

## **PONGWE PALM OIL FARMS LIMITED**



### **BUSINESS PLAN FOR FARMING OF PALM AND PROCESSING OF PALM OIL PROJECT PERIOD: FIVE YEARS FROM 2021-2025**

#### **Contact Information;**

ABDUL ALLY ISSA  
POMGWE PALM OIL FARMS LIMITED  
P.O. BOX 20752,  
DAR ES SALAAM

Email: [ggstz@yahoo.co.uk](mailto:ggstz@yahoo.co.uk)  
Phone: 0759228799

**NOVEMBER, 2021**

## **CORPORATE INFORMATION**

**Registration Number:** 153681767

**Business Activity :** Commercial farming of palm trees, Processing, manufacturing and marketing of edible oil from palm seeds.

### **Shareholders:**

| <b>NAME</b>            | <b>ADDRESS</b>                | <b>SHARES</b> |
|------------------------|-------------------------------|---------------|
| ABDUL ALLY ISSA        | P. O. BOX 20752 DAR ES SALAAM | 500           |
| ZUHRA HUSSEIN SHERALLY | P.O.BOX 20752. DAR ES SALAAM  | 140           |
| MARYAM ABDUL ALLY      | P.O.BOX 20752. DAR ES SALAAM  | 90            |
| HUSSEIN ISSA ALLY      | P.O.BOX 20752. DAR ES SALAAM  | 90            |
| ALLY ABDUL ALLY        | P.O.BOX 20752. DAR ES SALAAM  | 90            |
| JAMEEL ABDUL ALLY      | P.O.BOX 20752. DAR ES SALAAM  | 90            |

### **Registered Office & Address:**

Region Dar Es Salaam, District Ilala CBD, Ward Kariakoo, Postal code 11106, Street MAFIA STREET, Road Livingstone, Plot number 46, Block number M, House number 46.

## TABLE OF CONTENTS

### Table of Contents

|  |    |
|--|----|
| CORPORATE INFORMATION .....                                  | ii |
| 1.0 EXECUTIVE SUMMARY .....                                  | 1  |
| 1.1 Vision, Mission and Core Values .....                    | 2  |
| 1.2 Project Location.....                                    | 2  |
| 1.3 Implementation Period .....                              | 3  |
| 1.4 Project Objectives.....                                  | 4  |
| 1.5. Project components and costs .....                      | 4  |
| 2.0 BUSINESS DESCRIPTION.....                                | 5  |
| 3.0 BUSINESS ENVIRONMENT.....                                | 5  |
| 4.0 MARKET ANALYSIS .....                                    | 8  |
| 4.2 Market Size .....  | 9  |
| 4.3 SWOT ANALYSIS .....                                      | 9  |
| 4.4 Marketing, Distribution and Communication Strategy ..... | 10 |
| 5.0 OPERATIONAL PLAN .....                                   | 11 |
| 5.1 Long Term Operation Plan .....                           | 11 |
| 5.3 Labour Requirements .....                                | 11 |
| 5.4 Raw Materials Requirements .....                         | 12 |
| 5.5 Production Overheads .....                               | 13 |
| 5.6 Total production Cost.....                               | 13 |
| 6.0 MANAGEMENT PLAN.....                                     | 13 |
| 7.0 FINANCIAL PLAN .....                                     | 15 |
| 7.1 Financial Assumption.....                                | 15 |
| 7.2 Sources of Funds .....                                   | 16 |
| 7.3 Profitability Analysis .....                             | 16 |
| 7.3 Operating Expenses .....                                 | 16 |
| 7.4 The Projected Income Statements .....                    | 16 |
| 7.5 Projected Balance Sheet.....                             | 18 |
| 7.6 Projected Cash Flows .....                               | 19 |
| 7.7 Internal Rate of Return (IRR%) .....                     | 20 |
| 8.0 ECONOMIC ASPECTS .....                                   | 20 |
| 8.1 National economic and social Benefits .....              | 20 |

|                          |    |
|--------------------------|----|
| 9.0 conclusion .....     | 21 |
| 9.1 Recommendation ..... | 21 |

## **1.0 EXECUTIVE SUMMARY**

**Pongwe Palm Oil Farms Ltd** is private company limited by shares registered in Tanzania with the main purpose to engage in farming, processing and preserving of fruit and vegetables. Currently, the company has embarked on establishing a project aimed at farming of palm and processing of palm oil for sale at Pongwe Village, Msata Ward, Chalinze District, in Coast Region. This business plan has been prepared to establish the viability of the targeted products and guide the procurement, operational and marketing activities of the project. The plan establishes a strategic framework that provides a focus, direction and most importantly a common language that acts as a guide for all production, marketing/brand activities creating cohesive strategic alignment between the company mission, vision and goals.

Agriculture is the main stay of the country's economy and there is a growing demand of agricultural products as they provide basic necessity of life that every creature on earth depend on it for survival. There is even high demand for cooking oils in the country. This project wants to utilise this opportunity by establishing modern farms in Coast region where the project has acquired 500 acres with estimated production capacity of 70 tons of cooking oils per month. The planned activities will cater for the rising demand of cooking oil in the country and substantially contribute to the economy and employment creation in the country.

