

**BARAKA AGRIBUSINESS DEVELOPMENT
SERVICES COMPANY LIMITED**

**BUSINESS PLAN
FOR
EXPANSION OF PRODUCTION OF POULTRY AND
ANIMAL FEED**

PREPARED FOR:

BARAKA AGRIBUSINESS DEVELOPMENT SERVICES COMPANY LIMITED
P.O. Box 8812
DAR ES SALAAM

1.0. EXECUTIVE SUMMARY

1.1 INTRODUCTION

Expansion of facilities for production of poultry and animal feeds in Dar es Salaam Region.

1.2 OBJECTIVES OF THE STUDY.

The purpose of this Feasibility Study is to work out the technical and commercial details and the financial viability for the establishment of the above mentioned project.

1.3 PROJECT PROMOTERS

The following sponsors are promoting the proposed facilities. Directors (shareholders) are namely:

NAMES, ADDRESSES AND DESCRIPTIONS OF SUBSCRIBERS	% SHARE – HOLDING
ABDULHANIF YAKUB	49%
AHMAD GHADAR	51%

The current shareholders of the company have a wealth of experience in similar projects and are keen to exploit such experience to make this project a success.

2.0. PROJECT CONCEPT

The directors of this company among others plan in Phases II & III to do the following:-

- To order from abroad new machines of processing food for poultry and animal harvesters.
- To order a new standby generator which will be used during blackouts.
- To order a spacious motor vehicle to assist distribution of feeds produced to their customers.

- To recruit more professionals in this field to enable the project to operate professionally.

All this will be possible once the said project will be registered and issued with new certificate of Incentive. – We have no doubt to this as we plan to present a detailed business plan in this respect which will be supported with all key legal and administrative documents.

2.1. LEGAL STRUCTURE

In phase 1 the project was and still is operating within the ambit of law to prove this fact the company is a holder of the following key legal and administrative documents:-

- Memorandum and articles of Association.
- Certificate of Incorporation
- Tax Identification Number
- Business Licence
- Letter from Financial Institution
- A board resolution among others.
- Audited statement of Accounts

All these are annexed together with the feasibility study report under Annexed B” and of course they form part of this study.

2.2. THE INVESTMENT

Total investment cost of this expansion project has been projected to cost USD 1,310,000. out of this 30% will be sourced from financial institution and the rest 70% will be equity contribution of share holders - Details of all this are as per Appendix 1 in this feasibility study report.

2.3. MARKET SEGMENTS

The market in Dar Salaam is unlimited this is due to the fact that booming for industries and easy to find other markets like in Dar es Salaam the hub of tourism in the northern circuit – In Arusha, Kilimanjaro, Karatu and Southern part of Tanzania where there is lot of poultry farms. This being the case the market of chickens in Dar es Salaam and other near regions are far above the production levels of the same, this prove the fact that the expansion programme of this project will meet a ready market in this respect. All this is debated in details in the main report.

2.4. FINANCIAL AND OTHER RELATED ISSUES

In this project document we have taken trouble to compute key financial figures among them they include that of:-

- The Investment Pattern
- The Project cash Flow statement
- Projected Loan Repayment Schedule
- Projected Profit and Loss Statement
- Projected Balance Sheet Statement
- Depreciation Schedule and Lastly
- The Internal Rate of Return

All the above mentioned computations prove both the profitability and viability of this project – details of all this are debated under para 6.0 -6.6 in this feasibility study report and the same are supported from “Appendex 1 – 7”

2.5. CONCLUSION

Going by facts and figures in this project document one can easily conclude that the project was and still is viable. Profitable socially accepted and with a lot of social impact together with other multiplying issues.

2.0 MAIN REPORT

2.1 BACKGROUND INFORMATION

As stated in the Executive Summary, the new shareholders of this company have decided to establish the said project. To reach to this decision they have approached our firm and have assigned us to do the following:-

- To write a detailed feasibility study report and present the same to Tanzania Investment Centre policy and to the Tanzania Investment Act, 1997.
- To write a bankable business plan and present the same to Tanzania Investment Centre in order to apply for Certificate of Incentive.
- Once all this is done they have assigned us to update all key legal and administrative documents and lastly apply for exemption of all capital deemed capital goods to Tanzania Revenue Authority once the Certificate of Incentive is granted.

