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# DANADANA LIMITED

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Prepared by:  
DL – March 2022

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## **1.0 INTRODUCTION**

DANADANA LIMITED is a privately owned and incorporated in Tanzania with Certificate of Incorporation No. 154885501 dated 27<sup>th</sup> January, 2022 which intend to establish cereals processing facility in Tanzania, The Company will employ state of art technology from India and China.

### **1.1. Project Concept**

The proposed project will involve purchasing of land, construction of premises to be used for industrial premises. The company is targeting Southern Highlands regions and neighbouring countries. Proposed project intend to develop a cereals processing facility, production and packed and distributed at affordable price. The project will employ adequately trained and experienced management and employees.

The business plan by **DANADANA LIMITED** a locally registered company, the project promoters are confident of mobilizing financial resources through equity contribution from their other businesses.

This study will be used as guiding tool and will be presented to TIC for obtaining certificate of incentives to facilitate smooth implementation of the project.

### **1.2. Location**

The project will be located at Rukwa region.

### **1.3. The Sponsors**

**DANADANA LIMITED** will be sponsoring this project. The Company is currently jointly owned by two shareholders with share capital of TShs. 10,000,000/=.

<b>NAMES, ADDRESS AND DESCRIPTIONS OF SUBSCRIBERS</b>	<b>NUMBER OF SHARES TAKEN BY EACH SUBSCRIBER</b>
Castro Wamara Kasangaki P. O. Box 356 SUMBAWANGA	100
Vianney Kayonde Kalinda P. O. Box 356 SUMBAWANGA	50
DANADANA B.V. ZUIDERZEELAAN 59 NETHERLAND	850

#### **1.4. DANADANA LIMITED**

The company main business objectives include the following:-

Proposed project intend to establish and develop cereals processing facility such as maize wheat, rice, sorghum etc, the cereals produced will be packed and distributed at affordable price.

#### **1.5. The Company Legal Status**

**DANADANA LIMITED** was registered on 27<sup>th</sup> January, 2022 with certificate of Registration No. 154885501.

#### **1.6. Objective of the study**

The purpose of this study is to work out the technical and commercial viability of the project.

#### **2.0 The Product Market**

The market survey carried out reveals that the current demand for cereals is high, current price of cereals in Tanzania and neighbouring countries has attracted the company to venture in this business.

The competitive advantage of the company's products is quality produced and customer care services.

The company will be producing various cereals producers such as Azam bakhresa, Azania Wheat Flour company Limited etc.

## 2.1 Competition

Tanzania has a good number of cereals producers domestically and other imported from Kenya, South Africa, India and other Asina countries. The big challenge for the above mentioned is price charged. It is very expensive and most of low income earners cannot afford the price, and bad enough imported products are not sure with their quality and is questionable that why the **DANADANA LIMITED** came in to bridge the same.

## 2.2 Special Strengths of Danadana Limited

- The customer care provided by the company
- New technology used by the company
- Directors experience in cereals business
- Availability of raw materials
- Possibility of getting exporting market to neighbouring countries.

## 2.3 Marketing Strategy

According to expert, personal selling is the most effective method for marketing. In order to reduce sunk costs, the project will use various marketing strategies such as:-

- Internet
- Specilized magazine, news paper
- Radio
- Television
- Posters
- Sponsorship etc.

The project products will be aggressively promoted to domestic market and skilled personnel will be recruited.

## **2.4 Product Pricing**

The pricing policy for the project will be based on the service cost and competition levels from substitute services available in Tanzania market considering various variables namely:

- Service positioning
- Gain market share from competitors
- Stimulating and increasing demand and

Achieving profitability and liquidity financial performance goals.

## **2.5 Products**

Cereals produced will meet WHO guide line, TFDA, TBS, the state of the art technology will be used, water will treated to conform to the bacteriological standard using micro filter, activated carbon filter and ultraviolet rays, the treated waste enters automatic bottle filter and seeker. The sealed water bottles are packed ready for the market.

## **3.0 Project Management and Manpower Requirements**

**DANADANA LIMITED** will be under the Management with vast experience in managing various businesses, the owners of the project is running other business in Kenya and Netherlands, the project will be directly management by Managing Director. The Managing Director will be assisted by Managers. 20 staff will be directly employed.

