



Project Nexus

Business Plan

29 September 2021

Important Notice

This report is strictly confidential and is addressed solely to the named recipients. It is a business plan report (“report”) prepared to assist the Directors of Afrisian Ginning Limited (“AGL” or “the Company”) in their efforts to raise finance to expand the company’s agri-processing operations (“Project Nexus”). The information contained in this report has been obtained from the Directors of AGL and other independent sources specified in the report. ZA Advisory Limited (“ZA”) cannot be held responsible for its unauthorized copying and distribution. Recipients are respectfully reminded that this report contains potentially sensitive information and should be kept secure.

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Our report refers to ‘ZA Analysis’; this indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented; we do not accept responsibility for the underlying data.

Contents

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	Page
Glossary	4
Executive Summary	6-9
Macroeconomic Overview	11-14
Market Overview	16-23
Business Overview	25
Project Overview	27-31
Financial Appraisal	33-39
Value Addition Analysis	41-46
Key Risks Analysis	48
Annexures – Projected Financial Statements	50-52
Title Deed	53-54
Site Plan	55
Disclaimer	56

Glossary

AfDB	Africa Development Bank Group	IMF	International Monetary Fund
AGL	Afrisian Ginning Limited	IRR	Internal Rate of Return
BoT	Bank of Tanzania	LGA	Local Government Authority
BRELA	Business Registration and Licensing Agency	MoF	Ministry of Finance
CAGR	Compound Annual Growth Rate	NBS	National Bureau of Statistics
CHC	Consolidated Holding Corporation	NOPAT	Net Operating Profit After Tax
COVID-19	Coronavirus Disease 2019	NPV	Net Present Value
DPP	Discounted Payback Period	OECD	Organisation for Economic Co-operation and Development
EBIT	Earnings Before Interest and Tax	SMR	Statutory Minimum Reserves
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation	SSR	Self-sufficiency Ratio
FDI	Foreign Direct Investment	TBS	Tanzania Bureau of Standards
GDP	Gross Domestic Product	TEU	Tanzania Economic Update
Ha	Hectares	TZS	Tanzanian Shillings
ILO	International Labour Organisation	UN	United Nations
		USD	United States Dollars
		ZA	ZA Advisory Limited



Executive Summary

Executive Summary (4/1)

AGL was incorporated in 1997, as a cotton ginner. The company specializes in the primary processing of agri-products.

The Promoters plan to expand current operation and set up a new agri-processing facility, to tap into the export market of value added agri-products ("Project Nexus").

ZA's mandate was to assess the financial viability of the project and prepare a business plan.

Introduction

- ZA Advisory Limited ("ZA") has been engaged by Afrisian Ginning Limited ("AGL", "the Company" or "the Promoters") to prepare a business plan that will be used to assess the financial viability of the company's proposed expansion.
- AGL plans to expand its current operations by setting up a new agri-processing facility that will produce and export high quality, ready-to-consume agri-products ("Project Nexus").

About Afrisian Ginning Limited

- AGL was incorporated in 1997 in Dar es Salaam, Tanzania as a cotton ginner.
- The company has expanded its product range and core operations over the past 20 years with the aim of facilitating the development of value-added agricultural business in Africa.
- Currently, its core activities are procurement and primary processing of raw agri-products as well as packaging and bulk exports of agri-products. The Company also provides access to high quality pesticides and fertilizers to farmers.
- AGL procures agri-produce from its network of more than 500,000 agents and farmers across the country, cleans, sorts, grades and packages the produce.
- The export destination for AGL's agri-products is mainly India, China, Pakistan and other neighboring countries in the Asian sub-continent.

Business Proposition

- The Promoters plan to expand AGL's current operations by establishing a modern agri-processing facility
- In summary, Project Nexus aims to;
 1. Establish state -of -art 20,000 tons per annum agriproducts processing facility in Dar es Salaam, Tanzania, that is compliant with local and international quality manufacturing standards.
- The initial range of products that will be processed and marketed by the project includes peanuts, sesame, green mung, yellow gram, pigeon peas, Raw cashewnut and soya.

Executive Summary (4/2)

The project's financing requirement is estimated at TZS 5.8 billion (USD 2.5 million).

A revolving facility will be required to meet the project's working capital needs.

Business Proposition (continued)

- Project Nexus' target market in the short to medium term is Asia and Middle East. In these markets, AGL already supplies over 45,000 tons of various products in raw, unprocessed form, and has built a network of clients over the last two decades.
- Over the long-term, the project will target Europe and North America. These highly organized, competitive markets, have sophisticated consumers with high income and spending power. Once these markets are secured, considerably higher margins will be achieved by the project.
- The Promoters have secured land of 81,000 sqm in Pangani, Kibaha in Pwani Region
- Project Nexus is anticipated to have wide and extensive social and economic benefits to Tanzania. This includes boosting employment, alleviation of poverty and child labor, increasing international trade and efficient utilization of idle and underutilized economic resources.

Financing Requirement

- To successfully execute Project Nexus and venture into the export market for value added agri-products, AGL requires financing of TZS 5.8 billion (c. USD 2.5 million) for the initial capital outlay.
- In addition to the capital outlay, the project will require a revolving working capital facility of between TZS 31 to 33 billion (c. USD 13.4 to 14.3 million) to finance the gap between procurement of agri-produce and receiving payments from customers as well as day-to-day operating cash flow requirements.

Uses of Funds			
	%	TZS '000	USD '000
Uses			
Motor Vehicles and Trucks	%8.0	464,000	200
Building	%48.0	2,784,000	1,200
Plant and Machinery	%20.0	1,160,000	500
Equipment	%4.8	278,400	120
Land	%18.0	1,044,000	450
Furniture and fittings	%0.4	23,200	10
Office Equipment	%0.8	46,400	20
Total capital expenditure requirement	%100	5,800,000	2,500

Source: AGL Management

Executive Summary (4/3)

A financial appraisal of Project Nexus was carried using three scenarios. All three scenarios produce a positive viability results i.e., positive NPVs and an Internal Rate of Return (IRR) that is higher than the applied discount rate.

Financial Appraisal

- To determine the financial viability of the expansion, a financial appraisal was carried using three (3) distinct scenarios: base case, low case and high case.
- In all three scenarios, the net present value of Project Nexus is positive. Additionally, the internal rate return of the project is above the calculated weighted average cost of capital of 18.5%.

Financial Appraisal Results		
Base case scenario		
NPV	TZS'Million	15,753
IRR	%	%40.2
DPP	years	4.95
Low case scenario		
NPV	TZS'Million	14,339
IRR	%	%38.6
DPP	years	5.20
High case scenario		
NPV	TZS'Million	17,199
IRR	%	%41.8
DPP	years	4.73

Source: ZA Analysis

- The analysis above excludes any potential upside (i.e. 10-year income tax holiday and other generous tax incentives)

Key Success Factors

- Several factors are key to the success of the proposed investment in agri-products processing including;
 - Securing financing for the capital expenditure requirements in good time and the overdraft facility to manage the working capital needs.
 - Securing the proposed project location and ensuring transfer of ownership rights are complete and secure.
 - Receiving, installing and commissioning the processing plant & machinery without delay.
 - Ensure high quality and standards of agri-produce procured from farmers as they will be processed further for export as finished premium products.
 - Maintaining high quality and standards of the processed agri-products in accordance with local food regulations and the high standards required in the target markets.

Executive Summary (4/4)

Based on the sensitivity analysis, the NPV of Project Nexus is in the range of TZS 13.4 billion (USD 5.8 million) and TZS 18.2 billion (USD 7.9 million).

Sensitivity Analysis

- To assess the robustness of Project Nexus’ financial viability, a sensitivity analysis was conducted based on key project parameters. The two key project parameters selected were the change in direct cost and the targeted capacity utilization
- The change in direct cost reflects the variability in prices of raw agriculture produce due to forces of demand and supply. The target capacity utilization captures changes in the processing plant’s capacity due to operational efficiency levels achieved.
- The results show that the project’s financial viability is highly sensitive to the target capacity utilization rate compared to changes in the direct cost. This indicates that higher margins achieved from Project Nexus can absorb small changes in the prices of raw agricultural produce without significantly impacting the project’s viability.
- Based on the sensitivity analysis, the NPV of Project Nexus is in the range of TZS 13.4 billion (USD 5.8 million) and TZS 18.2 billion (USD 7.9 million).
- Set out in the table below is the NPV of Project Nexus, which has been determined by varying the two key project parameters whereby the change in direct cost is represented by the direct cost to sales margin.

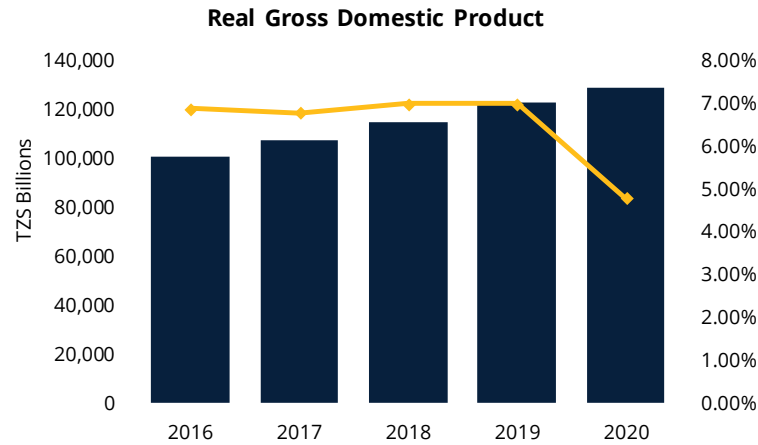
NPV		Change in % of Direct costs to Sales				
TZS'Millions		%0.5-	%0.3-	%0.0	%0.3	%0.5
Targeted Capacity Utilization	%85.0	15,407	14,896	14,385	13,886	13,391
	%87.5	16,137	15,615	15,094	14,585	14,080
	%90.0	16,815	16,284	15,753	15,234	14,721
	%92.5	17,548	17,007	16,466	15,938	15,416
	%95.0	18,229	17,677	17,127	16,590	16,058

Source: ZA Analysis

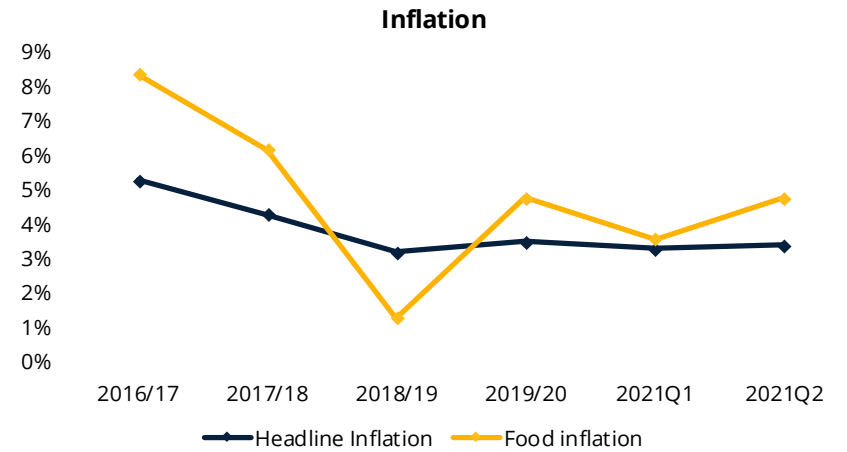


Macroeconomic Overview

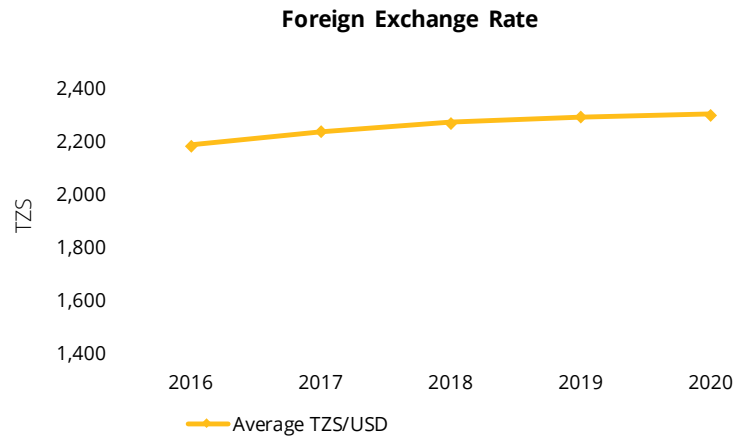
Macroeconomic Overview- At a Glance



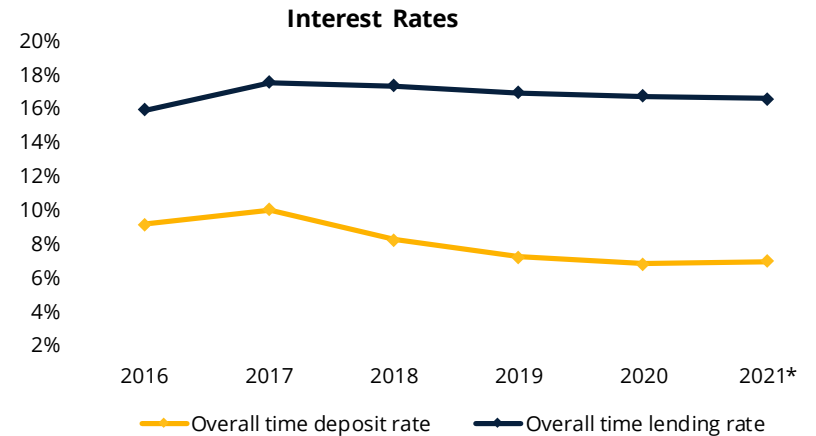
Source: Ministry of Finance and Planning



Source: National Bureau of Statistics and Bank of Tanzania



Source: Bank of Tanzania



*Quarter ending June 2021

Source: Bank of Tanzania

Macroeconomic Overview (2/4)

The AfDB projects Tanzania's real GDP to grow at 4.1% in 2021 and 5.8% in 2022.

During the quarter ending June 2021, Tanzania's headline inflation averaged 3.4%.

According to the BoT's June 2021 Quarterly Bulletin, bank lending and deposit rates across instruments of varying maturities have demonstrated a declining trend.

