

**HILLTOP MANUFACTURING AND TRADING
COMPANY LIMITED**

FEASIBILITY STUDY

ON

**MANUFACTURING FACILITIES FOR BOTTLED WATER,
JUICES AND CARBONATED SOFT DRINK**

IN

KIGOMA REGION

AUGUST 2022

1.0 EXECUTIVE SUMMARY

1.1 INTRODUCTION

This report is prepared for Hilltop Manufacturing and Trading Company registered in Dar es Salaam to establish manufacturing facilities in Kigoma to process drinking bottled water, juices and all types of carbonated soft drinks.

1.2 The project

The basic objective of the project is to establish in Kigoma Region a manufacturing facility for production of drinking bottled water, Juices and all types of carbonated soft drinks which is used by locals, foreigners, various industries, supermarkets, retails shops and wholesalers operating in Tanzania and neighboring countries.

1.3 Project Location

The proposed project will be located in plot no 1&2 Bangwe Kigoma Region. The site has all the necessary amenities such as power, water and telephone.

1.4 Project Promoters

The proposed transportation project is being promoted by a locally registered company, namely Hilltop Manufacturing and Trading Company of **P.O. Box 20965** Kigoma. The following are the shareholders:

Name	Nationality	Shareholding
Mohsin Abdullah Lalji	Tanzanian	62.5 %
Nargis Mohsin Lalji	Tanzanian	25%
Fatema Zehra Mohsin Abdallah Lalji	Tanzanian	12.5%

The promoters have vast experience in the Industrial and Tourism sector with commercial experience and have capitalized to venture into the new intended lines of business in Tanzania.

1.5 INVESTMENT COST

The project cost is estimated at US\$ **719,000** which will be contributed by the sponsors and some will be a term loan.

	US \$	
	LOCAL	TOTAL
Land & Building	180,000	180,000
Plant/workshop facilities	139,000	139,000
Vehicles	115,000	115,000
Furniture and fixture	30,000	30,000
Pre-expenses	20,000	20,000
Others	20,000	20,000
Working capital	215,000	215,000
Total	719,000	719,000

1.6 Financing Plan

The promoters propose to finance the above investment costs in the following manner:

SOURCE	US \$
Equity	719,000
Total	719,000

1.7 PLANT CAPACITY

The proposed project will have the capacity of producing **7,680,000 liters** of water and carbonated soft drinks per annum when operating at 100% capacity on a single extended shift of 10 hours per day. However, it is expected that the plant will slowly build up its operations starting at 60% capacity, increasing to 70% capacity in the second year and 80% from year 3 onwards. Improvements of the workforce as they gain more skills and work experience.

1.8 MARKET

The market survey carried out reveals that there is a huge demand for bottled water and is raising rapidly due to the fact that Tanzania is surrounded by several landlocked countries. The demand for drinking water and non-Alcoholic Drinks is influenced by the presence of large population and level of personal disposable income. The proposed project is designed to manufacture drinking water and non-Alcoholic **which will have** several packaging sizes of water products that include 500 ml, **600ml**, 1.5 litres, 12 litres and 20 Litres of mineral water. With this type of production M/S Hilltop Manufacturing and Trading Company will be able to capture the huge market which is formed by the areas of Western and Northern Tanzania, DRC Congo and other SADC countries which are near Kigoma region. Therefore, due to the nature of the market the proposed mineral water project will not face any marketing problems.

1.9 The Implementation Plan:

It is planned that the project will take 5 years from the Time M/S Hilltop Manufacturing and Trading Company commences implementation of the project to the time it completes the purchasing of all the required machinery and equipment. M/S Hilltop Manufacturing and Trading Company shall appoint a team comprising of a competent people in order to achieve the set implementation time.

1.10 FINANCIAL AND ECONOMIC ANALYSIS

1.10.1 Profitability:

Based on a set of assumptions given here-in, the projects demonstrate a profitable trend in its future operations. The project's Income Statement and Cash flow indicate the M/S Hilltop Manufacturing and Trading Company would be able to recoup the planned investment funds within the first six years. This indicates that the project is financially and economically viable. The project will also be liquid enough to meet maturing obligations and demonstrate by the projected cash flow statement

1.10.2 Economic Benefits

The successful operation of this processing plant will contribute significant economic benefits to Kigoma region people and Tanzania as whole. The execution of this project will bring;

- Employment opportunities for **50** people
- Provision of income to other services providers, thus contributing to the reduction of poverty. The income

to be earned will help in improving standard of living of the workers and other people residing in the region.

