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BUSINESS PLAN.

FOR SUGAR PROJECT AT NAKAWALE SONGEA DISTRICT RUVUMA REGION TANZANIA

PRESENTED BY:
CORPORATE CHAIRMAN,
NKUSU THEO SUGAR LIMITED,
P.O. BOX 2406,
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1. SUGAR MARKET IN TANZANIA

1.1. Tanzania is experiencing shortage of sugar at approximately 180,000 Metric Tons per annum.

1.2. The country too had been importing 100% of White (industrial) sugar per annum

1.3. SOLUTION

NKUSU THEO SUGAR LIMITED is set to produce sugar and bridge the gap.

2. NKUSU THEO SUGAR LIMITED:-

2.1. Established in Mbeya in the year 2013 and incorporated under the companies act 2002.

2.2. Its registration Number is 98718 of 18 April, 2013.

2.3. Address:-

- Corporate Office Tanzania
1392 New Forest, Block M, Regional Hospital Road,
P.O. Box 2406 Mbeya, Tanzania.
- United State of America (USA)office:
8276 Humphrey Ln, Manassas VA 20109, USA

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2.4. Share Capital TZS 500,000,000 (For Ordinary Shares).
Shareholders are Tanzanians. Major Shareholder is
Dr. Edward Kalengo

2.5. Nkusu Theo Sugar Ltd. is a strong and Strategic
company with diversity professionals.

2.6. Management Team

- Dr. Edward Kalengo, PhD
Chairman And Chief Executive Officer.

2.7. Executive Team

- Mr. Longinus Kagaruki, ACMA(UK), FCPA(T)
Finance and Administration.
- Mr. Mike Rajonath
Commercial
- Mr. Nsamville Kalengo –B,Sc (Bus, Adm. Industrial)
Operations.
- Eng. Moses George Moyo (Msc Material Science
and Engineering NM-AIST, Bsc. Civil Eng.-UDSM).

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3. COMPANY OPERATIONAL OBJECTIVES

- 3.1. Bridging the Gap of Sugar shortage
- 3.2. Additional of Power Supply.
- 3.3. Bring the Country from Sugar net importer to net Exporter.
- 3.4. Tanzania Earning Foreign Currency .
- 3.5. Create Direct and Indirect Employment.
- 3.6. Provide low cost white sugar (retail , Industrial, catering and Sweetener
- 3.7. Payment of Taxes as per Country law

4. PRODUCTS

- 4.1. Sugar- local and Industrial sugar.
- 4.2. Ethanol for export.
- 4.3. Power for local consumption.

5. PRICING

- 5.1. Price of sugar to be kept at lowest level because it is our target that all costs to be controlled at well developed Model called “Sugar Operating Costs”).
- 5.2. Target to compete abroad by exporting high quality of sugar at acceptable lowest cost.



6. LOCATION THE SUGAR PLANT

6.1. NAKAWALE, SONGEA District, RUVUMA Region

6.2. PRODUCTION CAPACITY

- Sugar Cane 5000 (Five Thousand) Metric Tons a day
- Sugar Produced-120,000 Metric Tons per annum
- Electricity to be produced 432 megawatts per day
- Ethanol 20 KL per day

6.3. EXPANSION

6.3.1. EXPANSION PHASE ONE

- Sugar Cane crushing 10,000 Metric Tons per day
- Sugar Production 240,000 Metric Tons per annum
- Electricity 864 megawatts per day
- Ethanol 40KL per day

6.3.2. EXPANSION PHASE TWO

- Sugar cane crushing 20,000 Metric Tones per day
- Sugar to be Produced 480,000 per annum
- Electricity to be produced 1728 megawatts per day
- Ethanol to be produced 40 KL per day



7. EXPECTED REVUNUE-PHASE ONE

Price of Sugar is Expected to be USD 750 Per Metric Tone as per signed MOU with the prospective buyer will be exported to U.K.

7.1. PRODUCTION AT NAKAWALE PLANT-REVENUE

(Appendix A below Page...)