Gross Domestic Product ("GDP")

- The Ministry of Finance ("MoF") reported that the real GDP growth rate during the year 2020 was 4.8% compared to 7.0% in the corresponding period of 2019. This trend was primarily due to a 13.7% decline in hospitality services and 4.4% decline in entertainment services attributable to the lockdown restrictions following the Coronavirus disease 2019 ("COVID-19") pandemic.
- Agricultural activities accounted for 26.9% of GDP, followed by 14.4% in construction, and 8.7% in wholesale, retail trade and repairs in the year ending June 2020.
- According to the Africa Development Bank Group Tanzania Economic Outlook ("AfDB"), Tanzania's real GDP is projected to grow at 4.1% in 2021 and 5.8% in 2022.

Inflation

- According to the June 2021 Bank of Tanzania ("BoT") Quarterly Economic Bulletin, Tanzania's headline inflation averaged at 3.4% during the period, up from 3.3% in the preceding quarter. Core inflation remained constant at 3.7% in the quarter ending June 2021 from the previous quarter. This was mainly attributable to the steady prices in health and education services.
- Food inflation registered an increase of 4.8% in the same period, up from 3.6% in the preceding quarter. This was a result of a rise in prices of sunflower oil, cassava and fish. Energy, fuel and utilities inflation, was at 2.5%, up from 1.4% in the preceding quarter. This is due to the recovery in global oil prices following resumed global activity.
- Both the BoT and International Monetary Fund ("IMF") expect headline inflation to remain within the medium-term target during the year 2021/22. The IMF projects headline inflation to be at 3.6% in 2022.

Interest Rates

- According to the BoT's June 2021 Quarterly Economic Bulletin, bank lending and deposit rates across instruments of varying maturities have demonstrated a declining trend. During the quarter ending June 2021, overall time deposit rates averaged at 7.0% (6.8% in March 2021) whilst lending rates averaged at 16.8% (16.1% in March 2021).
- This is mainly attributable to the BoT's liquidity easing efforts and accommodative monetary policy.
- The BoT has implemented strategies to dampen the adverse effects of the COVID-19 pandemic on the economy and to specifically support the financial sector. Some of these strategies include;
 - Reduction in the statutory minimum requirement on deposit liabilities to 6% and the discount rate to 5% in May 2020 (both rates from 7% in the first half of 2020).
 - Introduction of a special fund of TZS 1 trillion to banks and other financial institutions who lend to the private sector at a maximum interest rate of 10%.
 - Removal of minimum 18 months business experience requirement for applicants of agent banking to increase deposit mobilization.

Foreign Exchange ("Forex")

- The Tanzanian Shilling (TZS) has remained relatively stable over the last year, depreciating by 0.5% against the USD in 2019/20 (1.8% in 2018/19). The exchange rate in 2019/20 averaged at TZS 2,305 per USD compared to TZS 2,293 per USD in the previous year.
- The BoT has succeeded in its efforts to maintain the stability of the TZS against the USD. Some of the BoT's interventions include reducing banks forex net open position and active participation in the forex market.

Macroeconomic Overview (3/4)

In response to the COVID-19 pandemic and global economic crisis, Tanzania has taken several health and economic policy measures to mitigate against negative impacts of the ongoing crisis.

During the fiscal period 2019/20, the country's trade account deficit narrowed due to a substantial increase in the value of exports of traditional and non-traditional goods accompanied by a decline in imports.

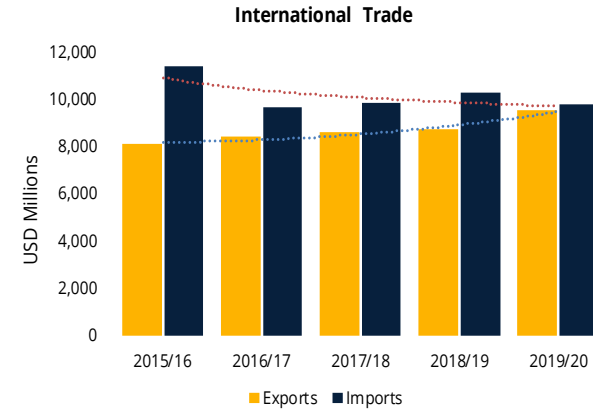
Impact of COVID-19 on the economy

- In Tanzania, the measures taken to control the spread of the pandemic were; (1) Closure of all education institutions (2) Restrictions of public gatherings and; (3) ban on international flights.
- In addition to the above measures, the BoT adopted accommodative monetary policy measures to increase liquidity in the banking system and cushion the economy from the impact of COVID-19. The strategies include;
 - i. Lowering of the Statutory Minimum Reserves ("SMR") requirement from 7% to 6%, to provide additional liquidity to the banks.
 - ii. Reduction of the discount rate from 7% to 5%, to safeguard the financial sector stability and provide additional space for banks to borrow from the central bank at a lower cost.
 - iii. Reduce haircuts on government securities from 10% to 5% for Treasury bills and from 40% to 20% for Treasury bonds.
- Notwithstanding the preventative measures taken, the country still experienced a substantial impact of the pandemic in the tourism and hospitality, wholesale and retail sectors as well as international trade.

International trade

- During the fiscal period 2019/20, the country's trade account deficit narrowed to USD 240.1 million from USD 1,605.2 million in 2018/19 due to a substantial increase in the value of exports of traditional and non-traditional goods accompanied by a decline in imports.

Impact of COVID-19 on the economy (continued)



Source: Tanzania Revenue Authority and Bank of Tanzania

- Exports value registered a 10% increase in 2019/20, exacerbated by a rise in global gold prices. This was due to strong demand for safe-haven assets (such as gold) to hedge against negative global economic prospects of the pandemic. Further, according to the BoT's Annual Report 2020, during the same period, the volume of cashew nut exports rebounded to 295,600 tons, 4 times higher than the previous period from a backlog of the previous year's harvest.
- A 5% decline in imports value resulted from a drop in imports of capital goods following a halt in global supply chains, coupled by a decline in the value of oil imported resulted from the fall of global oil prices.

Macroeconomic Overview (4/4)

The hospitality and entertainment sector declined by 13.7% and 4.4% respectively in the year ending June 2020.

Wholesale and retail trade

- The country also experienced a decline in wholesale and retail trade activities. MoF's Tanzania Statistical Abstract 2020 cited that, "this was due to a seasonal change in consumer demands to necessity goods". Wholesale and retail trade growth declined from the average 5.4% per annum, over the five years before the pandemic to 2.1% in 2020.

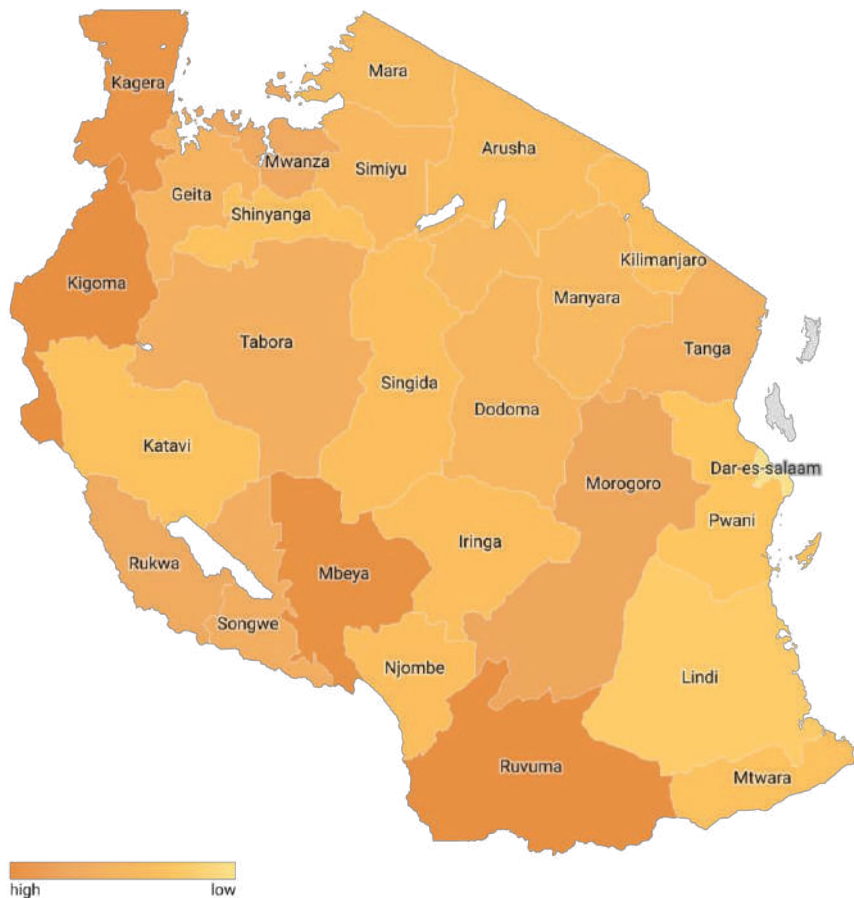
Hospitality and entertainment

- The MoF's Tanzania Statistical Abstract 2020 reported a 59% decline in foreign visitors, resulting into a 73% decline in revenues from the tourism and hospitality sector.
- Consequently, the growth of the hospitality sector declined from the average annual growth of 3% over the five years before the pandemic to -13.7% in 2020. A similar trend was observed from the entertainment sector, which declined to -4.4% in the same period.



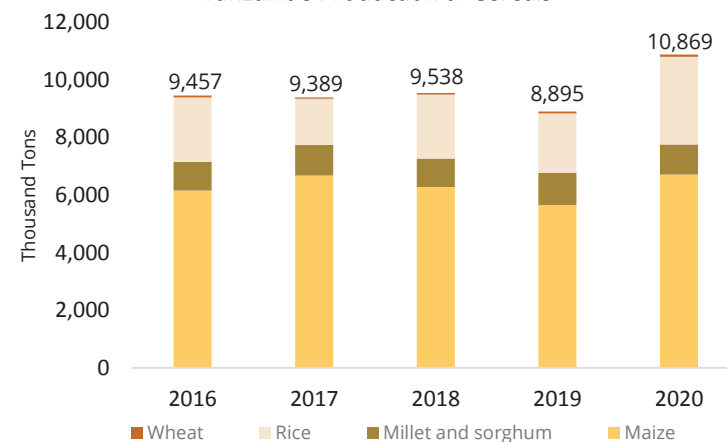
Market Overview

Tanzania's Production of Major Crops by Region 2018/2019



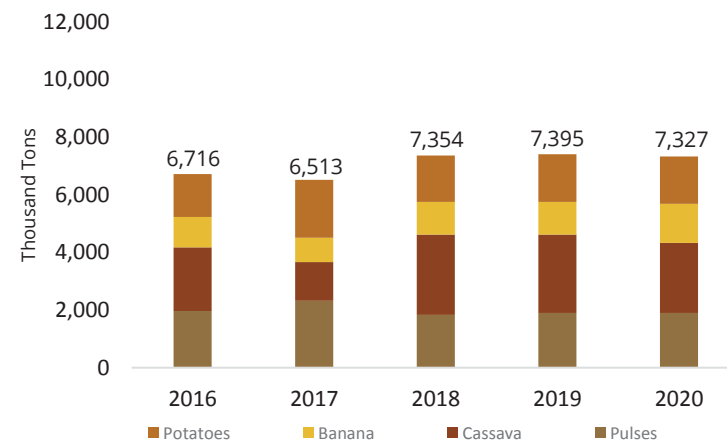
Source: AGSTATS for food security report for 2019/2018

Tanzania's Production of Cereals



Source: Tanzania Statistical Abstract 2020

Tanzania's Production of Non-cereals



Source: Tanzania Statistical Abstract 2020

Market Overview (2/1)

The agriculture sector contributed an average of %28 to Tanzania's GDP in the period 2015 to 2019.

Tanzania's food crop production is dominated by cereal production, taking up %58 of total production over the period 2016 to 2020.

The agriculture sector employs majority of Tanzania's working population.

Overview Agriculture Sector

- As a developing country, agriculture is the mainstay of the economy thus, it plays a vital role in Tanzania's economic growth, development and prosperity.
- According to BoT's Annual Report for 2020, the agriculture sector was the largest contributor to GDP accounting for an average of 28% over the period 2015 to 2019. From this contribution, the crop sector occupies the largest share at an average of 16% over the same period.
- According to the MoF's Tanzania Statistical Abstract 2020; the agriculture, forestry and fishing sector employed 14.1 million individuals in 2020, equivalent to 61% of Tanzania's working population.

Production Of Major Food Crops And Food Supply In Tanzania

- Tanzania's production of major food crops (both cereals and non-cereals) has increased by 12% in 2020, with total production being 18.2 million tons.
- The increase in food production was attributed to favourable weather conditions, acreage expansion, availability of farm inputs coupled with construction and rehabilitation of irrigation systems.
- Food crop production is dominated by cereals, accounting for on average 58% of the total food crops produced in Tanzania over the period 2016 to 2020.
- During the year 2020, maize was the highest produced food crop in Tanzania, consistent with historical market trends observed over the years 2016 to 2019. In the year 2020, it accounted for 37%, followed by rice (17%), cassava (13%) and pulses (10%).

Production Of Major Food Crops And Food Supply In Tanzania

(continued)

- Analysis on regional cereal production indicates that Ruvuma, Mbeya and Morogoro are the highest cereals producing regions, with a production of 2.1 million tons (23%) of the total cereals produced in 2019.
- Kagera, Kigoma and Mwanza are the highest non-cereals producing regions, with a production of 2.2 million tons (30%) of the total non-cereals produced in 2019.
- According to 2019/2020 Preliminary Food Security report, Tanzania's food requirement for the period 2020 was 13.8 million tons, amounting to a surplus of 2.6 million tons from total production. This amounts to a food self-sufficiency ratio ("SSR") of 119%, indicating adequate food supply in the country.

Harvest Area For Major Food Crops in Tanzania

- According to World Bank, Tanzania has 39.7 million Ha of agricultural land; out of which 13.5 million Ha is arable land. Tanzania's total harvest area for major food crops in the year 2019 was 8.9 million Ha.

