

FES AGRIC SERVICES TANZANIA LIMITED
BUSINESS PLAN FOR THE ESTABLISHMENT
OF A AGRICULTURAL SERVICES
CONTRACTING BUSINESS.

1st March, 2025

EXECUTIVE SUMMARY

Company & Project concept.

FES Agric Services Tanzania Limited is limited Company incorporated in Tanzania under the Company act of 2002. The Company was incorporated 5th April, 2022, and bears Certificate of Incorporate No. 155747048, the Company belongs to agriculture sector and specifically crop farming

Company Objectives, FES Agric Services Tanzania Limited is legally formed to fulfil the following objectives. To carry out contract farming business, specifically land preparation and material handling for Illovo sugar Limited and its Outgrowers in the Kilombero region

Purpose of feasibility report: This document is prepared to the serve the purpose as a feasibility study for Limited for her land preparation and material handling farming Project as well as to be submitted to TIC for an award of TIC Certificate of Incentives.

The project promoters, the project will be managed and operated by FES Agric Services Tanzania Limited. The Company is owned by European, and South African investors with the following shares distribution.

- Norfund – 23%
- DEG – 10%
- Mbuyu Capital – 21%
- Phatisa Food Fund 2 – 36%
- Management – 10%

Company Legality, the legal certificates and documents such as Memorandum and Article of Association, certificate of incorporation, justify that FES Agric Services Tanzania Limited will be operating within the ambit of the law of the Land

Project Organization Structure, the management of FES Agric Services Tanzania Limited Limited constituted by the following organization set up:- Board of Directors, who are responsible on the management on the entire operations of the Company

Investment Structure, the contract is estimated to cost USD\$ 2,300,000. the money covers Plant, Vehicles, Furniture & Fittings, Pre-expenses, and Working Capital.

BASIC INFORMATION

Name of company:	FES Agric Services Tanzania Limited
Address:	P.O. Box 534 Arusha
Telephone:	+255 713 336 936
Project Location	Kilombero Region
Certificate of Incorporation no.	155747048.
Sector	Agriculture
Sub sector	Contract Farming
Total Cost of estimated Investment.	USD 2,300,000.00
Directors	i. Mike Aldworth ii. Justin Domleo

1. PROJECT OBJECTIVES

FES Agric Services Tanzania Limited is legally formed to fulfil the following objectives, to carry out contract farming business, specifically land preparation and material handling for Illovo Sugar Limited - Kilombero

Basically the agric sector growing together with the many small scale farmers in the Kilombero region

1.1 Key Region Objective / Strategy:

The company's strategy is to supply land prep and material handling services to Kilombero Sugar Company and use this project as a hub to the region and to the territory.

To support the local agricultural industries, with the good products, services and continuous exposure to agricultural innovation.

2. LOCATION OF THE PROJECT

FES Agric Services Tanzania Limited will conduct this contract on the Kilombero Sugar Estate.

3. INVESTOR PROFILE

See attached

4. INVESTMENT COSTS

The total investment cost is USD two million, eight hundred thousand (USD 2,875,000). The Investment Financing Plan is as follows in Million US\$.

Foreign Equity - 2,875,000

The Investment Breakdown is as follows in Million US\$.

Land/Building –	25,000
Plant -	1,800,000
Vehicles -	350,000
Furniture & Fittings -	100,000
Pre-expenses -	100,000
Working Capital –	500,000
TOTAL -	\$2,875,000

4.1 Financial and Economic Analysis

The projection for financial statements was based on the following assumption:-

- The implementation of the project will cost USD2,875,000
- The capital expenditure will be incurred at the start up of the project
- Implementation cost take into consideration inflation rate/influx.

4.2 Financial Statement of Project

The financial projection is based on the assumption that the prices of input and output are accurately estimated over the project useful lifetime that is five years. However be cause of unforeseen events in the future, the prices of these inputs and outputs will be adjusted accordingly in order to maintain objective of the comply, that is maximizing next profit and at he same time to ensure customer satisfaction by providing the right product service at the right price and time. Expenditure items are as shown in the financial statements. They include all major costs items plus depreciation changes and financial charges. They are also listed under annual costs in the financial statements.

