ALLIANCE GINNERIES LIMITED
PROPOSED BUSINESS PLAN
FOR
ESTABLISHMENT OF ANIMAL FEEDS PROSESSING FACTORY IN ILEMELA DISTRICT, MWANZA, REGION, TANZANIA.

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List of Abbreviations

CAPEX – Capital Expenditure
EIA – Environment Impact Assessment
EU – European Union
GDP – Growth Domestic Products
IRR – Internal rate of return
Kg – kilo gram
KVA –Kilovolt Amperes
MIS - Management Information System
MT – Metric Ton
NBS – National Bureau of standard
NEMC – national Environment Management Council
OPEX – Operating Expenditure
RUWASA–Rural urban Water Supply Authority
SIDO- Small Development Organization
TANESCO – Tanzania Electric Supply Company
TIC- Tanzania Investment Centre
TZS – Tanzania Shilling
TZS-Tanzania Shillings
US$ - United State Dollar
VAT – Value Added tax
VETA – Vocation Education Training Authority

Executive Summary

ALLIANCE GINNERIES LIMITED is a limited liability company, registered in Tanzania under certificate of incorporation No 31055 issued on the 22nd November, 1996. The project is located at Nyamhongolo, Ilemela District, Mwanza Region. The company is planning to establish animal feed factory by installing modern integrated factories for production of animal feeds.

The proposed project is estimated to cost a total of US$ 500,000 (including own equity of US$ 500,000 as proceeds from capital contribution of 100%). The Current asset of US$ 136,390 fixed assets 376,000S$ and total liabilities of 721,898US$. The project will be implemented within 5 years.

The estimated revenue gain in selling Animal feeds products annually 702,000US$ in the first year of production per 1.08 Million MT animal feds whereas as 25% of revenue is expected from export and remaining gain from sales will be for domestic market. The company will sell at whole sale level. Expected selling price for both products is 0.65US$ per Kilogram of Animal feeds

Testing the project viability is positive whereas IRR is positive 18.33%, and payback period of project is within 4 years., Net profit before tax is 209,508US$ for the first year, and increases to second year to the fifth years of economic production life of project. Net profit after tax and depreciation for the first years in operational is 136,390US$ and increases positively, the project is able to pay corporate tax 82,657USD which has positive contribution to GDP of the country, Cash generated from operation and net cash from operational activities increases positively of project. Depreciation of fixed assets and amortization of the pre-operational expenses rates used are as follows: land 5%, Civil Works/ Structures/Buildings 5.00% on straight line basis, Plant Machinery & Technical Equipment 12.50% on straight line basis, Motor Vehicles is 14,666US$ and increases gradually due to wear and tear of fixed asset.

Project risk factors has been considered, right approach to manage the project in a manner which is fairly and adequately address the multiple risks in a comprehensive as well as systematic manner by analyze risk and good management methodology which identifies the risk issues and their instrumental cause.

In economic aspect of project, the project is also likely to have a positive impact on the economy of Lake Zone regions and Tanzania as a whole by creating employment, and contributing to Government revenues through various taxes, which will be paid. It also

has potential for substantial exporting to foreign markets especially to neighboring countries.

The Financial Modelling and analysis has be done for assessing the potential financial viability of the project based on the assumptions that have been taken for the implementation of the site development, demand and the associated potential investment requirements for 5 years time period with the aim of speed up the country´s economic development by being a catalyst for restructuring the existing local Animal feeds processing industrial set up and attracting new, both foreign and domestic entrepreneurs to a liberalized legal business framework.

1.0. Introduction

1.1. Animal feed in Tanzania

Animal feed is one of the critical resources that determine the potential for growth in the livestock sector. Tanzania is endowed with abundant natural resources such as rangelands, grasslands, woodlands and bush and shrub lands in which a large resource base for animal feeds including natural forages and legumes are found. Additionally, the cultivated land is an important source of feeds in form of crop residues and later industrial by-products. The available feeds from these diverse sources support the country's livestock resource base estimated to be 28.9 million cattle, 16.7 million goats and 5.0 million sheep. Other livestock kept in the country include 1.9 million pigs, 72 million indigenous and commercial poultry, 0.6 million donkeys and 4.5 million ducks, guinea fowl, rabbits and other livestock species (National Bureau of Statistics 2016; Tanzania Livestock Sector Analysis 2016).

Utilization of grazing lands for sustainable livestock production is hampered by seasonal variations of quality and quantity of forage, uncontrolled burning, and overgrazing, imperfect designation of grazing lands, tsetse fly and tick infestation. Weak pastoral and agro-pastoral organizations, inadequate livestock services, credit facilities and socio-economic services, and weak infrastructure also limit the utilization of poorly designated grazing lands (URT 2007).The availability and use of feeds to a large extent depends on rainfall, temperature and humidity variations which in turn vary with agro-ecological zones and the livestock production system. The country has diverse agro-ecological zones namely highlands, humid to sub-humid; sub humid to semi-arid; and semi-arid based on altitude, precipitation pattern, length of growing period (LGP) and average water holding capacity of the soils and physiographic features. Crop and livestock production is the dominant economic sector providing livelihood, income and employment to over 80% of the population (MLFD 2012)

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1.2. Demand of processed animal feeds in Tanzania