Prices Of Major Food Crops In Tanzania

- During the period 2018/19 and 2017/18, the average wholesale prices for major food crops declined, mainly attributable to adequate food supply levels. Maize registered the highest decline in 2017/18 (-34.9%), whilst sorghum had a consistent decline in both years (-18.0%; 2017/18 and -11.7; 2018/19).
- The average wholesale prices of major food crops increased by 13% during the period 2019/20 relative to the corresponding period in 2018/19.

Market Overview (2/2)

Average wholesale prices of major food crops increased by %13 during the period 20/2019.

Prices Of Major Food Crops In Tanzania (*continued*)

Average wholesale prices of major food crops in Tanzania					
TZS per kg	16/2015	17/2016	18/2017	19/2018	20/2019
Maize	598	809	527	477	713
Rice	1,683	1,587	1,816	1,587	1,744
Beans	1,617	1,685	1,700	1,601	1,885
Sorghum	832	1,043	856	755	1,027
Finger millet	1,123	1,240	1,467	775	741
Round potatoes	806	814	711	1,347	1,302

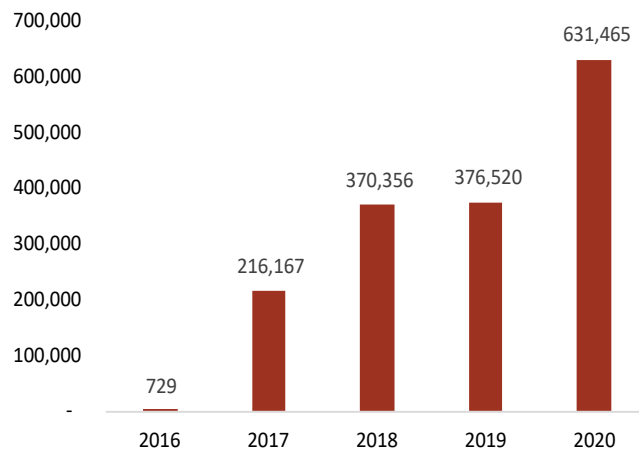
Source: Ministry of Industry and Trade

- According to the BoT's Annual Report for 2020, increase in average wholesale food prices was driven by an increase in demand for crops from neighboring countries (especially Kenya), a surge in domestic demand from Northern and Lake zone regions and a shortage in crop production in 2018/19.
- This indicates that despite the growth in total production of major food crops (12%) in 2019/20, the increase in demand outweighed the increase in production of food crops, thus resulting to an upward movement in average wholesale food prices by 13%.

Groundnuts Market Overview

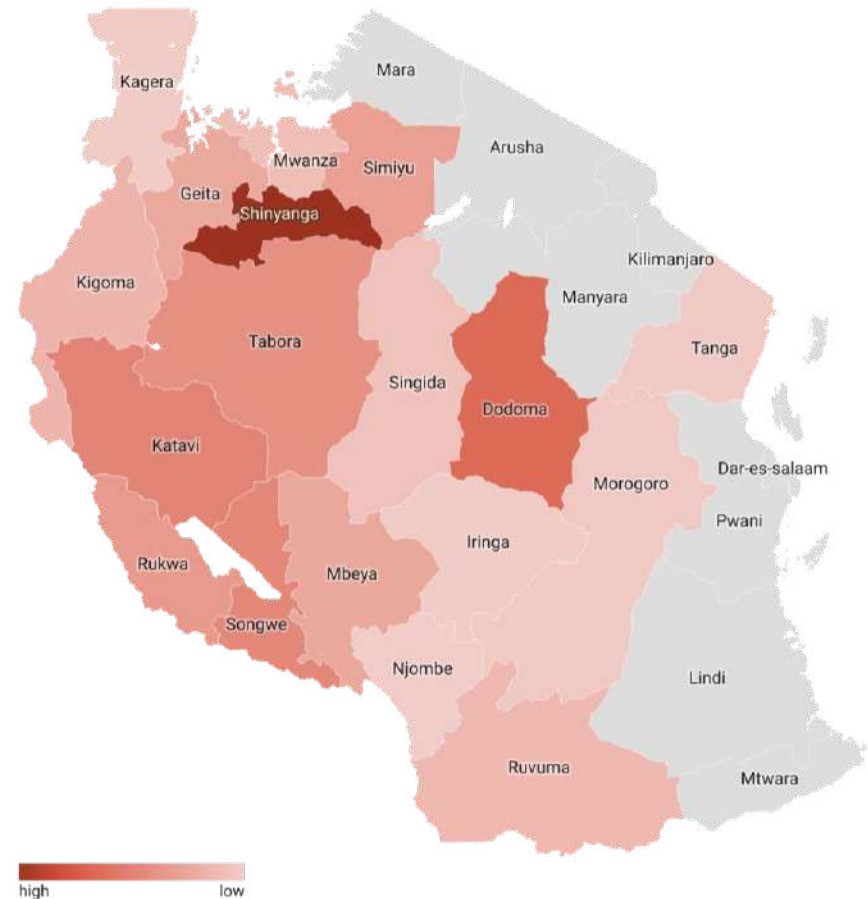
- The production of groundnuts in Tanzania has increased significantly from 729 tons in 2016 to 631,465 tons in 2020. The growth in production is attributed to the broad local market gap for edible oil.
- Tanzania's total harvest area for groundnuts was 269,128 Ha in 2019, with an average yield of 1.12 tons per Ha. Shinyanga and Dodoma are the highest groundnuts producing regions in Tanzania; with their combined production being 111,466 tons in 2019.
- Based on Trade map data, Uganda has been the largest export destination for Tanzania's groundnuts, accounting on average more than 80% of Tanzania's total groundnuts exports. In 2020, Uganda imported approximately 39,000 tons of groundnuts with a value of USD 9.7 million.

Tanzania's Production of Groundnuts in Tons



Source: Tanzania Statistical Abstract 2020

Tanzania's Production of Groundnuts by Region

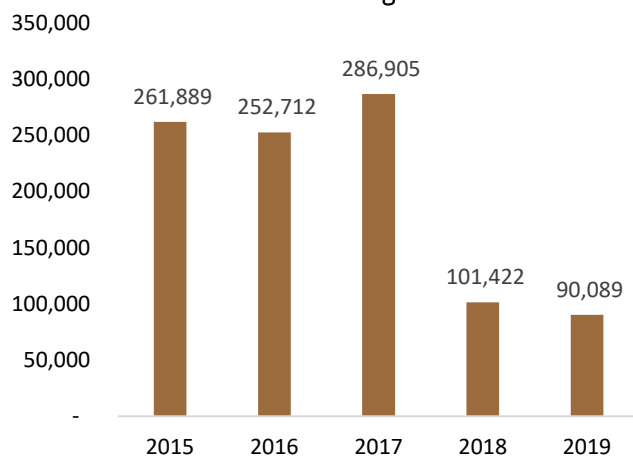


Source: AGSTATS for food security report for 2018/2019

Pigeon Peas Market Overview

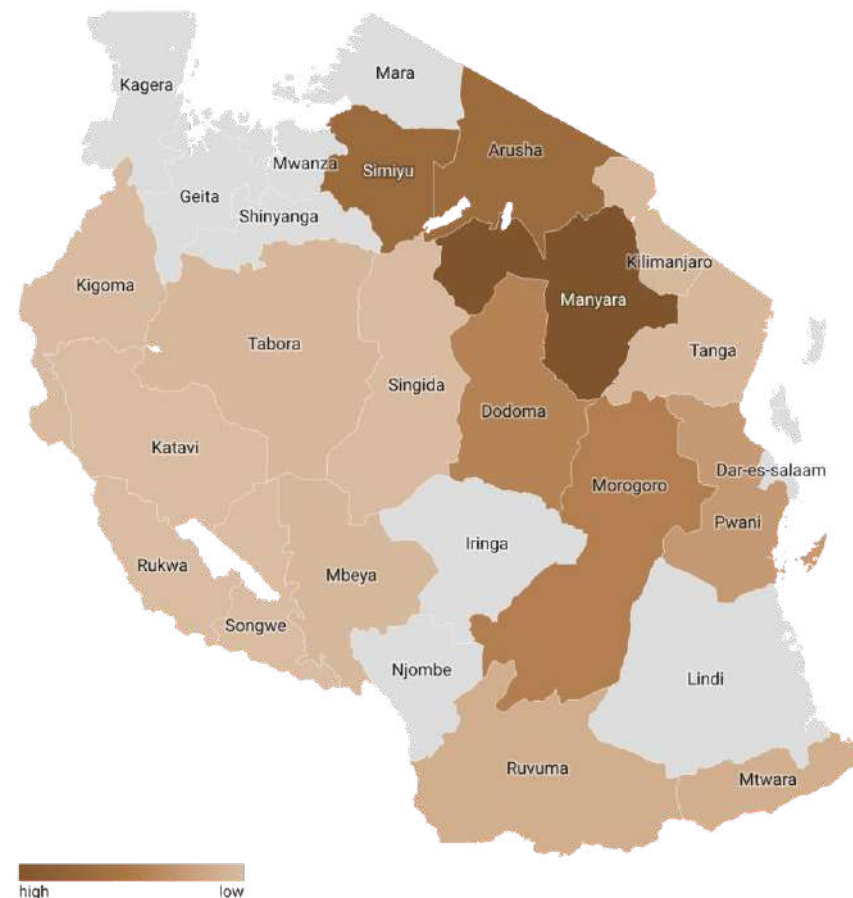
- The production of pigeon peas has declined from its peak at 286,905 tons in 2017 to 90,089 tons in 2019. The 65% drop in 2018's production was due to an importation ban on legumes from Tanzania imposed by India. This caused a significant impact, given that India was the largest importer of Tanzania's pigeon peas. Later during the year, India relaxed the ban allowing annual imports of up to 200,000 tons.
- However, based on Trade map data from the year 2018, India still occupied a majority stake (57%) in exports from Tanzania, followed by Pakistan (31%). Tanzania exported 85.865 tons of pigeon peas in 2018 with a value of USD 27 million.
- Tanzania's total harvest area for pigeon peas was 87,425 Ha in 2019, with an average yield of 1.03 tons per Ha. Manyara, Simiyu and Arusha are the highest pigeon peas producing regions in Tanzania, with their combined production being 54,759 tons in 2019.

Tanzania's Production of Pigeon Peas in Tons



Source: tilasto.com

Tanzania's Production of Pigeon Peas by Region

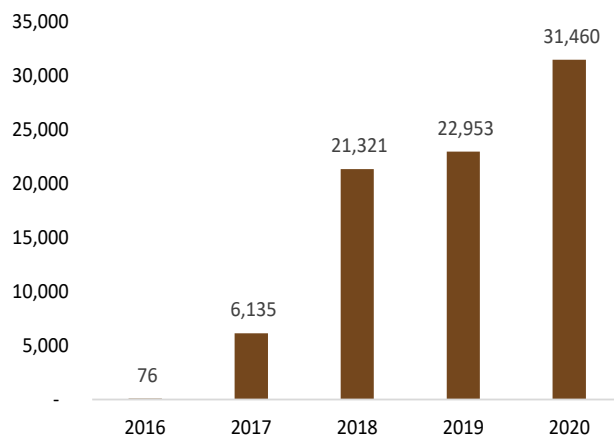


Source: AGSTATS for food security report for 2018/2019

Soya Beans Market Overview

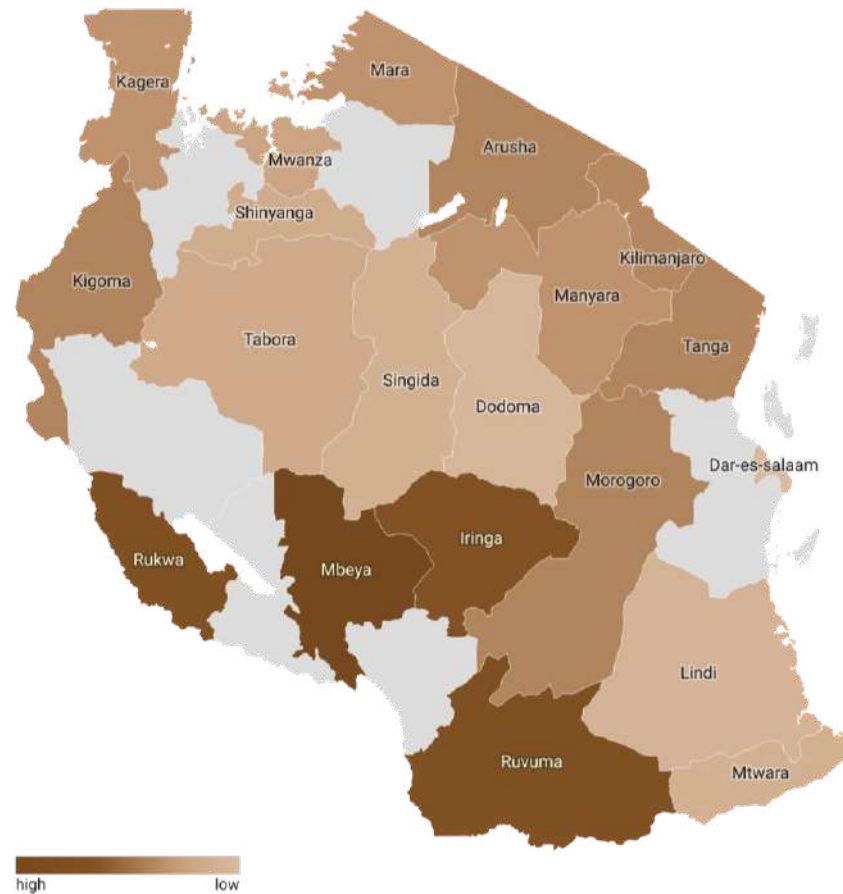
- The production of soya beans has increased from 76 tons in 2016 to 31,460 tons in 2020. The growth in production is attributed to the rising local and global demand for soya beans in animal feed for the livestock industry.
- Tanzania's total harvest area for soya beans was 26,223 Ha in 2020, with an average yield of 1.2 tons per Ha. Ruvuma, Mbeya, Iringa, and Morogoro are the highest soya beans producing regions in Tanzania.
- Based on Trade map data, Tanzania exported 10,559 tons of soya beans in 2019 with a value of USD 3 million. East African countries were the main export destination for Tanzania's soya beans in 2019. The largest importer was Uganda (77%) followed by Rwanda (23%).

