

MARA-NILE GROUP LIMITED

ESTABLISHMENT OF MANUFACTURING FACILITY

FOR

THE SPIRITS (ENA) & CARBON DIOXIDE (CO₂).

PREPARED BY:

MARA-NILE GROUP LIMITED
P.O. BOX 527
KIBAHA COAST REGION

SEPTEMBER 2022

1.0 EXECUTIVE SUMMARY

1.1.1 Preamble:

Tanzania has been encouraging and promoting both sectors of Manufacturing and Agriculture so that it can achieve Agro- processing effect in the economy. As a result, Tanzania has enjoyed over 5 consecutive years of 7% real GDP growth and is a member what the World Bank has dubbed the "7% Club", a group of countries forecast to achieve 7% or more real GDP growth for next decade. Sugarcane and its by-products are important commercial crop in Tanzania. It is the main source of sugar and its by-products produced for both export and domestic consumption.

1.1.2 Tanzania, in recent times have witnessed the Central Government encouraging farmers to invest in commercial agricultural enterprises as one of the efforts for poverty alleviation and wealth creation. In areas close to sugarcane-processing industries in Tanzania, sugarcane cultivation has been highly preferred relative to other more traditional crops (e.g., coffee, cotton) as well as plantation forests, as it is perceived to be more profitable and economically valuable. As commercialization of sugarcane and other non-food crops cultivation increases in importance to rural households, the value of productive land and incentives to increase yields continue to escalate. 1.1.3 Currently, most sugarcane is grown in estates, owned by the sugar processing factories (SPF) as well as contract growers (CG). Hence the establishment of Agro-Processing Facility for the processing of sugar by- products will be an impetus to the agricultural sector which is the mainstay of Tanzania's economy, providing a livelihood for about 85

percent of the economically active rural population. Sugar and its related products are currently used in as domestic consumption and also in beverages and food products. The Promoters intends to utilize its strong product quality, production capabilities, service delivery, market knowledge to become one of major sugar-by products processor in Tanzania.

1.2 THE COMPANY

M/S Mara -Nile Group is limited liability company, incorporated in Tanzania under the Companies Act, 2002 under Certificate of Incorporation no: 156622648 dated 27th day of June 2022. Two shareholders and one Indian directors of the company are Tanzanian and are well experienced businessmen with a strong financial back up and sound financial track record.

1.3 THE PROJECT

M/S Mara -Nile Group limited among its various activities intends to establish manufacturing facility **for the processing of** a sugar-by-products and other grains to produce **spirits (ENA) & Carbon Dioxide (CO₂)** in Tanzania. The promoters having seen the immerse opportunities in the area of Agro-processing subsector especially in **spirits (ENA) & Carbon Dioxide (CO₂)** production, they have decided to venture on the establishment of manufacturing integrated facility for 45 KLPD molasses / grain-based distillery to producing Extra Neutral Alcohol (ENA) along with independent evaporation followed by spray dryer and biogas plant for 775 m³/day & CO₂ gas plant in full capacity .Company shall produce around 45,000 LPD Extra Neutral Alcohol (ENA). Total number of working days for the distillery shall be **300 days/annum as minimum**.

. 1.4 PROMOTERS/ SPONSORS;

The project is sponsored by M/S Mara -Nile Group Limited. The Group is the largest manufacturer in Uganda. The aim of the group to establish a company in Tanzania to process various by products from sugar industries in Tanzania. M/S Mara -Nile Group Limited development objective is to set up a manufacturing facility in Coast Region and aiming to be a new champion in the sugar industry to meet the massive demands of products from sugar by-products in East African countries.

The shareholders of M/S Mara -Nile Group Limited are as follows:

Sr. No	Name of the Shareholders	Holding %
1	Pravinchandra Vithaldas Shah	40.00
2	Magan Meghji Patel	40.00
3	Christopher Mwita Gachuma	20.00
Total		100.00

The investment will be undertaken by M/S Mara -Nile group limited and are the main project sponsors and are also the main shareholders. The intended integrated sugar Industry under their leadership and guidance will be a grand success.