The company requires a total of **USD 2,233,313** that will be used to purchase agricultural machineries and equipment, land and buildings and raw materials including seeds, fertilizers, and chemicals at the beginning of the project. The financial analysis indicates the feasibility of the project as the company will be able to recover all the invested capital within first two years of operations and start making substantial profits from the third year on wards. The financing of the project is expected to be 60% equity financing and 40% debt financing. The project expects to employ at least 100 persons, majority being Tanzanians who shall be directly employed by the project, the project expects to create more than 200 indirect jobs through sales and commissioning agreements with local traders.

## **1.1 Vision, Mission and Core Values**

### **Vision**

Our vision is to emerge as the best practitioner in production, processing and distribution of palm oil products for the local and foreign markets.

### **Mission**

Our mission is to provide professional commercial farming and processing through modern facilities and clean environment for production of high quality palm cooking oil and related products.

### **Core Values**

**Quality** – We strive to perform at an excellent level in everything we do. We are reliable. We are committed to producing and delivering products to the highest standard possible every time.

**Teamwork** - We work together collectively to achieve our common vision and goals.

**Honesty & Integrity** - We are truthful and our actions are consistent with our words. We are honest and direct in all of our communications.

**Respect & Dignity** - We demonstrate respect for and appropriate loyalty towards our customers, colleagues and suppliers.

**Innovation & Improvement** -We drive change and challenge the status quo to exceed our customers' expectation.

**Safety** – We are committed to the safety, wellbeing and security of the business, facilities, people whom we serve and our employees.

## **1.2 Project Location**

The project is located at Pongwe Village, Msata Ward, Chalinze District, in Coast Region with a size of 500 acres and expected to increase to 2,000 acres. The site is owned by *Pongwe Palm Oil Farms Ltd*. The area is accessible by road and has direct access to electricity and water necessary for the farms to operate. The facility has government approval for the kind of factory we want to establish and it is easily

accessible and we are deliberate about that to facilitate easy movement of raw materials and finished products.

### 1.3 Implementation Period

The project is expected to commence on 1<sup>st</sup> November, 2021. The project office and some office equipment have already been prepared. The project shall be implemented in two phases. Phase one shall include preliminary stages such as Farm preparations, construction, office installation and procurement of farm machineries and equipment. Phase two shall include activities for project expansion such as construction of a more production facilities, new equipment purchases and installation. The activities in phase two shall commence in January, 2023 through to the rest of the project. The installation of machinery and equipment and start of production is described in the following Table.

**Table 1: Implementation Schedule**

| DESCRIPTION |  | PHASE ONE<br>(Nov 2021 - Dec. 2022) |                |                | PHASE TWO<br>(JAN 2023- |
|-------------|--|-------------------------------------|----------------|----------------|-------------------------|
| No.         | Activities   | Nov-Dec, 2021                       | Jan-June, 2022 | July-Dec. 2022 | Year 2023-2025          |
| 1           | Farm preparations, procurement of farm machinery and equipment and resource Mobilisation |                                     |                |                |                         |
| 2           | Ploughing & Sowing   |                                     |                |                |                         |
| 3           | Farm Management  |                                     |                |                |                         |
| 4           | Procurement and installation of processing plant, machinery and equipment.               |                                     |                |                |                         |
| 5           | Harvesting & Storage   |                                     |                |                |                         |
| 6           | Processing, Packaging & Selling  |                                     |                |                |                         |

#### **1.4 Project Objectives**

The focus of the project is to produce (farming) and process palm oil for production of cooking oils. The products are expected to be sold within the domestic and foreign markets. The products are expected to meet the rising demand in Dar es Salaam, other regions and nearby countries such as Kenya, Comoro and Madagascar islands. We are also in business to make profits and at the same time to give our customers value for their money; we want to give people and businesses who patronize us the opportunity to be part of the success story of our business. Notably the business will focus on the following specific objectives;

- To ensure availability and reliability of high quality palm cooking oil;
- To employ at least 100 people and improve livelihood to the community through improved products and services;
- To generate sufficient income through sales to meet the needs of the owners and tax revenues to the government;
- To expand to a large cooking oil processing industry with diversified products.

#### **1.5. Project components and costs**

The project is still at the initial stages; require some investments in terms of fixed assets, labour and materials. The Project has already obtained required documentations to allow its implementations. Some preliminary costs such as land acquisition and grounds for farms has started. The details of the requirements are explained in Table 2 below.

**Table 2: Project Requirements (US\$)**

| Type of Investment  | Qty | Value (\$)       |
|---|-----|------------------|
| Land (acres)  | 500 | 173,913          |
| Processing plant/factory  | 1   | 350,000          |
| Bulldozer   | 1   | 42,000           |
| Excavator   | 1   | 42,000           |
| Grador  | 1   | 35,000           |
| Tractors  | 10  | 210,000          |
| Farm Implements   | 1   | 40,000           |
| Motor vehicles :10 pickups, 15 Trucks & 15 trailers and 3 lorries |     | 910,000          |
| Furniture & Fixtures  |     | 20,000           |
| <b>Total Investment cost</b>                                      |     | <b>1,822,913</b> |
| Raw Materials   |     | 252,000          |
| Labour  |     | 158,400          |
| <b>Total Cost</b>   |     | <b>2,233,313</b> |

## 2.0 BUSINESS DESCRIPTION

The project has acquired 500 acres with the expected growing capacity of 27,000 seedlings at the beginning. The project shall install modern equipment and facilities for processing, packaging and branding of palm cooking oil. The project expects that 70 Tons of cooking oil will be produced per month. The project intends to acquire more land up to 2,000 acres in the next phases and grow about 100,000 seedlings so as to increase production and processing of palm oils.