Tanzania's Production of Soya Beans in Tons



Source: Tanzania Statistical Abstract 2020

Tanzania's Estimated Production of Soya Beans by Region



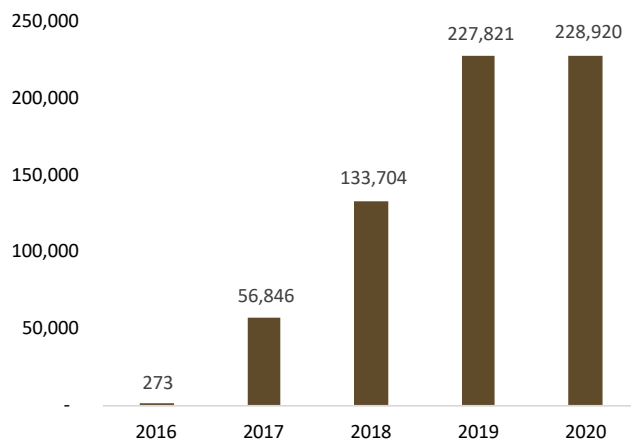
Source: Ministry of Agriculture Food Security and Cooperatives, 2005



Sesame Seeds Market Overview

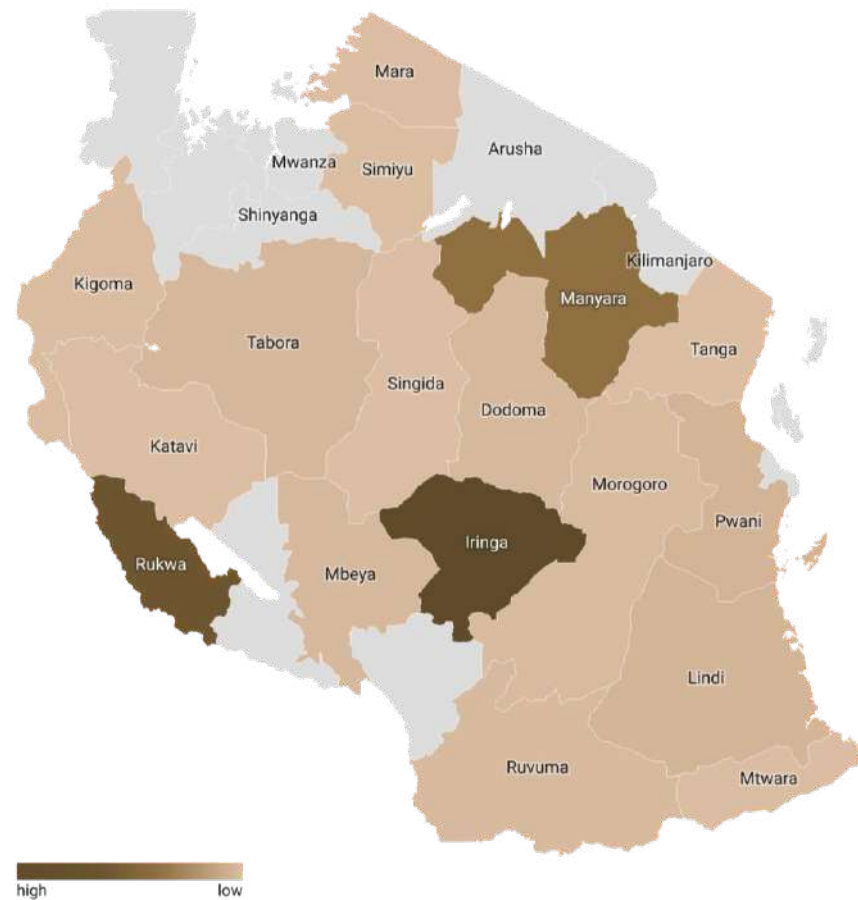
- The production of sesame seeds has increased from 273 tons in 2016 to 228,920 tons in 2020. The growth in production is attributed to the rising global demand for sesame seeds, which are mainly used for edible oil production.
- Tanzania's total harvest area for sesame seeds was 316,450 Ha in 2020, with an average yield of 0.72 tons per Ha. Mtwara and Lindi have successfully increased their production capacity over the years, positioning themselves as the highest sesame seeds producing regions in Tanzania.
- Based on Trade map data, China has been the largest export destination for Tanzania's sesame seeds since 2016, importing on average more than 80% of Tanzania's total sesame seeds exports. In 2020, China imported approximately 140,000 tons of sesame seeds from Tanzania with a value of USD 154 million.

Tanzania's Production of Sesame Seeds in Tons



Source: Tanzania Statistical Abstract 2020

Tanzania's Production of Sesame Seeds by Region

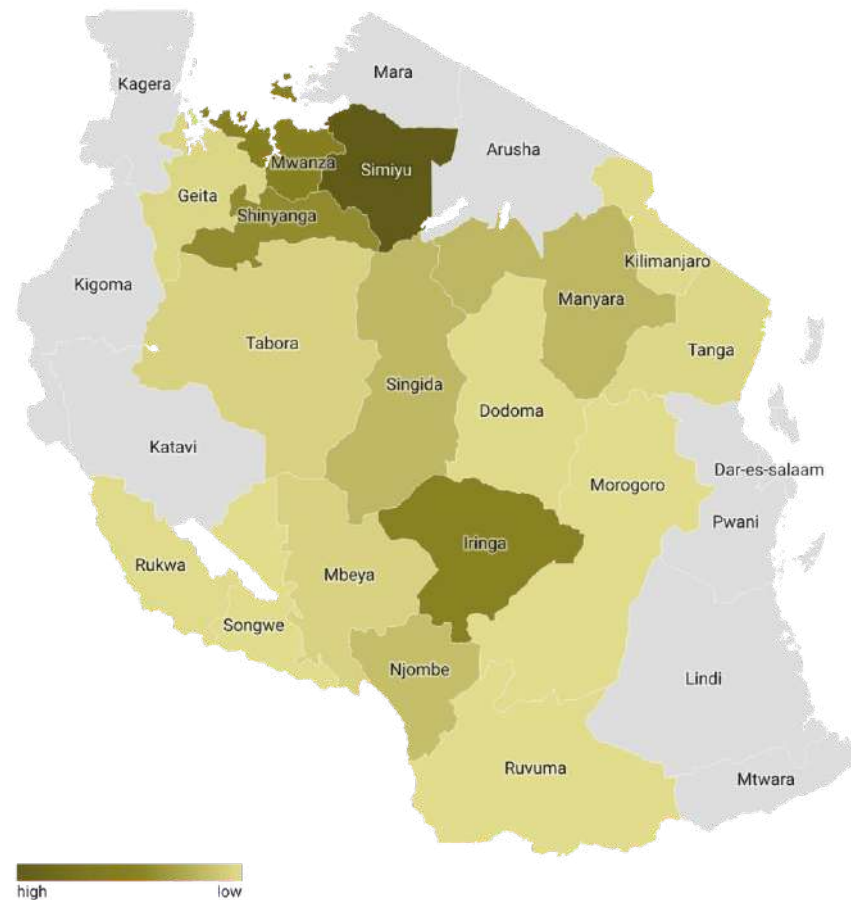


Source: 2016/2017 Annual Agriculture Sample Survey

Green Mung Market Overview

- Tanzania's total harvest area for green mung was 111,191 Ha in 2019, with an average yield of 1.10 tons per Ha. Simiyu, Mwanza, Iringa and Shinyanga are the highest green mung producing regions in Tanzania, with their combined green mung production being 92,744 tons in 2019.

Tanzania's Production of Green Mung by Region



Source: AGSTATS for food security report for 2018/2019



Business Overview

Business Overview

Afrisian Ginning Limited (“AGL”) was incorporated in 1997 in Dar es Salaam, Tanzania as a cotton ginner.

Its current operations include:

- *Primary processing of agri-products for exports*
- *Sale of fertilizers and pesticides*
- *Rental of storage facilities and warehouses*

Background

- Afrisian Ginning Limited (“AGL or the company”) was incorporated in 1997 in Dar es Salaam, Tanzania as a cotton ginner. The company primarily focused on first stage processing of cotton, which involved separation of cotton lint from the seed.
- Over the past 20 years, AGL has maintained its dedication towards primary processing of agri-products, with an aim to facilitate the development of value-adding agricultural business in Africa.
- AGL has two processing facilities located in Dar es salaam and Shinyanga.
- Its current operations and product range includes oil seed crushing, rice milling and export of cleaned peanuts, sesame seeds, soya beans, maize and pulses such as kidney beans, yellow gram, green mung and pigeon peas.

Current Operations

Cotton ginning

- AGL has over 20 years of experience in cotton ginning. The company has a processing facility in Shinyanga, that specifically focuses on cotton ginning operations.
- AGL’s key clients for the cotton products are global corporates, local commodity companies and global agents and distributors.

Primary processing of agri-products for exports

- AGL’s primary processing operations involves the procurement of agri-products from farmers across the country, cleaning, sorting, grading and packaging the agri-products for the export market.

Primary processing of agri-products (continued)

- Procurement of agri-products is highly dependent on AGL’s agent network. They currently have a network of agents and more than 500,000 farmers through which they procure their agri-products. AGL also accepts purchases from other individuals.
- All agri-products procured through AGL’s agents and individuals are sampled by their in-house experts and occasionally by an independent expert before accepting the consignment for further processing, to ensure the products meet their quality standards.
- The company’s major key clients for the agri-products are global corporates, local commodity companies and global agents and distributors.

Sale of fertilizers and pesticides

- AGL also operates in the trading of fertilizers and pesticides, to support the local farmers with easy accessibility of high quality raw materials required for farming.
- The company mainly imports high quality fertilizers and pesticides and sells to local farmers through both its agent network and farmer’s cooperatives.

Rental of storage facilities and warehouses

- The company rents out their excess storage facility in Dar es Salaam and Shinyanga to other independent parties during its low season operations, typically on January to February.



Project Overview

Project Overview

AGL plans to establish a state-of-art agri-products processing facility that will specifically focus on the export of premium processed products.

AGL requires TZS 5.8 billion (c. USD 2.5 million) to finance Project Nexus' capital expenditures.

A bank overdraft facility will be secured to manage the working capital needs.

Project Overview

- AGL is planning on setting up a new agri-processing facility that will primarily focus on the exports of value-added products
- In summary Project Nexus aims to;
 1. Establish a state-of-art 20,000 tons per annum agri-products processing facility in Dar es Salaam, Tanzania, that is compliant with local and international quality manufacturing standards.
 2. Capture additional value from processing and marketing ready-to-consume products in the commodities value chain.
- The initial Products produced and marketed under the project includes peanuts, sesame, green mung, yellow gram, pigeon peas,soya and raw cashewnut. Further details on the specific products and packaging have been presented on page 32 of the report.
- Considering the substantial investment required to market a significant share of the products.

Project Financing Requirements

- To successfully venture into the export market of value added agri-products, AGL requires TZS 5.8 billion (c. USD 2.5 million) in financing for capital expenditure.
- Additionally, AGL will require approximately TZS 31 to 33 billion (USD 13.4 to 14.3 million) to ensure adequate cash levels that will be used to manage day-to-day operations. The working capital requirement will be 100% financed through a bank overdraft facility.
- The table below summarizes the project's sources and uses of financing:

Sources and Uses of Funds			
	%	TZS '000	USD '000
Sources			
Equity	%20.0	1,160,000	500
Debt (Term Loan)	%80.0	4,640,000	2,000
	%100	5,800,000	2,500
Uses			
Motor Vehicles and Trucks	%8.0	464,000	200
Building	%48.0	2,784,000	1,200
Plant and Machinery	%20.0	1,160,000	500
Equipment	%4.8	278,400	120
Land	%18.0	1,044,000	450
Furniture and fittings	%0.4	23,200	10
Office Equipment	%0.8	46,400	20
Total capital expenditure requirement	%100	5,800,000	2,500

Source: AGL Management

Initial Product Range

The initial product range has been selected from desktop research on fast moving products in target markets.

Peanuts are a delicacy that is rarely consumed raw. A variety of flavours including salt, masala, caramel can be added to peanuts.

Split lentils are low in fat and high in protein and fibre. Further, consumers prefer split as they cook quickly and can be used in a variety of dishes. It is possible to remove the skin, but most households prefer to consume the product with its skin intact.

Split pigeon peas are some of the most popular pulses. They are a must have ingredient to thicken stews, curries and soups and require little soaking prior to cooking.

Sesame seeds are quintessential to Asian cuisine. Beyond their nutritional and health benefits, sesame is used in preparation of vegetables and snacks.

Soya chunks are popular in primary vegetarian countries as a healthier alternative for meat.

Initial product range

Peanuts / Groundnuts

- Roasted peanuts (250, 500 and 1,000 gms).
- Roasted and flavoured peanuts (250, 500 and 1,000 gms).
- Peanut butter (350 and 500 gms).



Lentils / legumes

- Green mung split (250, 500 and 1,000 gms).
- Green mung flour (250, 500 and 1,000 gms).
- Yellow gram split (250, 500 and 1,000 gms).
- Yellow gram flour (250, 500 and 1,000 gms).



Pigeon peas

- Pigeon peas split (500gms, 1, 2 and 5 kg):

Sesame

- Ready-to-consume sesame (250, 500 and 1,000 gms).
- Roasted sesame (250 and 500 gms):



Soya

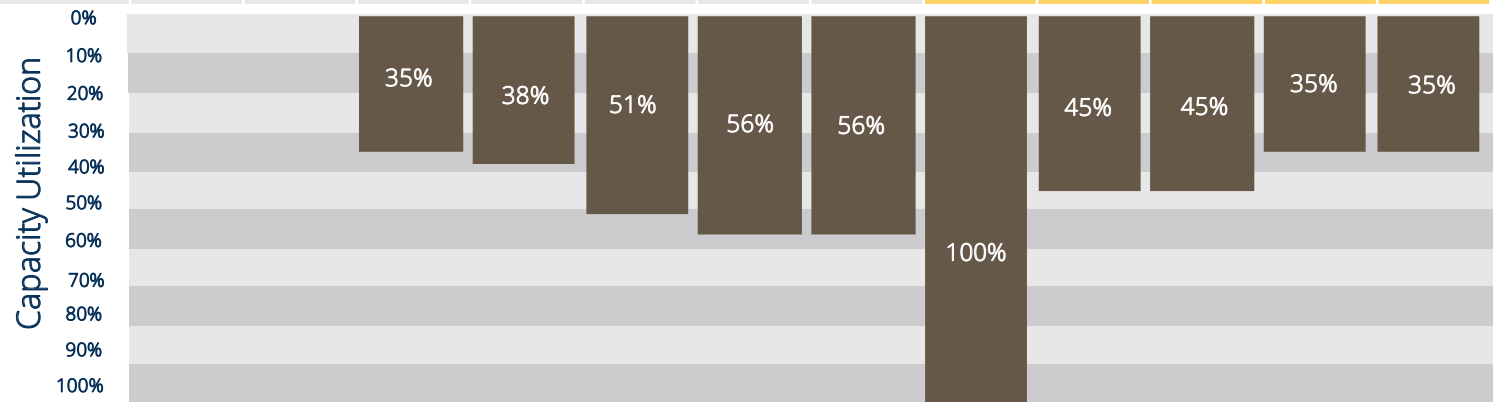
- Soya chunks (150, 500 and 1,000 gms).
- Soya flour (500 and 1,000 gms).