1.5 LOCATION

M/S Mara -Nile Group Limited has identified land in Tanzania at Kibaha District, Coast Region. This piece of land is considered as being ideal for the establishment of sugar by -Products manufacturing factory. The integrated Agro-processing facility will be located in Coast Region, Kibaha District. *Mlandizi Ward, 117 Kikongo near Lupunga Primary School*

1.6 The company

M/S Mara -Nile Group is limited liability company, incorporated in Tanzania under the Companies Act, 2002 under Certificate of Incorporation no: 156622648 dated 27th day of June 2022. Two shareholders and one Indian directors of the company are Tanzanian and are well experienced businessmen with a strong financial back up and sound financial track record.

1.7 Capital Investment Plan and Sourcing of Funds

M/S Mara -Nile group limited proposes to invest **USD 19,150,000** for this project. The breakdown of the relevant costs is as shown below:

Item	Amount USD	Total USD
Land/Building)	4,000,000	4,000,000
Plant	8,000,000	8,000,000
Vehicles	1,000,000	1,000,000
Furniture & Fittings	150,000	150,000
Pre-expenses	1,000,000	1,000,000
Others	2,000,000	2,000,000
Working Capital	3,000,000	3,000,000
TOTAL	19,150,000	19,150,000

1.8 Financing

The total investment cost of the project is planned to be financed by the loan and the shareholders retained earnings and shareholders contribution equity. The shareholders will seek for the loan if the need arises.

USD

	Amount	Total
Owners' Equity	10,750,000	10,750,000
Long term loan	8,400,000	8,400,000
Grand Total	19,150,000	19,150,000

1.9 Financial Profitability:

Based on a set of assumptions given here in the project, it demonstrates that there will be profitable trend in its future operations. The project's Income Statement and Cash flow indicate that M/S Mara -Nile group limited Sugar by -products project would be able to recoup the planned investment funds for its investment programme. This indicates that the project is financially and economically viable.

1.10 The Implementation Plan:

It is planned that the project will be implemented in phases and it will take up to seven years to be fully completed. M/S Mara -Nile Group Limited shall appoint a team comprising of a competent building contractors, mechanical engineers and chemical engineers in order to achieve the set implementation time.

1.11 Developmental Linkages:

Upon completion of the Implementation programme of the sugar-by-products manufacturing facility, the project will be capable of creating the following:

- ◆ The project would aim at improving the livelihood of the communities of Kibaha and surrounding Districts of Coast region and would include modern farming technologies and best agricultural practices.
- ◆ Generating foreign exchange through exports
- ◆ Create employment for the local indigenous people;
- ◆ Promote inter-regional trade through exports to neighboring Democratic Republic of Congo; Uganda and Burundi just to mention a few.
- Enable the creation of forward linkages between production and distribution sector.
- Building of genuine and efficient import substitution industries so as to reduce the import bill, especially in the importing of industrial sugar.
- Create self – sufficiency in packaging **sector**.

2.0 THE PROJECT

2.1 Project Description

M/S Mara-Nile Group limited among its various activities intends to establish manufacturing facility **for the processing of** a sugar-by-products and other grains to produce spirits **(ENA) & Carbon Dioxide (CO₂)** in Tanzania. The promoters having seen the immense opportunities in the area of Agro-processing sub-sector especially in sugar -by products production, they have decided to venture on the establishment of manufacturing integrated facility for 45 KLPD molasses / grain-based distillery to produce extra neutral alcohol (ENA) along with independent evaporation followed by spray dryer and biogas plant for 775 m³/day & CO₂ gas plant in full capacity .The capacity of the plant is to produce around 45,000 LPD Extra Neutral Alcohol (ENA **300 days/annum as minimum** working day .