## **3.1 Monitoring and Evaluation**

The Management has full commitment to ensuring goods produced maintain the safety and standards required in the market. The quality control unit will establish a system of routine checking and getting

feedback from customers, management philosophy is through business process, managers will strive to ensure compliance to standards and safety of products and customers they serve.

#### 4.0 Project Investment Cost

The estimated capital investment cost of the project is US \$ 1,200,000 out of which US \$ 575,000 will be fixed investment costs. Pre-production expenditures have been budgeted at US \$ 75,000; other cost will be US \$100,000, while working capital is put at US \$ 450,000.

##### DANADANA LIMITED COST STRUCTURE

<b>PARTICULAR</b>	<b>US \$</b>
Land and Buildings	160,000.00
Machinery & Equipment	250,000.00
Motor Vehicles	150,000.00
Furniture & Fittings	15,000.00
Pre Exp.	75,000.00
Others	100,000.00
Working Capital	450,000.00
<b>TOTAL</b>	<b>1,200,000.00</b>

For the project to be a reality a total investment amounting to US \$ 1,200,000 is needed.

**(i) Land and Building: US \$ 160,000**

The Company is planning to lease and renovate the leased building, cost for renovation and long term lease estimated to be US \$ 160,000.

**(ii) Machinery and Restaurant Equipment: US**

Some US \$ 250,000 is anticipated to be spent on the purchase of various machines, equipments and other tools which will accommodate new technology

**(iii) Motor Vehicles: US \$ 150,000**

The project will need 2 trucks, i double single pick up. These vehicles will be used to facilitate project business.

**(iv) Furniture: US \$15,000**

This investment cost item has been estimated to cost US \$ 15,000. It will consist of, tables, chairs, telephones, fax, machines, file cabinets, sofa chairs etc.

**(v) Pre-Operational Expenses: US \$75,000**

They cover things like company registration, expenses spent in exploring the viability of the project, especially the market/client identification exercise. Also included under this item are issues like consultancy fees, legal fees and recruitment and training costs of personnel.

**(vi) Others: US \$ 100,000**

The company has set a side US \$ 100,000 to cover some costs which are not categorized above

**(vii) Initial Working Capital: US \$ 450,000**

Calculations as well as assumptions for working capital requirements, it is estimated that it will cost US \$ 450,000.

**5.0 Financing pattern**

The project will be financed by equity by 100% constituting US \$ 360,000 and loan from financial institution 70% equal to US \$840,000.

**6.0 Project operating costs**

In order to realize its intended objective the project will have to meet the following operating costs.

**(i) Salaries and Wages US \$ 108,000**

The project will engage 20 employees to be paid US \$ 108,000 annually

**(ii) Utilities US \$ 45,000**

Considered here are water and electricity annually.

**(iii) Motor vehicle running Expense US \$ 30,000**

Petro/diesel and lubricant equipment for the project's motor vehicles, this cost element will amount to US \$ 30,000 annually.

**(iv) Insurance: US \$ 5250**

Insurance cover has been budgeted to cost US \$ 5250, the premium charged is expected to be 3.5% annually.

**(v) Marketing cost US \$ 11,500**

A portion of US \$ 11,500 is to be used in marketing and promotion for the project.

**(vi) Depreciation costs US \$ 57,500**

For the day to day depreciation of fixed asset of the project u \$ 7,500 will be required which is 10% annually depreciation coast using straight line method.

**(vii) Pension contribution US \$ 10,800**

The company has set a side US \$ 10,800 as pension contribution as 10% contribution of the total annual salaries.

(viii) Communication cost US \$ 8,500

(ix) Administrative cost US \$ 7,400

(x) Maintenance cost US \$ which is 25,000

(xi) Donations US \$ 15,000

(xii) Cost of raw materials US \$ 490,000

## **7.0 Aspect of Project Sustainability**

The project sponsors having studied market conditions and the infrastructure in Tanzania are convinced that the project will be able to operate undisturbed. The peace and tranquillity that exist in Tanzania and

neighbouring countries is another aspect of assured business sustainability.

## **8.0 Financial Analysis**

### **8.1 Considerations and Assumptions:**

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are exempted from custom duty and Value Added Tax. The straight line method to depreciate the project's capital items has been applied.

Revenues have been conservatively estimated based on experience of the promoters and trends in the cargo transportation industry.