Seasonality Analysis

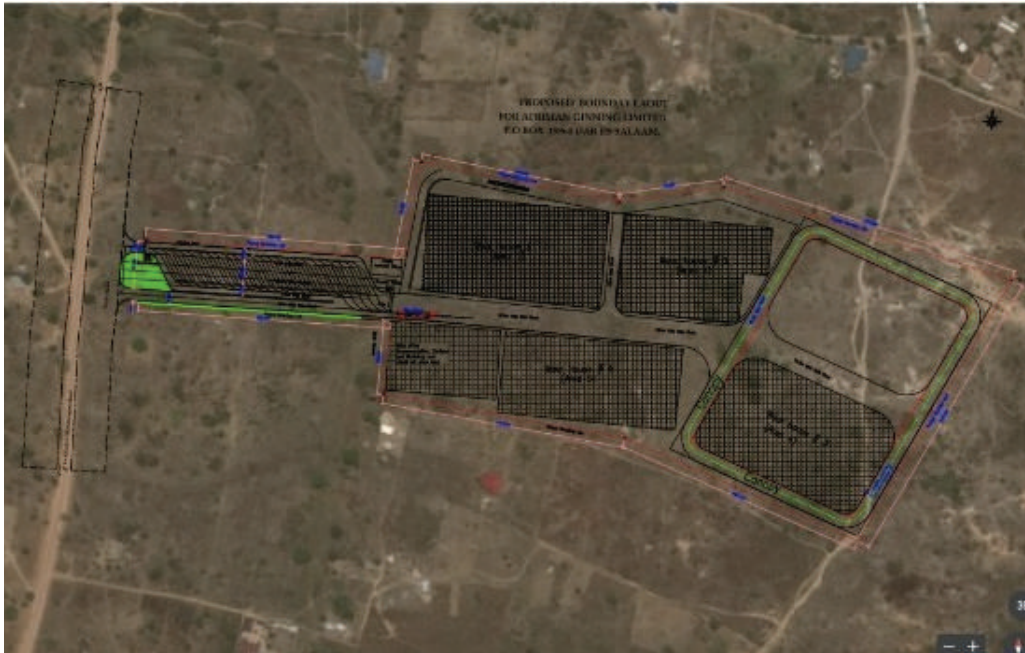
Products/Months	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sesame seeds						■	■	■				
Soya beans								■	■	■		
Groundnuts / peanuts					■	■	■	■				
Pigeon peas								■	■	■	■	■
Green mung			■	■	■							
Yellow grams								■	■	■	■	■

The Project will rent out the storage facility during the months where capacity utilization is **below 50%** to generate additional revenue from excess storage capacity.



Proposed Project Location

Geographical Location



- The Promoters have secured land of 81,000 sqm in Pangani, Kibaha in Pwani Region to establish the new processing facility.
- The site is located in the Pangani area along the District road connecting Morogoro Road at Kibaha and exiting at Bagamoyo Road by the Baobab Secondary School. The government is currently paving this district road to tarmac level.
- With Dar-es-Salaam city expanding, the property is strategically located and sized to sustainably serve our business functions i.e. to receive incoming agro-commodities from inland farming regions, process and prepare container cargo to then transport them to Dar-es-Salaam Port located 45km away for export.
- Accessibility, traffic flow and travel duration from the processing site to the Port has heavily improved after the recent opening of the -8lane Kimara-Kibaha highway. The BRT (Bus Rapid Transit) buses also serve Dar-Kibaha providing a better connectivity and convenience for our staff, management and customers to commute between our existing operations in Chan'gombe and new operations.
- The project execution will be phased to grow as required. Since land acquisition is completed, the initial construction phase will involve levelling the land, securing the premises with a perimeter fence, connecting utilities (electricity and water), building internal access roads and drainage, truck parking, admin building and development of one of the six zones for warehousing and container yard. Refer to below site plan.

Project Social & Economic Impact

The expansion of the agri-processing operations will not only provide direct employment for workers in the agri-processing industry, but also create jobs for the agriculture sector.

AGL's expansion plan will contribute towards the efficient use of the country's resources, and that for other revenue-generating purposes.

Social Impact

Increase in employment, alleviation of poverty and child labor

- According to the National Household Budget survey 2017/2018, 52% of households are employed in the agriculture sector. Further, the agriculture sector contributes an average of 20% to Tanzania's GDP. Thus, it can be analyzed that economic resources dedicated to this sector will have a multiplying effect on the society as majority of Tanzania's income is heavily dependent on it.
- In many cases, informal workers earn insufficient income to support their families. This compels them to introduce their children to working conditions at a young age. Research by the United Nations' (UN) International Labor Organization ("ILO") has estimated that children from such families contribute 10-50% of an adult's income. This makes it challenging to convince the parents to enroll their child in school.
- As a result, the illiteracy rate increases, reducing the earning potential of these individuals. Research (based on US data) by the World Literacy Foundation shows that each uneducated child costs the economy \$897 per annum.
- The expansion of AGL's new facility is expected to provide employment opportunities for unskilled (farmers) and semi-skilled workers (factory staff) which in turn would alleviate the pressure from children to contribute to the household's income.
- Furthermore, as AGL's new facility will demand for additional raw agri-products, supply will have to be increased to meet the incremental demand. Hence, providing an opportunity for the workers employed in the agriculture sector (specifically farmers) to increase efficiency and productivity, to meet the surplus demand. Serving a large and growing market will ultimately increase their earning capacity.

Economic Impact

Increase in international trade

- According to the BoT Annual Report 2020, Tanzania's traditional exports of goods (i.e., agriculture goods) account for 16.6% of the total exports of goods.
- The agri-processing operations are targeted towards exporting value-added agri-products. Therefore, contributing towards Tanzania's total traditional goods exports, and reducing the country's current account deficit.

Increase in use of agriculture land

- According to World Bank data, Tanzania has 396,500 sqkm of agricultural land. Based on the annual agriculture survey 2016/2017, the total area of land in farms engaged for crop production was 171,205 sqkm, this implies that approximately 43% of agricultural land is in use. Over the years 2016/2017 to 2019/2020, the growth in production of major food crops has been relatively stable with a CAGR of 3.4% despite technology advancements in the agriculture sector. Based on this historical trend, it can be analyzed that the use of agricultural land as of 2020 will be relatively same or slightly higher than the 43%.
- The expansion of agri-processing, will boost demand for raw agri-products and lead to a need in increase of supply to meet the gap. The increase in supply, will be a result of increased production, either by improvements in farming practices for higher yields or by increasing the harvesting area.

Efficient use of land resources

- The area of 81,000 sqm earmarked by AGL has been significantly under utilized for several years. AGL's investment in the agri-processing, will offer an opportunity to efficiently use the country's resources.



Financial Appraisal

Key Assumptions (5/1)

It is assumed that operations will begin in April 2022 .

The timeline excludes any potential delays incurred in acquiring the property/ land and in securing the financing required to kick off operations.

It is assumed TZS 5.8 billion (c. USD 2.5 million) will be utilised to finance capital expenditures.

Key Underlying Assumptions

Financial and operational milestones

- The fundraising process is expected to begin in October 2021 and is estimated to take three (3) months before financial close.
- The promoters' plan to finance the project's capital expenditures through 20% equity and 80% debt. The amount of debt drawn down will depend on the total capital expenditure requirement.
- The delivery of the plant & machinery and equipment sourced from People's Republic of China is expected to take two (2) months from the date of procurement.
- Building refurbishments and plant set-up operations are expected to begin in January 2022 and is estimated to take three (3) months, before operations can begin in April 2022.

Financing requirement

- According to the promoters, the financing requirement for capital expenditures is estimated at USD 2.5 million.
- USD 1.5 Million will be required for the investment in Land and Building Infrastructure to acceptable quality and safety standard operations
- 700,000 USD will be required for the equisition of plant , machinery and cleaning & filtration Equipment
- 300,000 will be required for the acquisition of handling equipment , trucks forklifts and other motor vehicles

Financing requirement (continued)

- It is assumed that 80% of the capital expenditures will be financed by a term loan, and the remaining 20% through promoters' equity.
- Further, between USD 13.4 to 14.3 million will be required as working capital due to the gap between procuring and paying for agri-produce and receiving cash payment from customers.

Uses of Funds			
	%	TZS '000	USD '000
Uses			
Motor Vehicles and Trucks	%8.0	464,000	200
Building	%48.0	2,784,000	1,200
Plant and Machinery	%20.0	1,160,000	500
Equipment	%4.8	278,400	120
Land	%18.0	1,044,000	450
Furniture and fittings	%0.4	23,200	10
Office Equipment	%0.8	46,400	20
Total capital expenditure requirement	%100	5,800,000	2,500

Source: AGL Management

Key Assumptions (5/2)

Key Underlying Assumptions (*continued*)

Operational capacity assumptions

- The processing plant has a designed capacity of 67 tons per day, or maximum of 20,000 tons per annum at 300 days of operations.
- The project's capacity utilization will vary depending on the season of the targeted agri-products.

Revenue and pricing assumptions

- To determine revenue from sales of processed agri-products, a detailed desktop research was carried out in the target markets of mainly India, Pakistan and China. These are markets that AGL already supplies unprocessed raw agri-products and has a good network of contacts and loyal buyers.
- The research involved obtaining the most recent retail prices for processed, packaged ready-to-consume agri-products from over 80 premium brands, value brands and retailers' own-brands across the markets of interest.
- To estimate the target selling prices for AGL that will allow them to fetch competitive prices from Asian retailers, we worked backwards from the average retail prices and subtracted the margins for retailers and wholesalers, as well as the import costs. Based on this analysis, the implied mark-up on AGL's selling price by Asian retailers ranges between 200% to 400%.
- Our analysis also considered that "Pera" branded products will be sold at 20% premium to the "White-label" products. The white-label products are expected to drive sales at lower margins and the "Pera" branded products will achieve higher margins but will require significant advertising, marketing and branding to penetrate the target markets.
- The table on page 42 summarizes the expected prices to be achieved on sales of processed agri-products.

Rental income assumptions

- The project will rent out storage facilities at a market rate of USD 5 per sqm in the months when the storage facility's capacity utilization is less than 50% i.e from January to July; and September to December.

Direct costs assumptions

- Direct cost includes the cost of raw material, purchase expenses, processing costs and shipment costs to the destination markets.
- The above gross profit margin compares favourably to AGL's current margin achieved from selling raw, unprocessed products at 5% to 7%.
- For rental income we assumed direct costs related to renting out the unused capacity to be around 1% of rental revenues.

Operating expenditure assumptions

- Advertising, marketing and branding will be the single largest operating expenditure for the project. These expenses are estimated at 5% to 15% of revenue and will include, but not limited to:
 - Primary market research in target markets;
 - Focus groups and product sampling;
 - Mass market advertising (TV and Radio);
 - Social media advertising (Google, Instagram, Facebook, Twitter etc.);
 - Product launch events and discounts;
 - Influencers costs; and
 - Commissions and incentives for deal brokers.

In addition to this, we assumed that excess unused capacity will be rented out to third parties during low seasons.

Key Assumptions (5/3)

Other operating expenses will take up approximately %6 of total revenue.

AGL will require a bank overdraft facility of TZS 31 to 33 billion (c. USD 13.4 to 14.3 million) to ensure they have adequate cash to manage their day-to-day operations.

Key Underlying Assumptions (continued)

Operating expenditure assumptions (continued)

- The promoters' final decision to either carry out the project under the existing company (i.e. AGL) or as a separate independent company will have significant impact on the cost structure of the project.
- Nevertheless, we have assumed that the project will be carried out separately from the operations of AGL and an independent management team will be recruited. The key operating costs are estimated as presented in the table below. Operating expenditure is assumed to grow annually with reference to inflation.

Operating expenses assumptions	
	TZS per month
Staff costs	
General manager (1)	8,500,000
Other managers (8)	6,500,000
Supervisors (23)	3,500,000
Audit, legal and other professional costs	5,000,000
Printing, telephone and stationery	3,000,000
Security expenses	4,000,000
Repairs and maintenance	5,000,000
Utilities	4,000,000
Travelling and distribution	6,000,000
Insurance (PPE)	
	% of NBV per annum
Machinery	%0.6
Equipment	%0.8
Building	%0.7
Motor Vehicle	%4.0
Office furniture	%0.7
% of basic salary per month	
Insurance (staff)	%6.0

Source: AGL Management

Key Underlying Assumptions (continued)

Working capital assumptions

- It is assumed the project will have the following working capital cycle and components:
 - Days in sales outstanding will be for 90 days.
 - Days in inventory will be for 20 days.
 - Payables arising from procurement of raw materials are settled on a cash basis.
 - Other payables are settled within 7 days of receiving an invoice.

Debt financing assumptions

- The table below summarizes the term loan assumptions which will be used to finance Project Nexus' capital expenditure.

Term loan assumptions		
Amount	USD	2,000,000
Annual Interest Rate	%	6
Tenure	years	5
Payment frequency		Monthly
Grace period	months	18

Source: AGL Management

- The project will require significant levels of working capital to bridge the gap between procurement and receipt of payments from customers. In addition to the term loan, a revolving overdraft facility of between TZS 31 to 33 billion (c. USD 13.4 to 14.3 million) will be secured by the project.