## 3.0 BUSINESS ENVIRONMENT

The business may be affected by factors beyond owner's control, and these need to be taken into account before making any investment decision. The company has considered many opportunities and challenges that may arise out of the expected

changes. Thus analysis of business environment key factors is paramount to this plan in order to determine external factors and how they are likely to affect the project.

*Economically;* Tanzania is now experiencing economic growth whereby the purchasing power of people is increasing and people's interactions is increasing as trade grows in the East Africa and SADC regions. The country is highly improving business environment to encourage investors in various sectors where agriculture is one of the leading sector which attracts the intention of the government in reducing post-harvest loss and improve livelihood of local farmers. The burning issue currently is the rate of inflation and continuous fall in domestic currency this would lead to increased cost of production as the price of fuels are rising. Issues like Common Market for the East Community are opening up business performance and later opportunities for exportation which necessitates expansion of production.

*Politically;* the political environment is conducive for the business operations. The current government regime is in support of industries. There have been adequate policies to support agricultural and industrial sectors as echoed in the National Development Vision 2025 (VISION 2025) which recognizes the leading role of the industrial sector in the process of transforming Tanzania's economy to a self-sustainable semi-industrial one by 2025. The Sustainable Industrial Development Policy 1996-2020 (SIDP) declared the government's decision to phase the public sector out of productive activities and allow the private sector to become the principal vehicle for economic growth.

*Social-Cultural:* The social aspect focuses on the forces within the society. Family, friends, colleagues, neighbours and the media are social factors. These factors can affect our attitudes, opinions and interests. So, it can impact sales of products and revenues earned. There is no doubt that the society is continually changing. The tastes and preferences are a great example of this change for the Tanzanian culture. Most of Tanzanians currently are willing to pay a premium price for a product that satisfies their expectations. Demographically, the country is increasing in population where currently the country is estimated to have over 59 million people. The increase in population necessitates increase in products and services.

*Technological factors:* Technological factors are variables that are being used for evaluating available alternatives with respect to technological capabilities. Our company consider it as an important tool for improving operations and functions. Technological factors are one of various external environment factors that affect businesses greatly and are also an integral component of the **PESTLE analysis**. In the present scenario, utmost dependence on equipment, technological factors can have more effect on business operation and success globally than ever before. Furthermore, development of technology has also introduced digital marketing strategies through which companies are able to sell their products and services. Even the research and development R&D divisions in companies have changed its way of functioning and more advanced techniques in the development of products and services have been introduced only through technological advancements. *Pongwe Palm Oil Farms Ltd* is constantly looking for development and updates within the technological environment. In this way, we do not only improve our operations but, we will also be well aware of business transformational phase. We will derive ground-breaking strategies to grow exponentially.

#### **4.0 MARKET ANALYSIS**

There is a growing demand for agricultural products in the country and foreign markets. Reports shows that, the Tanzania grains market is expected to register a CAGR of 4.2% for the forecast period (2020-2025). Agriculture in Tanzania is the source of livelihood for the majority of the population, employing around 68% of the total employed population while contributing to 34% of total GDP.

This project will utilise the prevailing opportunities and utilise modern farming techniques to ensure high yield and quality of products that meets the market demands. This section determines demand level and whether the company shall be able to capture some of the market share. Also, the project shall determine methods of production, market size, pricing methods and competitors' analysis. Key stakeholders in the food industry and the cooking oil market are focusing on product differentiation by offering innovative, better quality and affordable products. *Pomgwe Palm Oil Farms Ltd* is aware of all the market forces that are surrounding the agricultural products and livestock business. We will utilise all reasonable means to ensure that our products meet the required standards and be able to sustain competition.

#### **4.1 TARGET MARKETS AND THEIR CHARACTERISTICS**

When it comes to selling palm cooking oil, there is indeed a wide range of available customers. In essence, our target market can't be restricted to just a group of people or organization, but all those who reside in our target market locations. In view of that, we have conducted our market research and we have ideas of what our target market are expecting from us.

We are in business to engage in the production and wholesale distribution of palm oil products the following groups of organizations;

- Local traders.
- Large organizations that buy in bulk for storage and distribution to their networks
- Manufacturers that make use of palm oil as part of their raw materials.
- Direct consumers.

## 4.2 Market Size

Our feasibility field survey indicates that; the market is poised to keep on growing as population grows. Highest demand comes from local traders. The production is expected to be done each month after harvesting starts. The expected revenue is **US\$ 664,800** per annum. Table 4.1 below summarises the expected demand for the business during the first year of the project.