The major aim is to utilize sugar-by products to produce spirits **(ENA) & Carbon Dioxide (CO₂)** in order to meet the existing local demand and any excess to be exported in various country of the world. The total investment of the whole sugar-by-products integrated facility will be the sum of USD **19,150,000** to be funded by the promoters' retained earnings, shareholders contribution and the term loan from local banks. In order to implement the project, the company is procuring around 50 acres of land. Sufficient area will be made available for green belt development and Effluent Treatment Facilities as it plans for zero discharge.

It is with regard **M/S Mara -Nile Group Limited** have decided to apply for the registration of integrated sugar -by products project so that they

can obtain certificate of incentive in order to enjoy necessary incentives as per TIA 1997.

2.2 PROJECT RATIONALE

- There are not many factories of the sort in Tanzania at present and hence this project has come at the opportune time.
- The proposed project is supported by the current Government industrialisation drive aiming at becoming a middle-income country by year 2025.
- Coast Region is near the Tanzania important ports and can easily exports the products overseas by ships and can also use the Road Transport as is on the major highway to SADDC and East African countries.
- The proposed project is near many sugars manufacturing companies such as Bagomoyo sugar industry, Kilombero sugar and Mtibwa sugar to mention the few hence it will not face any raw materials shortages.
- There is a growing demand for spirits **(ENA) & Carbon Dioxide (CO2)** in the region and in the neighbouring countries of DRC, Rwanda, Burundi, Uganda and South Sudan.
- The factory will make the availability of intended products in the region and in the neighbouring regions where the demand is growing over time.

2.3 The Phases of the project

The integrated manufacturing facilities to produce spirits **(ENA) & Carbon Dioxide (CO₂) manufacturing facility** will constitute investments in land development and related infrastructure. This will be followed by the development of a state-of-the-art sugar factory with an installed capacity of 3,000 tonnes of cane crushed per day (TCD), with the capacity of the plant to produce around 45,000 LPD Extra Neutral Alcohol (ENA) and dryer and biogas plant for 775 m³/day & CO₂ gas **per annum**. The Factory is expected to be commissioned and operational from Year 4. The factory would adopt world class technology for molasses-processing, besides zero effluent discharge configuration

2.4 Location

M/S Mara -Nile Group Limited has identified land in Tanzania at Kibaha District, Coast Region. This piece of land is considered as being ideal for the establishment of sugar by-Products manufacturing factory. The integrated Agro-processing facility will be located in Coast Region, Kibaha District. Mlandizi Ward, 117 Kikongo near Lupunga Primary School.

The M/S Mara -Nile Group Limited will work hand in hand with coast region, Tanzania investment centre and the Government of Tanzania to make sure the site will be served with electricity, water and other communication facility. The area is large enough to accommodate the factory and other buildings and also it can allow extensive future expansion of factory buildings. `

2.5 Integrated facility Production Capacity

The machinery/ equipment to be opted for will be of modern status, with appropriate technological set up, fully provided with all the necessary accessories. The plant will have an envisaged installed processing capacity at an installed capacity to produce 45 KLPD Molasses / Grain Based Distillery to producing Extra Neutral Alcohol (ENA) along with Independent Evaporation followed by Spray Dryer and Biogas Plant for 775 m³/day & CO₂ Gas Plant.

2.6 Source of Raw Materials:

Raw material to be used will be mainly from the four main byproducts of the sugarcane industry which are cane tops, bagasse, filter muds and molasses. This will be sourced from the established sugar factories . Other inputs will be imported within 4-5 days reach the port of Dar es Salaam. Some of the raw materials is also readily available from sources in Kenya, Uganda Europe, the Middle East and South Africa.

2.7 PRODUCTION PROCESS:

By one year from Day Zero, all the activities regarding the spirits **(ENA) & Carbon Dioxide (CO₂)** project would commence. the performance of the factory will depend upon the by-products, molasses and bagasse generation increases in line with cane crushing. The Sugar Factory would come into operation in Year 3 with finalisation of orders for supply of Plant and machinery and other project activities. Sugarcane processing produces by-product molasses is rich in fermentable sugar content, which cannot be converted into sugar crystals. This fermentable sugar content of

molasses, is processed in a distillery, using yeast as agent, to convert into alcohol.

