volume and curb market competition in animal feeds business. At early stage of production the department will be responsible to promote products awareness to the public and looking for new business contracts and promoting sales as a whole.

### **2.6.2 Establishment of other production line of other animal feeds products.**

The company for the first four years will concentrate on layers and broiler feeds in production and distribution as one of its market strategy. In the long term plan, management of G & B Animal Feeds Company Limited is planning to include other type of products in production line.

## CHAPTER THREE

### 3.0 MARKET ANALYSIS, BUSINESS PROMOTION AND STRATEGIES TO OVERCOME CHALLENGES

#### 3.1 Overview

This chapter describes the details on potential market size, customers that are target market, competitors and strategies to get maximum number of customers to satisfy our business need through various strategies.

#### 3.2 Market analysis

As mentioned out above this business plan have been prepared for the company for application of incentives from Tanzania Investment Centre (TIC).

According to National Livestock policy, production capacity for industrial animal feeds in Tanzania is 500,000 tons out of total demand of 2,500,000 tons per annum, from those statistics there is still potential market for animal feeds in the country.

There are a number of agents of animal feeds within a country which will be the first targeted market group for our products. Seles and Market Department will visit all agents in all regions and establish new business relationship. Agents are potential targeted group for our business prosperous. Keeping good contact and relationship with this agents will enable our business always to capture new business deals.

Another targeted potential customer is poultry farmers who own large animal farms in various regions. This kind of market group is very potential for our products.

Also small and individual poultry farmers and animal keepers will a group to be focused in our products business.

On study made by the management of the company, revealed that there is potential market for animal feeds in some countries surrounding us. The study shows that there a great demand of animal feeds in countries like Mozambique and Rwanda. Management of the company is intending in future to widen its market are to this countries.

### **3.4 Business promotion and strategies to overcome market competition.**

The owner of the company will use various strategies and promotions to expand its market share in animal feeds and improve revenue generation and curb business competition. Among of strategies are explained below.

#### **3.4.1 Sensitization of company brand**

The management of the company is working to see the possibility of putting advert billboards in various prominent areas in cities/towns, participating in trade fairs, and industrial owners meetings and exhibitions, preparing brochures to increase awareness of its products to the public especially at the early stage of production.

#### **3.4.2 To offer discount to attract more customers.**

At the beginning of production management of the company plans to offer discount in a certain percent for a customer who frequently buy our products or buy a large quantity of our products or entered in long term business contract. Discounts will attract customers and increase number of business deals.

### **3.4.3 Promotions**

In order to create awareness of the public on our new produced products, a number of strategies will be adopted. Various means will be used including emails, personal visits and advertising agencies.

### **3.4.4 Media advertising**

As part of marketing strategies, the management of the company will advertise its business in various media in order to publicize its services and promote awareness to the society. The media houses will include Clouds FM, TBC, ITV and AZAM TV. The management of the company will prepare various programs and advertisements for those media stations.

### **3.4.5 Establishment of customer's data base.**

Establishment of customer's data base will help the management of the company to have direct contact with customers any time he need, getting feedback for the products offered and promoting good business relationship.

### **3.4.6 Public Relations**

Another marketing strategy to be adopted is to engage in social welfare and community activities, in collaborated with selected clients the company shall be serving. Type of assistance will be determined with timely needs.

## CHAPTER FOUR

### 4.0 FINANCIAL PLANING

#### 4,1 Overview

The preparation of business plan requires asserting the financial flow of the company as an attempt to determine its viability. In this regard, this chapter provides the details on assumption used in making projections as well as projected income statement, projected cash flow and projected statement of financial position.

#### 4.2 Basic assumptions

Several assumptions were made and considered in the preparation of the financial plan and projections. The assumption is made on professional judgement, economic and current financial and market trend. The assumption is as follow.

- Depreciation will be on reducing balance method to write off cost of each value over the estimated useful life. The rate to be used per annum is as follow.

i. Furniture and fittings	12.5%
ii. Motor vehicle	25%
iii. Computers	33.33%
iv. Equipment	20%
v. Building	04%
vi. Machinery	25%
vii. Computer software	33.33%
- Depreciation will be charged on assets on the date they are ready for use and stop on date when the assets is de-recognized by the company.

- Exchange rate will remain constant throughout the period at Tshs 2330/Usd
- Provisional for bad and doubtful debts is assumed at 5%
- Income tax rates of 30% remain the same over the period.
- For the first year production will be at 67 % of its full capacity of producing 5 tons of animal feeds per hour and will increase by 5% annually.

#### **4.3.1 Projected Investment cost**

Management of the company is expecting to spend **Tshs 1,491,851,400.00** for construction of factory building, acquisition of machinery and trucks, office furniture and computers. **Appendix i** shows cost analysis for the project.