**Table 4.1: Expected Demand (US\$)**

| Descriptions      | Units | Qty/month  | Price per unit | Sales per year |
|-------------------|-------|------------|----------------|----------------|
| Palm cooking oil  | Tons  | 320        | 1,700          | 544,000        |
| Other by products | Tons  | 125        | 960            | 120,800        |
| <b>Total</b>      |       | <b>445</b> |                | <b>664,800</b> |

## 4.3 SWOT ANALYSIS

**Pongwe Palm Oil Farms Ltd** has conducted a thorough SWOT analysis that will help us achieve our business goals and objectives. This is the summary of the SWOT analysis that was conducted. The analysis is carried out to assess the strength that the business can leverage on, and then assess its weaknesses that need to be improved. In this part also potential opportunities are identified and how the business can utilize these opportunities. Lastly, the business has identified potential threats and challenges that are likely to face the business and the workable mitigation plans.

**Strengths:** Part of what is going to count as positives *Pongwe Palm Oil Farms Ltd* is the vast experience and knowledge of our management team; we have people on board and the company intend to hire people who are highly experienced and who understand how to grow business from the scratch to profitability. So also, our distribution network and of course our excellent customer service culture will definitely count as a strong strength for the business.

**Weakness:** A major weakness that may count against us is the fact that we are still at infancy stage of agricultural production and manufacturing plants in the country; and we don't have the financial capacity to engage in the kind of publicity that we intend giving the business.

**Opportunities:** Rising in population and regional trade arrangements opens up a huge opportunity to our business. We only need to position our business to take advantage of the existing market to create our own new market. We know that it is going to require hard work, but we are determined to achieve it.

**Challenges/Threats:** We are quite aware that just like any other business, one of the major threats that we are likely going to face is economic downturn and unfavourable government policies. It is a fact that economic downturn affects purchasing power. Another threat that may likely confront us is the likelihood of other companies to establish similar businesses where we are. However, we understand on how to position ourselves in the market, at the same time making sure that our products meet the demand requirements.

#### **4.4 Marketing, Distribution and Communication Strategy**

Various methods of marketing mix will be used to curb the existing and potential weaknesses and challenges/threats while utilizing the arising opportunities and leveraging on the key strengths of the company.

**Pricing:** The objectives of price strategy depend on a number of factors such as business economic and marketing objectives. Price setting can be based on cost or market based. With demand and competition orientation concepts, a fair price can be set which customers are willing to pay at the same time covers operational costs with some profit margin. Our products will be competitively priced in relation to the dictates of the market. Due to the introductory nature of our products we intend to implement a penetration pricing strategy which will ensure that potential customers are not frightened away by our prices, up until our products are appreciated and fully operational. In this case our products will be priced a bit cheaper. However, this will dictate that our costs are prudently kept so as to ensure our financial goals come to fruition.

**Distribution:** **Pongwe Palm Oil Farms Ltd** has arranged to start operations by looking at the most convenient market segment. The main targeted market is selling the products to identified wholesalers in all selected regions. This helps to save time and cost of establishing shops at the start. After production expansion, distribution

shall be done through company vehicles distributed monthly and regular follow-up shall be made. While for other customer segments, online marketing shall be fully applied to contact potential customers and make orders online. However, the company shall mainly focus to engage agents for distribution (wholesaler) in strategic regions such as Dar es Salaam, Mwanza, Dodoma, Mbeya and Arusha.

**Promotion:** A word of mouth has been the major promotion strategy for the business. This strategy is cheap and the product can effectively describe itself as it is clean and self-sufficient. The company shall make use of the trade fair and exhibitions in the country that will help to promote the products. The company will also be printing t-shirts and fliers as a communication strategy and promotional tools. The official website/ blog will be launched and maintained by outsourcing IT technicians. This strategy will help to promote the company in foreign market.

## **5.0 OPERATIONAL PLAN**

### **5.1 Long Term Operation Plan**

The project is expected to be operated through two departments; the finance and administration one hand; and operation and marketing on the other. The Finance and Administration department is responsible for all administrative and personnel issues; while the operation and production department under farm manager is responsible for field operations and technical aspects of the business and marketing activities. The farm manager is a skilled salaried employee who work day to day to achieve company's targets. On the other hand, the Finance and Administrative Manager will lead the strategic plans and make sure they correspond to available operational environment. The operational plan is associated with production costs as well as materials required as inputs in the production process.

### **5.3 Labour Requirements**

Labour is one of the most important inputs in any industrial enterprise. The proposed plant will require both skilled and unskilled labour who will be Tanzanians. Table 5.1 indicates labour required amounts to US\$ 13,200 per month that is US\$ 158,400 per year.