After a series of processing, including re-distillation, molecular sieve adsorption etc., the final output of the distillery would be "Ethyl Alcohol", also known as ethanol, which is an environmentally friendly fuel. The ethanol project would adopt world class technology for molasses processing, besides zero effluent discharge configuration.

3.0 MARKETING ASPECTS check in the internet for more information

3.1 sugar production in Tanzania

Spirits **(ENA) & Carbon Dioxide (CO₂)** are important commercial products in Tanzania. Currently the processing of the important products will depend on the number of sugar companies in the region. So because of this, the existence of the intended project will depend upon these sugar factories as there will be the major suppliers of raw materials. The sugar factories Tanzaniaa are located in Morogoro (Kilombero & Mtibwa Valleys), Kilimanjaro (under Irrigation Scheme) and Kagera (River Kagera Basin). These together produce over 80,000 tons of processed sugar. There are upcoming sugar factories in Bagamoro and Kigoma. The entire ethanol produced, would be sold to the oil companies, who can blend the same with gasoline/diesel for automobile fuel requirements. Furthermore, the ethanol can be substituted with gasoline/diesel to the extent of up to 10%, thereby reducing the overall cost of fuel while remaining an environmentally friendly alternative. Given the substantial demand for fuel in the country, the ethanol substitution would significantly save foreign currency to the exchequer and at the same time, while aligning with the country's climate change initiatives as an environmental-friendly initiative.

3.2 Distribution

Production will be sold at the factory, where both wholesale and retail customers would be served. The company will also have distribution trucks, which would carry the product to various depots, especially in Dar es Salaam where the market is concentrated. This would be a strategy to increase sales.

3.3 Marketing Strategies:

M/S Mara -Nile Group Limited Management team shall take proactive marketing and promotional strategy to ensure that the company achieves high turnover of sales through sales made to corporate customers. In order to

achieve optimal business turnover management shall design and implement the following strategies;

3.4 Advertisement

These would include the local media namely; local television, social medias, Radio commercials and Newspaper advertisements etc.

