

LULU TEA SOLUTIONS LIMITED

BUSINESS PLAN

FOR

ESTABLISHMENT

OF

**TEA BLENDING PACKAGING
AND MARKETING PROJECT**

PROJECT SUMMARY

APPLICANT : LULU TEA SOLUTIONS LIMITED

NATURE OF PROJECT : TEA BLENDING PACKAGING AND MARKETING
: PROJECT

PROJECT SPONSOR : LULU TEA SOLUTIONS LIMITED

DATE OF INCORPORATION : 18TH MAY 2020

PROJECT LOCATION : IRINGA

CAPACITY : 180 TONS PER YEAR

OBJECTIVE : APPLYING TIC CERTIFICATE

LOAN AMOUNT : US\$ 300,000

INTEREST RATE : 8%

REPAYMENT PERIOD : 5 YEARS

EXECUTIVE SUMMARY

OBJECTIVE OF THE STUDY

The project document sets out the proposal of LULU TEA SOLUTIONS LIMITED for establishing a tea blending, packing and marketing project using local black tea from Iringa and other Tea producing areas such Iringa Mbeya and Tanga. The factory blending and packing will be situated at Iringa Region.

PROJECT DESCRIPTION

LULU TEA SOLUTIONS LIMITED is locally Company incorporated under Company Act of 2002, with certificate of incorporation No.141702963 dated 18th May 2020. The company share capital is Tsh 25,000,000/= divided into 25 shares with main objectives:

- To promote value addition of tea through the blending and packing process and producing different blends of tea;
- To create additional employment opportunities to the local people direct and indirect;
- To generate additional revenue to the government through tax payment and foreign exchange through exports tea.

PROJECT RATIONALE

The project will install machines capable of producing products of different sizes which are affordable to all people with different levels of income. The products will be rationalized to the extent that even the lowest income earner can afford to purchase the sachet of our tea. The products will be produced in 2.5 gm, 5gm, 50gm, 100gm and 250gm exclusive for the local market and export products will be rationalized from 500gm to 100 gm.

Project document presents proposals by **LULU TES SOLUTIONS LIMITED**, a locally registered company the **US\$210,000** and loan from financial institution **US\$300,000** This study is a guiding tool for establishing tea processing and marketing project and will be presented to TIC for obtaining certificate of incentives to facilitate smooth implementation of the project.

PROJECT LOCATION:

The Project factory will be located at Iringa Region the area easily accessible throughout the year therefore transport of raw materials and finished products will not pose any problem. The essential facilities such as Electricity and water are also available

PROJECT INVESTMENT COST

The estimated capital investment cost of the project is US\$ 510,000 out of which US\$ 300,000 will be loan from financial institutions, the project to be implemented in phases

THE PROJECT SPONSOR:

LULU TEA SOLUTIONS LIMITED will be sponsoring this project. The Company is jointly owned by two shareholders from

Name of shareholder	%Share	Nationality
ANIS MOHAMED ALLY	1	TZ
FAHAD ABDI IBRAHIM	104	Kenyan
Unallotted shares	98.6	Tanzania

PROJECT CAPACITY

The project is projecting to produce at least **180 tons** of avocados per year

SELLING PRICE

Expected price is US\$ 2500 per ton

TARGETED MARKETS.

The targeted market of the project is UAE, Europe and china market where the company has already established market.

SUPPLY AND COMPETITION

The project is not expecting to face any competition within and outside the country, taking the fact that there is high demand for organic avocado produces and other farms produces in Tanzania market.

TEA TANZANIA

Tea is among Tanzania's main agricultural products along with cloves, cashews, coffee and maize. Like all other African producers, the CTC method of processing tea is the dominant form of production in Tanzania - this is the method most commonly used for teabags. Tea is a generator of wealth and employment to rural areas and supports the wellbeing of over 50,000 families in Tanzania.

Tea was first cultivated by German settlers in 1902 on a very small scale. Commercial cultivation of tea began in the 1920s by the British. After Tanzania was granted independence from Britain, its new government nationalized most of the tea factories and some tea estates. This had very bad consequences for the tea industry in Tanzania.