### **8.2 Financial Statements.**

### **8.3 Projected lodge Revenue**

For projection purposes, it is assumed that the economic life of the project is five years, and that revenue from retreading business commence from the first year of operation.

#### **SALES PROJECTED REVENUE**

	US \$ Y1	US \$ Y2	US \$ Y3	US \$ Y4	US \$ Y5
Sales Revenue	1,660,300.00	1,760,000.00	1,779,805.00	1,785,901.00	1,795,000.00

### **8.4 Projected Profit and loss Statement**

The Income and Expenditure Statement shows the projected income for the 5 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from US \$ 563,395 in first year to US \$ 648,109 in the 5year, refer appendix 1.

### **8.5 Projected Cash Flows**

This is shown in the financial statement. The project has positive end of year cash flow from year 1<sup>st</sup> i.e US \$ 718,756 of operation to the 5<sup>th</sup> year i.e. US \$ 2,470,553; appendix II.

## 8.6 Projected Balance Sheet

The projected Balance Sheet of the project is shown in the financial statements under same heading. Net worth of the project increases from US \$ 923,395 in the first year of operation to US \$ 1,008,109 in the 5<sup>th</sup> year.

## 8.7 Projected pay back period

Total investment is US \$1,200,000 cash accumulation second year is US \$ 1,309,966 which is more than the initial investment by US \$ 109,966 the project payback period is within 2 years.

The project has a relatively short payback period. It is remarkably impressive for a project whose investment is as big as US \$ 1,200,000 being recovered within 2 years. Annexure VII.

## 9.0 Economic Aspects

Implementation of this project will have the following social and economic values.

- The project will create employment for 20 people on permanent contract basis as well as on temporary basis.
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.
- The project will have transfer of knowledge to other small cereals producers .

## 10.0 Implementation

Project implementation is expected to be relatively very short once project has been approved it is estimated that construction of hotel will be completed within one year:-

S/No.	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	March 2022
2	Resource mobilization	March – June 2022

3	Ordering plant and machine	June, 2022
4	Machine installation	November – December 2022
5	Testing business and in house training	January – March , 2023
	Commercial Operations	March , 2023

### **11.0 Conclusion and recommendations**

The project is technically feasible, financially viable, and economically sound, provided the sponsor will manage it efficiently. It is recommended that the project be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 1997.

# **FINANCIAL STATEMENTS**

## INVESTMENT BREAKDOWN

<b>PARTICULAR</b>	<b>US \$</b>
Land and Buildings	160,000.00
Machinery & Equipment	250,000.00
Motor Vehicles	150,000.00
Furniture & Fittings	15,000.00
Pre Exp.	75,000.00
Others	100,000.00
Working Capital	450,000.00
<b>TOTAL</b>	<b>1,200,000.00</b>

**OTHER OPERATING COST**

<b>Other Operations Cost</b>		<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEAR 5</b>
Motor Vehicle running expens		96,000	96,400	96,800	97,200	97,600
Salaries and Wages		185,000	203,500	223,850	246,235	270,859
Administrative Overhead Costs		96,000	105,600	116,160	127,776	140,554
Utility Costs		60,000	66,000	72,600	79,860	87,846
Interest on Loan		0	0	0	0	0
Communication Exepnses		13,000	14,300	15,730	17,303	19,033
<b>Total Costs</b>		<b>450,000</b>	<b>485,800</b>	<b>525,140</b>	<b>568,374</b>	<b>615,891</b>