- The direct income for the workers, combined with other social benefits that the Management will provide and help in overall efforts of alleviation of poverty in the Region.
- Provision of a market for goods and services demanded by expanded tax base to the Treasury and local Government authorities and generation of substantial income to the Government.
- This project will facilitate opportunities to increase foreign exchange earnings through export of some of its value products.

2.0 THE PROJECT CONCEPT

The project intends to establish a manufacturing facility for the processing of mineral water and other non-alcoholic in Kigoma. The manufacturing facility will produce bottled water, Juices and all types of carbonated soft drinks which is used by locals, foreigners, various industries, supermarkets, retails shops and wholesalers operating in Tanzania and neighboring countries.

The market for the products is assured because of large demand in the Lake Zone and the North Western side of Tanzania with the presence or refugees camps. The promoters of the project are well experienced and have various businesses in Tanzania and will produce mineral water using latest equipment's for manufacturing of high-quality drinking Mineral water and non-alcoholic drinks

2.1 PROJECT FINANCE

The promoters will partly fund the project and they will also seek for the bank loan from Banks in Tanzania. The promoters have a strong financing background, which ensure successful implementation of the project.

2.2 BRIEF PROFILE OF THE INVESTORS

The promoters of the project are all Tanzanian by nationalities.

The names of the promoters along with their shareholdings are as follows:

Name	Nationality	Shareholding
Mohsin Abdullah Lalji	Tanzanian	62.5 %
Nargis Mohsin Lalji	Tanzanian	25%
Fatema Zehra Mohsin Abdallah Lalji	Tanzanian	12.5%

The investors are industrialist by profession and are well experienced in the various manufacturing activities. They are well experienced Investors of more than 20 years. With their experience in various businesses, it is expected that they are capable to conceive a plant and operate business.

2.3 LOCATION

The project will be located at plot no 1&2, Bangwe village in Kigoma Region. The location is well served by all the necessary infrastructure and environment requirements and well suited to the nature of the envisaged project.

2.4 SOURCE OF TECHNOLOGY

The plant and machines plus the related production technology will be imported from Far East and Europe. These machines are expected to produce products to match in international standard.

2.5 Capital investment and Finances

The capital investment required is estimated at US \$ US\$ **719,000**. Most of the financing will be sourced from loan and retained earnings. The capital investment breakdown as follows.

	USD LOCAL	USD TOTAL
Land & Building	180,000	180,000
Plant/workshop facilities	139,000	139,000
Vehicles	115,000	115,000
Furniture and fixture	30,000	30,000
Pre-expenses	20,000	20,000
Others	20,000	20,000
Working capital	215,000	215,000
Total	719,000	719,000

2.6 PROJECT FINANCING

The promoters of the project have decided to make contributions and finance the project with equity and the the term loan. The working capital will be sourced from local banks.

2.7 LAND AND BUILDING

SOURCE	US \$
Equity	719,000
Total	719,000

The sum amounting to **US \$180,000** will be deployed for building construction and rehabilitation

2.8 PLANT AND MACHINERY

The cost of plant and machinery add up to **US \$139,000**

2.9 UTILITIES

The factory is using power from the national grid. There will be adequate supply of water and generator will supplement the electricity.

2.16 MOTOR VEHICLES

Utility pick-ups and trucks will be required. The total of both vehicles will amount to **US \$ 115,000** The project will also purchase one 4-wheel drive non-utility vehicle for the use of the Managing Director.

3.0 THE MARKET

The demand for drinking water and non-Alcoholic Drinks has already been established and is influenced by the presence of large population and level of personal disposable income. The proposed project intends make assurance that the demand is matched with supply. Project is designed to manufacture drinking water and all types of soft drinks.