**Table 5.1: Labour Requirement (US\$)**

| Description                                    | Qty       | Unit price \$ | Monthly Salary   | Annual Salary     |
|--|-----------|---------------|------------------|-------------------|
|  |           |               | \$               | \$                |
| Managing Director                              | 1         | 2,500         | 2,500            | 30,000            |
| <b>Operations</b>                              |           |               | -                | -                 |
| Farm Manager                                   | 1         | 1,300         | 1,300            | 15,600            |
| Section Supervisors                            | 5         | 200           | 1,000            | 12,000            |
| Casual labourers                               | 25        | 100           | 2,500            | 30,000            |
| <b>Maintenance Department</b>                  |           |               | -                | -                 |
| Mechanic                                       | 1         | 700           | 700              | 8,400             |
| Electrician                                    | 1         | 700           | 700              | 8,400             |
| <b>Finance &amp; Administration Department</b> |           |               | -                | -                 |
| Human Resources Officer                        | 1         | 900           | 900              | 10,800            |
| Accountant                                     | 1         | 900           | 900              | 10,800            |
| Store Keeper                                   | 1         | 500           | 500              | 6,000             |
| Personal Secretary                             | 1         | 200           | 200              | 2,400             |
| Drivers & machine operators                    | 6         | 200           | 1,200            | 14,400            |
| Security Officer                               | 2         | 100           | 200              | 2,400             |
| <b>Marketing Department</b>                    |           |               | -                | -                 |
| Sales Officers                                 | 2         | 300           | 600              | 7,200             |
| <b>Total</b>                                   | <b>48</b> |               | <b>13,200.00</b> | <b>158,400.00</b> |

#### 5.4 Raw Materials Requirements

The project requires raw materials that will be sourced within the country and other nearby countries through imports. The project intends to procure raw materials every 3 months, thus annual material requirements amounts to USD 252,000.

**Table 5.2: Raw Materials Requirements per Month (US\$)**

| Type of raw materials             | Price/Consignment | Amount per year (2 times) |
|-----------------------------------|-------------------|---------------------------|
| Palm seeds                        | 28,000            | 112,000                   |
| Seed containers                   | 20,000            | 80,000                    |
| Palm seedlings                    | 3,000             | 12,000                    |
| Manure and fertilizers            | 50,000            | 50,000                    |
| Packaging materials (200,000 pcs) | 8,500             | 34,000                    |
| Other materials 1000 pcs          | 3500              | 14,000                    |
| <b>Total Purchases</b>            | <b>63,000</b>     | <b>252,000</b>            |

## 5.5 Production Overheads

Production overheads covers costs such as utilities for water and electricity, postage and telephone, maintenance and other costs directly associated with production. Table 5.3 shows production overheads amounting to US\$ 2,550 per month that is US\$ 30,600 per year.

**Table 5.3: Production Overheads (US\$)**

| Item               | Monthly Expenses | Estimated Annual Costs |
|--------------------|------------------|------------------------|
| Postage& Telephone | 100              | 1,200                  |
| Electricity        | 300              | 3,600                  |
| Water bills        | 150              | 1,800                  |
| Maintenance Costs  | 1,000            | 12,000                 |
| Rent               | 500              | 6,000                  |
| Others             | 500              | 6,000                  |
| <b>Total Costs</b> | <b>2,550</b>     | <b>30,600</b>          |

## 5.6 Total production Cost

The estimated total production cost is US\$ 441,000 per annum as shown in Table 5.4 below. The raw materials are purchased 4 times a year, thus materials per consignment amounts to US\$ 63,000, therefore annual costs totals to US\$ 252,000. The costs labour and production overheads are calculated on monthly basis.

**Table 5.4: Total Production Cost (US\$)**

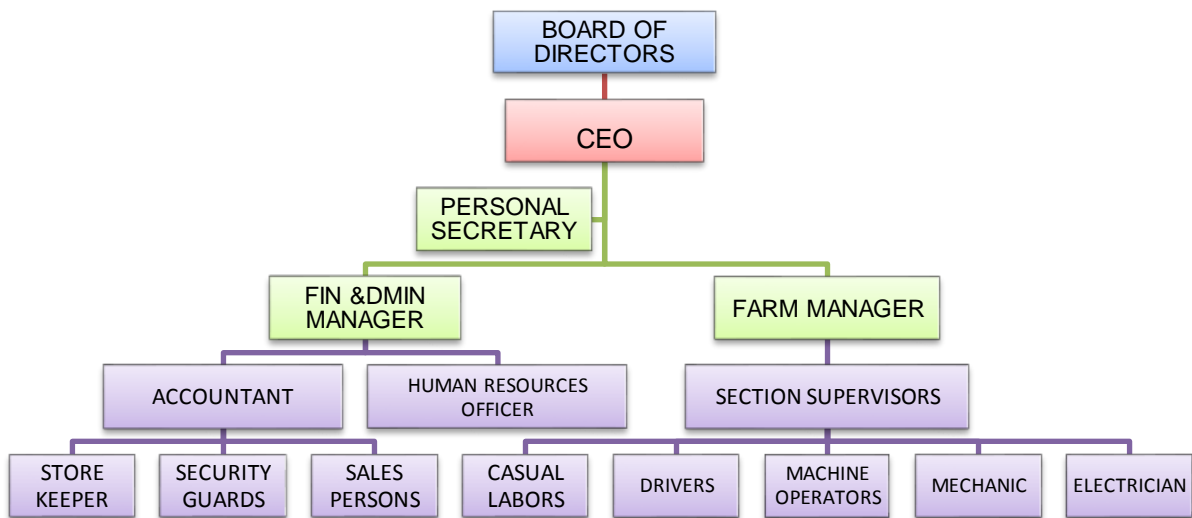
| Item                 | Expenses/Month/Consignment | Estimated Annual Cost |
|----------------------|----------------------------|-----------------------|
| Raw materials        | 63,000                     | 252,000               |
| Direct labour        | 13,200                     | 158,400               |
| Production Overheads | 2,550                      | 30,600                |
| <b>Total Costs</b>   | <b>78,750</b>              | <b>441,000</b>        |

## 6.0 MANAGEMENT PLAN

The management structure of **Pongwe Palm Oil Farms Ltd** will be headed by the Managing Director who shall be overseeing all company's operations on daily basis. The Farm Manager shall be responsible for day to day production and operations and

manage all staff under his/her line. The Finance and Administrative Manager shall be responsible for all administrative duties and finances and supervises all personnel under his/her line; The section supervisors shall be responsible for daily operations and engaging casual workers at different levels when needed. The mechanic and electrician shall be responsible for technical issues of the plant. The following figure illustrates the organisation structure of the company.