The Tanzanian state gave no incentives to factory or plantation workers to become more productive. Government tea research programs were underfunded which hampered any progress in tea cultivation techniques, soil maintenance and clonally plant development. The tea industry was close to collapse when the government decided to privatize the tea estates and factories it had previously nationalized. Investments have been made in these factories to ensure their future success.

Much of Tanzania is too dry for tea and only 22,000 hectares of the total land area is under tea cultivation, around one tenth of the area under tea cultivation in Kenya. There are three main planting areas in Tanzania: those in the Southern Highlands around the Njombe and Mufindi districts of the Iringa region, the plantations of East Usambara in the Tanga region close to the coast, and the North West zone around the southern western shore of Lake Victoria.

Tanzanian tea is typically used to add strength and vigour to teabag blends for the UK, European and Pakistani markets. At Ahmad Tea we sometimes select some of the best tea from Tanzania that add freshness and brightness to our classic blends.

SUPPORT SERVICES AND INFORMATION:

RESEARCH:

Research remains a core function of the government.

The Government encourages more private sector involvement independently or jointly in research Planning and funding.

In order to increase investments in research on a sustainable basis the government encourages the active participation by commodity/crop agencies in research funding and planning; from cooperative societies, unions and commodity boards.

Appropriate mechanisms established to collect and administer such funds

Private sector is encouraged to participate in funding research and where necessary to own and manage research in particular enterprises.

Government funding is directed mainly to food crop, livestock, resource management and engineering research

The government encourage the private sector as well as the Non- Governmental Organizations

(NGOs) where feasible, to participate in research particularly in the areas of testing of drugs, development of special technologies and seed processing

TRAINING

Agricultural training is not remained a monopoly of the government but private sector is encouraged to carry out specialized training

EXTENSION SERVICE

Extension services delivery is not be a monopoly of the government. Private sector participation for collaborative efforts promoted and where necessary private sector is allowed to own and manage extension services for specific enterprises such as beef, dairy, poultry, small ruminants, Horticulture, tobacco and other subsectors which call for special attention. In areas where private sector offer extension services by providing funding planning, monitoring and evaluation the government will play a coordinating role.

SEEDS:

Private sector is allowed to produce, distribute and market seeds. Production of breeder seed is done at research institutes foundation seed production on five foundation seed farms now under the Department of Research and Development, and certified production by contract growers vested in Arusha, Morogoro, Iringa Regions. Tanzania Seed Company (TANSEED) is involved in both foundation seed farms and certified seed production. The Tanzania Official Seed Certification Agency (TOSCA) is responsible for quality control from the foundation seed farm stage up to the sale of certified seed to the farmers. The Main Seeds produced are hybrid and composite maize, sorghum, beans, wheat and sunflower Private Companies involved in seed production and distribution are Cargill Hybrid Seeds, Pioneer Hybrid International and Paunar and Rotian Seeds Company'

P R O J E C T M A N A G E M E N T A N D M A N P O W E R R E Q U I R E M E N T S

For efficient planning, managing and running of project activities, the company will be under managing director assisted by Directors of Administration and Finance, Director of Farms, Production and Technology Development, Director of Business Development and Marketing. The project management will be answerable to board of directors who will be responsible for policy issues.

LULU TEA SOLUTIONS LIMITED will create employments of **230** employees

Employment	Foreign Skilled	Local Skilled	Local Unskilled	Total
Women	2	8	50	60
Men	2	18	150	170
TOTAL	4	26	200	230

MONITORING AND EVALUATION

The Management has full commitment to ensuring good quality of agricultural produces. Produces from Thus, the management philosophy is through business process, management will strive to ensure compliance to standards and quality of produce.

LULU TEA SOLUTIONS LIMITED COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	70,000.00
Machinery & Equipment	120,000.00
Motor Vehicles	100,000.00
Furniture & Fixtures	5,000.00
Others	75,000.00
Working Capital	140,000.00
TOTAL	510,000.00

FINANCING PATTERN

The project will be financed by equity US\$ 210,000 and loan US\$ 300,000, the cost of loan is projected to be 8% and to be repaid with 4 years

Project Operating Costs

In order to realize its intended objective, the project will have to meet the operating costs which are estimated to 65% of total revenue

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 tranquility that exists in Tanzania is another aspect of assured business sustainability.