Key Assumptions (5/4)

Price and Margins Analysis

Expanded products assumptions											
Product		Target capacity (tons per annum)	Average retail price per kg	Target Selling Price	Implied mark up by retailers	Cost per kg	Selling price per kg			GP margin	
							White label	Pera	Premium on Pera	White label	Pera
Sesame	Unroasted	2,700	14,775	4,900	%202	2,780	4,083	4,900	%20	%32	%43
	Roasted	2,400	15,600	5,200	%200	2,929	4,333	5,200	%20	%32	%44
Green mung	Spilt	3,000	8,000	2,650	%202	1,780	2,208	2,650	%20	%19	%33
	Flour	1,500	8,400	2,750	%205	1,795	2,292	2,750	%20	%22	%35
Peanuts	Roasted	600	13,400	4,200	%219	2,483	3,500	4,200	%20	%29	%41
	Roasted and flavoured	1,200	14,250	4,500	%217	2,508	3,750	4,500	%20	%33	%44
	Peanut butter	400	18,000	3,650	%393	2,558	3,042	3,650	%20	%16	%30
Pigeon peas	Spilt	2,000	6,800	2,250	%202	1,641	1,875	2,250	%20	%12	%27
Soya beans	Chunks	750	11,800	3,250	%263	2,243	2,708	3,250	%20	%17	%31
	Flour	450	10,400	3,450	%201	2,044	2,875	3,450	%20	%29	%41
Yellow gram	Spilt	2,500	6,650	2,200	%202	1,567	1,833	2,200	%20	%15	%29
	Flour	2,500	6,850	2,250	%204	1,582	1,875	2,250	%20	%16	%30

Source: ZA desk research and NYU's Aswath Damodaran Dataset

- Data for average retail prices was sourced from online retail markets.
- Retailers' and wholesalers' margin were based on Aswath Damodaran Data for Margins by sector
- The import duties rates were sourced from Cybex Exim Solutions Ltd India

Note: Prices for products have been priced to achieve a competitive price in the Asian retail markets

Key Assumptions (5/5)

The WACC for Project Nexus is estimated at 18.82%

Weighted Average Cost of Capital ("WACC")

- The table below summarizes the assumptions used to derive Project Nexus' weighted average cost of capital.

Weighted Average Cost of Capital			
Cost of Equity			
Risk free rate			8.94%
Country risk premium			
Adjusted risk free rate			8.94%
Unlevered beta	0.85		
Relevered beta			1.34
Equity market risk premium			9.68%
CAPM CoE			21.88%
<i>Adjustments:</i>			
Company specific risk premium			3%
Estimated Cost of Equity			24.88%
Cost of Debt			
Pre-tax cost of debt			16.3%
After tax cost of debt			11.4%
WACC			
Debt	45%	11.42%	5.14%
Equity	55%	24.88%	13.68%
Nominal WACC			18.82%

Bank of Tanzania (Treasury bonds auctions – May 2022) – 5 year bond yield.

Aswath Damodaran Market Beta Data for Farming/Agriculture– January 2022.

Aswath Damodaran Market Data for Equity market risk premium – January 2022.

ZA's own estimate. Specific company premiums was applied to appropriately capture AGL's risk profile.

Aswath Damodaran Market Data for Farming/Agriculture Sector average Debt to Equity ratio – January 2022.

Source: ZA Analysis

Financial Appraisal

Our analysis reveals that the investment in agri-products processing is feasible and financially viable in all the three scenarios as it produces positive viability results i.e. positive NPVs and an Internal Rate of Return (IRR) that is higher than the applied discount rate.

Results From Financial Appraisal

- The table below summarizes the results from the financial appraisal of Project Nexus.
- Based on the analysis conducted and the assumptions used, the project generates a positive Net Present Value ("NPV") and Internal Rate of Return ("IRR").

Financial Appraisal Results		
Base case scenario		
NPV	TZS'Million	15,753
IRR	%	%40.2
DPP	years	4.95
Low case scenario		
NPV	TZS'Million	14,339
IRR	%	%38.6
DPP	years	5.20
High case scenario		
NPV	TZS'Million	17,199
IRR	%	%41.8
DPP	years	4.73

Source: ZA Analysis

Key Success Factors

- Several factors are key to the success of the proposed investment in agri-products processing, including;
 - Securing financing for the capital expenditure requirements in good time and the overdraft facility to manage the working capital needs.
 - Securing the proposed project location and ensuring transfer of ownership rights are complete and secure.
 - Receiving, installing and commissioning the processing plant & machinery without delay.
 - High quality and standards of the agri-products procured from farmers that will be processed further for export as finished premium products.
 - Maintaining high quality and standards of the processed agri-products in accordance with local food regulations and the high standards required in the target markets.

Sensitivity Analysis

Results from the sensitivity analysis indicate that Project Nexus' NPV is highly sensitive to changes in target capacity utilization.

Based on the sensitivity analysis, the NPV of Project Nexus is in the range of TZS 13.4 billion (USD 5.8 million) and TZS 18.2 billion (USD 7.9 million)

Project Sensitivity Analysis

- To assess the robustness of Project Nexus' financial viability, a sensitivity analysis was conducted based on key project parameters.
- We have selected project parameters that would most probably affect the viability of the Project given the market behavior of the agriculture sector, and the nature of the Project's business line. These parameters are the change in direct cost and the targeted capacity utilization.
- The change in direct cost reflects the variability in prices of raw agriculture produce due to forces of demand and supply. The target capacity utilization captures changes in the processing plant's capacity due to operational efficiency levels achieved.
- The sensitivity analysis observed how the variability of these two inputs impacted Project Nexus' NPV and as a result it's viability.
- The results show that the project's financial viability is highly sensitive to the target capacity utilization rate compared to changes in the direct cost. This indicates that higher margins achieved from Project Nexus can absorb small changes in the prices of raw agricultural produce without significantly impacting the project's viability
- Based on the sensitivity analysis, the NPV of Project Nexus is in the range of TZS 13.4 billion (USD 5.8 million) and TZS 18.2 billion (USD 7.9 million).
- Set out in the adjacent table is the NPV of Project Nexus, which has been determined by varying the two key project parameters whereby the change in direct cost is represented by the direct cost to sales margin.

Project Sensitivity Analysis (continued)

NPV		Change in % of Direct costs to Sales				
TZS'Millions		-0.5%	-0.3%	0.0%	0.3%	0.5%
Targeted Capacity Utilization	85.0%	15,407	14,896	14,385	13,886	13,391
	87.5%	16,137	15,615	15,094	14,585	14,080
	90.0%	16,815	16,284	15,753	15,234	14,721
	92.5%	17,548	17,007	16,466	15,938	15,416
	95.0%	18,229	17,677	17,127	16,590	16,058

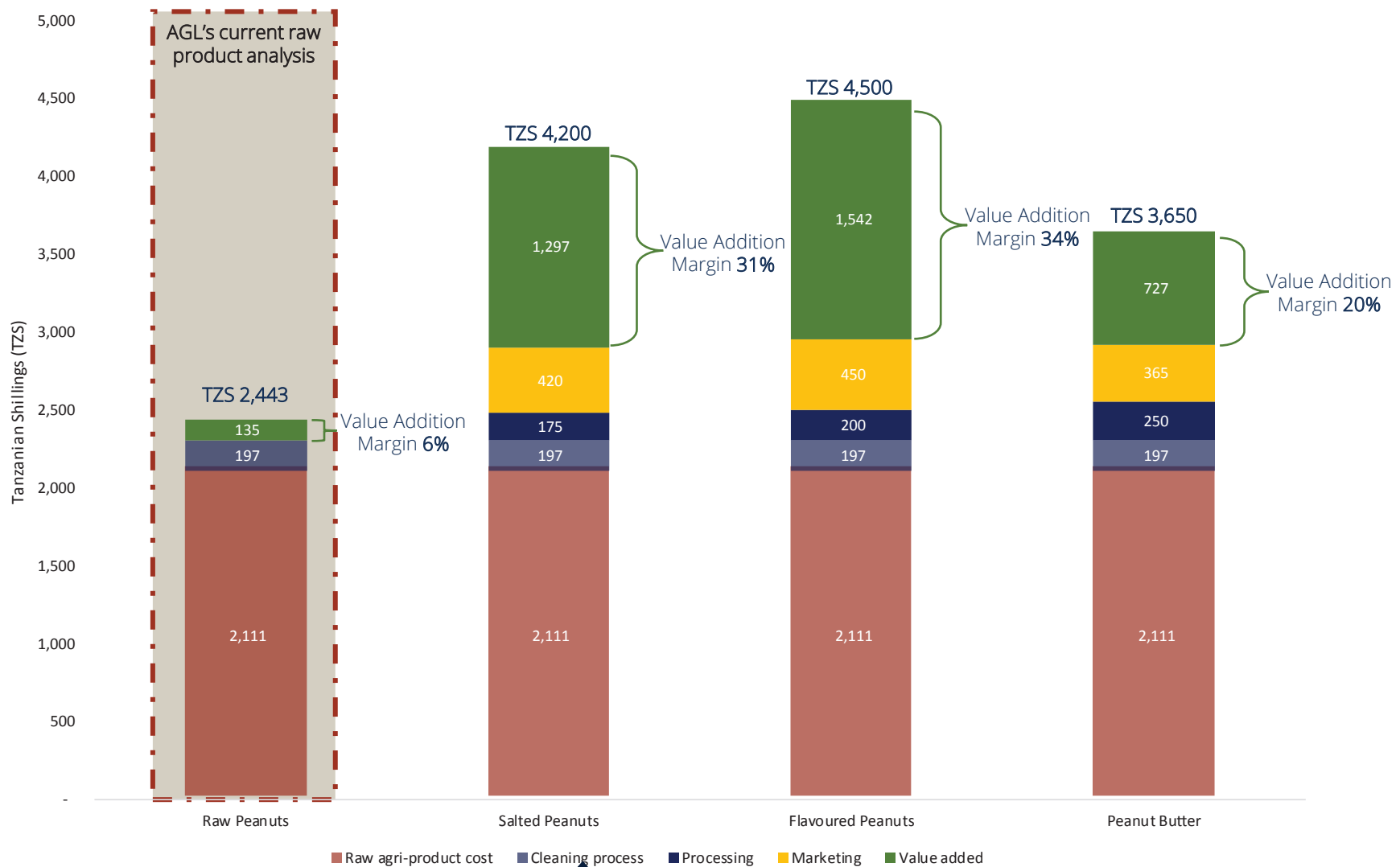
Source: ZA Analysis

- Several factors affect the operational efficiency and the project's viability, these include;
 - Ensuring AGL procures adequate levels of agri-products to meet their planned capacity utilization targets.
 - Ensuring operational fluidity (continuity) is in place to avoid delays and disruptions in the operation process.
 - Ensuring staff tasked with cleaning and sorting are well trained and efficient to ensure the optimum volume of agri-products are sorted.
 - Investment in automated sorting equipment to expand capacity and operational efficiency of the facility.