**Figure 6.1: Organization Chart**



## **7.0 FINANCIAL PLAN**

### **7.1 Financial Assumption**

Several assumptions were made and considered in the preparation of this financial plan and projection. The assumptions are based on professional judgment, economic trends and current financial market environment. These are as noted below;

- (i) The focus market shall be domestic market through wholesalers, retailers, direct sales and later to other countries through exports;
- (ii) All sales will take place throughout the month and billing will be done at the end of the month;
- (iii) The annual sales is projected to grow by 5% per annum;
- (iv) Depreciation will be charged on straight line method to allocate the cost of each value over its estimated useful life. The rates to be used are as follows;

|                          |     |
|--------------------------|-----|
| (a) Buildings            | 5%  |
| (b) Furniture & Fittings | 10% |
| (c) Equipment            | 10% |
| (d) Motor vehicles       | 20% |

The financial assumptions will also include issues on credit sales, payments of interest rates, taxes and other levies. From the beginning, we recognize that payment terms and hence collection days are critical, but not a factor we can influence easily. At least we are planning on the problem, and dealing with it. Interest rates, tax rates, and personnel burden are based on conservative assumptions. Some of the more important underlying assumptions are:

- We assume a strong economy, without major recession.
- We assume, of course, that there are no unforeseen changes in economic policy to make our service immediately obsolete or unwanted.
- We assume an inflation rate of 5% yearly.
- Maintenance costs 5% of Property Plant and Equipment
- Corporate tax is 30% of Net Income

## 7.2 Sources of Funds

The project financing shall come from owners' equity (60%) and debt financing (40%). The owners have already committed some funds into the project for land acquisition and preliminary costs of the project.

## 7.3 Profitability Analysis

The project profitability analysis indicates that the project will be able to generate substantial amounts of profits throughout the project, table 7.1 summarizes the profit analysis for 5 years.

**Table 7.1: Profit Projections (US\$)**

| Year                        | YEAR 1         | YEAR 2         | YEAR 3         | YEAR 4         | YEARS 5        |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| Sales                       | 664,800        | 698,040        | 732,942        | 769,589        | 808,069        |
| Total production cost       | 441,000        | 463,050        | 486,203        | 510,513        | 536,038        |
| <b>Profit Margin (Loss)</b> | <b>223,800</b> | <b>234,990</b> | <b>246,740</b> | <b>259,076</b> | <b>272,030</b> |

## 7.3 Operating Expenses

The following table shows the projected operating costs for five years. All expenses reflect an annual inflation rate of 5% annually.

**Table 7.2 Operating Expenses**

| Expenses                             | Year 1        | Year 2        | Year 3        | Year 4        | Year 5        |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Marketing expenses                   | 900           | 945           | 992           | 1,042         | 1,094         |
| Bank Charges                         | 522           | 548           | 576           | 604           | 634           |
| Insurance                            | 8,060         | 8,463         | 8,886         | 9,330         | 9,797         |
| Office expenses                      | 1,045         | 1,097         | 1,152         | 1,210         | 1,270         |
| Permits and Licenses                 | 435           | 457           | 480           | 504           | 529           |
| Vehicle expenses                     | 3,480         | 3,654         | 3,837         | 4,029         | 4,230         |
| Professional fees                    | 2,608         | 2,738         | 2,875         | 3,019         | 3,170         |
| Provisional for bad & doubtful debts | 3,670         | 3,854         | 4,046         | 4,248         | 4,461         |
| Depreciations                        | 15,250        | 16,012        | 16,813        | 17,653        | 18,536        |
| Miscellaneous expenses               | 2,100         | 2,205         | 2,315         | 2,431         | 2,553         |
| <b>Total</b>                         | <b>38,070</b> | <b>39,973</b> | <b>41,972</b> | <b>44,070</b> | <b>46,274</b> |

## 7.4 The Projected Income Statements

The Projected income statements for five years indicate that the project shall be able to generate substantial amounts of profits as detailed below.