MONITORING AND EVALUATION

The monitoring and evaluation tools will be applied in running this project as well, the project sponsors are determined to cooperate fully with the government and other stakeholders for smooth operation.

Financial Analysis

Consideration 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 agriculture industry

Financial Statements:

Projected school Revenue

For projection purposes, it is assumed that the economic life of the project is 6 years, and that revenue from agriculture project commence from the first year of operation Refer appendix (II)

Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 6 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. US\$ in first year US\$70,316 to US\$311,260 in the 6year, for the details refer appendix (III)

PROJECTED CASH FLOWS

This is shown in the financial statements. The project has a positive end of year cash flow from 1st year, accumulated cash flow grows from US 127,365.00 in the 1st year, to US\$800,214 in 6th year, for the details refer appendix (IV)

PROJECTED BALANCE SHEET

The projected Balance Sheet of the projected is shown in the financial statements under same heading. Total shareholders' equity increases from first year from US\$ 210,000 up to US\$ 348,031.14 6th year of project operation, for the details refer appendix (V)

Projected payback period

Total investment is US\$ 510,000 cash accumulation in year 4 is US\$ 613,363 which is more than the initial investment by US\$ US\$ 103,363, the project payback Period is within 4years, The project has a relatively short payback period. It is remarkably impressing for a big project being recovered within 4 Years, for the details refer appendix (VI)

PROJECTED RISKS

Since the project will be using irrigation scheme; no major risks have been identified for this kind of project so far. Unless a change in the country's political and economic stability and global changes affect agribusiness global market

IMPLEMENTATION

Project implementation is expected to be relatively very short once TIC approval is received. Currently, the company is finalizing acquiring of land in Iringa

Economic Aspect of the Project

Besides the financial/monetary returns to the owners, there are other benefits to be derived for the whole country viz.

(i) Employment Opportunities

Employment and poverty reduction are among the major concern of the Central and the Local Government authorities. It is gratifying to note that **LULU TEA SOLUTIONS LIMITED** is going to provide additional employment of **230** people. This is a significant contribution coming from investors.

(ii) Revenue to the Government

The Project is expected to pay a substantial annual amount in the form of corporation tax, VAT, Pay as you earn etc during the project's 7 years covered under our project review.

CONCLUSION & RECOMMENDATION

CONCLUSION

- (i) The project is profitable and contributes to government revenue by way of taxes.
- (ii) The project provides employment to **230**
- (iii) The project is an encouraging sign to prove that we have investors who have confidence with Tanzania and are ready to invest such large sums of investment despite the odds of the sector in question.

RECOMMENDATION

After the foregoing economic and financial evaluation of the project, we strongly recommend that this project be implement and be given all the support required by all the concerned Government, Ministries and Agencies, including the Tanzania Revenue Authority, TRA, and the Tanzania Investment Centre - (TIC). The project deserves this support because of its viability, since it is technical feasible, economically viable and socially acceptable

LULU TEA SOLUTIONS LIMITED COST STRUCTURE

	US\$
PARTICULAR	
Land and Buildings	70,000.00
Machinery & Equipment	120,000.00
Motor Vehicles	100,000.00
Furniture & Fixtures	5,000.00
Pre exp	0.00
Others	75,000.00
Working Capital	140,000.00
TOTAL	510,000.00

APPENDIX II

LULU TEA SOLUTIONS LIMITED FIXED ASSETS SCHEDULE (US\$)

NAME OF ASSETS	1	2	3	4	5	6
Land and Buildings	70,000	68,600	67,228	65,883	64,566	63,274
Machinery, Tools & Equipment	120,000	90,000	60,000	30,000	0	-30,000
Motor Vehicles	100,000	80,000	64,000	51,200	40,960	32,768
Furniture & Fixtures	5,000	4,500	4,050	3,645	3,281	2,952
Total	295,000	243,100	195,278	150,728	108,806	68,995
DEPRECIATION	1	2	3	4	5	6
Land and buildings	1,400	1,372	1,345	1,318	1,291	1,265
Machinery tools & Equipment	17,148	12,861	8,574	4,287	0	-4,287
Motor Vehicles	20,000	16,000	12,800	10,240	8,192	6,554
Furniture & Fixtures	500	450	405	365	328	295
ANNUAL DEPRECIATION	39,048	30,683	23,124	16,209	9,811	3,827

