ABBA GROUP TANZANIA LIMITED

P.O. BOX 1706

DAR ES SALAAM – TANZANIA.

BUSINESS PLAN

On

ESTABLISHMENT OF A MODERN ALCOHOL DRINKS MANUFACTURING PLANT IN PLOT NUMBER 171, BLOCK BCY NO. 89923, MAPILINGA MISUNGWI DISTRICT –MWANZA REGION.

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1.1 Index

1.1.1.1 List of Appendices:-

0.1 Introduction

This feasibility study report is being prepared for **M/S ABBA GROUP TANZANIA LIMITED of P.O. Box 1760 DAR ES SALAAM - TANZANIA,** Tanzania hereinafter referred to as AGTL has undertaken a project to venture into the manufacturing of Alcohol Drinks, and other allied products. The promoters are well experienced in the envisaged line of business. The promoters have enough financial resources to see through the project and will bring in foreign exchange right from the inception stage of the project.

The purpose of this study is to assess the commercial viability and operational feasibility of the project being undertaken by AGTL Most of the data has been complied by the promoters' own research and study in Tanzania and is firsth and information. The financials have also been worked out on the basis of market and cost information provided by the promoters of the project.

This report has additionally deliberated upon the social and related economic benefits (net) that will accrue to the nation and has given adequate weight age for the same in the conclusion & recommendation paragraph.

02. Company Details:

Registration:

M/s AGTL has been registered with the Registrar of Companies on 06TH of October, 2016 as a limited liability company with a paid- up share capital of T.shs 2,000,000,000/= The Authorized share capital of the company is same as the paid-up share capital. The registration number of the company is 130122.

01. The Project:

As stated in the paragraph on introduction, the project is "to process good quality Drinks and other related products, by utilizing local inputs to its maximum and thereby contribute towards the manufacturing sector of the economy and create wealth and employment resulting into a positive cascading impact on the entire economy".

The basic purpose of the entire project is to add value to the abundantly available inputs not been adequately exploited. The project will create more wealth for the nation and shall endeavor to bring in more prosperity and economic independence.

2 Drinks Manufacturing Process

The basic steps in the manufacturing of Alcohol Drinks are generally as follows:

- Preparation of Raw Materials
- Fermentation
- Distillation
- Blending and Bottling

2.1.1.1 Preparation of Raw Materials

Grains:

Starch in grains like barley or corn is converted into fermentable sugars through a process called mashing, which involves grinding the grains and adding hot water.

Fruits:

Fruits like grapes or apples are crushed to release their juices, which contain sugars.

Other Ingredients:

Other ingredients like potatoes or sugarcane can also be used, with appropriate preparation methods.

2.1.1.2 Fermentation

Yeast Addition:
Yeast is added to the prepared mixture (mash or juice) to convert the sugars into alcohol (ethanol) and carbon dioxide.

Temperature Control:
Fermentation typically takes place at controlled temperatures to optimize yeast activity.

Duration:
Fermentation can last from a few days to several weeks, depending on the type of beverage.

2.1.1.3 Distillation

Vaporization:
The fermented liquid is heated, and the alcohol, which has a lower boiling point than water, vaporizes.

Condensation:
The alcohol vapor is then condensed back into a liquid, resulting in a higher concentration of alcohol.

Multiple Distillations:
Distillation can be repeated multiple times to further purify and concentrate the alcohol.

2.1.2 Maturation

Barrel Aging:

Certain spirits like whiskey and rum are aged in wooden barrels (often oak).

Flavor Development:

This aging process allows the alcohol to interact with the wood, developing complex flavors, aromas, and colors over time.

Duration:

Maturation can last from a few months to many years.

2.1.3 Blending and Bottling

Blending:

Different batches of alcohol may be blended to achieve a consistent flavor profile.

Filtration:

Filtration may be used to clarify the beverage and remove any impurities.