2.2 PROJECT CONCEPT

Key issues connected to the establishment of this project is to capitalize on the wide market connected to this business – another issue which the shareholders of this company want to achieve is to improve quality of their products they also plan to increase the number of staff by employing well motivated staff – all these efforts will increase productivity at the farm and of course increase market share to the advantage of the promoters of this project.

2.3 LEGAL STRUCTURE

All key legal and administrative documents connected to this project are in order the same are listed serially under para 1.2 above, as stated in the executive summary all are annexed together with this study and form part of this study.

3.1 MARKET SEGMENTS

Markets connected to this projects can be Illustrated as under.

3.2 DISTRIBUTION CHANNELS

The company have its our van which time and again is used to distribute the feed to the customers. It has been planned in this phase to buy vehicle which will be dealing with customers who are located away from Dar es Salaam, Lindi, Morogoro, Tanga, Moshi, Arusha, Karatu, Tengeru and USA River – to date one can conclude that all channels of distribution of their products are operating efficiently.

3.4 SWOT ANALYSIS

We have tasted the marketability of the entire project based on a professional approach (SWOT ANALYSIS) the result if this approach have revealed the following basis facts:-

Strength

Strength of this project is backed by several policies e.g. Agriculture Policy of Tanzania, the Investment Policy among others. The location of the project is another added advantage.

Weakness

The project is affected both by capital budget and partially with operational budget, besides the fact that the company is enjoying an overdraft from one of financial institution here in Coast Region the current interest rate changed time and again affects smooth running of the project. The shareholders cum directors of this company have resolved and decided to apply for term loan from in order to diffuse the financial gap currently experienced in the company cash flow.

Opportunities

Due to the fact that the project is located in the heart of tourism industry, the opportunities connected to this project are unlimited – to cap it all, the economic performance of Dar es Salaam, Morogoro, Arusha, Moshi and Manyara is another added advantage and indeed it is an opportunity to promoters of this project.

Threats

There are investors in Coast Region especially foreign investors who have established large poultry farm and poultry feed production and even import poultry feed from abroad and from South Africa and sometimes from East African region, this might pose a threat to this business. We expect the government will take proper action to safeguard the local market which create a lot of multiplying effects to the government of United Republic. Based on the aforementioned analysis one can easily conclude that the project stand a better chance of proving to be both profitable and sustainable.

Demand

Figures in this feasibility study report prove that demand of poultry feed in Tanzania override the levels of supply.

Supply at the Farm

Supply is steady throught the year as the promoters of this project have professional plans of rotation once the 1st stock of feed is sold another stock is ready for sale this approach si capable of maintaining the supply of feeds for twelve months. In short, supply of feeds in Coast Region and Dar es Salaam as debated under para 3.1 will always find a ready market to the advantage of shareholders of this company.

4.0 JUSTIFICATION OF THIS PROJECT

4.1 WHY THE PROJECT

The project in question is important to the economy, the locality where this project is located is also important for people and indeed to all Tanzanians as there is a lot of spiral over effect both socially and economically.

4.2 THE AGRICULTURE POLICY

The ministry agriculture have its own policy, among key issues connected to this policy is to encourage projects of this nature. - This being the case we expect and believe that the shareholders of this company will be supported not only by the government but also by Tanzania Investment Centre and Tanzania investment Bank – all the above mentioned facts justify why this project need to be supported and financed of course after it has been registered with Tanzania Investment Centre.

4.4 THE IMPACT OF THIS BUSINESS TO THE ECONOMY

This company currently is paying several taxes. (see annexed audited accounts together with company management accounts). The company also is paying insurance premiums, creating employment, the company pay land rent, PAYEE, NSSF, Withholding Taxes among others.

The company in order to make food for chicken the company is buying a lot of cereals to farmers in and outside Coast region, all this have a possible multiplying effect to the economy of not only Coast Region but also to the economy of United Republic of Tanzania. All these facts as it has been the case before, justify the importance of this project and justify its implementation.

4.5 ECONOMIC VISION 2025

The Tanzania economic vision 2025 among others forget to improve the economy of Tanzania. Going by annexed financial statements and what has been portrayed in the audit accounts and management accounts, it goes without saying therefore that the project is in conformity to the economic vision 2025 – this fact justify implementation of this project.

