



Tanzania Investment Center

Business Plan

EASTERN AFRICA HEALTH HUB (EAHH) action medeor International Healthcare gGmbH

**Pharmaceutical Production of Medical Reagents and
Construction and Running of Pharmaceutical Warehouses**

Preamble

This business plan presents the investment and sustainability concept of a strategic investment in a Health Hub for Eastern Africa located in Kibaha.

The EASTERN AFRICA HEALTH HUB (EAHH) comprises

- Pharmaceutical Production of Medical laboratory reagents
- Procurement, storage and distribution of pharmaceuticals, medical products and health technology
- Appropriate pharmaceutical warehouses
- Appropriate workshop for the repair and assembly of health technology
- Appropriate offices and staff houses

The EAHH will

- Foster the domestic production of high-quality clinical laboratory reagents (first of its kind in East Africa)
- Enhance the supply of high-quality pharmaceuticals and laboratory reagents within Eastern Africa (including export to Malawi, Kenya, Uganda, DRC)
- Create jobs for skilled and unskilled employees Tanzania
- Improve knowledge transfer for the maintenance of laboratory and hospital equipment to the end users (hospital and laboratory technicians)

1. Introduction

action medeor International Healthcare gGmbH was founded in Germany in 2004 as a procurement and distribution centre for medicines and medical supplies. Its branch office was registered in Tanzania at the beginning of 2005 and is registered under Certificate of Compliance number 51690 (2nd of March 2005).

action medeor Tanzania operates as a medicines supply organization with a special focus on affordable medicines and essential health technology products.

action medeor International Healthcare Tanzania works in a spirit of co-operation for the benefit of the customers and patients. The Ministry of Health welcomed the initiative of action medeor and recommended the establishment of alternative, competitive, non-for-profit supply channels for medicines for the public and non-for-profit health sector in Tanzania.

During the past 18 years action medeor International Healthcare Tanzania has gradually grown and developed into a sound organization. which has become known among church-based hospitals & health facilities, governmental institutions, and national and international NGOs in Tanzania for reliable and efficient provision of medicines and medical supplies.

2. Vision, Goal and Objectives

The vision of action medeor International Healthcare Tanzania

Establish a sustainable and financially viable medical supplies procurement and distribution centre for Tanzania and neighboring countries at affordable cost. For this purpose, a warehouse situated in Kibaha will be built so that we will be able to supply our outlets in Tanzania but also to deliver high quality medicines and medical supplies in neighbouring countries such as Malawi, Burundi and Rwanda.

The goal of action medeor International Healthcare Tanzania

Ensure the availability and affordability of safe, effective and high-quality medicines and medical supplies for the non-for-profit health sector and thus contributing to the improvement of health.

The objectives of action medeor International Healthcare Tanzania

Ensure the managerial, structural and physical development and quality management of the organization in line with the growth of activities

Establish a regional hub for Eastern Africa in Kibaha (EAHH) comprising the following activities

- **Manufacturing of high-quality medical reagents including**
 - Importing, storing, and testing of starting materials and reagents needed for quality control
 - production of various reagents
 - quality control of finished products
 - storing and distribution of finished products
- **Import, domestic distribution and export of high-quality medicines, medical items and hospital technology including**
 - Importing, storing, and distribution of high-quality basic medicines, medical items and hospital technology (laboratory devices, digital x-ray, ultrasound, oxygen concentrators etc.)
- Ensure quality pharmaceutical management
 - rational selection of medicines and supplies
 - best procurement management
 - proper warehouse and inventory management
 - customer friendly and efficient sales and distribution management
- Ensure transparent finance and accounting
- Ensure human capacity building and human resource development
- Ensure technical advisory services and training

- Ensure liaison and cooperation with partners of the health and pharmaceutical sector
- Establish a safe and healthy work environment for all staff (including the provision of staff housing, SOPs on work safety, etc.)

Key components of investment:

Manufacturing of Reagents in Tanzania

The most often laboratory equipment in clinical labs from health center to referral hospital are so called hematology analyzers. Hematology analyzer count the various cells in your blood and are essential to make a diagnosis. For the operation of hematology analyzers one needs certain reagents which are made mainly out of purified water.

All manufacturer of Hematology Analyzers and reagents manufacturers are based in Asia, North America or Europe and are being imported to Tanzania. To our knowledge there is currently no manufacturer of hematology reagents based in Sub-Saharan Africa. The production unit at Kibaha is the first one of its kind. It is planned not only to supply the reagents with Tanzania but also to export to Malawi (where action medeor runs a pharmaceutical wholesale) and to other customers in East Africa.