As Tanzania experiences population growth, economic growth and increased urbanization, so food consumption patterns are changing and shifting to higher value products such as animal products (UNIDO, 2012). Demand is growing both domestically and internationally; domestically, demand is spurred by a growing population which is urbanizing and an emerging middle class made up of wealthier consumers who are more able to participate in niche markets for quality meat. Internationally, meat demand is rising and producers are able to fetch better prices by exporting their produce, largely to neighboring countries such as Kenya, Ethiopia, and The Democratic Republic of Congo as well as to countries in the middle-East such as Kuwait, United Arab Emirates and Oman(MLFD, 2011; SNV, 2008).In general terms, the events which are unfolding (and which will continue to do so) are common to livestock industries in many developing countries, particularly in Sub-Saharan Africa(SSA), such that the term “Livestock Revolution” has been coined to describe such changes (Delgado et al.,1999). These demand driven factors present realistic opportunities for livestock sector growth which can contribute to the provision of income, employment and better quality nutrition in Tanzania and in other parts of the developing world (World Bank, 2005), thus improving the livelihoods of a large portion of the population as well as meeting the Millennium Development Goals (MDG’s) (ILRI, 2011).Furthermore, animal production presents numerous benefits such as; regular income, improved nutrition, by-products such as skin for leather, and organic manure for improved soil fertility amongst others. Tanzania stands in a promising position to capture these favourable circumstances, as it is the third largest livestock-producing countries in Africa(MLFD 2011).However, the potential of the livestock industry is far from being realized and the sector

In an effort to strengthening the country economy, the Government of Tanzania cited animal feed industries as one of the potential revenue and job creation sector, its important is not only to social economic development, but has positive significantly towards economic development. ALLIANCE GINNERIES LIMITED decided to establish integrated Animal feeds factories as major expansion of

related products from purchasing agricultural products from Tanzania Farmers as raw materials for production and some will be imported as additives and flavors.

2.0. Project Overview

2.1. The Industry ownership and share distribution

ALLIANCE GINNERIES LIMITED is a limited liability company, registered in Tanzania under certificate of incorporation No 31055 issued on the 22nd November, 1996. The project is located in Nyamhongolo, Ilemela District, Mwanza Region. Anticipated raw material of factory will be collected from the the Alliance Ginnery factory in Simiyu and from the farmers in Tanzania and some of additive and flavors will be imported from abroad. The establishment involves adding two line of production for animal feeds processing factories. This will involves cost of machine and fixing, operational and management cost, distribution of commodities etc. Thirdly; installation of two machines aim at apply for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferments and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997).

The initial Authorized Share Capital of the company is Tshs 10,000,000/= divided into 10,000 ordinary shares of Tshs 1,000 each and the company have the power to divide the original or any increased capital into several classes, and to attach thereto any preferential, deferred, qualified or other special rights privileges, restrictions or conditions. Unless the conditions of issues shall otherwise expressly declare, every issue of shares, whether preference or otherwise, or any such rights, privileges or conditions shall not be altered or modified except in accordance with the registered Articles or Association. The liability of the members is limited and the following names compromise the company ownership and principal shareholding as illustrated on Table 1 below.

Table 1: Company Ownership and Principal Shareholders

S/No.	Shareholder's Name	Number of Shares
1	Abdallah Ali Taib (Kenyan)	210
2	Munir Zaveri (Kenyan)	210
3	Riyaz Zaveri (Kenyan)	210

2.2. Project Description

2.2.1. Animal feeds factory overview

The main animal feeds resources available in Tanzania mainland are classified into roughages and concentrates. The roughages include pastures (natural and planted), trees, shrubs, conserved forage, crop residues and agro-industrial by-products. ALLIANCE GINNERIES LIMITED's production is based on agro-industrial by-products, these are from maize, sorghums, cotton meals and cotton seed cake. The raw materials are mainly from cotton seed-ring. The processed feeds are mainly for poultry, cows, piggeries' goats and sheep's. Mainly type of animal feeds includes Creep Feed crumble, Pig Starter Crumble, Pig Grower Pellet, Pig Finisher Pellet, Pig Sow Ration Pellet, and for poultry includes Chicken starter, Chicken grower and Layer Feed

2.2.2. Production process

The production process and the recipes for all the products are same. The process is given below

steps	Descriptions
Step 1	Collection of necessary items of feed production
step 2	Sorting the items or quality inspections
Step 3	Batching weight (per formulation)
Step 4	Crushing of maize, oats, sorghum
Step 5	Mixing of other ingredients with above crushed raw materials such as cotton seed cake
Step 6	Pelleting of other items
Step 7	Cooling of the products
Step 8	Crumbling and conveying of the products
Step 9	Quality inspection
Step 10	weighing and packaging of the products in their respective sags
Step 11	Storage
Step 12	Distribution

S

imple stages of production process

Packaging & Transportation

Large loads of premixed feed stuffs are packed into bulk bags. If the ingredients have to travel greater distances packaging sags are used to assist in stability and maximize the load. Machines and the market are filled with printed Open Mouth Bottom Weld, Block Bottom and Valve Sacks printed to the individual requirements of the product and company however the proposed business would mainly use animal feeds since it have a significant role within this sec-tor predominantly because of their inherent strength.

This unique industry is primarily a legacy of Government policies that promote labor intensive and increases employment for Tanzanian. The project is expected to start by early July, 2021, whereas the raw material during the start of project will be from Tanzania farmers. The project will install a fully packages automated animal feed processing machines from India that will cost 190,000US$.

In the first year of operation, the project will install fully complete set for both machines whereas for Animal feeds processing machines with a capacity of 3.6MT per day. The plant capacity during the first year of production will be 75% operations and as the plant successfully win the market will be operated to 100%. Selling plan of Animal feeds products is estimated to 0.65US$ per Kg

Raw material mainly are from Tanzanian farmers and other ingredients will imported, Expected stock for raw material is 3-4 months so as the company will have a continuous operation in case of delay of importation of raw material from china to Tanzania.