- Sugar USD 132 million
- Electricity USD 10.37 million
- Ethanol USD 1.46 million
- Total Sales USD 143.8 million

7.2. EXPANSION PHASE ONE THE THIRD YEAR-REVENUE

- Sugar USD264 million
- Electricity USD 20.74 million
- Ethanol USD2.92 million
- Total Sales USD287.6 million

7.3. EXPANSION PHASE TWO ON THE FIFTH REVENUE

- Sugar USD 528 million – the fifth year
- Electricity USD 41.47 million
- Ethanol USD 5.83 million
- Total Sales USD 575.2 million

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8. SUGAR SALES IN QUANTITIES

8.1. PHASE ONE

- Export Sales 60,000 to United Kingdom
- Local Market Sales 60,000 tones

8.2. EXPANSION PHASE ONE

- Export Sales 60,000 tones to United Kingdom
- Export Sales 60,000 tones to United State of America
- Local Market Sales 120,000 tones

8.3. EXPANSION PHASE TWO

- Export Sales 120,000 tons of United Kingdom
- Export Sales 120,000 tones to United State of America.
- Local Market Sales 240,000 tons



**NOTE: MEMORANDUM OF UNDERSTANDING (MOU)
SIGNED FOR EXPORT SALES**

9. MOU FOR EXPORT SALES

9.1. Memorandum of Understanding (MOU) Between
NKUSU THEO SUGAR LIMITED

AND

McSOLLAN INTERNATIONAL INCORPORATED

9.2. M/s McSollan International company is located in
Washington State, United State of America.

9.3. MOU expires after seven years- From January,2016
to December 2022. (to be revised for extension)

Clause of revision before expiry date.

Sales shipment per month 5,000 tons for the first
Year as per agreement.



DESCRIPTION OF THE OPERATION.

Nkusu Theo Sugar Limited operation is based on total low cost operation. In order to maintain the low-cost structure and be profitable, Nkusu Theo Sugar Ltd will use very large scale plant to produce a very large output at low cost and deliver value to its customers, it shall operate the following six point strategy:

1. Provide a simple basic and inexpensive service that is efficient to execute, and avoid unnecessary cost also is easy for customers to use.
2. Employ a motivated and productive workforce at relatively very competitive wages but with financial incentives tied to company profitability.
3. Define a corporate culture that is productivity oriented and a corporate personality which is visibly unique and easily contrasted with others.
4. Utilize Information Technology to reduce overhead cost, implement the simple and basic service, production and manage growth.
5. Take advantage of inexpensive resource costs resulting from excess industry supply conditions for plants, raw materials, spare parts and service.

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6. Distribute our products directly to the customer to reduce costs and communicate directly with our customers.

Nkusu Theo Sugar Limited will have different strategies for different areas in order to maximize its bottom line as follows:

- = Operating Strategy : Managing cost in order to maximize profits.
- = Pricing Strategy : Simple pricing structure that is easy to implement, and to stimulates demand.
- = Growth Strategy : Projected 100 % to 105 growth annually after yr – 1.
- = Market Strategy : Very competitive product, with different packages, different products and brands from very small package to the biggest.
- = Distribution Strategy : Direct to the customers through pre-sale target, across the Segments.
- = Customer Service Strategy : Make each customer feel special and always be at the Customer's service.



10. NET PROFIT

- YEAR 1-USD 42.30 Million
- YEAR 2-USD 87.85 Million
- YEAR 3-USD 116,80 Million
- YEAR 4-USD 155.74 Million
- YEAR 5-USD 194.68 Million

11. CASH FLOW POSITION (Cummulative)

- Year 1-USD 42,32 million
- Year 2-USD 130.18 million
- Year 3-USD 246.98 million
- Year 4-USD 402.72 million
- Year 5-USD 597.40 Million

NOTE: Profit and Cash flow kept at lowest projection.

Assumption:

Stock sold as and when produced

Nkusu Theo Sugar Company Ltd. Is Going Concern

Loan Repayable within two years of Operation

Export will expand

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12. COST OF THE PROJECT-YEAR 2022/2023

12.1. Land and Agriculture Development-USD 22 million

- Deforesting, Land Leveling, Seeds, Irrigation.
- Agriculture Machinery.