4.3 Projected Cash Flow Statement

The business has a positive net cash flow. But also this guarantees the Company to meet its entire obligation.

4.4 Projected Profit and Loss Amount

The computations of the company projected profit and loss account show a respectable turnover. This agricultural business is good, is it can be seen; the projected profit and loss of statement of the company is strong and sound. Hence the company is expected the following taxes;- Skilled Development Levy, Insurance, Land Rent Tax, PAYEE, NSSF & Corporate Tax

4.5 Projected Balance sheet

The projected current assets and current capabilities estimates that the company financial status is strong. As the result we expect the company to meet all its financial and Administrative transaction without difficulties

5. MARKETS OVERVIEW

The current market is mainly in a sugar deficit market.

6. ECONOMIC SWOT ANALYSIS

Strengths:

- Large population growth.
- Agricultural based economy employing 80% of the work force and represents 85% of exports revenue.
- Sugar is a major product in the region.
- Currency susceptible to exchange fluctuations. Tanzania has been relatively stable recently.
- Government has simplified the establishment of new businesses.
- Well educated population.

Weaknesses:

- High fuel prices due to high government taxation
- Limited loans to small business projects
- Poor national infrastructure.
- Weather dependant
- Deficit in the market allowing for “grey imports”

Opportunities:

- In order to maintain the per capita consumption at its current level with the increasing population growth, sugar production needs to increase to meet this demand.
- Rising global oil prices
- Expansion into other crops through mechanisation, agronomy and irrigation
- Economy is expanding over 5-6% % per annum
- Urbanization

Threats:

- Many obstacles for foreign investment due to bureaucratic attitude.
- One of the world’s poorest economies in terms of per capita income
- Limited loans to small business projects.
- Difficult to obtain credit facilities unless you are a successful established business

7. INDUSTRY SWOT ANALYSIS

Strengths:

- Well organised and professional sugar industry.
- Continued expansion of out grower projects projects.
- Well educated population
- Increasing population provides an opportunity for higher sugar consumption
- Has good production of maize, rice, sunflower and soya but has potential to grow more
- Availability of land and water resources to increase agriculture production
- Good infrastructure which allows easy links to neighbouring countries

Weaknesses:

- Many small farms with limited area
- High fertiliser costs,
- Lack of infrastructure
- Lack of power supply in certain areas – temporary
- Poor road network and transportation

Opportunities:

- Total population growing and expanding into agriculture.
- mechanisation can be used as a tool to alleviate poverty while ensuring food security as it certainly leads to improved yields which leads to increased spare cash
- Agro Processing is a high priority and capital investments required
- International investor companies looking for investment into the out grower schemes with Illovo Sugar
- Expansion plans from local large-scale service providing companies

Threats:

- Weather conditions
- Civil unrest
- Political upheaval

8. MARKET SUPPLY AND MARKET SHARE

8.1 Main players from the region and their sizes

- These included Unitrans Agriculture

9. COMPETITOR REVIEW

- Unitrans are a competitor of the FES Africa Group but this is normal in this industry.

10. SOCIAL AND ECONOMIC IMPACT OF THE PROJECT

The proposed project will result into the following social and economic impacts:

- Increasing and enhancing the provision of high quality agricultural mechanization in Tanzania and Region
- General upliftment of small grower agric sector, more disposable income to be used for education, improving living standards etc
- The proposed project in investment will provide employment to more than 45 people
- The Government and other agencies will benefit from various taxes, fees and commissions that will be paid to the government.

PROJECTED INCOME & EXPENDITURE STATEMENT

	0	1	2	3	4	5
	2024	2023	2024	2025	2026	2027
Revenue		1 367 451	1 367 451	1 367 451	1 367 451	1 367 451
COS		- 1 123 102	- 1 123 102	- 1 123 102	- 1 123 102	- 1 123 102
GP (incl. depreciation)		244 349	244 349	244 349	244 349	244 349
GP%		18%	18%	18%	18%	18%
Depreciation add back		388 283	388 283	388 283	388 283	388 283
Interest Added Back		38 828	38 828	38 828	38 828	38 828
EBITDA		671 460	671 460	671 460	671 460	671 460
Capex	- 2 304 527					
Residual value				-		363 114
Tax		- 73 305	- 73 305	- 73 305	- 73 305	- 182 239
FCF	- 2 304 527	598 155	598 155	598 155	598 155	852 335
Cumulative FCF	- 2 304 527	- 1 706 371	- 1 108 216	- 510 061	88 094	940 429
Years		1,0	1,0	1,0	0,9	-
Tax %	30%					
Contract Type	Land Prep only	Select - Contract Type				
IRR years	5	Select - assuming assets are deployed on equivalent work post contract				
Machine capacity added	yes	Select				
Interest Rate - Capex	10%	Confirm/Adjust				
IRR	11,9%					
Payback period	3,9					
NPV	120 286					
GP	18%					