2.3. Project Cost & Financing Pattern

The proposed integrated project is estimated to cost a total of US$ 500,000 which is 100% own equity contribution of the project, total loan debt of 0. The Current asset of US$ 136,3905 fixed assets 376,000US$ and total liabilities of 721,898US$. (All figures see annex III projected balance sheet) The project will be implemented within 5 years.

2.4. Business Plan Objectives

The objectives of this study are two-fold. First is to determine the viability of the proposed project and serve as a business plan for the company's development program. First, it will be as a road map for running of the proposed projects. The project promoters have commissioned a reputable engineering and project planning consulting firm to advice on detailed technical and economic evaluation of the project and in determining its viability. As the report will be used to raise debt financing for the project, it is tailored to meet standard requirements of financial institutions in the region.

Secondly, it is meant to facilitate the application for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferments and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997).

2.5. Product: Demand and Market Analysis

2.5.1. Market potential for the Animal feeds:

Animal feeds will be sold in within local market in Tanzania and surplus will be exported to the neighboring EAC countries of Kenya, Uganda, Rwanda, Burundi and South Sudan. Establishment of the project in Mwanza Region was prompted by the growing demand of the food products in the Lake Zone. Also the closeness of the project site will makes the project accessible to a larger market and prospects in the growth of these target market segments are quite good given the increasing industrial economic activities in the country.

Market intelligence conducted in the domestic market shows that still there is a huge need for more produced products. For analysis purpose, the company expects to export 25% of its products and the remaining balance will be sold locally. From the analysis context the marketing of the final products in the country will not pose a problem either as even if the export markets collapsed the local market itself is able to take up whatever the project will produce.

2.5.2. Marketing Organization

ALLIANCE GINNERIES LIMITED; will produce products and sell at wholesale level to a local and international market. The importers from the neighboring countries will be expected to orders for their requirements to the company by mails, phones, and their orders will be sent to country of their destinations, but arrangements can also be made for the promoters to deliver directly to importer from Kenya, Uganda, Rwanda and South Sudan. Likewise, local buyers are expected to collect their requirements of the various products for the produced products, but the promoters will be flexible to deliver the goods on demand.

2.5.3. Pricing strategy

The basis for pricing has been from observations and data collected from various parts of Tanzania, market behavior of raw materials and by- products, production costs and profit margins. Packaging will be done in good quality material, the pricing has been estimated at annual sales increase of 5% and this should allow a very high standard of packing. The industry after making a marketing research has come with the following proposed prices status; price per Kg of Animal feeds will 0.65US$ which is equivalent to 1500TZS.

2.6. Technical Characteristic of the project.

2.6.1. Project Location

The project will be developed at ALLIANCE GINNERIES LIMITED compound,
The project is located at Ilemela District, Mwanza Region. Just 1 to 2Km from main road 20minutes self driving distance. For economic benefit, related industries can be constructed to the same areas as there is a room to establish other plants. The project is just nearby tarmac road connecting Ilemela to Mwanza City and Mara region..

2.6.2. Project Site analysis

Based on physical inspection of the proposed site, the availability of basic and essential industrial infrastructure such transport, water supply, effluent disposal, electric power supply, telecommunication system and security were all checked out and they were satisfactory for factory establishment. The realization of the project development requires successful completion of a number of necessary activities and facilities to enable a successful development of the project. The project location is already installed necessary utilities such as reliable supplies of energy, water, transportation, telecommunications services, waste disposal and other services are in place.

2.6.3. Buildings

The floor plan and elevation of buildings and other related structures will be constructed, the total cost of Land acquisition and registration, factory buildings included to this business plane. Storage of raw materials and finished products structure, plant machinery equipment, transportation/ distribution system, administrative vehicles and other project fixed cost have been estimated at US$ 60,000 which includes land acquisition, factory building, quality control room, packaging and store and construction of TSF pond for waste products..The minor rehabilitations costs are inclusive of contingency and reflect prevailing cost of building materials and labour costs in the country. Mostly local building materials will be used in the construction of the same.

2.6.4. Machinery and Equipment:

Proper machinery selection is one of the key problems in the development of an industry. The machinery must suit the two-fold requirements of the developing countries, i.e. it should be up-to-date to allow for competitive production. In view of the foregoing, an effort has been made to choose from modern technological alternatives, a level that strikes a balance between fixed costs based on

depreciation of 12.5% and variable costs based essentially on wages. The estimated cost of all machineries is 190,000US$

The requirements of various items of equipment have been worked out taking into consideration the production programs, average equipment utilization and normal productivity level of an average worker etc. While working out details of equipment required, it is assumed that the plant will operate for a double shift with approximately of 8 hours per single shift,(makes 16 hours/day) in a day, 25 days a month or 300 days per year.

2.6.5. Motor Vehicles

4 light vehicles truck for collection and distribution will purchased at a price of 100,000US$ each cost 25,000US$ and light vehicle for office management amounted to 6,000US$ will be purchased respectively. Light truck will be for local distribution. The company will hire Heavy truck for regional distribution and collection of raw materials. The estimated cost for purchasing all these working tools is estimated to 106,000US$.

2.6.6. Furniture& Fittings

This cost item includes the purchase of various office furniture: tables, chairs cabinets, safes, telecommunication gadgets, firefighting equipment, air conditioners etc. a budget of not added since they have but office with all facilities. 4,000US$ is estimated cost for purchasing furniture and fittings.

2.6.7. Computers& Accessories

It is the directors desire to computerize the project operations from the point of identifying the need till the final product reaches the final consumer. Included in this cost item are a good Accounting package/software, network facility to suffice all departments and management. The company will have an efficient Management Information System (MIS) and the computers are necessary for the

effective internal control system, budget control, marketing, finance management etc.