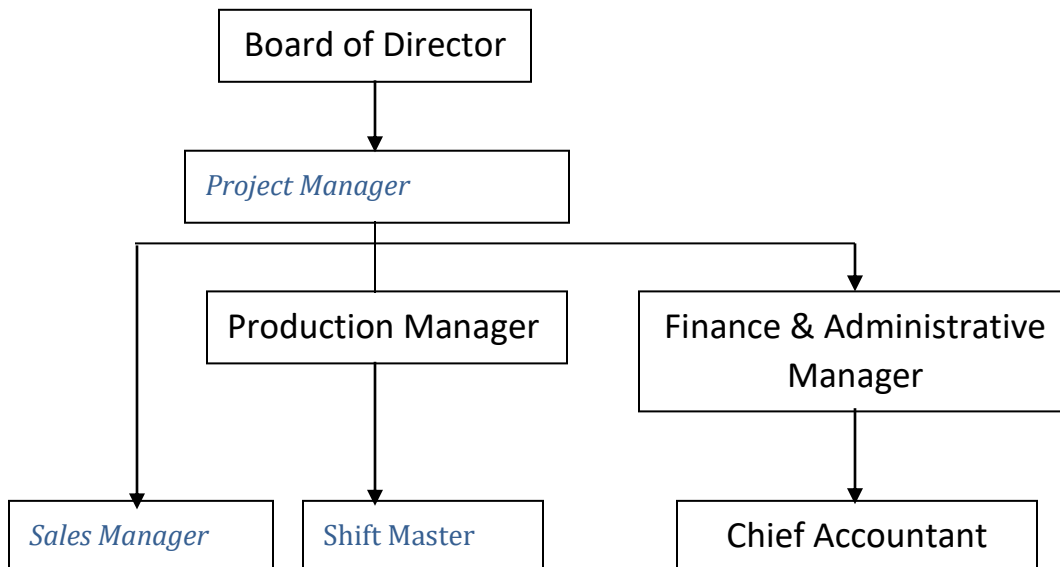
4.0 MANAGEMENT

4.1 Staff Recruitment Strategy

The strategy shall be to fill in key managerial positions with people who have extensive experience and sound qualifications in managing companies those who have experience in such industries industry . The staff would include a General Manager who will be assisted by departmental managers namely as shown in the organisation structure.

4.2 Organisation Structure

The organisation structure of the project is proposal to be as follows:



4.3 Manpower Requirement

The company intends to employ 40 expatriates and **460 (permanent and temporary local staff)**. Total employment will be **500** people including forty expatriates' persons.

5.0 CAPITAL INVESTMENT COSTS

M/S Mara -Nile Group Limited proposes to invest **USD 19,150,000** for this project. The breakdown of the relevant costs is as shown below:

:

Item	Amount USD	Total USD
Land/Building)	4,000,000	4,000,000
Plant	8,000,000	8,000,000
Vehicles	1,000,000	1,000,000
Furniture & Fittings	150,000	150,000
Pre-expenses	1,000,000	1,000,000
Others	2,000,000	2,000,000
Working Capital	3,000,000	3,000,000
TOTAL	19,150,000	19,150,000

5.1 Financing

The total investment cost of the project is planned to be financed by the loan and the shareholders retained earnings and shareholders contribution equity. The shareholders will seek for the loan if the need arises.

USD

	Amount	Total
Owners' Equity	10,750,000	10,750,000
Long term loan	8,400,000	8,400,000
Grand Total	19,150,000	19,150,000

5.2 Machinery and Equipment's

Machinery and equipment's costs are based on quotation from supplier. It should be noted that duty and VAT tax have not been included, meanwhile the allowance on corporate tax will be determined in the course of the project approval.

6.0 PROJECT FINANCIALS

6.1 PROJECT FINANCIAL VIABILITY

The financial analysis indicates that the proposed project would be a profitable venture.

6.2 Projected Profit and Loss Accounts

The project is expected to make a post-tax profit during its first year of operation.

6.3 Projected Cash flows

The projected cash flows show that the project would be able to honour its financial obligations as they fall due throughout the project's economic life and still remain with reserve of cumulative cash that could be re-invested in the project.

7.0 Economic and social Benefits

Upon completion of the Implementation programme of the sugar-by-products manufacturing facility, the project will be capable of creating the following:

- ◆ The project would aim at improving the livelihood of the communities of Kibaha and surrounding Districts of Coast region and would include modern farming technologies and best agricultural practices.
- ◆ Generating foreign exchange through exports
- ◆ Create employment for the local indigenous people;
- ◆ Promote inter-regional trade through exports to neighboring Democratic Republic of Congo; Uganda and Burundi just to mention a few.
- Enable the creation of forward linkages between production and distribution sector.
- Building of genuine and efficient import substitution industries so as to reduce the import bill, especially in the importing of industrial sugar.
- Create self – sufficiency in packaging **sector**.

8.0 CONCLUSION

The investment and development of this Spirits **(ENA) & Carbon Dioxide (CO₂)** integrated industries undertaking is in line with the Government objective of encouraging proper development industries in the country. In addition, it will have a positive impact on the development of the region, as it would generate a number of benefits and more positive impact on the economy of the area. As noted above, this undertaking will bring about a generation of a number of benefits and reliable incomes for the employees of the project and providers of the services and goods demanded by the project's workforce /their families.

In the context of the immense useful potential of this project, the Management of M/S Mara -Nile Group Limited anticipates that all interested parties in the region/ and the Government of Tanzania will give their full support so as to ensure timely implementation of the project and apprehension of successful operation.