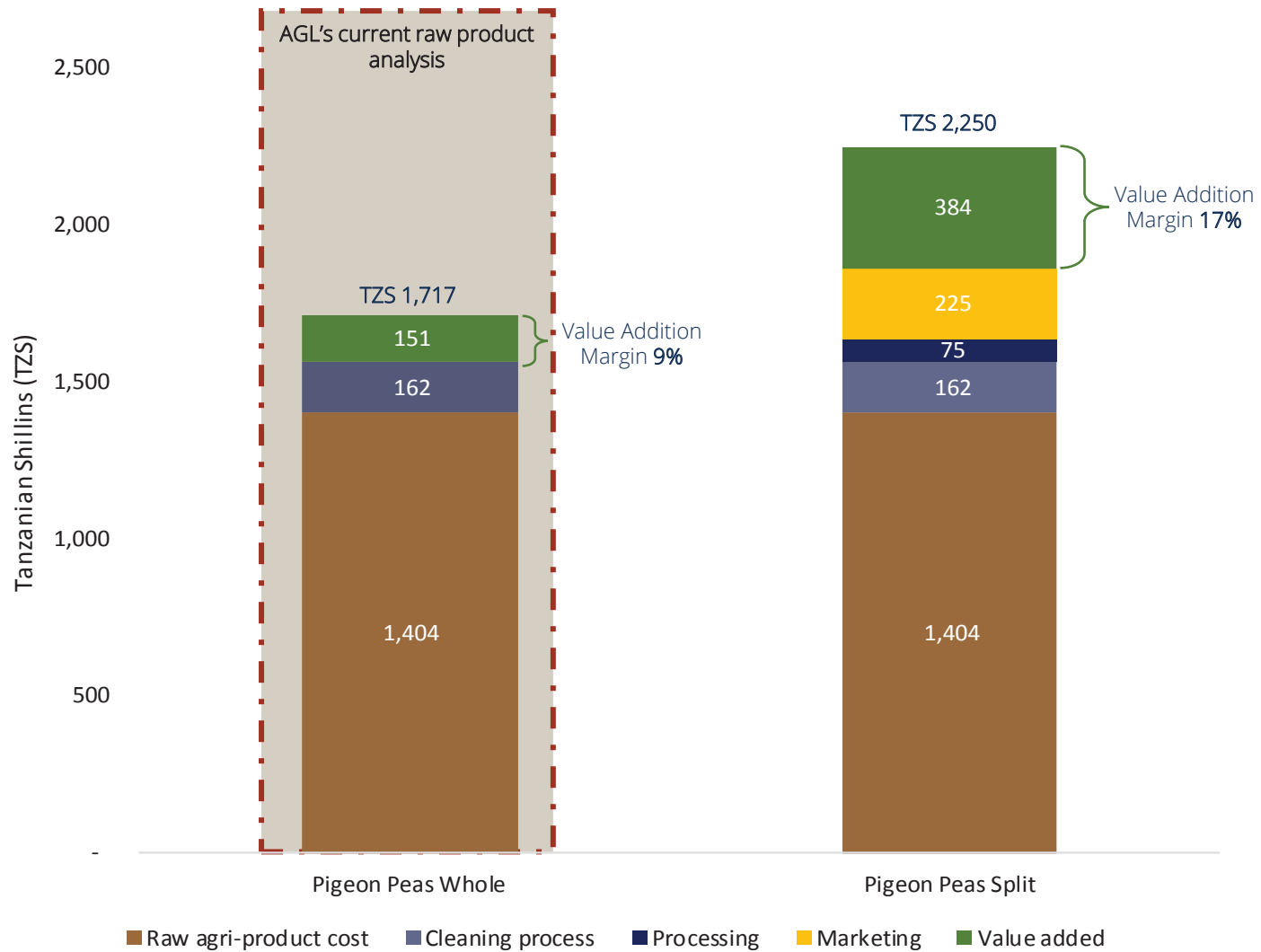
Value Addition Analysis

Value Addition Analysis for Peanut Products



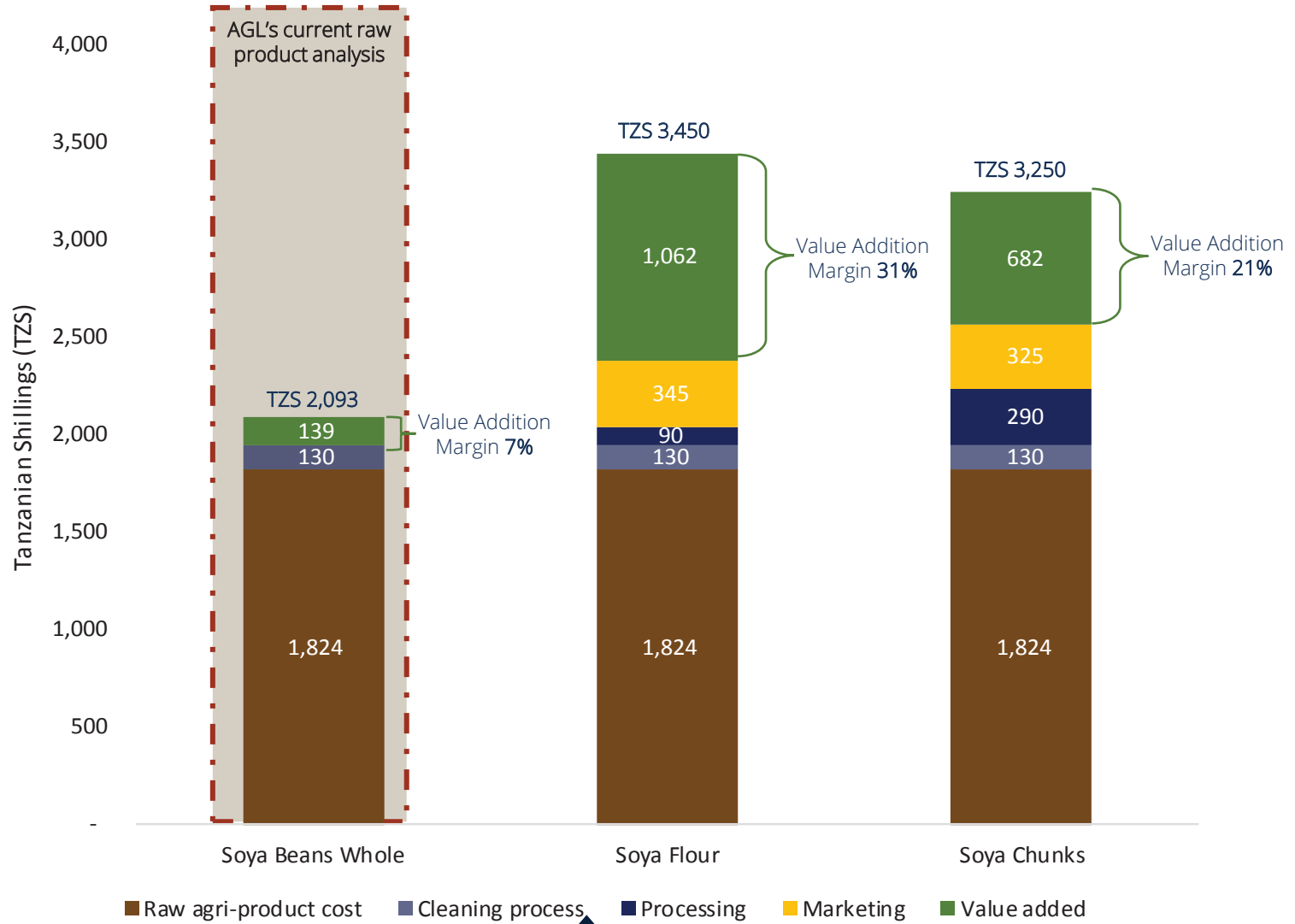
Source: ZA Research and ZA Analysis
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Value Addition Analysis for Pigeon Peas Products



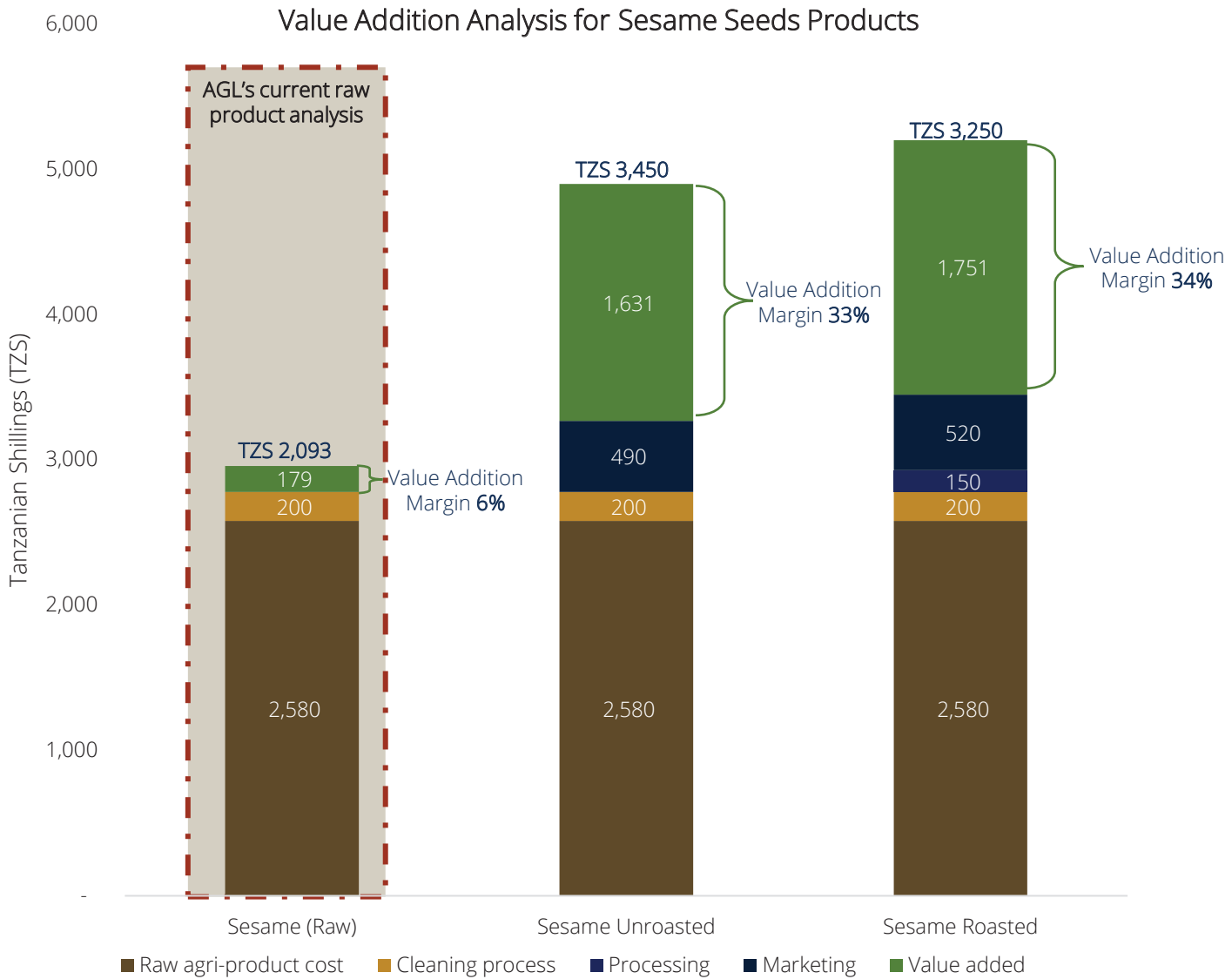
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Value Addition Analysis for Soya Beans Products



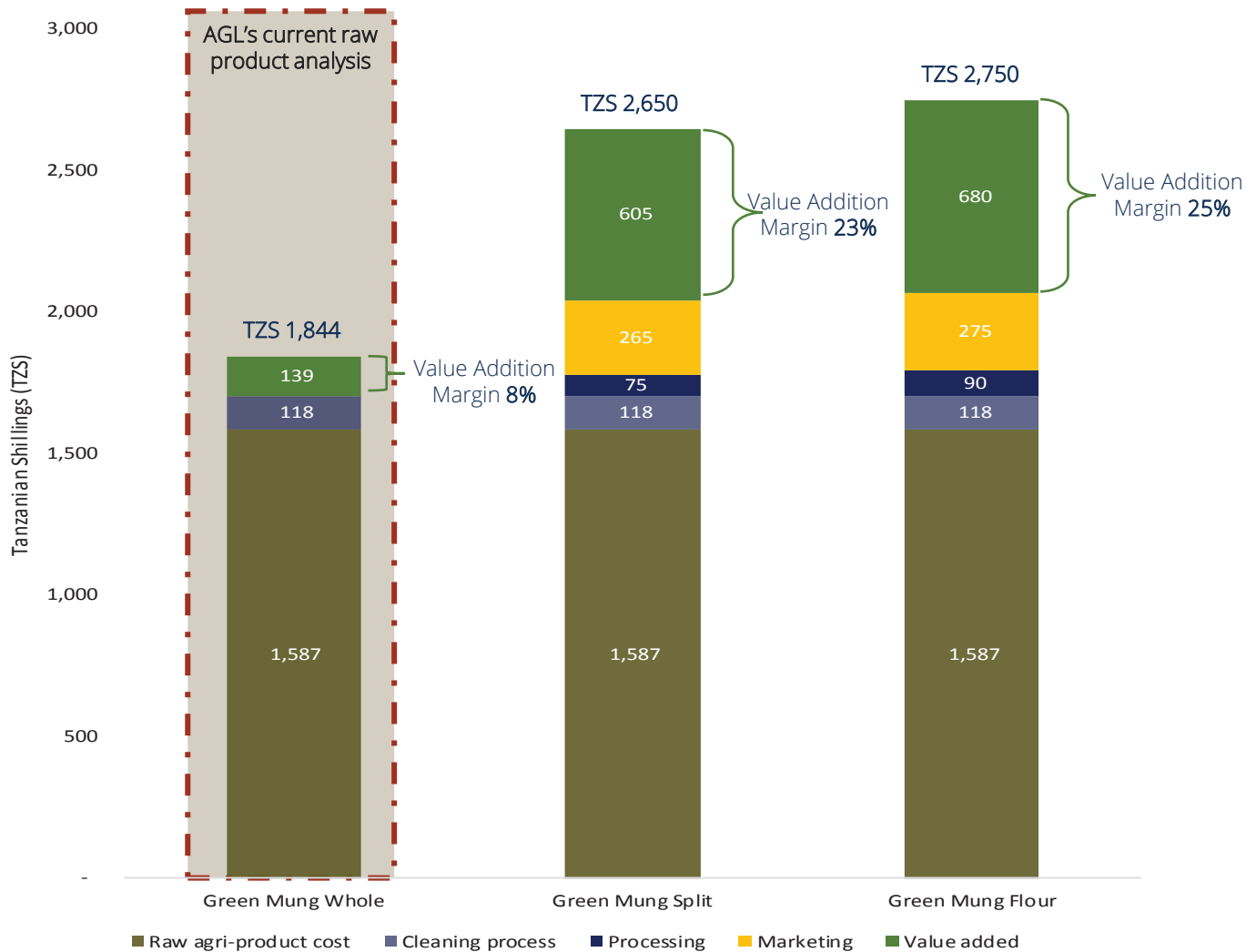
Source: ZA Research and ZA Analysis

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Value Addition Analysis for Green Mung Products



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Value Addition Analysis for Branded Yellow Gram Products



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Key Risk Analysis

Key Risks Analysis

Potential Risks	Description of risk and impact on the Project	Potential risk mitigation strategies
Financing risk	<ul style="list-style-type: none"> Failure to secure the required amount of finance in good time will delay the delivery of the plant and machinery and cause delays in the operations. Failure to secure the required amount of bank overdraft facility for working capital will disrupt day to day operations. 	<ul style="list-style-type: none"> Adhere to all requirements set by potential financiers. Engage with multiple financiers to reduce the risk of a fallout with a single financier. Utilize AGL's existing working capital and lines of credit. Maintain good relationships with the local farmers and agents to negotiate favourable payment terms when required. Maintain good relationships with clients to negotiate favourable payment terms.
Demand-side risk	<ul style="list-style-type: none"> The extent to which the international market is willing to procure both the Pera branded and white labelled agri-products, will drive demand. Lack of demand for both the Pera branded and white labelled agri-products will lead to inventory build up, tying up working capital, incurring additional storage expenses, leading to obsolete and perished inventory thus affecting the viability of the project. 	<ul style="list-style-type: none"> Reach out to internationally established agri-products brands and negotiate off-take agreements for the white labelled agri-products. Reach out to large supermarket and hypermarkets globally and negotiate off-take agreements for the Pera branded agri-products. Maintain good relationships with current clients and focus on negotiating off-take agreements for majority of the value added white labelled agri-products. Invest in marketing and advertisements to build awareness of the Pera brand internationally.
Supply-side risk	<ul style="list-style-type: none"> Failure to secure targeted volumes of agri-products, will impact the utilization of the processing facility capacity. Failure to procure agri-products with the required quality standards, will adversely impact profitability. Failure to deliver the procured agri-products on time may lead to loss of operating hours. 	<ul style="list-style-type: none"> Establishment of robust quality standards that will be diligently adhered to. Support local farmers both financially and with trainings to use high quality seeds and fertilizers, and to improve their farming practices for better quality of harvest and higher yields.
Operations risk	<ul style="list-style-type: none"> Inefficiency of labour in cleaning, sorting and grading for agri-products will impact both the quantity and quality of agri-products. Breakdown of the plant & machinery. Unforeseen events such as fire accidents, theft, etc may halt operations. 	<ul style="list-style-type: none"> Provide adequate training to the cleaners and sorters and conduct timely performance reviews to ensure maximum productivity is achieved. Ensure the plant & machinery is regularly serviced for maintenance Ensure all plant and machinery items are insured.
Regulatory risk	<ul style="list-style-type: none"> Unpredictable changes in agricultural sector regulations can adversely impact the production and harvesting of agri-products. 	<ul style="list-style-type: none"> These risks cannot be completely mitigated, however being abreast with the current regulatory structure may mitigate adverse effects of the same.