2.6.8. Pre-Operational Expenses

Under pre-operational expenses are considered costs like company formation, preliminary project studies, business plan preparation costs, licenses, permits and authorization, including processing of TIC Certificate of Incentives, and legal fees, travelling expenses, initial recruitment and training expenses, and interest accrued during project construction period. 20,000US$ has been allocated for the establishment.

2.6.9. Initial Working Capital

This item will mainly cover initial imports of raw materials estimated to last for the first three months of operations. Otherwise, raw materials will generally be maintained at one month's stock and debtors at one month's sales volume constitute the biggest portion of current assets. Trade credits will be 15 days for the items listed. The total operational cost allocated budget is 100,000US$.

2.6.10. Project Financing

The project costs, including fixed costs (machinery, equipment, building renovations, motor vehicles, office furniture and equipment and pre-operation expenses will be financed by a shareholders and no loan facilities will be imposed to this project. The project promoters are planning to finance project cost in the following pattern:

2.6.11. Project Implementation

Full implementation of the project is planned to take place by end of July 2021 and all machines has been ordered for importation from abroad.

2.6.12. Auxiliary Materials/ services

Falling under this category is packing bags, paper for bags for bran, lubricants, grease and other miscellaneous items.

Utilities and service facilities that will need to be provided in this plant are as follows:

(i) Workshop and laboratory
(ii) Electric power
(iii) Water supply
(iv) Miscellaneous facilities {Canteen; First Aid Kit, Storage and transport and Office Facilities}

(i) Workshop and laboratory

It is necessary to make provision for a small workshop in the plant premises so that certain maintenance operations could be carried out following sudden breakdowns and major routine matters.
The facility will comprise of necessary machines like small centre lathe, drilling machine, welding set, soldering and gas-cutting equipment including complete electrical kit to take care of necessary electrical maintenance as well as to replace worn-out parts and periodic oil and greases needs for the plant. Equipment provision has been restricted to the minimum. Installation of Laboratory for test quantity and quality of products has been considered to the project

(ii) Electric Power and Generator

The proposed projects will be supplied with industrial production 3-phase standard power supply from Tanzania Electric Supply Company (TANESCO), the electricity is available through the National Grid Line in Ilemela to Mara Region. There also heavy standby generators that will smoothen production process that generate 2MW.The ALLIANCE GINNERIES LIMITED also install an online UPS

system that secures clean and uninterrupted power free of surges, brownouts, fluctuations and other power problems.

(iii) Water Supply

Apart from the needs of electric power, water is also required for the actual process and other social needs. The proposed site has close to RUWASA water network, the agency is major supplier of water to urban and peri urban area in the city while depending on water supply from RUWASA. The main line from this source has been tapped and let to the land site and water collected in an overhead reservoir provided at the top of the building of the plant. Adequate provision has been made in the project cost for the overhead tank and supply and laying of pipelines etc.

(iv) Miscellaneous Facilities etc

- Provision has been made in the project costs for necessary facilities for external telephones and fire alarm system;
- Sickness and ill-health are recognized to be among the cause of absenteeism and low morale leading to decreased production, increased waste and bad employee-management relations. Therefore, necessary provision has been made for the canteen and first aid facilities in case of accidents, sudden sickness etc.
- Storage and transport needs of the plant have been duly recognized and been attempted mostly manual. Regarding transport, 4 Truck with a capacity of 32MTwill be purchased and a light vehicles, others will be hired for collection of raw materials.
- Necessary provision for furniture and office equipment has been made in the Capital Cost estimates.

- Provision has also been made for the various types of weighing equipment in various sections for material-handling equipment etc.

2.6.13. Warehousing and distribution

ALLIANCE GINNERIES LIMITED's warehousing service is ready in place to meet 24/7/365 with produced products and raw materials imported. The efficiency of on-site combined with 2.5MT loading docks (focal lift) will accommodate all needs and reduce supply chain costs. The industry will use electronics inventory management system means will ready for the efficiently movements of goods to next level.

The industry will use quick dispatch for fast distribution of final products and packed by manual means or by semi-automatic machines. The industry will take Extra care is therefore taken to make it hygienic so that the products do not get spoiled during storage.

2.6.14. Waste management for industry

In order to create a sustainable society, it is necessary to develop effective utilization of all sorts of wastes. One of the major wastes from our living is fiber wastes. Fiber wastes are generally divided to nonindustrial (organic chemicals) and industrial wastes (inorganic Chemicals)

In this strategic management for a ALLIANCE GINNERIES LIMITED; the industry has to move from an understanding of improvement at all costs to an understanding of continuous and balanced improvement once established. In modern times, environmental protection is being implemented not because it is enforced law, but as an administrative philosophy.

Due to the nature of project, the company must think of installation of treatment plant, TP as many wastes will be produced after pealing of Animal feeds, processing etc. Rapid degradation in environmental conditions has changed at attitude of industrial managers toward ecological environment and had them consider ecology a significant factor while taking decisions related to industrial management. Parameters responsible for environmental pollution include

chemicals discharged into air, water and soil as well as energy pollution all these will taken into consideration of the proposed project.

Noise pollution caused by poorly planned settlement programs is also included in this plan. Furthermore, safety and health of those working in production will be also taken into account by installing modern machines free from noise pollution.

3.0. Organization and Manpower Requirement and Proposed Salary Budget

3.1. Employment

The whole process of production lines is looking at providing direct employment to at least 17permanent jobs on full implementation and operation of the project. Thereafter most of the production supervision will be taken over by local Tanzanians who by then will be expected to have acquired adequate experience in the operations and management of the project.