PROJECTED STATEMENT OF CASH FLOWS

	Number of tractor units	Unit Capex	Tractor Depreciation value/hr	Number of implement units	Unit Capex	Implement Depreciation value/hr	Total Capex	Utilised Hours per year	Total Depreciation cost/year	Value at end of Contract
BUSHCLEARING - Excavator	4	\$ 115 058,57	\$ 7,67	0	\$ -	\$ -	\$ 460 234,29	11 620,00	89 132,04	103 706,13
BUSHCLEARING - Bulldozer	7	\$ 248 000,00	\$ 16,53	0	\$ -	\$ -	\$ 1 736 000,00	19 691,67	325 568,89	433 724,44
CROSS RIPPING	0	\$ -	\$ -	0	\$ -	\$ -	\$ -	0	-	-
PLOUGHING	3	\$ 400 000,00	\$ 33,33	1	\$ 80 000,00	\$ 6,67	\$ 1 280 000,00	6 869,72	237 048,75	331 805,02
LEVELLING 0-199	0	\$ -	\$ -	2	\$ 290 000,00	\$ 14,50	\$ 580 000,00	4 633,33	67 183,33	311 266,67
RIPPING	0	\$ -	\$ -	1	\$ 70 000,00	\$ 5,83	\$ 70 000,00	365,79	2 133,77	61 464,91
HARROW	0	\$ -	\$ -	1	\$ 60 000,00	\$ 5,00	\$ 60 000,00	661,90	3 909,52	46 761,90
FURROW FORMING	1	\$ 73 000,00	\$ 6,08	1	\$ 10 000,00	\$ 0,83	\$ 83 000,00	1 112,00	7 691,33	52 234,67
BEDFORMING	2	\$ 73 000,00	\$ 6,08	2	\$ 10 000,00	\$ 0,83	\$ 166 000,00	2 780,00	19 228,33	89 086,67
FACTORY BAGASSE HANDLING	1	\$ 124 753,57	\$ 8,32	0	\$ -	\$ -	\$ 124 753,57	500,00	31 188,39	-
EXCAVATOR HIRE							\$ -			
GRADER HIRE	1	\$ 158 022,86	\$ 10,53	0	\$ -	\$ -	\$ 158 022,86	500,00	5 267,43	136 953,14
TLB HIRE	1	\$ 107 398,33	\$ 7,16	0	\$ -	\$ -	\$ 107 398,33	500,00	3 579,94	93 078,56
FIXED COSTS							\$ 545 000,00		136 250,00	-

\$ 5 370 409,05

927 581,74

1 660 082,11

OPERATING COSTS

	0 2022	1 2023	2 2024	3 2025	4 2026	5 2027
Revenue		1 367 451	1 367 451	1 367 451	1 367 451	1 367 451
COS		- 1 123 102	- 1 123 102	- 1 123 102	- 1 123 102	- 1 123 102
GP (incl. depreciation)		244 349	244 349	244 349	244 349	244 349
GP%		18%	18%	18%	18%	18%
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Payback period		3,9				
NPV		120 286				
GP		18%				

COST INVESTMENT STRUCTURE AT FULL CAPACITY

Current assets	Rate	USD
Working capital		500,000
Opening stock		
Account receivable		0
		0

Property and Equipment		
Long - term assets		\$2,300,000
Depreciation	(10%)	(1,941,415.)
Total Assets		\$2,300,000
Current Liabilities		
Account payable		0
		<u>0</u>
Owner's Equity		\$700,000
Cash		
Contributed asset value		2,500,000
Less Retained Earnings		
Total		2,875,000