Storage and distribution of medicines, medical supplies and hospital technology

For the safe and efficient storage of the above mentioned reagents and further medicines, medical supplies and hospital technology a modern pharmaceutical warehouse is required. A spacious warehouse will allow action medeor International Healthcare to produce and store reagents and other pharmaceuticals in such a quantity which is needed to supply to Government tenders within Eastern Africa.

3. Locations and legal registration of action medeor International Healthcare gmbH

The Headquarter is located in Germany under the following name and address:

action medeor International Healthcare gmbH
 St. Töniser Str. 21
 47918 Tönisvorst Germany
 No of employees: 4

The branch office is registered under the following name and address:

action medeor International Healthcare gmbH
 CCT-WAMA Compound, Plot 13 "D" Uhuru Street
 (near old Anglican Cemetery) PO Box 72305
 Dar Es Salaam Tanzania

No of employees: 20

The Masasi outlet is registered under the following name and address:

action medeor International Healthcare gmbH

RC Church Main Road Plot
PO Box 306
Masasi - Mtwara Tanzania

No of employees: 4

The Makambako outlet is registered under the following name and address:

action medeor International Healthcare gGmbH
Lutheran Centre opposite Makambako Tazara railway station
Makambako Ubena Plot
PO Box 999
Makambako
Township Tanzania
No of employees: 4

The new warehouse, object of this feasibility study, would be located as follow:

Kibaha

Darajani - Pangani Area
Coastal Region
Property No. 654, Block A
Kibaha Municipality Tanzania
Plot size: 10,000 square meters

action medeor International Healthcare gGmbH currently engages in total 32 employees.

4. Investment

action medeor International Healthcare gGmbH aims to construct a production site and logistic hub including:

- 3 Pharmaceutical warehouses, each with a footprint of 800 to 1000sqm
- Production site for medical reagents (construction already existing at Kibaha)
- a 350 square meters office block (footprint) with office space of around 700 – 800 sqm
- Show room for medical equipment (150 sqm)
- staff housing for approximately 20 staff

The staff houses will be situated in the city of Kibaha (approx. 35 km North-West from Dar Es Salaam). This investment will include the creation of 11 additional employment positions and the transfer of 20 of current employees from our Dar Es Salaam warehouse.

The current Dar Es Salaam location at Buguruni will be maintained as a *Sales Representation Office* like Masasi and Makambako remaining with 2 employees.

We plan to be in position of starting the warehouse construction for the first warehouse and the administration block as per the third quarter of 2023 and our financial hypotheses are based on a full operational warehouse as per July 1st 2024. In parallel staff houses will be established on a plot which is planned to be acquired the first quarter 2023.

In a second phase, the warehouse space is supposed to be expanded from 1,000 square meters to 3,000 square meters.

5. Social, Quality and Financial benefits from our Kibaha's investment

Impact on international donors

Sufficient high quality medical products (hematology reagents) domestically manufactured, warehousing and distribution, well-trained and adequate staffing and quality approved medicines and medical equipment's together with the laboratory and maintenance services will enhance donor's attraction and enable even export. The new production and warehousing according to internationally expected standards (GMP and ISO) will permit the prequalification by international NGOs (e.g. USAID, DFID, Global Fund) and thus increase domestic production in Tanzania through international fundings.

Quality Impact

The new production and warehouse will allow us to improve the production standard (ISO 13485), good storage practices (GSP) and good distribution practices (GDP), in line with national legislation enforced by TMDA.

Job creation:

Thanks to this investment, 15 new positions will be created and proposed to local employees as shown in the following table.

Functions	Number of recruitments required
Project Management (Expat)	1
Accountant	1
Production Manager	1
Production and Warehouse Worker	1
Quality Manager	1
Laboratory Technician	2
Seconded Laboratory Technician	5
Technical Coordinator	1
IT expert	2
Driver / Logistics /Stockmanager	1
Total new positions	16

Impact on cost structure:

The new warehouse will allow us to store pharmaceutical products and medical equipment in far larger quantities than in our current Dar Es Salaam warehouse (approximate 320 square meters). We then intend to buy from our suppliers larger product quantities allowing us to reduce our procurement cost. Being able to order standard quantities in big bulk via sea containers, we assume a positive impact in reducing our procurement cost of approximately 15% (scale savings, clearing and transport).