APPENDIX III

LULU TEA SOLUTIONS LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT" US \$"

	1	2	3	4	5	6
Revenue	450,000.00	472,500.00	496,125.00	520,931.25	546,977.81	574,326.70
Cost of Sales	292,500.00	307,125.00	322,481.25	338,605.31	355,535.58	373,312.36
Profit before Depreciation & Interest	157,500.00	165,375.00	173,643.75	182,325.94	191,442.23	201,014.35
Interest	18000	13500	9000	4500	-	-
Depreciation	39,048	30,683	23,124	16,209	9,811	3,827
Gross Profit	100,452.00	121,192.00	141,519.75	161,616.94	181,631.23	197,187.35
Tax (30%)	30,135.60	36,357.60	42,455.93	48,485.08	54,489.37	59,156.20
Profit After Tax	70,316.40	84,834.40	99,063.83	113,131.86	127,141.86	138,031.14
Accumulated Profit	70,316.00	106,673.60	149,129.53	197,614.61	252,103.98	311,260.18

APPENDIX IV

LULU TEA SOLUTIONS LIMITED PROJECTED CASH FLOW US\$

	0	1	2	3	4	5	6
SOURCES:							
Profit before interest and depreciation	0	157,500.00	165,375.00	173,643.75	182,325.94	191,442.23	201,014.35
Equity	210,000.00						
Loan	300,000.00						
Total Sources	510,000.00	157,500.00	165,375.00	173,643.75	182,325.94	191,442.23	201,014.35
Applications:							
Capital expenditure	295,000.00	-	-	-	-	-	
working Capital & Others	215,000.00	-	-	-	-	-	
Cash	0	127,365	129,018.00	131,180.00	133,840.00	136,953.00	141,858
Tax	-	30,135.60	36,357.60	42,455.93	48,485.08	54,489.37	59,156.20
Sub total	510,000.00	157,500.60	165,375.60	173,635.93	182,325.08	191,442.37	201,014.20
Total applications	510,000.00	157,500.60	165,375.60	173,635.93	182,325.08	191,442.37	201,014.20
Accumulated cash		127,365.00	256,383.00	387,563.00	521,403.00	658,356.00	800,214.00

APPENDIX V LULU TEA SOLUTIONS LIMITED PROJECTED BALANCE SHEET US \$

	0	1	2	3	4	5	6
Fixed Assets							
Opening balance	-	295,000	243,100	195,278	150,728	108,806	68,995
Total Long-term Assets	-	295,000.00	243,100.00	195,278.00	150,728.00	108,806.00	68,995.00
Less depreciation	-	-	-	-	-	-	-
Closing balance	-	295,000.00	243,100.00	195,278.00	150,728.00	108,806.00	68,995.00
Working capital	215,000.00	215,000.00	215,000.00	215,000.00	215,000.00	215,000.00	215,000.00
Accumulated cash	-	127,365.00	256,383.00	387,563.00	521,403.00	658,356.00	800,214.00
Total assets	215,000.00	637,365.00	714,483.00	797,841.00	887,131.00	982,162.00	1,084,209.00
Financed by							
Equity	210,000	210,000	210,000.00	210,000.00	210,000.00	210,000.00	210,000.00
Net profit	-	70,316.40	84,834.40	99,063.83	113,131.86	127,141.86	138,031.14
Total equity	210,000.00	280,316.40	294,834.40	309,063.83	323,131.86	337,141.86	348,031.14

Loan	-	300,000	225,000	150,000	75,000	0	0
Total debts	-	300,000.00	225,000.00	150,000.00	75,000.00	-	-
Total equity and debts	210,000.00	580,316.40	519,834.40	459,063.83	398,131.86	337,141.86	348,031.14

APPENDIX VI

LULU TES SOLUTIONS LIMITED PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	70,316.40	39,048	109,364.40	109,364.40
2	84,834.40	30,683.00	115,517.40	224,881.80
3	99,063.83	23,124.00	122,187.83	347,069.63
4	113,131.86	16,209.00	129,340.86	476,410.49
5	127,141.86	9,811.00	136,952.86	613,363.35