



## Financial Feasibility Report

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## Abstract

This paper is about a feasibility report of confectionary business in Tanzania. According to personal researches in Tanzanian Market, we find that it is most feasible market for investors where people are willing to pay more for quality of product. So, this is a niche market that can be filled. This feasibility report focuses on business feasibility, market feasibility, key success factors, product feasibility and financial highlights. In business feasibility, we will look at current trends and growth and key success factors in Tanzania. Then, market feasibility will be analysed in target market, product value and so on. Next, product strategy will be explained in product feasibility. Last, financial model will be displayed.

## Key words

- 1 Business Feasibility
- 2 Market Feasibility
- 3 Key Success Factors
- 4 Products Feasibility
- 5 Financial Highlights
- 6 Conclusion

## 1 Business Feasibility

### 1.1 Current Trends

- In Tanzania, among the most important factors attracting consumers especially kids to product categories such as Candy, Bubble gum, Lollipop and allied products. During the review period, we identified that demand for these products have increased in school going community.

### 1.2 Sales Boast

- The rapid recovery in current value growth seen in after COVID-19, following a poor performance in lock down, was primarily caused by the fact that people were very frightened to go outside and schools were also closed. Moreover, after lock down sales of these products was increased rapidly.

### 1.3 Population Growth

- Tanzania is growing too fast indicating forecasted sale is uncompromised. Growth rate is as follows:

Years	Growth %
2020	2.98%
2021	3.01%
2022	2.90%

## 2 Market Feasibility

### 2.1 Market Opportunity

- Due to lack of resources, raw material and skilled labour, there are not enough industries in the local market. Therefore the market is of great deal of attraction.

### 2.2 Target Market Profile

- **Individual customers:** This segment is focused on grandparents or parents, who are willing to purchase the product for their kids being quality conscious as we are committed to product without compromising quality standard.
- **Wholesale purchasers:** This group is identified as distributors who selling their products to different shops.

### 2.3 Products Substitution

- Based on market investigation, some products by competitors can be substituted. So this product line will be highly competitive in the market.

### 2.4 Supplier Relationship Management

- The effective method to ensure that the required material can be provided by vendors in time with high quality is to establish on supplier relationship management (SRM) mechanism. SRM is an across-the-board approach to manage the interactions and affairs with the suppliers. This includes in time communications, appropriate negotiations, business practices, relationship software which is applied to set up and maintain a positive relationship with supplier.

### 2.5 Barriers to entry

Main entry barriers in Tanzania market are man power and language. To overcome these barriers foreign staff will be hired as described in point 5.3.

## 3 Key Success Factors

- Development of quality products.
- Adopt strict financial controls.
- Listen carefully to the customers.
- Endeavour on low-cost, high-differentiation and satisfying-quality products.
- Implement innovation and R&D in long-term strategy.

There are five keys to success to be identified for the sustainable business. The first is to develop quality product to attract more and more customers. The second is to listen the customers carefully, creating customer feedback system for product development. The third is to adopt the strict controls on finance to ensure the sturdy and healthy financial conditions. Next is seeking for products in low cost, high differentiation and satisfying quality, which can win the good business reputation. The last one is to execute innovation and R&D to retain the products competitions in this market.

## 4 Products Feasibility

- **Cost leadership** - We will produced product controlling our cost to sale product on low price then market. This will provide us competitive advantage in market.
- **Product differentiation** - Making product different from market in course of packing, quality and taste will provide us advantage in market.

## 5 Financial Highlights

### 5.1 Projected profit or loss

	First Year (\$)	Second Year (\$)	Third Year (\$)	Fourth Year (\$)	Fifth Year (\$)	Total (\$)
Revenue	2,518,327	2,770,160	3,047,175	3,351,893	3,687,083	15,374,638
Cost of sales	(1,616,292)	(1,777,921)	(1,955,713)	(2,151,285)	(2,366,413)	(9,867,624)
<b>Gross profit</b>	<b>902,035</b>	<b>992,239</b>	<b>1,091,462</b>	<b>1,200,609</b>	<b>1,320,670</b>	<b>5,507,014</b>
Selling expenses	(109,927)	(117,019)	(124,821)	(133,403)	(142,844)	(628,014)
Administrative expenses	(440,628)	(462,417)	(486,385)	(512,749)	(541,750)	(2,443,929)
<b>Profit before tax</b>	<b>351,481</b>	<b>412,802</b>	<b>480,256</b>	<b>554,456</b>	<b>636,076</b>	<b>2,435,072</b>
Taxation expenses	(113,741)	(132,968)	(154,117)	(177,381)	(202,971)	(781,178)
<b>Net profit</b>	<b>237,740</b>	<b>279,834</b>	<b>326,139</b>	<b>377,075</b>	<b>433,105</b>	<b>1,653,894</b>

### 5.2 Investment In First Year

- Artaha Food Industry's planned investment in first year is as follows:

Description	Amount (\$)
Land procurement cost	290,000
Civil work	115,000
Installation cost	25,000
Plant transportation cost	25,000
Company establishment cost	10,000
Plant, machinery & allied	375,000
Furniture and fixtures	10,000
Vehicles	111,700
Working capital introduced	459,920
Preliminary expense foreign staff	80,950
	<b>1,502,570</b>

### 5.3 Material Arrangements

- Materials, which is not locally available in Tanzania, as attached in "Annex-A" required to import. As per law, Tanzania Investment Centre (TIC) will provide facility of duty free import in respect of annexed material.

### 5.4 Contribution in Tanzania Economy

- Artaha contribution in Tanzanian Economy in respect of tax is as follows:

Description	First Year (\$)	Second Year (\$)	Third Year (\$)	Fourth Year (\$)	Fifth Year (\$)	Total (\$)
VAT - Net	247,480	272,228	299,451	329,396	362,335	1,510,890
Tax on salaries	49,957	54,953	60,448	66,493	73,142	304,992
Corporate tax	105,444	123,841	144,077	166,337	190,823	730,522
City sales tax (CST)	8,297	9,127	10,040	11,044	12,148	50,656
	<b>411,178</b>	<b>460,149</b>	<b>514,016</b>	<b>573,270</b>	<b>638,448</b>	<b>2,597,060</b>

- Human resource required in Tanzania is almost 70 to 150 people in first year of its operation. Human resource turn over will be increased on yearly basis.
- In managerial and technical staff approximately 15 to 18 foreign employees will be hired for this project.

## 6 Conclusion

As mentioned in financial party, the sales will continue to increase in succeeding years. However, drastic competition always exists. As a start-up, the business operations have to be prudential. According to the feasibility analysis, the niche market on is really a good opportunity for Artaha to fill. But the business risk cannot be ignored. Thus, low-cost and high quality will help to attract the new customers. If Artaha is keen on key success factors which are outlined in report, it will be successful by all means.

**Detail of Imported Material**

<b>Sr</b>	<b>Description</b>
1	White Sugar
2	Citric Acid Anhydrous
3	Glycerol Mono stearate (GMS)
4	Glycerine
5	Lecithin
6	Sorbitol
7	Gelatine
8	Gum Base (Raw material)
9	Sodium Methyl Paraben (SMP)
10	Cocoa powder
11	Talcum Powder
12	Condensed Milk
13	White Salt
14	Food Colours
15	Food Flavours
16	Fat 36
17	Vegetable Fat
18	R.B.D Coconut Oil
19	Liquid Glucose

**Support required from TIC:**

- (i) Permission to employ 15 to 18 skilled workforce expats initially.
- (ii) To be granted duty exemption on materials which are not being manufactured locally in Tanzania.