Dilution:

The alcohol content is adjusted to the desired level.

Bottling: The finished beverage is bottled and sealed.

COST OF THE PROJECT & MEANS OF FINANCE:-

A. Cost of the Project:-

S. No.	Details	US $
1	Land & Building	250,000/=
2.	Plant & Machinery	360,000/=
3	Furniture, Computers & Fixtures	50,000/=
	Vehicles	210,000/=
4	Others	60,000/=
	Pre-operating Costs	40,000/=
	Initial working capital	30,000/=
	Total Cost of the Project	**1,000,000/=**

B. Means of Finance:-

	Details	**US$**
	Equity Funds	**1,000,000**
	Total Means of finance	**1,000,000**

The total cost of the project consisting of has been estimated at US $1,000,000/= As can be seen from the above chart, majority of the expenses involved will be on plant and machinery and land and Building Nearly 73.33%. Besides considerable money will be required in the starting up of the unit which has been grouped under the head pre-operating and initial working capital costs. The will be implemented within a span of two Building will be a simple structure based on pillars with sidewalls open to facilitate future as day will be achieved gradually, however optimum capacity will be reached within 2 years.

11. Project Financials:-

11.01 Assumptions

a) The rate of one US $ is equal to T.shs 2,500/=
b) Required labor force will be available
c) Required permits will be granted within the limited time schedule to ensure implementation as per schedule.
d) The first phase will be operational within a span of three months.
e) Output in first phase will be 100 cubic meters of ice cream and Ice cream taken together, per day.
f) The second phase will taken nearly 21 months to complete after the start of first year and will increase the capacity to 450 cubic meters per day.
g) Total investment will be US$ 1,000,000
h) The project will have own finance
i) Land will be available on lease in future as and when required.
j) Import duty exemption and deferment of VAT will be available on import of plant and machinery.

11.02 Projected Five Years Profitability Statements

As can be seen from the enclosed projected profitability statement, the company will not earn profits in the first year where the operations are to run only for six months, however there will be cash- profits.

The company will attain a turnover of US $ 0.62 million in first six months; will go up to US $ 9.240 millions in the next years and from third year of operation will remain steady at US $ 0.8 millions.

The profits will start coming from the 2nd year of operations. From the year 4 and onwards the annual profits will be in the range of US $ 200,000 and above. The project enjoys a payback period of 5 years.

The company will be earning gross profit @ 6% and net profit of nearly 2.5%. For a very large project, like this a net profit of 2% is quite reasonable. Government will earn lot of revenues due to such high turnover.

Selling costs have been assumed at 2% of the sales and other overheads have been assumed not to cross US $ 50,000 a month including manpower costs.

Depreciation has been provided as per the prevailing income tax rates. Further full depreciation has been provided on assets purchased during the year. Separate schedules are attached with this report for calculation of depreciation.

Projected Five Years Balance Sheet

The enclosed balance sheet shows very sound positions of the company. The current assets ration is in excess of 1.2 from the beginning and by the year 5 it reaches 2.

Inventory will be maintained only for a period of one week. The reason being the plant is going to be located in the close proximity of ice cream.

Since majority of sales will be done outside Tanzania, vide advance TT or L.C debtors are not expected to be on the higher side. However for demotic sales on month credit has been considered. Creditors will be outstanding for a period of 15 days and suppliers of services will be paid at the expiry of one month.

Projected Five Years Funds Flow Statements:-

As can be seen from the appended projected funds flow statement the company will be financed by the promoter's own funds. In the initial year (2005) the investment will be of US $ 1,000,000/=.

Operating profits will be ploughed in to the business. Once the operations are steadied form the year 2006, the annual contribution of operational profits shall be the tune of US $ 900,000/=

Depending on the surplus available, promoters loan will be re-paid. As can be seen the company shall be in a position to commence repayment or promoters' loan by the year 2006.