The local production of reagents will be new unique selling point for action medeor. The domestic production will reduce the procurement price by 70% in comparison to the same goods airlifted to Tanzania and by 25% if sent by sea.

Savings in procurement cost will allow us to **reduce our sales prices and thus widens affordability and accessibility for the needed population in Tanzania.**

The entire project will therefore contribute to the Tanzanian social economic development.

Investment:

Our total investment amounts to 3,714,000,000 TZS (1.5 Million USD) and is shown in the following tables:

Description Warehouse and Admin	Details	CAPEX in TSH
Warehouse Kibaha	800 -1000 sqm high quality pharmaceutical warehouse	706,000,000
Administration Kibaha	480 sqm modern office block for approx. 30 employees	820,000,000
Auxiliary Buildings	Car park etc	78,000,000
Other costs related to construction		395,000,000
Furniture and Equipment	Warehouse racks, fork lifter etc.	486,000,000
TOTAL WAREHOUSE AND ADMIN		2,485,000,000

Description Staff houses	Details	CAPEX in TSH
Staff House 1-bedroom	4 units	1,155,000,000 in total
Staff house 2-bedroom	2 units	
Staff house 3-bedroom	2 units	
Staff house 4-bedroom	1 unit	
Furniture & gardening	Lump sum	64,000,000
TOTAL Staff houses		1,219,000,000

We plan to invest 1,225,000 TZS in 2023 and the rest in 2024.

In addition to the investments mentioned above, the land/property will be acquired for 100,000 USD (245,000,000 TZS) in 2023, funded by an equity increase from the parent company action medeor e.V.

Financing of the investment:

Almost the total investment of 3,714,000,000 TZS will be financed through a loan (interest rate of 3,5 %; repayment of 2,0 %) of 1,500,000 USD (3,675,000,000 TZS) from action medeor e.V. (the 100 % shareholder) to action medeor International Healthcare gGmbH. The remaining investment of 39,000,000 TZS will be financed by donations.

Financial benefits in the next 5 years:

Income Statement Forecast					
	1. financial year (= 1. fy)	2. financial year	3. financial year	4. financial year	5. financial year
Sales medicines and equipment	4.435.429.533	5.100.743.963	5.865.855.557	6.452.441.113	7.097.685.224
Sales Increase in %	15%	15%	15%	10%	10%
Expenses for raw material/goods	2.971.737.787	3.366.491.016	3.871.464.668	4.258.611.135	4.684.472.248
costs of material/goods ratio	67%	66%	66%	66%	66%
Gross profit	1.463.691.746	1.734.252.947	1.994.390.890	2.193.829.978	2.413.212.976
Wages and salaries, Social security and other employee cost	-1.467.485.473	-1.572.432.919	-1.683.428.184	-1.800.787.178	-1.924.841.405
	+8 employees + 2 HTS/total 33	+1 employee/in total 34	+1 employee/in total 35	+1 employee/in total 36	+1 employee/in total 37
Depreciation	-53.402.667	-102.402.667	-102.402.667	-102.402.667	-102.402.667
other operating expenses	-770.432.052	-808.953.654	-849.401.337	-891.871.404	-936.464.974
Other income	665.583.595	698.862.774	733.805.913	770.496.209	809.021.019
Interest and similar expenses	-47.242.763	-130.242.763	-126.242.763	-122.242.763	-119.242.763
Other income / Expenditure	-1.672.979.360	-1.915.169.229	-2.027.669.038	-2.146.807.802	-2.273.930.790
Net operating income	-209.287.614	-180.916.282	-33.278.148	47.022.176	139.282.186
Net operating income in EUR	-85.424	-73.843	-13.583	19.193	56.850

- In the 4th financial year, a positive net operating income is achieved for the first time. We expect a sustainable positive operating income beyond the forecast period.