12.2. Factory Civil Works- USD 9 Million

- Factory Buildings, Staff Colony, Machinery Foundation

12.3. Plant and Machinery-USD 39.24 million (CIF)

- Capacity of 5000 TCD, With Co-generation unit.
- Spares for Machinery –USD 1.50 million.
- Miscellaneous Machines – USD 2.0 million.
- ETP for sugar plant, lab equipments, lighting factory, Workshop machineries.
- Cash Capitalization USD 6.26 million:-
Government compliances, marketing and Promotions, Certifications and Legal, Office and Housing Equipment, Utilities, Network Equipment and set up, Ground Transportation, Personnel Training, Travel Expenses, Overhead and Direct Labour, Security, Contingencies.

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- Advance payment for machinery USD 23 million paid in the year 2014 so that factory construction waste no time waiting for the machinery.

13.4. TOTAL PROJECT COST USD 80 MILLION

14. FINANCING OF THE PROJECT

14.1. SHAREHOLDERS FUNDS

USD 32 Million- (USD 23 million already paid for Machinery manufacturing).

14.2. Shareholders funds includes USD 2 million Initial Working Capital

14.3. ANOTHER SOURCES OF FINANCE

TANZANIA INVESTMENT BANK (TIB)

14.4. AMOUNT OF THE LOAN –USD 48 Million

14.5. Conditions of Loan Financing

- Off taker optimal –Half of production to be sold to the off taker.
- The sales Must be confirmed by Memorandum of Understanding by Producer and Off Taker.

NOTE:Memorandum of Understanding already executed duration of 7 years with room to revise.

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- Off taker was however evaluated by Tanzania Investment Bank (TIB) and were satisfied.
- Bank Exit Strategy
Nkusu Theo Sugar Ltd envisages Tanzania Investment Bank Exit Strategy as part of its business plan. (75%-25%).

14.6. LOAN REPAYMENT

Loan to be paid starting from the First Year of Operations and completed in the second year of operations.



The Return on Investment is Favourable

RETURN ON INVESTMENT IN PERCENTAGE

INDICATIVE RETURNS.

Cash Flow consideration

(USD million)	Funding	Year 1	Year 2	Year 3	Year 4	Year 5
Cash Investment	80.0					
Cash Balance Sheet						
Cash O/B		16.46	42.32	130.18	246.98	402.72
Net change in cash		25.86	87.86	116.80	155.74	194.68
Balance Sheet						
Cash C/B		42.32	130.18	246.98	402.72	597.40
Minimum Cash Balance		8.00	8.00	8.00	8.00	8.00
Cash Available for Dividend		34.32	122.18	238.98	394.72	589.40
Cumulative Cash Flow		34.32	156.50	395.48	790.21	1,379.61
ROI %		46.9	85.7	92.3	98.4	104.3
On a Cash Flow basis the						

APPENDIX A

KEY ASSUMPTION (PLANTS/MILLS,TARGET MARKET, PRICES
REMAIN AS PLANNED)

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EXPECTED SALES REVENUE, PRODUCTION COST AND PROFIT

S/N	Particulars	Unit	Year 2024 Qty / Amount	Year 2025 Qty / Amount	Year 2026 Qty / Amount
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1 Agriculture Division

a	Harvesting Area	Ha	12,000	24,000	48,000
b	Sugarcane produced @ 100MT/Ha	MT	1,200,000	2,400,000	4,800,000
c	Sales Revenue @ USD 34 per MT	US \$	40,800,000.00	81,600,000.00	163,200,000.00
d	Less : Cost of production @ USD 14 per MT	US \$	16,800,000.00	33,600,000.00	67,200,000.00
e	Gross Margin	US \$	24,000,000.00	48,000,000.00	96,000,000.00

2 White Sugar Division

a	Sugarcane crushing	MT	1,200,000	2,400,000	4,800,000
b	Sugar produced (with 10% recovery)	MT	120,000	240,000	480,000
c	Sales Revenue @ USD 750 per MT	US \$	90,000,000.00	180,000,000.00	360,000,000.00
d	Press mud generated	MT	60,000	120,000	240,000
e	Sales Revenue @ USD 20 per MT	US \$	1,200,000.00	2,400,000.00	4,800,000.00
f	Total Sales Revenue (c + e)	US \$	91,200,000.00	182,400,000.00	364,800,000.00
g	Cost of Production @ USD 398 per MT	US \$	47,760,000.00	95,520,000.00	191,040,000.00
h	Gross Margin	US \$	43,440,000.00	86,880,000.00	173,760,000.00