#### **4.3.2 Projected Revenue**

**Appendix ii** shows projected revenue for which the company is expecting to generate sales revenue amounting to **Tshs 29,671,000,000.00** for the first year of operation, it is estimated that sales revenue will increase for 5% annually for the coming three years.

#### **4.3. 3 projected cost of raw materials**

The company is expected to spend **Tshs 22,189,440,000.00** for purchase of raw materials for the first year of production as illustrated in **appendix iii**. For the coming three years cost of raw materials is expected to rise by 5% annually.

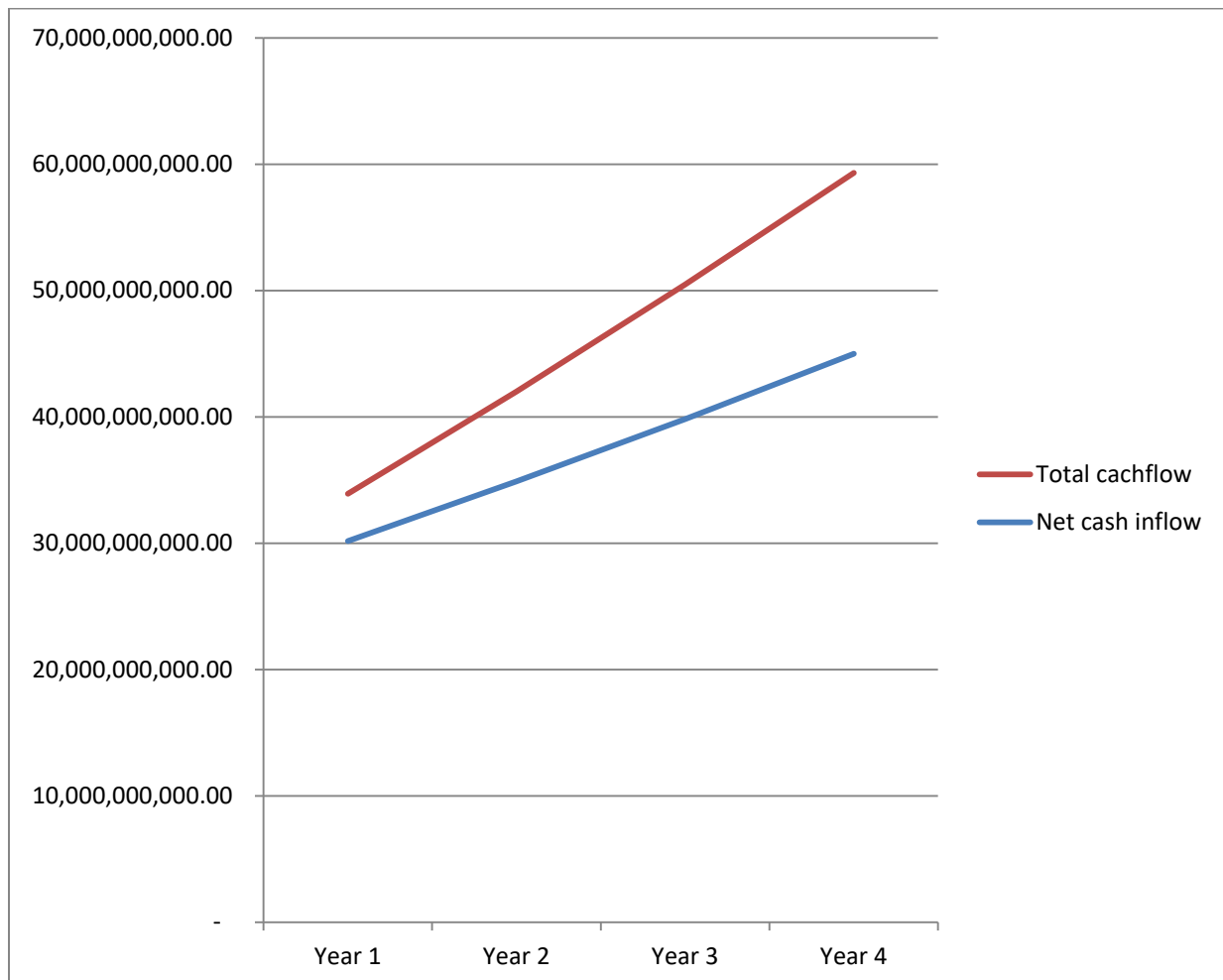
#### **4.3.4 Projected running expenses**

Projected running expenses for the company comprises of administrative expenses, sales, marketing and distribution costs, factory overheads and transportation charges. For the first year of operation, the company is expected to use **Tshs 1,687,960,000.00** as shown in **appendix iv** and will assumed to increase in 5% annually constantly.