Mara -Nile Group Limited

Capital Investments costs

US \$

Item	Amount USD	Total USD
Land/Building)	4,000,000	4,000,000
Plant	8,000,000	8,000,000
Vehicles	1,000,000	1,000,000
Furniture & Fittings	150,000	150,000
Pre-expenses	1,000,000	1,000,000
Others	2,000,000	2,000,000
Working Capital	3,000,000	3,000,000
TOTAL	19,150,000	19,150,000

Mara -Nile Group Limited

Project Financing

US \$

	Amount	Total
Owners' Equity	10,750,000	10,750,000
Long term loan	8,400,000	8,400,000
Grand Total	19,150,000	19,150,000

Mara -Nile Group Limited

Depreciation Schedule

US \$

		Rates	1	2	3	4	5	6	7	8	9	10
Land and Building	4,000,000	4% S. L	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000
Machinery and Equipment	8,000,000	12.50 %	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	-	-
Motor Vehicles	1,000,000	25%	250,000	250,000	250,000	250,000	-	-	-	-	-	-
Furniture and Fittings	150,000	12.5%	18,750	7,500	18,750	18,750	18,750	18,750	18,750	18,750		
Pre-operation Expenses	1,000,000	20%	200,000	200,000	200,000	200,000	200,000	-	-	-	-	-
Total depreciation			1,628,750	1,628,750	1,628,750	1,628,750	1,378,750	1,178,750	1,178,750	1,178,750	160,000	160,000

Mara -Nile Group Limited

PROJECT PROFIT AND LOSS STATEMENT

US \$'000'

	1	2	3	4	5	6	7	8	9	10
Sales Revenue	16,957	23,113	26,522	30,059	30,659	30,659	30,659	30,659	30,659	30,659
Cost Of Sales	7,721	10,635	12,361	14,192	14,667	14,667	14,667	14,667	14,667	14,667
Contribution margin	9,236	12,478	14,161	15,867	15,992	15,992	15,992	15,992	15,992	15,992
Gross Profit	9,236	12,478	14,161	15,867	15,992	15,992	15,992	15,992	15,992	15,992
Operating Profit	9,236	12,478	14,161	15,867	15,992	15,992	15,992	15,992	15,992	15,992
Less Depreciation	1,629	1,629	1,629	1,629	1,379	1,179	1,179	1,179	160	160
Profit before Tax	7,607	10,849	12,532	15,237	14,613	14,813	14,813	14,813	15832	15832
Taxes 30%	2,282	3,255	3760	4571	4,384	4,444	4,444	4,444	4,750	4,750
Profit after tax	5,325	7,594	8,772	10,666	10,229	10,369	10,369	10,369	11,082	11,082
Accumulated Profit	5,325	12,919	21,691	32,357	42,656	53,025	63,394	73,763	84,845	95,927

Mara -Nile Group Limited

CASHFLOW PROJECTIONS

US\$000

	0	1	2	3	4	5	6	7	8	9	10
Sources											
Profit Before Tax & Depreciation	-	7,607	10,849	12,532	15,237	14,613	14,813	14,813	14,813	15832	15832
Equity	19,150	-	-	-	-	-	-	-	-		
Total Sources	19,150	7,607	10,849	12,532	15,237	14,613	14,813	14,813	14,813	15832	15832
Applications											
Capital Expenditure	19,150	-	-	-	-	-	-	-	-	-	
Taxation		2,282	3,255	3760	4571	4,384	4,444	4,444	4,444	4,750	4,750
Sub Total	19,150	2,282	3,255	3760	4571	4,384	4,444	4,444	4,444	4,750	4,750
Total application	19,150	2,282	3,255	3760	4571	4,384	4,444	4,444	4,444	4,750	4,750
Net Working Capital	-	5,325	7,594	8,772	10,666	10,229	10,369	10,369	10,369	11,082	11,082