3.2. Recruitment

Recruitment of the 17persons will be carried out by giving first preference to ex-technician from our local technical institutes such as Vocation Education Training Authority “VETA” and existing employees of the company, based on demonstration of skills and aptitude basis and their willingness to work for ALLIANCE GINNERIES LIMITED. Careful methodology is being worked out by a competent management consultant who will set the job descriptions etc. To ensure that the right caliber is recruited. Recruitment of expatriate personnel will be carried out in consultation with the relevant authorities in Government and the collaborating agencies.

3.3. Training and the use of Consultants

The Company plans to initially carry out on the job training for most of the technical staff by India expert (depending on the source of technology) to be dispatched to the project site by the suppliers of the plant which will be specified under sales agreement. Later on, the maintenance staff will be sponsored to go on field trips outside the country with the manufacturers of the machinery in China so as to familiarize themselves with the operations of the plant and machinery. In general the company will ensure that employees acquire new skills and procedures to increase their productivity fourfold. Educational

materials will be subsidized or paid for to motivate the workers to develop themselves.

Whereas the company will endeavor to obtain the best talents to fill the permanent posts in the organization, it is intended where necessary, to continue with the policy of hiring out some specialized skills by way of consultants. Alternatively, those skills not required throughout the year will be left to consultants. These include legal counsels, systems and management consultants. To ensure efficient and scientific management, operational manuals will be prepared for the core functions of the company.

3.4. Organization and Management

The project will be managed by qualified professionals given the vast experience that the promoters have acquired over years in running and managing similar businesses. The Board of Directors formulates policy and offer strategic business guidance to management and regularly monitor and evaluate performance of the company.

All the production line will have its own management under which the day to day leader/management of each production line will be vested in the management team headed by a Production Manager. The Production Manager is to be assisted by qualified and experienced personnel. The Production Managers will report to a General Manager who will be directly responsible to the Board of Directors.

Proposed organization and manpower requirement for the plant is as follows:

A.ADMINISTRATION DEPARTMENT	FULL TIME STAFF	MONTHLY SALARY FULL TIME STAFF	TOTAL ANNUAL SALARY
DEPARTMENT	POSTS	AMOUNT USD	AMOUNT USD
MANAGING DIRECTOR	1	750	9,000
LOGISTIC	2	500	12,000

DRIVER	1	270	3,240
SECURITY GUARD	4	250	12,000
SUB TOTAL	**8**	**1770**	**36,240**
B.FINANCE AND MARKETING DEPARTMENT	**FULL TIME STAFF**		
ACCOUNTANT	1	600	7,200
PROCUREMENT OFFICER	2	500	12,000
DRIVER	1	270	3,240
TOTAL	**4**	**2370**	**22,440**
C. OPERATIONAL DEPARTMENT	**FULL TIME STAFF**		
QUALITY CONTROL	1	650	7,800
OPERATORS	2	320	7,680
PREMIXED FEED STUFFS	10	200	24,000
DRIVERS	4	270	12,960
TOTAL	**17**	**1170**	**39,480**

4.0. Financial Analysis

4.1 Production, Revenue and project viability

- The estimated revenue gain in selling Animal feeds products annually 702,000US$ in the first year of production per 1.08Million Tones of Animal feeds excluding Value Added Tax.
- Gross sales contribution in the first year of production is 30% which increases tremendously.
- The expected sales increase annually is 5% while increase production cost is 3% which depends on inflation rate of the country, for ALLIANCE GINNERIES LIMITED, the second year operations will increase by 5%
- Total investment cost of the project is 500,,000US$ whereas the equity 100% and loan-able amount zero
- The end balance of project in cash flow statement is positive and increases tremendous.
- Testing the project viability is positive whereas IRR is positive 18.33%, and payback period of project is within 4 years.
- Net profit before tax is 209,508US$ for the first year, and increases to second year to the fifth years of economic production life of project
- Net profit after tax and depreciation for the first years in operational is 136,390US$ and increases positively, the project is able to pay corporate tax 82,657USD which has positive contribution to GDP of the country,
- Project current assets for the first year is 136,206US$, fixed asset 376,000US$, Project liquidity is209,508US$ which makes total liability of project to 721,898US$, all these raised after include, depreciation, taxes and social security benefit to employers,
- Cash generated from operation and net cash from operational activities increases positively of project (see cash flow sheet)
- Return on Investment is anticipated to 19.3% which is increases positively to 24.4% to the fifth year of project economic life - see balance sheet,

- Depreciation of fixed assets and amortization of the pre-operational expenses rates used are as follows: land 5%, Civil Works/ Structures/Buildings 5.00% on straight line basis, Plant Machinery & Technical Equipment 12.50% on straight line basis, Motor Vehicles. 20.00% on straight line basis. The business plan use 12.5% as depreciation factors. To this project after including depreciation factors, the first year depreciation value is 14,66US$ and increases gradually due to wear and tear of fixed asset.

5.0. Risk Analysis

Risk is the probability that an event or action will adversely affect the organization. Risk assessment is the identification and analysis of risks associated with the achievement of operations, financial reporting and compliance goals and objectives. Risk management is a central part of the ALLIANCE GINNERIES LIMITED. The Industry's management will determine the level of operations, financial and compliance risk they are willing to assume. Risk assessment is one of the Company's management responsibilities.

5.1. Macroeconomic risk analysis

Since early 1986, the Government of Tanzania has launched a comprehensive economic policy and stabilization plan with the aim to enhance the amount of infrastructure construction and improve the lives of the poor. During this time the main economic indicators significantly improved. However, uneven development of various region in the country, lack of relevant infrastructure in transportation, telecommunications, networking, health facilities, electricity and water supplies have proven to be investment barriers. Overall, Tanzania has a weak economic foundation but the project can achieve a greater impact in attaining social and economic goals for the country.