5.0 MANAGEMENT AND CONTROL

5.1 EMPLOYMENT

It is expected that a significant number of people will be employed, during the construction of the commercial complex and about 36 local citizens would be employed permanently, excluding the security guards and other 50 unskilled employment will be generated once it becomes operational. Security personnel will be contracted from an outside security firm

5.2 THE ADMINISTRATION SET UP

The management of this company is guided by official policies (management and accounting). All staff are well motivated and are guided by the following administrative structure.

5.3 ACCOUNTS DEPARTMENT

At the farm the accounts department is properly guided by a registered chief accountant, the chief accountant is a member of NBAA and he is time and again assisted by well motivated staff in stores, purchases department and in the accounts department. The chief accountant has a duty of preparing daily, weekly, monthly and yearly and reports all this prove the administration live of command in the accounts department to be very effective.

5.4 STORES AND REPORTING SYSTEM

The stores is managed by a celebrated storekeeper who is conversant with stores accounting, as it has been the case with the chief accountant he also reports to the board daily, weekly, monthly and yearly this proves that store accounting is water tight to guarantee a tight stores accounting.

5.5 INTERNAL AUDITOR AND EXTERNAL AUDITORS

Internal auditors are assigned to monitor internal control of all business transaction of the company external auditors are assigned to prepare final accounts in conformity to the National Board of accounts and Auditors Act and of course they work closely with Tanzania Revenue Authority.

5.6 THE BOARD

The board of directors is the policy maker of the entire organization the board is also the watchdog of the company.

6.0 PROJECTED COST AND REVENUE OF THE PROJECT

6.1 ASSUMPTION

When we were computing the annexed financial statements we assumed as follow:-

- Tourism industry will continue to boom in the northern circuit.
- Peace and tranquility will continue to be maintained in Tanzania.
- The economy of Tanzania will stabilize and will continue to grow positively.

6.2 THE INVESTMENT PATTERN

The investment pattern is as per appendix 1 in this feasibility study report the ratio of contribution has been projected to be at the ratio of 33% 67% respective – What

has been shown as equity include total investment made so far at face value, a detailed valuation report tells it all.

6.3 PROJECTED CASH FLOW STATEMENT

Projected cash flow statement is as per appendix 2 in this feasibility study report the cash flow is positive thought the trading period save for year 3 and year 6 this is so due to an element of the investment of plant and equipment of course repair and maintenance of buildings.

6.5 PROJECTED PROFIT & LOSS STATEMENT

Projected profit and loss statement are annexed under appendix 4. The figures show profitability through the trading period.

6.6 PROJECTED BALANCE SHEET

The projected balance sheet is annexed under appendix 5 in this feasibility study report. The annexed balance sheet prove the viability of this project.

6.7 PROJECTED DEPRECIATION SCHEDULE

The projected depreciation schedule is annexed under appendix 6 we have taken trouble to compute all this in order to alert the management to plan for a profession replacement of fixed asset in their official fixed asset register.

7.0 PROFESSIONAL OPINION

Economic Consideration

The contribution of projects of this nature to national GDP Prove that projects of this nature need to be encouraged – a lot of different taxes will be taped as it is the case now. (Refer to annexed data/statistics)

Social Benefits Connected to Projects

A lot of people will be employed and a lot of people will get a ready market to sell their products like maize, vegetables e.t.c. all this have a very positive social impact and political impact.

7.3 ENVIRONMENT ISSUES AND OTHER HEALTH HAZARDS

The management expect to employ experts in this respect as the result we don't expect any health hazards to affect smooth running of the entire project.

7.4 OTHER BALUE ADDED ISSUES

A lot of people will benefit once this project will be expanded to accommodate phase 11 & 111. Farmers, professionals and villages surrounding the area, shops of spares, petrol stations to name but few are among indirect beneficiaries of this projects.

7.8 CONCLUSION

The project is viable, profitable and sustainable as it has social political and economic impact to the country and that it is in line with a lot of policies and af course it is in line with the economic vision 2015, we thus recommend the project to be registered by TRA, assisted by government officials and financed by financial institution.