**Table 7.3 Projected Income Statements for five years**

| Description                                    | Year 1         | Year 2         | Year 3         | Year 4         | Year 5         |
|--|----------------|----------------|----------------|----------------|----------------|
|  | US\$           | US\$           | US\$           | US\$           | US\$           |
| Total sales                                    | 664,800        | 698,040        | 732,942        | 769,589        | 808,069        |
| Less Cost of sales:                            | 441,000        | 463,050        | 486,203        | 510,513        | 536,038        |
| Gross Profit                                   | <b>223,800</b> | <b>234,990</b> | <b>246,740</b> | <b>259,076</b> | <b>272,030</b> |
| Less Operating Expenses                        | 38,070         | 39,973         | 41,972         | 44,070         | 46,274         |
| <i>Earnings before Interest and Tax (EBIT)</i> | <i>185,730</i> | <i>195,017</i> | <i>204,768</i> | <i>215,006</i> | <i>225,756</i> |
| Less Loan interest                             | 0              | 0              | 0              | 0              | 0              |
| <i>Earnings Before Tax</i>                     | <i>185,730</i> | <i>195,017</i> | <i>204,768</i> | <i>215,006</i> | <i>225,756</i> |
| Less TAX 30%                                   | 55,719         | 58,505         | 61,430         | 64,502         | 67,727         |
| <b>NET PROFIT/ (Loss)</b>                      | <b>130,011</b> | <b>136,512</b> | <b>143,337</b> | <b>150,504</b> | <b>158,029</b> |
| Dividend 30%                                   | 39,003         | 40,954         | 43,001         | 45,151         | 47,409         |
| <b>Retained Earnings</b>                       | <b>91,008</b>  | <b>95,558</b>  | <b>100,336</b> | <b>105,353</b> | <b>110,621</b> |

## 7.5 Projected Balance Sheet

The Projected balance sheet for five years indicates the capacity of the project to finance its operations throughout the projected period as shown in Table 7.4.

**Table 7.4 Projected Balance Sheet for Five Years**

| <b>DESCRIPTIONS</b>                 | <b>YEAR 1</b>    | <b>YEAR 2</b>    | <b>YEAR 3</b>    | <b>YEAR 4</b>    | <b>YEAR 5</b>    |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
|                                     | <b>US\$</b>      | <b>US\$</b>      | <b>US\$</b>      | <b>US\$</b>      | <b>US\$</b>      |
| <b>NON-CURRENT ASSETS</b>           |                  |                  |                  |                  |                  |
| Land& Buildings                     | 125,000          | 220,515          | 219,489          | 218,515          | 217,589          |
| Machinery & Equipment               | 601,624          | 901,530          | 912,377          | 924,139          | 966,725          |
| Motor vehicles                      | 250,000          | 350,000          | 400,000          | 420,000          | 430,000          |
| Furniture & Fixtures                | 20,453           | 125,000          | 132,000          | 143,000          | 156,000          |
| <b>Total Non-Current Assets</b>     | <b>997,077</b>   | <b>1,597,045</b> | <b>1,663,866</b> | <b>1,705,654</b> | <b>1,770,314</b> |
| Stocks                              | 77,750           | 58,440           | 59,284           | 52,500           | 53,100           |
| Debtors & Prepayments               | 69,750           | 40,950           | 41,500           | 45,400           | 36,700           |
| Cash and Bank balance               | 125,000          | 120,096          | 156,000          | 135,000          | 145,000          |
| <b>Total Current Assets</b>         | <b>272,500</b>   | <b>219,486</b>   | <b>256,784</b>   | <b>232,900</b>   | <b>234,800</b>   |
| <b>TOTAL ASSETS</b>                 | <b>1,269,577</b> | <b>1,816,531</b> | <b>1,920,650</b> | <b>1,938,554</b> | <b>2,005,114</b> |
| Share Capital                       | 862,070          | 862,070          | 862,070          | 862,070          | 862,070          |
| Additions                           | 250,000          | 800,000          | 800,000          | 800,000          | 800,000          |
| Retained Earnings                   | <b>91,008</b>    | <b>95,558</b>    | <b>100,336</b>   | <b>105,353</b>   | <b>110,621</b>   |
| <b>Total Equity</b>                 | <b>1,203,078</b> | <b>1,757,628</b> | <b>1,762,406</b> | <b>1,767,423</b> | <b>1,772,691</b> |
| Bank loan                           | -                | -                | -                |                  |                  |
| Trade Creditors and Accruals        | 52,569           | 44,277           | 142,886          | 142,605          | 215,491          |
| Taxation                            | 13,930           | 14,626           | 15,358           | 16,126           | 16,932           |
| <b>Total Current Liabilities</b>    | <b>66,499</b>    | <b>58,903</b>    | <b>158,244</b>   | <b>158,731</b>   | <b>232,423</b>   |
| <b>Total Liability &amp; Equity</b> | <b>1,269,577</b> | <b>1,816,531</b> | <b>1,920,650</b> | <b>1,926,154</b> | <b>2,005,114</b> |

## 7.6 Projected Cash Flows

The projected cash flows for five years indicates that the project shall be able to maintain sufficient cash required to meet all operational needs as shown in Table 7.5.