**PROJECTED INCOME STATEMENT**

		<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEARS5</b>
Sales Revenue		4,916,000	5,899,200	7,079,040	8,494,848	10,193,818
Cost of Sales		983,200	983,200	983,200	983,200	983,200
<b>Gross Profit</b>		<b>3,932,800</b>	<b>4,916,000</b>	<b>6,095,840</b>	<b>7,511,648</b>	<b>9,210,618</b>
<b>Operating Expenses</b>						
Administrative Overhead						
Costs		68,000	68,680	69,367	70,060	70,761
Motor Vehicle running		5000	5,050	5,101	5,152	5,203
Expenses		8,000	8,080	8,161	8,242	8,325
Salaries and Wages		78,000	78,780	79,568	80,363	81,167
Depreciation		68,175	68,857	69,545	70,241	70,943
Marketing Costs		6,500	6,565	6,631	6,697	6,764
Utility Costs		10,500	10,605	10,711	10,818	10,926
Insurance		10,000	10,100	10,201	10,303	10,406
Interest on Loan		12,200	12,322	12,445	12,570	12,695
Communication		1,750	1,768	1,785	1,803	1,821
<b>Total Expenses</b>		<b>195,125</b>	<b>197,076</b>	<b>199,047</b>	<b>201,037</b>	<b>203,048</b>
<b>Profit before Tax</b>		<b>3,737,675</b>	<b>4,718,924</b>	<b>5,896,793</b>	<b>7,310,611</b>	<b>9,007,570</b>
Tax (30%)		1,121,303	3,303,247	4,127,755	5,117,427	6,305,299
<b>Profit After Tax</b>		<b>2,616,373</b>	<b>1,415,677</b>	<b>1,769,038</b>	<b>2,193,183</b>	<b>2,702,271</b>

**PROJECT BALANCE SHEET**

	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEAR 5</b>
Fixed Assets	575,000	510,125	474,000	406,000	338,000
Long term Assets					
Depreciation	64,875	64,875	64,875	64,875	64,875
<b>Total long term assets</b>	<b>510,125</b>	<b>445,250</b>	<b>409,125</b>	<b>341,125</b>	<b>273,125</b>
Current Assets					
Cash	406,100	684,700	979,050	1,292,735	1,625,723
Account Receivable	105,000	110,250	216,535	421,763	527,628
Inventory	214,710	376,383	438,469	402,292	467,493
<b>Total Current Assets</b>	<b>525,000</b>	<b>525,000</b>	<b>525,000</b>	<b>525,000</b>	<b>525,000</b>
<b>Total Assets</b>	<b>1,035,125</b>	<b>970,250</b>	<b>934,125</b>	<b>866,125</b>	<b>798,125</b>
<b>Current Liabilities</b>					
Accounts Payable	84,000	88,200	92,610	97,241	102,103
Other Current Liablit	70,000	73,500	77,175	81,034	85,085
<b>Subtotal Current Liabi</b>	<b>154,000</b>	<b>1,616,700</b>	<b>169,785</b>	<b>178,274</b>	<b>187,188</b>
<b>Long term Liabilities</b>					
Long term Liabilitie	1,820,000	1,820,000	1,820,000	1,820,000	1,820.00
<b>Total Liabiities</b>	<b>510,125</b>	<b>445,250</b>	<b>409,125</b>	<b>341,125</b>	<b>273,125</b>
<b>Net Assets</b>	<b>820,810</b>	<b>877,633</b>	<b>951,268</b>	<b>1,044,516</b>	<b>1,157,656</b>
<b>Captil and Reserves</b>					
Owners Contribution	780,000	780,000	780,000	780,000	780,000
<b>Retained Earning</b>	<b>40,810</b>	<b>97,633</b>	<b>171,268</b>	<b>264,516</b>	<b>377,656</b>
<b>Total Capital</b>	<b>1,035,125</b>	<b>970,250</b>	<b>934,125</b>	<b>866,125</b>	<b>798,125</b>

**FIXED ASSETS SCHEDULE**

<b>NAME OF ASSETS</b>		<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEAR 5</b>
Land and Buildings		160,000	152,000	144,000	136,000	128,000
Plant & Machines		250,000	200,000	150,000	100,000	50,000
Motor Vehicle		150,000	145,000	140,000	135,000	130,000
Furniture & Fixtures		15,000	13,125	40,000	35,000	30,000
<b>Total</b>		<b>575,000</b>	<b>510,125</b>	<b>474,000</b>	<b>406,000</b>	<b>338,000</b>
<b>Depreciation</b>		<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEAR 5</b>
Land and Buildings		8,000	8,000	8,000	8,000	8,000
Plant & Machines		50,000	50,000	50,000	50,000	50,000
Motor Vehicles		5,000	5,000	5,000	5,000	5,000
Furniture & Fixtures		1,875	1,875	1,875	1,875	1,875
<b>ANNUAL DEPRECIATION</b>		<b>64,875</b>	<b>64,875</b>	<b>64,875</b>	<b>64,875</b>	<b>64,875</b>
<b>CLOSING FIXED ASSETS</b>		<b>510,125</b>	<b>445,250</b>	<b>409,125</b>	<b>341,125</b>	<b>273,125</b>