Balance Sheet Forecast					
	1. financial year	2. financial year	3. financial year	4. financial year	5. financial year
Non-current assets	2.072.149.374	4.429.470.282	4.338.249.729	4.244.420.014	4.151.447.596
Deferred income tax	64.823.843	74.547.418	85.729.532	94.302.484	103.732.733
Property, plant and equipment	2.007.325.531	4.354.922.864	4.252.520.197	4.150.117.530	4.047.714.863
Current Assets	3.480.198.725	3.864.891.915	4.459.262.142	4.926.725.476	5.521.902.555
Inventories	1.394.414.332	1.603.576.482	1.844.112.954	2.028.524.250	2.231.376.675
Current tax receivable	37.575.660	43.212.009	61.039.505	72.659.608	91.186.756
Trade and other receivable	1.665.953.843	1.915.846.920	2.203.223.958	2.423.546.354	2.665.900.989
Cash at bank and in hand	382.254.889	302.256.504	350.885.724	401.995.264	533.438.135
Total Assets	5.552.348.098	8.294.362.197	8.797.511.870	9.171.145.489	9.673.350.151
Head Office Account	401.722.827	220.806.545	187.528.397	234.550.573	373.832.759
Current Liabilities	5.150.625.271	8.073.555.652	8.609.983.473	8.936.594.917	9.299.517.391
Trade and other payables	2.403.907.224	2.764.493.308	3.179.167.304	3.497.084.034	3.846.792.438
Current tax payable	40.347.872	31.692.168	36.445.994	32.140.707	35.354.778
Deferred grants	1.353.153.838	1.553.153.838	1.753.153.838	1.853.153.838	1.953.153.838
Borrowings	1.353.216.338	3.724.216.338	3.641.216.338	3.554.216.338	3.464.216.338
Total Liabilities	5.552.348.098	8.294.362.197	8.797.511.870	9.171.145.490	9.673.350.150

- 2023: Investment of 1,470,000,000 TZS (thereof 245,000,000 for the land purchase financed by the equity increase)
- 2024: Investment of 2,450,000,000 TZS
- The balance sheet item Property, plant and equipment include the annual depreciation and the borrowing the annual repayment of the loan.
- In total the balance sheet increases by almost 2,5 times in the forecast period.

Cash Flow Forecast					
	1. financial year (= 1. fy)	2. financial year	3. financial year	4. financial year	5. financial year
Profit / loss before income tax	-209.287.614	-180.916.282	-33.278.148	47.022.176	139.282.186
+ Depreciation of property, plant and equipment	53.402.667	102.402.667	102.402.667	102.402.667	102.402.667
+ Interest expense	47.242.763	130.242.763	126.242.763	122.242.763	119.242.763
-/+ Increase/Decrease in inventories	-181.880.130	-209.162.150	-240.536.472	-184.411.295	-202.852.425
-/+ Increase/Decrease in trade and other receivables	-217.298.327	-249.893.077	-287.377.038	-220.322.396	-242.354.635
+/- Increase/Decrease in trade and other payables	313.553.116	360.586.084	414.673.996	317.916.730	349.708.403
+/- Increase/Decrease in deferred grants	125.000.000	200.000.000	200.000.000	100.000.000	100.000.000
- Income tax paid	-23.777.850	-24.015.628	-24.255.784	-24.498.342	-24.743.326
Cash from operating activities	-93.045.375	129.244.378	257.871.983	260.352.303	340.685.634
- Purchase of property, plant and equipment	-1.470.000.000	-2.450.000.000	0	0	0
Cash from investing activities:	-1.470.000.000	-2.450.000.000	0	0	0
+ Cash received from borrowings	1.225.000.000	2.450.000.000	0	0	0
+ Cash inflow from equity injections	245.000.000	0	0	0	0
- Repayments of borrowings	-25.333.333	-79.000.000	-83.000.000	-87.000.000	-90.000.000
- Interest paid	-47.242.763	-130.242.763	-126.242.763	-122.242.763	-119.242.763
Cash from financing activities	1.397.423.904	2.240.757.237	-209.242.763	-209.242.763	-209.242.763
Net increase / (decrease) in cash and cash equivalents	-165.621.472	-79.998.385	48.629.220	51.109.540	131.442.871
Cash and cash equivalents at start of the year	547.876.361	382.254.889	302.256.504	350.885.724	401.995.264
Cash and cash equivalents at end of the year	382.254.889	302.256.504	350.885.724	401.995.264	533.438.135

➤ The available and provided funds are sufficient at all times to meet financial obligations.

We remain at disposal for any further inquiry you might have. For this purpose, you may please contact:
 Christoph Bonsmann,
 action medeor International Healthcare gGmbH International
 Director Christoph.Bonsmann@medeor.de

Sid Peruvemba,
 action medeor International Healthcare gGmbH International
 Director Sid.Peruvema@medeor.de

Gerald Masuki,
 action medeor International Healthcare gGmbH
 Country Director, Director@medeortz.co.tz

Dated on: 26/01/2023

Signatures


 Christoph Bonsmann


 Gerald Masuki