5.2. Finance risk analysis

a) Supply Risk: The risk in Primary production relates to supply of raw material, transportation and price fluctuations. There is no assurance of enough supply of raw materials in the local market instead mostly of raw materials are imported.

b) Processing Risks: The technology, machines and equipment used in Animal feeds production are in rudimentary stages all of which contribute to reducing production efficiency. Also quality/food safety and standards consideration in the production environment is limited. In fruit factory facilities operation know-how is very low as there are notarized labourers.

c) **Sales/market risk:** Placing value added products on the consumer markets bears risk of demand fluctuations and rejections through retailers. Furthermore, consumers are not aware of the fruit factory quality and safety criteria and are usually very price sensitive.

5.3. Other potential external risk

a) **Lack of Governance**: the governance mechanism in the value chain is underdeveloped, actors operate in an uncoordinated and unorganized fashion, and if rules exist they are often ignored;

b) **Lack of market coordination:** No lead organization has a coordinating role in relation to markets, technology and information such that producers and processors have no incentives for improving neither their product nor the chain process to promote sustainable income earning opportunities;

c) **Unclear and conflicting roles regulatory authorities:** Regulatory Agencies are responsible for quality control as well as enforcing NBS, NEMC etc, are regulatory role in issuing licensing etc

d) **Industry associations:** Associations are weak at all levels of the chain;

e) **Operating procedures:** Standard procedures are inadequately enforced, or not enforced at all, because of relaxed production and trade regulations; and

f) **Integration:** there is little vertical integration of importers, mid chain actors and processors.

5.4. Mitigating potential risk

The development of a large and complex project such as ALLIANCE GINNERIES LIMITED is necessarily accompanied by multiple risks during all the phases of the project development, construction, operation and maintenance. The right approach to manage the project in a manner which is fairly and adequately address the multiple risks in a comprehensive as well as systematic manner is to use the risk analysis and management methodology which identifies the risk issues and their instrumental cause. In this regard,

the risk is eliminated or effectively managed by the party best suited with capacity to handle or deal with the risk factors.

6.0. Economic and Social Aspects

The project is also likely to have a positive impact on the economy of Lake Zone regions and Tanzania as a whole by creating employment, and contributing to Government revenues through various taxes, which will be paid. It also has potential for substantial exporting to foreign markets especially to neighboring countries in the Great Lakes Region. In summary the following table will show impact investment index framework

6.1. Impact Investment Index Framework

Impact Investment Index		
Frame Work for ALLIANCE GINNERIES LIMITED		
Performance Area	**Quantitative Indicator**	**Remarks**
Investment Capital	Total investment capital, CAPEX and OPEX US$ 0.5 Million US$	Substantial amount of capital invested into the domestic economy.
Export Earnings	Indicative Annual sales of 25% earnings of 175,000US$ out of annual average collection of 702,000US$ for the project will be exported.	Increased foreign earnings.
Job requirements	Job creation after plant in operation 2020-2021. DIRECT TANZANIAN JOBS 17	• Reasonable number of direct job created to local Tanzanians with direct impact on poverty reduction through enhanced income generation; and • Improving skills development for Industrial production
Technology applied	High Tech Environmentally friendly machinery	• Enhancing technological transfer; and

		• Applied technology which is free from environmental pollution,
Other Implied Project Benefits		
▪ Increased sales to the Utility Companies providing services of electricity, water and sewerage, telecommunications; ▪ Increased business transacted by local banks and institutions providing financial services; ▪ Business opportunities for local entrepreneurs in market distribution channels, ▪ Business opportunities to contractors and sub-contractors during the minor construction phase; ▪ Increased regional intra-trade and international trade due to better infrastructure facility and links to markets; ▪ Increase of technology transfer & expertise to local employed staff, ▪ Capital spends in local economy over 500,000US$ and ▪ Contribution to GDP growth through increased economic activities		

Based on the Impact Investment Index analysis, the company can develop projections that the project can deliver both value for money in the context of broad socioeconomic impact and return on investment while complying with governance requirements. In this regard therefore, ALLIANCE GINNERIES LIMITED will promote the industrialization process in the country, create employment, attract new technologies, expand foreign exchange earnings and ultimately contribute substantially to the country's economic growth.

7.0. Financial Modeling and Analysis

The Financial Modelling and analysis, is the main source of information for assessing the potential financial viability of the ALLIANCE GINNERIES LIMITED. The analysis is based on the assumptions that have been taken for the implementation of the site development, demand and the associated potential investment requirements for a 5 year time period. The purpose of establishing this Animal feeds processing plant is to speed up the country´s economic development by being a catalyst for restructuring the existing local Animal feeds processing industrial set up and attracting new, both foreign and domestic entrepreneurs to a liberalized legal business framework.