The market survey done, establish and ascertain the true demand and supply position. The market in this field means selling of drinking water and non-Alcoholic Drinks. The major market will cover the Northern and Western part of Tanzania and the neighboring countries. The existing low capacity of drinking water and non-alcoholic drinks and backward technology in production in the North and Western part of Tanzania, a new establishment like this one and improvement of linkages in industry sector assure that the products produced will not face serious market problems. The study has been able to show that there is a good and guaranteed market for drinking water and non-Alcoholic Drinks.

4.0 MANPOWER REQUIREMENTS AND ORGANISATION

4.1 Manpower Requirements

4.1.1 Total Manpower Requirement

The Company will employ to the tune of **50** workers including 5 expatriates

4.1.2 Recruitment and Training

4.1.3 Recruitment

All new staff would be recruited at least one month before the plant operations are commenced.

4.1.4 Training

The management of the plant would strive to employ competent and qualified personnel in the beverage business. To reduce costs few senior staff will be trained at the selected locally available institutions. All other supporting staff will be trained on the job. However, it is expected that most of them will have some basic knowledge and experience.

4.1.5 IMPLEMENTATION SCHEDULE

Both local and external factors have been taken into account when drawing out the proposed schedule of implementation. Factors such as finalization of civil works, survey, acquisition of machinery and equipment, recruitment of qualified personnel and other factors have been looked into.

5.0 INVESTMENT AND FINANCING

5.1 Assumptions

- The project construction time is assumed to be one year.
- The economic life of the project is 10 years.
- The currency exchange rate of TShs. 2,300/= to one US\$ has been adopted.
- Re-investment in vehicles shall be done after every four years.

The total production per annum is **7,680,000 liters** of mineral water, juices and carbonated drinks

5.2 OPERATING COSTS

The prices of inputs are assumed to remain constant over the ten years period because under rising inflation the prices and services will rise including those of outputs hence having, the profits margin unchanged.

The operation costs are estimated to be 80 % of the revenue.

5.3 DEPRECIATION

Depreciation rates have been calculated as follows:

Land, building and civil works	4% Straight Line
Vehicle	25% Straight Line
Pre-Operational Expenses	20% Straight Line
Equipment	12.5% Diminishing Value

5.4 Tax

Corporation tax is charged at 30% on profits before tax.

6.0 FINANCIAL AND ECONOMIC ANALYSIS

6.1 INCOME

The project's income at full capacity utilization is estimated to average at annual sales of **USD 250,000**

6.2 PROJECTED CASH FLOWS

The project has a positive net cash flow from year 2 of operation to the tenth year.

6.3 DEVELOPMENT BENEFITS

6.3.1 Developmental Linkages:

Upon Completion of The Implementation Programme and on operational the manufacturing plant project will be capable of creating the following:

- ◆ Promote increased availability of mineral water in the Western and Northern Tanzania
- ◆ Generating Foreign Exchange through its export trade which will be exporting some its products to the neighbouring countries
- ◆ Create employment for 45 local indigenous people;
- ◆ Promote inter-regional trade through exports to neighbouring democratic republic of Congo, and East African Region just to mention a few.
- The project will generate income to Government mainly in the form of corporation tax and VAT

7.0 CONCLUSION

The undertaking of this Beverage processing undertaking is in line with the Government objective of encouraging proper development of 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 region.

This document has provided a full analysis on the financial, Techno-economic viability on operation of the Integrated Beverages products processing undertaking along with the financing requirements/parameters have been considered and that the proposed project is technically sound, financially viable, and economically/socially beneficial.