**Table 7.5 Cash Flow Projections for Five Years**

| DESCRIPTIONS                                       | Year 1          | Year 2           | Year 3           | Year 4           | Year 5           |
|--|-----------------|------------------|------------------|------------------|------------------|
|  | <u>US\$</u>     | <u>US\$</u>      | <u>US\$</u>      | <u>US\$</u>      | <u>US\$</u>      |
| <b>Cash from operations:</b>                       |                 |                  |                  |                  |                  |
| Profits before tax                                 | 185,730         | 195,017          | 204,768          | 215,006          | 225,756          |
| <b>Adjustments for non-cash items:</b>             |                 |                  |                  |                  |                  |
| Depreciations                                      | 15,250          | 16,012           | 16,813           | 17,653           | 18,536           |
| <b>Change in Working Capital:</b>                  |                 |                  |                  |                  |                  |
| Receivables  | -69,750         | -40,950          | -41,500          | -87,400          | -36,700          |
| Trade payables & Accruals                          | 52,569          | 44,277           | 142,886          | 142,605          | 215,491          |
| Capital additions                                  | 250,000         | 800,000          | 800,000          | 800,000          | 800,000          |
| <b>Total</b>                                       | <b>433,799</b>  | <b>1,014,356</b> | <b>1,122,967</b> | <b>1,087,864</b> | <b>1,223,083</b> |
| Tax payments                                       | -13,930         | -27,518          | -38,579          | -51,161          | -65,437          |
| <b>Total Cash Inflow from Operating Activities</b> | <b>419,869</b>  | <b>986,838</b>   | <b>1,084,388</b> | <b>1,036,703</b> | <b>1,157,646</b> |
| <b>Cash from investing activities:</b>             |                 |                  |                  |                  |                  |
| Purchase of property, plant & equipment            | - 997,077       | - 950,788        | - 1,005,483      | - 1,012,552      | - 1,100,237      |
| <b>Net Cash Outflow From Investing Activities</b>  | <b>-577,208</b> | <b>36,050</b>    | <b>78,905</b>    | <b>24,151</b>    | <b>57,409</b>    |
| <b>Cash from financing activities:</b>             |                 |                  |                  |                  |                  |
| Dividends  | -39,003         | -40,954          | -43,001          | -45,151          | -47,409          |
| <b>Change in cash &amp; cash equivalent</b>        | <b>-616,211</b> | <b>-4,904</b>    | <b>35,904</b>    | <b>-21,000</b>   | <b>10,000</b>    |
| <i>Beginning Cash Balance</i>                      | <b>741,211</b>  | <b>125,000</b>   | <b>120,096</b>   | <b>156,000</b>   | <b>135,000</b>   |
| <i>Ending Cash Balance</i>                         | <b>125,000</b>  | <b>120,096</b>   | <b>156,000</b>   | <b>135,000</b>   | <b>145,000</b>   |

## 7.7 Internal Rate of Return (IRR%)

The proposed project is expected to have an IRR of **24%** over its projected operational period of five years. This IRR is higher than the cost of the borrowed funds from financial institutions. This implies even with borrowed funds the project is an attractive investment proposition.

**Table 7.7: Internal Rate of Return**

|            |               |               |
|------------|---------------|---------------|
|            | <b>Outlay</b> | -997,077      |
|            | NPBT Yr 1     | 223,800       |
|            | NPBT Yr 2     | 234,990       |
|            | NPBT Yr 3     | 246,740       |
|            | NPBTYr 4      | 259,076       |
|            | NPBTYr 5      | 272,030       |
| <b>IRR</b> |               | <b>24.00%</b> |

**Table 7.8: Projected results**

| <b>Item</b>              | <b>Value</b>      |
|--------------------------|-------------------|
| Total investment (US\$)  | -997,077          |
| Payback period           | 2 year; 10 months |
| IRR                      | 24%               |
| Break-even revenue(US\$) | 1,974,795         |

## 8.0 ECONOMIC ASPECTS

### 8.1 National economic and social Benefits

The economic and social impact of establishing the proposed project to Tanzania is expected to be positive. This positive impact is expected to be direct and indirect as explained below:

#### (i) Direct economic impact

Direct positive economic impact is expected to come from three factors, namely,

- (a) Tax payments to the government
- (b) Foreign currency savings,
- (c) Employment opportunities generation; 100 direct jobs expected to be created.
- (d) Technology transfer.

### **(ii) Indirect economic (job creation)**

In addition to the direct employment opportunities that the proposed project is expected to generate, its operations are expected to boost operations of their distributors and suppliers of goods/services that the project will need to sustain its operations. With the increase in the activities of these suppliers, there is great likelihood that the increase will create additional employment opportunities in their businesses.

### **(iii) Corporate Social Responsibility**

The project is also expected to operate as a responsible corporate citizen by fulfilling some of its corporate responsibilities such as assisting some of the disadvantage communities by way of donations, starting from the communities living near the factory.

## **9.0 CONCLUSION**

The financial analysis in this plan indicates a positive growth and ability of the project to recover initial investments and make substantial profits in the successive years. The objectives indicated in this plan are likely to be met; hence it is feasible undertaking this project. In addition, the community where the project will operate is likely to benefit from employment created through provision of locally made edible oils at a reasonable price and thus create more indirect jobs to all stakeholders engaged in the purchase and sell of company's products. The project is also expected to benefit the society through social corporate responsibility activities of the company; and most importantly; the government will get taxes from the project and help to contribute to countries economic growth strategies.

## **9.1 Recommendation**

We are highly encouraged to undertake this project, due to the fact that it has proven to have great potentials of meeting the locally available demand and foreign markets as well. The financial analysis also shows a significant contribution of the to the country's economic activities through employment creation and raising tax revenues to the government. Various stakeholders both from the public and private sector are highly requested to support this project at whatever capacity that may make this project a success.