### 4.3.5 Projected cash flow.

The project is profitable. It generates cash flow from the first year of operation with a net cash flow of Tshs 3,736,670,522.50. Positive cash flow is recorded each year of operation. At the end of projected period, the business is projected a total closing balance of Tshs 18,688,473,423.33. Cash flow projections are shown in **appendix viii**.

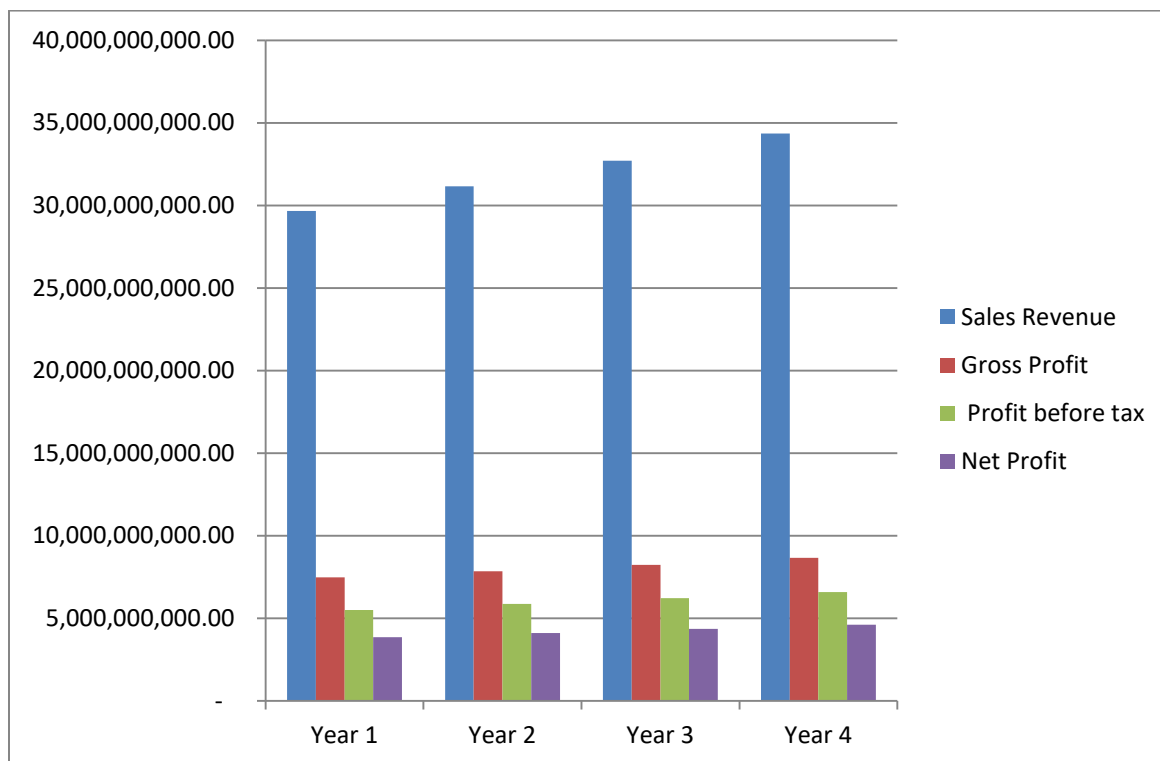
**Figure 2**



#### 4.3.6 Projected Profit or Loss and Other Comprehensive income

The projected profit or loss and other comprehensive income reveal that, the company will generate after tax profit of Tshs 3,863,630,522.50 in the first year and will continue to earn profit for the coming four years as shown in **appendix vii**

**Figure 3**



#### 4.4 Economic and social benefits of the project.

On completion, the project will have substantial economic to the country and animal farming sector.

- The Government will collect income tax, Pay as You Earn tax from employees' salaries monthly.
- The company will reduce a gape in demand in animal feeds.

- Provision of income to the proposed **96** employees to be directly involved in company operation thus contributing of reduction of poverty **appendix iv**. The salaries earned will help in improving the standard of living of employees.
- The company will provide a market for local farmers and fisherman products that will provide 100% of raw materials to be used in production.

## CHAPTER FIVE

### 5 CONCLUSION

This project document gives details on an investment proposal for construction of animal feeds factory run by G & B Animal Feeds Company Limited who intend to invest **Tshs 1,491,851,400.00** on the project.

Though the various parameters which have been considered, it has been established that the proposed project is **technically feasible, financially viable and economically beneficial**. In view of the above it is hereby recommended that the project as conceived by the prospective investors be implemented.