As the operations will grow, the net working capital requirement will also grow. As can be seen the increase in net current assets will be from US $ 90,000/= (year 2005) to US $ 680,000/= (year 2008). The company assumes to maintain a positive cash balance of US $ 25,000/= to US $ 50,000/=.

Projected Five Years Taxation Schedule:-

The company will enjoy tax incentives as per the governing laws of the country. It will have taxable profits only from the year 2008 and will then onwards contribute to the exchequer in excess of US $ 150,000/= in the first year and then onwards in excess of US $ 340,000/= The company may reduce its tax burden by investing or expanding its operations and in either case the country benefits.

Social & Development Benefits:-

- **Employment creation**

  As has been observed earlier this project will provide direct employment opportunities to more than 100 locals inclusive of skilled, semi- skilled and un-skilled class. Few expatriates will also be employed as per the requirement of the project.

  This direct employment of more than 100 individuals will generate indirect employment for more than 1,000 individuals. it can be concluded that this project will have a very positive impact on the level of employment in the country and will be welcome change.

- **Transfer of technology**

  This project being a manufacturing project will usher in the country technology. Although the technology is simple the advantages to the country are quite significant. The country will get the advantage of value addition due to such incoming technology. Further the country can reduce its dependence on imports for the finished products manufactured by this project. Local employees will get on-the-job training from the experts (expatriate) employed and in long run will improve the technical competence of the local population.

- **Inflow of foreign exchange**

  Majority of the output will be exported out of the country. This will have two positive effects on the foreign exchange reserves of the country. In the first place the imports of the output will be reduced which will enable the country to save on the outgo of foreign currency and secondly the output produced will be exported which will bring in the country foreign currency.

Thus this project will provide positive impact on the foreign currency reserves of the country.

- **Lowering of construction cost.**

  As the Materials and will be available from within the country the country will get the benefit of lower cost of manufacture. In a very small way this will have a positive bearing on the cost of manufacture of various items using material and.

- **Contribution to the exchequer.**

  This project will contribute substantially to the society in general and to the exchequer in particular. As has been observed the total turnover at 100% utilization will be in the range of US $ 40 million. This will result into VAT outflow of substantial amounts. Besides the company will be contributing tremendously in terms of PAYE and NSSF. In addition, the company will also be contributing in terms of corporate taxation from the year 2008 onwards.

- **Positive cascading impact on the nation's economy.**

  This project will have overall positive impact on the society. It will not only save the precious foreign currency reserves of the country by producing import substitute products, and by exporting the final product, but will also generate direct employment to more than 100 individuals and will provide means of livelihood to more than 1000 individuals. The cascading positive impact on the society will be too great. This project will lead to creation of national wealth. Its contribution to the exchequer will also be quite significant in terms of NSSF, PAYE, VAT and direct taxation apart from skills and development levy.

  One more advantage of this project is its location. Since it is located at Dar es Salaam which is not fully developed, will get more opportunities to commercially expand and develop. This project will thus result into regional development. This project will thus held the government to further its own objective of promoting regional development.

3 Conclusion & Recommendation:-

The foregoing write-up indicates following benefits to the country, which in turn pleads for immediate acceptance of this project as a feasible project.

- The country will get a manufacturing unit, which will add to its scarce manufacturing base. As on date the country's manufacturing base is very low with contribution of 9% to the GDP and thereby making the economy pre-dominantly agriculture oriented.

- The project will bring in latest technology in the relevant field and will ensure training or development of skilled labour force in the country. The labour force will get on –job training and will thus make them more and more competent.

- All products envisaged to be manufactured are basically import substitute and will therefore save the scarce foreign currency for the country. Apart from that the country will save in terms of lowering of cost of manufacture and lower construction cost which will again lead to lower cost of other manufactured items.

- The project when implemented in full over a period of 24 months will ensure that there will be a direct flow of foreign currency in the country to the tune of US $ 1.5 million which is considerable by any standard.