HILLTOP MANUFACTURING AND TRADING COMPANY
INVESTMENT COST

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HILLTOP MANUFACTURING AND TRADING COMPANY

FINANCING PLAN

SOURCE	US \$
Equity	719,000
Total	719,000

HILLTOP MANUFACTURING AND TRADING COMPANY

ESTIMATED WORKING CAPITAL

Item/year	Assumptions	1	2	3	4	5	6	7	8	9	10
A. CURRENT ASSETS											
STOCKS											
Direct Cost											
Raw Materials	3-month costs	24,425	28,438	32,500	36,500	36,500	36,500	36,500	36,500	36,500	36,500
Accounts Receivable	6 months' supply	75,000	87,500	100000	100000	100000	100000	100000	100000	100000	100000
Cash In Hand	3 months sales revenue	37,500	43,750	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Total assets		136,925	159,688	182,500	186,500	186,500	186,500	186,500	186,500	186,500	186,500
B. DEBTORS											
Trade debtors	2MONTH OF SALES	25,000	29,167	33,333	37,500	41,667	41,667	41,667	41,667	41,667	41,667
Total Current Assets		161,925	188,855	215,833	224,000	228,167	228,167	228,167	228,167	228,167	228,167
C. Current Liabilities											
Creditors											
Salaries	1 Month30% Of Cost Of Sales	2,443	2,844	3,250	3,656	3,656	3,656	3,656	3,656	3,656	3,656
Working Capital		159,482	186,011	212,583	220,344	224,511	224,511	224,511	224,511	224,511	224,511
NET W/Capital		159,511	26,500	26,572	7,761	-	-	-	-	-	-

HILLTOP MANUFACTURING AND TRADING COMPANY

DEPRECIATION SCHEDULE

US \$

		Rates	1	2	3	4	5	6	7	8	9	10
Land and Building	180,000	4% S. L	7200	7200	7200	7200	7200	7200	7200	7200	7200	7200
Machinery and Equipment	139,000	12.50%	17,375	17,375	17,375	17,375	17,375	17,375	17,375	17,375	-	-
Motor Vehicles	115,000	25%	28,750	28,750	28,750	28,750	-	-	-	-	-	-
Furniture and Fittings	30,000	12.5 %	3750	3750	3750	3750	3750	3750	3750	3750	-	-
Pre-operation Expenses	20,000	20%	4,000	4,000	4,000	4,000	4,000	-	-	-	-	-
TOTAL			61075	61075	61075	61075	32,325	32,325	32,325	32,325	7200	7200

HILLTOP MANUFACTURING AND TRADING COMPANY

PROJECT PROFIT AND LOSS STATEMENT

US \$

	1	2	3	4	5	6	7	8	9	10
Sales Revenue	150,000	175,000	200,000	225,000	250,000	250,000	250,000	250,000	250,000	250,000
Cost of sales	97,700	113,750	130,000	146,250	146,250	146,250	146,250	146,250	146,250	146,250
Operating Profit	52,500	61,250	70,000	78,750	78,750	78,750	78,750	78,750	78,750	78,750
Less Depreciation	61,075	61,075	61,075	61,075	32,325	32,325	32,325	32,325	7,200	7,200
Profit before Tax	(8,575)	175	8,925	17,675	46,425	46,425	46,425	46,425	71,550	71,550
Taxes 30%	-	525	2,678	5,303	13,928	13,928	13,928	13,928	21,465	21,465
Profit after tax	(8,575)	(350)	6,247	12,372	32,497	32,497	32,497	32,497	50,085	50,085
Accumulated profit	(8,575)	(8,925)	(2,678)	9,694	42,191	74,688	107,185	139,682	189,767	239,852

HILLTOP MANUFACTURING AND TRADING COMPANY

PROJECTED CASHFLOW

US\$

	0	1	2	3	4	5	6	7	8	9	10
Cash Inflow											
Equity	719,000	-	-	-	-	-	-	-	-	-	-
Total Inflow	719,000	-	-	-	-	-	-	-	-	-	-
Operational Inflow											
Profit Before Tax	719,000	(8,575)	175	8,925	17,675	46,425	46,425	46,425	46,425	71,550	71,550
Depreciation		61075	61075	61075	61075	32,325	32,325	32,325	32,325	7200	7200
Total Operations Inflow		52,500	61250	70,000	78,750	78,750	78,750	78,750	78,750	78,750	78,750
Total Cash inFlow	719,000										
Cash Outflow											
Investment	719,000	-	-	-	-	-	-	-	-	-	-
Operational Outflow		-	-	-	-	-	-	-	-	-	-
Taxation		-	525	2678	5,303	13,928	13,928	13,928	13,928	21,465	21,465
Total Cash Outflow		-	525	2678	5,303	13,928	13,928	13,928	13,928	21,465	21,465
Net Cash flows	-	52,500	60,725	67,322	73,447	64,822	64,822	64,822	64,822	57,285	57,285