FINANCIAL STATEMENTS
(APPENDICES)

INVESTMENT BREAKDOWN

PARTICULAR	AMOUNTS USD
Land and Buildings	280,000
Plant & Machines	610,000
Motor Vehicles	124,000
Furniture & Fixtures	11,000
Pre Expenses	20,000
Others	50,000
Working Capital	215,000
TOTAL	1,310,000

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEARS5
Sales Revenue	630,000	756,000	907,200	1,088,640	1,306,368
Cost of Sales	126,000	126,000	126,000	126,000	126,000
Gross Profit	504,000	630,000	781,200	962,640	1,180,368
Operating Expenses					
Administrative Overhead					
Costs	105,000	106,050	107,111	108,182	109,263
Motor Vehicle running Expenses	5,000	5,050	5,101	5,152	5,203
Salaries and Wages	8,000	8,080	8,161	8,242	8,325
Depreciation	78,000	78,780	79,568	80,363	81,167
Marketing Costs	81,000	81,810	82,628	83,454	84,289
Utility Costs	6,500	6,565	6,631	6,697	6,764
Insurance	10,500	10,605	10,711	10,818	10,926
Interest on Loan	10,000	10,100	10,201	10,303	10,406
Communication	12,200	12,322	12,445	12,570	12,695
Total Expenses	207,950	210,030	212,130	214,251	216,394
Profit before Tax	296,050	419,971	569,070	748,389	963,974
Tax (30%)	207,235	293,979	398,349	523,872	674,782
Profit After Tax	88,815	125,991	170,721	224,517	289,192

PROJECT BALANCE SHEET

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Fixed Assets	1,025,000	847,625	702,000	521,000	340,000
Long term Assets					
Depreciation	177,375	177,375	177,375	177,375	177,375
Total long term assets	847,625	670,250	524,625	343,625	162,625
Current Assets					
Cash	406,100	684,700	979,050	1,292,735	1,625,723
Account Receivable	105,000	110,250	216,535	421,763	527,628
Inventory	214,710	376,383	438,469	402,292	467,493
Total Current Assets	235,000	235,000	235,000	235,000	235,000
Total Assets	1,082,625	905,250	759,625	578,625	397,625
Current Liabilities					
Accounts Payable	84,000	88,200	92,610	97,241	102,103
Other Current Liability	70,000	73,500	77,175	81,034	85,085
Subtotal Current Liabilities	154,000	1,616,700	169,785	178,274	187,188
Long term Liabilities					
Long term Liabilities	1,820,000	1,820,000	1,820,000	1,820,000	1,820,000
Total Liabilities	847,625	670,250	524,625	343,625	162,625
Net Assets	820,810	877,633	951,268	1,044,516	1,157,656
Capital and Reserves					
Owners Contribution	780,000	780,000	780,000	780,000	780,000
Retained Earning	40,810	97,633	171,268	264,516	377,656
Total Capital	1,082,625	905,250	759,625	578,625	397,625

OTHER OPERATING COST

Other Operations Cost	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Motor Vehicle running expense	29,000	29,400	29,800	30,200	30,600
Salaries and Wages	46,000	50,600	55,660	61,226	67,349
Administrative Overhead Costs	30,000	33,000	36,300	39,930	43,923
Utility Costs	20,000	22,000	24,200	26,620	29,282
Interest on Loan	86,000	94,600	104,060	114,466	125,913
Communication Expenses	4,000	4,400	4,840	5,324	5,856
Total Costs	215,000	234,000	254,860	277,766	302,923

FIXED ASSETS SCHEDULE

NAME OF ASSETS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Land and Buildings	280,000	266,000	252,000	238,000	224,000
Plant & Machines	610,000	488,000	366,000	244,000	122,000
Motor Vehicle	124,000	84,000	44,000	4,000	-36,000
Furniture & Fixtures	11,000	9,625	40,000	35,000	30,000
Total	1,025,000	847,625	702,000	521,000	340,000
Depreciation	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Land and Buildings	14,000	14,000	14,000	14,000	14,000
Plant & Machines	122,000	122,000	122,000	122,000	122,000
Motor Vehicles	40,000	40,000	40,000	40,000	40,000
Furniture & Fixtures	1,375	1,375	1,375	1,375	1,375
ANNUAL DEPRECIATION	177,375	177,375	177,375	177,375	177,375
CLOSING FIXED ASSETS	847,625	670,250	524,625	343,625	162,625