71. Project investment inputs summary

EXPECTED QUANTITIES FOR PRODUCTION AND PROJECTED SALES	
All cost and revenue in US$	All Revenue in US$
Working days per month	25.00
Annual working days	300.00
Average production Animal feeds per Day/Kg	3,600.00
Annual production of animal feeds in Kg	1,080,000.00
Price Animal feeds per Kg	0.65
Annual sale of Animal feeds	702,000.00
TOTAL SALES REVENUE	702,000.00

7.2. Investment summary

INVESTMENT SUMMARY - ALLIED GINNERIES CO.LIMITED			
S/NO.	CAPITAL ITEM	No. OF UNITS	COST (USD)
NB	ALL FIGURES IN "USD"		
	A. LAND AND BUILDINGS	M squire/ Number of unit	

1	Land Acquisition	5000+	12,800
2	Semi-permanent Building	150	3,000
3	Laboratory for quality testing	50	5,000
4	Processing factory Building structure	500	14,000
5	Packaging room	100	10,000
6	Godown	500	6,400
7	Cold room storage	150	4,200
8	TP and waste disposal	200	2,400
9	Fencing and Gates	4000	1,000
10	Shading areas	500	1,200
	SUB TOTAL	6150	60,000
	B. MACHINERY EQUIPMENT		
11	crushing machines	1	20000
12	Mixer Machine	2	20,000
13	Diagnosis Equipment for testing quality	Lump sum	6,000
14	draying machine	4	15,000
15	Sorting Machine	5	15,000
16	Packing Machine	4	5,000
17	Protection Gears	Lump sum	3,000
18	Reserve tanks 10000lts	5	5,000
19	weighing scale Max 100MT	1	25,000
20	Computer and accessories	4	2,000
21	Weigh and measures 1000Kgs	2	8,000
22	Weighing Measures - 0.01 to 1Kg	10	3,000
23	CCTV Camera and accessories	Lump sum	3,000
24	Standby Generator	1	30,000
25	Miscellaneous Tools and Equipment	Lump sum	30,000
	SUB TOTAL		190,000
	C. MOTOR VEHICLES		
26	Heavy trucks	4	100,000
27	Light Vehicles	1	6,000
	SUB TOTAL	5	106,000
	D. FURNITURE		
28	Office Furniture	set in lump sum	4,000
	SUB TOTAL		4,000
	E.OTHER COST/CHARGES		

29	Contiguous		20,000
	SUB TOTAL		20,000
	TOTAL FIXED ASSET		376,000
	F. CURRENT ASSETS		
30	Pre operational expenses		20,000
31	Initial working capital		100,000
	SUB TOTAL		120,000
	TOTAL INVESTMENT		500,000
EQUITY + LOAN			
1	EQUITY (100%)		500,000.00
2	LAON (0%)		-
	TOTAL FINANCING		500,000.00

7.3. Objective and Scope of Financial Model

7.3.1. Objective

The main objective of the financial modelling and analysis is to setup a financial model framework for potential generated revenues and operational & maintenance costs for the full operation of ALLIANCE GINNERIES LIMITED based on the assumptions taken for the Market Analysis, the plan for the facility development, unit production costs and other overhead and operational charges.

7.3.2. Scope

The scope consists of a financial model that will be used to analyse the potential financial viability of the project based on the assumptions taken for the concept and scope of the Animal feeds processing factory on the Market Analysis. The financial model has been developed in excel spread sheet and include information on costs, expenses and the subsequent sales revenue based on the average market prices and linked to the financial cash flow.

ANNEX I- INCOME STATMENT.

(all numbers in USD)

Revenue							
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL
Gross revenue from sales of animal feeds		702,000	737,100	773,955	812,653	853,285	3,878,993
Total Operating Revenue	-	**702,000**	**737,100**	**773,955**	**812,653**	**853,285**	**3,878,993**
Expected Expenses							
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Salaries		98,160	101,105	104,138	107,262	107,262	517,927
Social Charges & Pension Payments		19,632	20,221	20,828	21,452	21,452	103,585
Consumable goods - raw materials fish		300,000	309,000	318,270	327,818	327,818	1,582,906
Administrative expenses and management system		12,000	12,360	12,731	13,113	13,113	63,316
Fuel and lubricants for cars and generators		16,000	16,480	17,304	18,169	18,169	86,122
General Clearness and security services		3,200	3,296	3,395	3,497	3,497	16,884
transportation		8,000	8,240	8,487	8,742	8,742	42,211
Cost of sales and marketing		5,000	5,150	5,305	5,464	5,464	26,382
Insurance/licensing/healthy premium/other charges		2,000	2,060	2,122	2,185	2,185	10,553
Utilities - Electricity and water services		13,500	13,905	14,322	14,752	14,752	71,231
Other Costs		15,000	15,450	15,914	16,391	16,391	79,145
Total Operating Costs		**492,492**	**507,267**	**522,814**	**538,845**	**538,845**	**2,600,263**
Operational Net Earnings before Depreciation, Interest & Tax		**209,508**	**229,833**	**251,141**	**273,808**	**314,441**	**1,278,730**
%age Gross Contribution		*30*	*31*	*32*	*34*	*37*	*1*
Depreciation at12. 5% (Machines, Equipt.)		**14,666**	**16,088**	**17,580**	**19,167**	**22,011**	**115,086**
Net Earnings before Tax & Interest		**194,842**	**213,745**	**233,561**	**254,641**	**292,430**	**1,163,645**
Interest Paid (Bank Loan)		**-**	**-**	**-**	**-**	**-**	**-**

Tax (30%)		58,453	64,123	70,068	76,392	87,729	356,766
Net Earnings		136,390	149,621	163,493	178,249	204,701	832,453

ANNEX II – PROJECTED CASH FLOW

Cash Flow statement from Investing Activities for five years						
(all numbers inUSD)		Year 1	Year 2	Year 3	Year 4	Year 5
CASH FLOW FROM OPERATING ACTIVITIES						
Cash receipts from Sales		702,000	737,100	773,955	812,653	853,285
Cash paid to suppliers and employees		(492,492)	(507,267)	(522,814)	(538,845)	(538,845)
Cash generated from operations		209,508	229,833	251,141	273,808	314,441
Dividends received*		0	0	0	0	0
Interest received		0	0	0	0	0
Interest paid		0	0	0	0	0
Tax paid		(58,453)	(64,123)	(70,068)	(76,392)	(87,729)
Net cash flow from operating activities		**151,055**	**165,710**	**181,072**	**197,415**	**226,712**
CASH FLOW FROM INVESTING ACTIVITIES						
Replacement of equipment		0	0	*0*	0	*0*
Proceeds** from sale of equipment		0	0	*0*	0	0
Net cash flow from investing activities		**0**	**0**	**0**	**0**	**0**
CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from capital contributed		500,000	0	0	0	0