3 Co-Generation Division

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a	Bagasse generation	MT	396,000	792,000	1,584,000
b	Total power generation	MW/ Hr	23.50	47	94
c	Captive consumption	MW/ Hr	5.50	11.00	22.00
d	Surplus available for sale	MW/ Hr	18	36	72
e	Surplus available for the season	MW	103,680	207,360	414,720
f	Sales Revenue @ USD 100 per MW	US \$	10,368,000.00	20,736,000.00	41,472,000.00

4 Distillery (Ethanol) Division

a	Molasses generation	MT	54,000	108,000	216,000
b	Industrial alcohol (Ethanol) produced	KL	1,458	2,916	5,832
c	Sales Revenue @ USD 1000 per KL	US \$	1,458,000.00	2,916,000.00	5,832,000.00
	Total Sales Revenue (1+2+3+4)	US \$	143,826,000.00	287,652,000.00	575,304,000.00
	Total Operating Cost (1+2+3+4)	US \$	64,560,000.00	129,120,000.00	258,240,000.00
	Total Gross Margin (1+2+3+4)	US \$	79,266,000.00	158,532,000.00	317,064,000.00
	Net Profit	US \$	42,320,117.40	87,858,434.40	194,677,296.00

NOTE:

- The bagasse generated from sugar manufacturing process (33% of sugarcane crushed) would be utilized for steam generation and co-generation unit for power generation.

NOTE:

- The molasses generated (4.5% of sugarcane crushed) would be utilized in distillery (ethanol) unit for producing industrial alcohol.
- The press mud generated (5% of sugarcane crushed) would be sold as a manure / fertilizer in the sugarcane fields.



INDICATIVE SOURCES AND USES.

SOURCES :

S/N	Particulars	Amount (US \$ Million)
1	Cash Loan	48.00

USES :

Cost of the Project

S/N	Particulars	Amount (US \$ Million)
1	Land development & agriculture (deforesting, land levelling, seed, irrigation, agriculture machines etc.)	22.00
2	Civil works for factory building, staff colony, machinery foundation etc.	9.00
3	Plant and machinery for sugar plant of 5000 TCD along with co-generation unit and ethanol (distillery) including structure materials- CIF value	39.24
4	Spares for plant and machinery	1.50
5	Miscellaneous machines such as ETP for sugar plant, workshop machineries, lab equipment, lighting for factory, colony etc.	2.00
6	Cash capitalization (includes USD 2 Mill.Working Capital)	6.26
	TOTAL	80.00

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COMPETITORS.

APPENDIX B

There are four Sugar Manufacturing Plants in Tanzania namely Kilombero, TPC, Kagera and Mtibwa. The total sugar produced by all plants is 300,000 metric tonnes of retail sugar per year which is less than actual demand of 480,000 metric tonnes of retail sugar in the country. There is a deficit of 180,000 metric tonnes of retail sugar which need supply. The contribution of all four plants to the total market share of retail sugar in the country is 62.5 percent.

Below is analysis of the products produced by individual plant.

S/N	Particulars	Market Share	Production	Market Share	M.S.	M.S.	M.S	M.S	M.S
		Retail Sugar	Retail	Industrial	Export	Cat. & Sw.	co-gen	Ethanol	Fertilizer
		In %	In MT	In %	In %	In %	In %	In %	In %
1	Kilombero Sugar	25	120,000	0	0	0	0	50	0
2	TPC	17	80,000	0	0	0	0	0	0
3	Kagera Sugar	10.25	50,000	0	0	0	0	0	0
4	Mtibwa Sugar	10.25	50,000	0	0	0	0	0	0
5	Nkusu Theo Sugar	37.5	180,000	100	100	100	100	50	100
TOTAL		100	480,000	100	100	100	100	100	100

Dr. Edward Kalengo
Chairman and chief Executive Officer

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