Annexure

Projected statements of comprehensive income

Projected statements of comprehensive income for the period between FY21/22 to FY26/27.

Sales from Lentils and peas include yellow gram, green mung and pigeon peas

Statements of Financial Performance						
TZS'Millions	FY21/22	FY22/23	FY23/24	FY24/25	FY25/26	FY26/27
Revenue						
Sesame products	-	15,059	17,880	20,155	21,820	23,539
Peanuts products	-	5,546	6,644	7,353	7,961	8,588
Lentils and peas products	-	18,403	22,048	24,400	26,416	28,498
Soya products	-	2,359	2,826	3,128	3,386	3,653
Rental income	-	150	142	119	116	105
Total Revenue	-	41,516	49,540	55,155	59,700	64,383
Cost of Sales	-	(30,540)	(36,294)	(39,875)	(43,638)	(47,590)
Gross Profit	-	10,976	13,245	15,281	16,062	16,792
Advertising and marketing expenses	-	(1,906)	(2,129)	(2,492)	(2,966)	(2,917)
Other Operating Expenses	-	(2,494)	(2,571)	(2,649)	(2,727)	(2,817)
EBITDA	-	6,576	8,545	10,140	10,369	11,058
Depreciation & Amortization	-	(858)	(1,133)	(1,316)	(1,069)	(1,327)
EBIT	-	5,718	7,412	8,824	9,300	9,732
Finance Costs	(37)	(1,229)	(1,224)	(1,089)	(972)	(768)
EBT	(37)	4,489	6,188	7,735	8,328	8,964
Taxation	11	(1,347)	(1,856)	(2,321)	(2,498)	(2,689)
Profits after tax	(26)	3,142	4,331	5,415	5,830	6,275
KPIs						
Revenues growth rates	-	-	19%	11%	8%	8%
Cost of sales growth rates	-	-	19%	10%	9%	9%
Volume (tons)	-	13,000	15,000	16,000	17,000	18,000
Capacity utilization	0%	65%	75%	80%	85%	90%
Gross Profit Margin	-	26%	27%	28%	27%	26%
EBITDA Margin	-	16%	17%	18%	17%	17%
EBIT Margin	-	14%	15%	16%	16%	15%
EBT Margin	-	11%	12%	14%	14%	14%
Net Profit Margin	-	8%	9%	10%	10%	10%

Source: ZA Analysis

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Projected statements of financial position

Projected statements of financial position for the period between FY21/22 to FY26/67.

Statements of Financial Position						
TZS'Millions	FY21/22	FY22/23	FY23/24	FY24/25	FY25/26	FY26/27
Non-Current Assets						
Property, plant and equipment	-	4,942	6,243	7,361	6,292	7,399
Work in progress	5,800	-	-	-	-	-
	5,800	4,942	6,243	7,361	6,292	7,399
Current Assets						
Cash	-	213	220	226	1,898	5,323
Inventory	-	1,332	1,583	1,739	1,903	2,075
Trade receivables	-	7,716	9,244	10,230	11,075	11,948
Other receivables ad prepayments	-	150	155	151	156	161
Deferred Tax	11	40	-	-	-	-
	11	9,449	11,202	12,346	15,032	19,507
Total Assets	5,811	14,391	17,445	19,707	21,324	26,906
Equity						
Share capital	1,160	1,160	1,160	1,160	1,160	1,160
Retained Earnings	(26)	3,116	7,448	12,862	18,692	24,967
	1,134	4,276	8,608	14,022	19,852	26,127
Liabilities						
Current Liabilities						
Trade payables	-	-	-	-	-	-
Other payables	-	36	37	38	39	40
Bank overdraft	37	6,167	5,672	3,433	-	-
	37	6,203	5,709	3,471	39	40
Non-Current Liabilities						
Term Loan	4,640	3,912	2,914	1,884	820	-
Deferred Tax	-	-	214	330	613	739
	4,640	3,912	3,128	2,214	1,433	739
Total Liabilities	4,677	10,115	8,837	5,684	1,472	779
Total Equity and Liabilities	5,811	14,391	17,445	19,707	21,324	26,906
KPIs						
Current Ratio	0.3	1.5	2.0	3.6	385.4	485.6
Quick Ratio	-	1.3	1.7	3.1	336.6	433.9
Debt Service Coverage Ratio (DSCR)	-	(2.02x)	1.23x	2.06x	3.51x	3.16x
Interest Coverage Ratio (EBIT / Interest Expense)	-	4.65x	6.05x	8.10x	9.57x	12.68x
Gearing: Long Term Debt / Total Capital	0.80x	0.27x	0.17x	0.10x	0.04x	-

Source: ZA Analysis

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Projected statements of cash flows

Projected statements of cash flows for the period between FY22/21 to FY67/26.

Statements of Financial Cash Flows						
TZS'Millions	FY22/21	FY23/22	FY24/23	FY25/24	FY26/25	FY27/26
Operating Activities						
Earnings Before Interest and Tax	-	5,718	7,412	8,824	9,300	9,732
Depreciation & Amortization	-	858	1,133	1,316	1,069	1,327
	-	6,576	8,545	10,140	10,369	11,058
Adjustments:						
Working Capital						
Change in inventory	-	(1,332)	(251)	(156)	(164)	(172)
Change in receivables	-	(7,716)	(1,528)	(986)	(845)	(873)
Change in other receivables	-	(150)	(6)	4	(5)	(5)
Change in trade payables	-	-	-	-	-	-
Change in other payables	-	36	1	1	1	1
	-	(9,161)	(1,784)	(1,137)	(1,013)	(1,049)
Finance Costs	(37)	(1,229)	(1,224)	(1,089)	(972)	(768)
Taxation	-	(1,375)	(1,603)	(2,205)	(2,215)	(2,563)
Net Cash Flow From Operations	(37)	(5,190)	3,934	5,709	6,169	6,679
Investing Activities						
Purchase of Property, Plant and Equipement (Initial)	(5,800)	-	-	-	-	-
Purchase of Property, Plant and Equipement (Maintenance)	-	-	(2,434)	(2,434)	-	(2,434)
Net Cash Flow From Investing Activities	(5,800)	-	(2,434)	(2,434)	-	(2,434)
Financing Activities						
Loans	4,640	-	-	-	-	-
Loan repayments	-	(728)	(998)	(1,030)	(1,064)	(820)
Equity	1,160	-	-	-	-	-
Bank overdraft drawdowns	37	33,605	28,810	28,104	26,756	27,108
Bank overdraft repayments	-	(27,475)	(29,305)	(30,344)	(30,189)	(27,108)
Net Cash Flow From Financing Activities	5,837	5,402	(1,493)	(3,270)	(4,497)	(820)
Net Increase / (Decrease) in Cash & Cash Equivalents	-	213	7	6	1,672	3,425
Cash & Cash Equivalents at Beginning of Period	-	-	213	220	226	1,898
Cash & Cash Equivalents at End of Period	-	213	220	226	1,898	5,323

Title deed no 8405, Plot no 43
Block Pangani area Kibaha

(iii) Do everything necessary to preserve the environment and protect the soil and prevent soil erosion on the land and do all things which may be required by the authorities responsible for environment and to achieve such objective.

(iv) Building shall be in permanent materials.

(v) Building plans to be submitted to the Kibaha Town Council within six months from the commencement of the Right.

(vi) Building construction to begin within six months after approval of the plans.

(vii) Building to be completed within thirty six months from the day of commencement of the Right.

3. **USE:** The land shall be used for **RESIDENTIAL** purposes only. The Group 'H' use class as defined in the Town and Country Planning (Use Classes) Regulations, 1960, as amended in 1987, appearing on condition 7 of the said Certificate of Occupancy be deleted and replaced by words "Light Industrial, Use group 'M' Use Classes (d), (h) & (i) as defined in the Urban Planning (Use Groups and Use Classes) Regulations, 2018".

4. The Occupier shall not assign the Right within five years of the date hereof without the prior approval of the Commissioner.

5. The Occupier shall deliver to the Commissioner notification of disposition as practised here before or at the time the disposition is carried out together with the payment of all premia, taxes and dues prescribed in connection with that disposition.

6. The President may resolve the right for good cause and in public interest.

Land Form 26

THE UNITED REPUBLIC OF TANZANIA
THE LAND ACT, 1999
(NO. 4 OF 1999)
APPROVAL OF CHANGE/VARIATION OF CONDITIONS
OF A RIGHT OF OCCUPANCY
Under Section 22(2)

C.T. No. 8405
PLOT NO. 43 PANGANI
KIBAHA TOWNSHIP

I, **HUSSEIN SAIDU IDDI**, Assistant Commissioner for Land of P.O. Box 9133 Dar es Salaam HEREBY APPROVE in the following violation of the conditions of the right of occupancy registered under the above reference:

1. THAT words "Residential, Use Group 'H' Use class (h) and Use Group 'M' Use class (d) as defined in the Town and Country Planning (Use Classes) Regulations, 1960, as amended in 1987, appearing on condition 7 of the said Certificate of Occupancy be deleted and replaced by words "Light Industrial, Use group 'M' Use Classes (d), (h) & (i) as defined in the Urban Planning (Use Groups and Use Classes) Regulations, 2018".

2. THAT words and figures "one hundred four thousand eight hundred (148,800/-)" appearing on condition one (1) of the Certificate of Occupancy be deleted and replaced thereon by the words and figures "five million one hundred forty seven thousand (5,147,000/-)".

Dated at Dar es Salaam this 08th day of June, 2022.

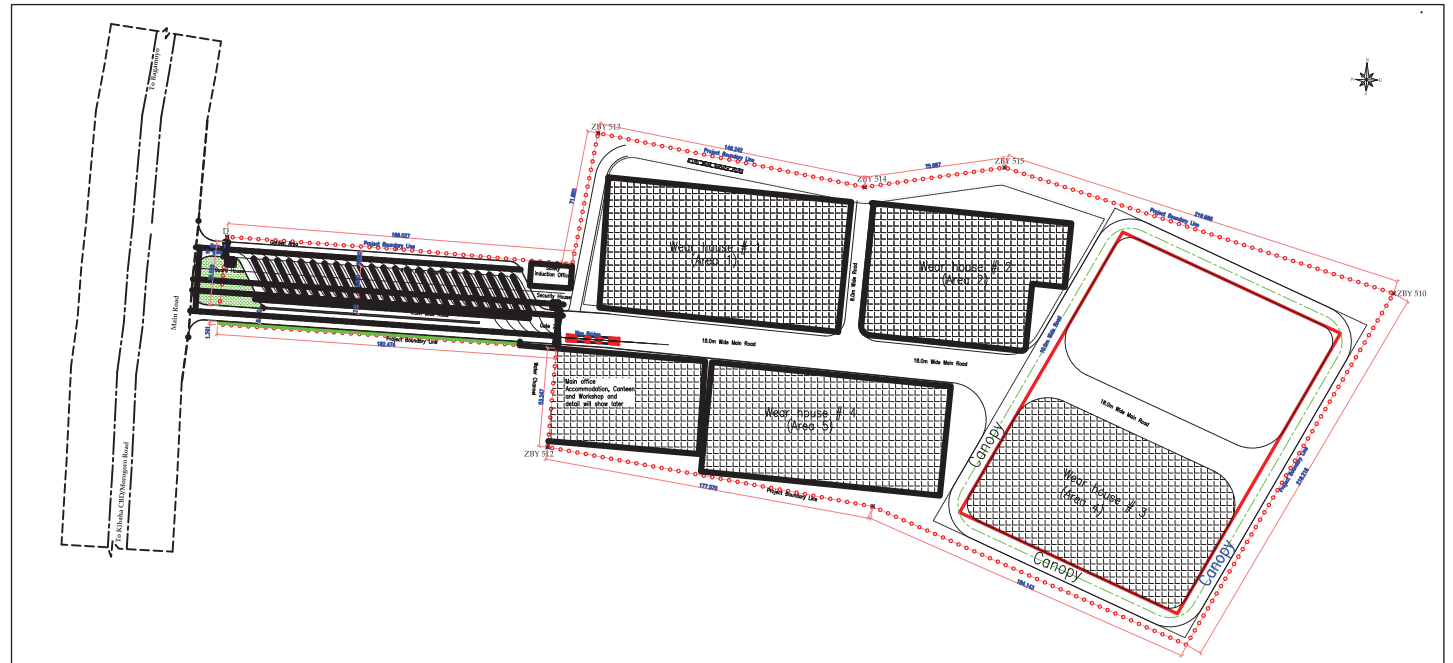
[Signature]
ASSISTANT COMMISSIONER FOR LANDS

Served upon me: *[Signature]* Occupier
Date: 11/06/2022

Copy Register

The following payments have been paid:
Approval fee: Tsh. 50,000/- EBV No. 2216/2022/22 and
Stamp duty: Tsh. 2,000/- EBV No. 2216/2022/22 and
Registration Fee: Tsh. 40,000/- EBV No. 2216/2022/22

Site Plan - Plot 43 Pangani , Kibaha



Disclaimer

This business plan report (“report”) is strictly confidential and is addressed solely to the Directors of AGL (“AGL” or “the Company”). This report has been prepared to assist the Directors of AGL in their efforts to raise finance to expand the company’s agri-processing operations (“Project Nexus”). The information contained in this report has been obtained from the Directors of AGL and other independent sources. ZA Advisory Limited (“ZA”) cannot be held responsible for its unauthorized copying and distribution. Recipients are respectfully reminded that this report contains potentially sensitive information and should be kept secure.