Proceeds from loan		0	0	0	0	0
Payment of loan		0	0	0	0	0
Net cash flow from financing activities		**500,000**	**0**	**0**	**0**	**0**
NET INCREASE/ DECREASE IN CASH		**651,055**	**165,710**	**181,072**	**197,415**	**226,712**
Cash at the beginning of the period		136,390	149,621	163,493	178,249	204,701
Cash at the end of the period		**787,445**	**315,331**	**344,565**	**375,664**	**431,412**

ANNEX III – PROJECT BALANCE SHEET

(all numbers in US$)	Year 1	Year 2	Year 3	Year 4	Year 5
ASSET					
Current asset	136,390	149,621	163,493	178,249	204,701
Fixed asset	376,000	361,334	359,912	342,332	340,745
Liquidity	209,508	229,833	251,141	273,808	314,441
TOTAL ASSET	721,898	740,789	774,545	794,389	859,886
NET ASSET MINUS DEPRECIATION	**707,232**	**724,701**	**756,965**	**775,222**	**837,876**
EQUITY & LIABILITIES					
Equity	707,232	724,701	756,965	775,222	837,876
Reserves	0	0	*0*	0	0
Total Own Equity	**707,232**	**724,701**	**756,965**	**775,222**	**837,876**
Provisions					
Long term loan	0	0	0	0	0
Short term Liabilities					
Total Equity & Liabilities	**707,232**	**724,701**	**756,965**	**775,222**	**837,876**
CL/CA	0.00	0.00	0.00	0.00	0.00
DEBIT/CAPITAL RATIOS	0.00	0.00	0.00	0.00	0.00
ROI	19.3	20.6	21.6	23.0	24.4
BREAK EVEN POINT	1.79	1.57	1.43	1.25	1.08
BREAK EVEN RATIO	2.35	2.21	2.08	1.97	1.71
EQUITY/TOTAL LIABILITIES	100	100	100	100	100

ANNEX IV - INTERNAL RATE OF RETURN

IRR for the Project

(all numbers inUS$)

	Initial Investment	-500,000
Year 1	Additional Annual Net Profit	136,390
Year 2	Additional Annual Net Profit	149,621
Year 3	Additional Annual Net Profit	163,493
Year 4	Additional Annual Net Profit	178,249
Year 5	Additional Annual Net Profit	204,701
	IRR (in 5 years)	**18.33%**

The IRR above indicates that the expected return on the 500,000USD initial investment after 5 years is 18.33%.

ANNEX V – PROJECTED PAY BACK PERIOD

Payback Period Analysis				
	Year	Beginning Balance	Net Cash Flows	Ending Balance
Cost of investment	0.00	500,000.00	0.00	500,000.00
	1.00	500,000.00	136,389.71	363,610.29
	2.00	363,610.29	149,621.44	213,988.85
	3.00	213,988.85	163,492.55	50,496.30
	4.00	50,496.30	178,248.93	127,752.63
	5.00	127,752.63	204,700.77	332,453.40

Payback Period =	**4.00**	**Years**

8.0. Concluding Remarks and Way Forward

8.1. Evidence of project viability based on financial model and policy framework support

On the basis of all the analysis done on this Business Plan on all aspects of assessment on both SWOC Analysis, market analysis, risk analysis and the financial analysis, the proposed investment options in the fruit processing plant as prescribed on this business plan have shown that the project is commercially viable. Nonetheless, ALLIANCE GINNERIES LIMITED through professional consultative manner, will continue to find ways of implementing cost effective options given time and financial resources that will be made available. Financial analysis results show that when the construction of Animal feedsplant facility is financed 100% by shareholders in a given IRR of 18.33%. The payback period for the project is estimated at 4 years, which is within the range for this type of investment. Sensitivity analysis results also favor the project. Financial analysis for the project has shown feasible returns, based on the investment scope and the assumptions taken in this Business Plan.

8.2. Policy Framework Support

The development of the ALLIANCE GINNERIES LIMITED is designed to tape advantages of the current Tanzanian market-oriented reforms. The Project will be developed and established to accelerate the industrialization process. The vision 2025 emphasizes the importance of the allocation of public funds for strategic investments and private sector financing for development investments.

The 15 years Perspective Plan (2010-2015); pristine private investment in the context of Public Private Partnership. The First Five Years Development Plan (2011-2016) recognizes the fundamental role of the private sector in enabling the government to allocate its fund to strategic projects to facilitate a higher level of development. MKUKUTA II (2010-2015) identifies Public Private Partnership as a

means of increasing the level of stakeholder participation and of easing the financial burden on the government. It should be noted that existing public resources are clearly insufficient to meet Tanzanian's huge development needs. The increased use of private enterprises participation in development projects can help alleviate the financing gap. This approach is now applied by ALLIANCE GINNERIES LIMITED to ensure development of one among the ultra-modern animal feed to be developed in Mwanza Region. Private sector and investment have been recognized as the most significant potential source of additional funding required to facilitate development projects.

8.3. Conclusive Remarks and Way Forward

The development of this Animal feeds plant will be funded by private finances. The company acting through its various shareholders and structures will provide the initial risk capital amounting to 500,000US$. The company will fund the development of the factory, before the Company engages into the development of this project as a private enterprises, it needs to accomplish the pre development activities to make way for the development of the designated project.