

MKWAWA TOBACCO PROCESSORS

**A PROPOSAL FOR EXPENSION OF
THE PROCESSING PLANT – MOROGORO.**

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY:	1
2. INTRODUCTION:	1
3. FACTORY LOCATION:	1
4. EXECUTIVE SUMMARY:	2
5. MISSION STATEMENTS/OBJECTIVE:	3
6. RAW MATERIAL TO BE USED:	3
7. LEVEL OF INVESTMENT:	3
8. MARKET STRATEGY/ANALYSIS:	3
9. COMPETITORS:	4
10. BUSINESS BENEFITS:	4
11. CAPITAL AND FINANCIAL CONTROLS:	4
12. FINANCIAL PROJECTION	5

1. EXECUTIVE SUMMARY:

Mkwawa Tobacco Processors Limited is planning to expand its processing facility in line with the tobacco crop growth that is expected to be more than 200,000 MT in the coming crop season 2024/25. This stands in contrast with the installed Country processing capacity which stands at 140,000 MT thus a need has arisen to increase processing capacity to match with increased crop volume as tobacco can only be exported after adding value in accordance with legislation.

The expansion project is therefore in line with the Government's initiative of attaining 200,000 MT by crop season 2025/6.

2. INTRODUCTION:

Mkwawa Tobacco Processors Limited is registered in Tanzania under the Companies Act as a company limited by shares with a Certificate of Incorporation Number 31778 Taxpayer Identification Number (TIN) 100-116-243.

The Tobacco sector in Tanzania is regulated by the Tanzania Tobacco Board which falls under the Ministry of Agriculture. All tobacco is grown by registered small holder growers who operate as Agricultural marketing cooperative societies [AMCOS]. AMCOS in one geographical region within Tanzania combine to form a Union. Unions then represent the growers in all forums including setting minimum indicative prices for a given season and facilitate the ordering of all tobacco growing inputs except seeds. All seed is supplied by traders.

Traders process all bought tobacco through processing facilities Mkwawa Tobacco Processor Limited being one at an installed capacity of 70,000 MT. The other is owned by Alliance One Tanzania Limited.

3. FACTORY LOCATION:

Mkwawa Tobacco Processors Limited situate in Morogoro Mazimbu Road, Morogoro District, Morogoro Region where the expansion shall be installed processing plant shall. The registered office is situated in Morogoro with the following address:

Registered Office: Morogoro Region,
Mazimbu Road,
Box 2299 Morogoro.

4. EXECUTIVE SUMMARY:

The capital structure is made up of 10,000 ordinary shares of TZS 1,000,000 each. Below is the analysis of authorized and fully paid share capital.

Authorized

10,000 ordinary shares of TZS 1,000,000 each.

Issued and fully paid.

6,990 ordinary shares of TZS 1,000,000 each.

The shareholder of Mkwawa Processors Limited are Tanzanians:

S/No.	Name	No. of Share	Nationality
1.	AMY HOLDINGS	6989	Tanzanian
2.	YUSRA MAREI HUWEL	1	Tanzanian

The names of the Directors who are serving office as of this report are:

S/No.	Name	Status	Nationality
1.	Matthew Kapnias	Managing Director	South African
2.	Richard A. Sinamtwa	Deputy Managing Director	Tanzanian
3.	Colin Stonebridge	Financial Director	British
4.	Ahmed H. Huwel	Director	Tanzanian

5. MISSION STATEMENTS/OBJECTIVE:

- a) To be the preferred supplier of sustainable small holder Virginia tobacco in Africa.
- b) To secure a motivated and expanding farmer base with an entrepreneurial approach that embraces innovation and transformation.

6. RAW MATERIAL TO BE USED:

The expansion project is expected to argument farmers efforts in increasing the crop volume. Production has increase from 65,000 MT in crop season 2021/22 to 118,000 MT in crop season 2022/2023. The crop is expected to reach a record high of 224,000 MT for crop season 2023/24.

7. LEVEL OF INVESTMENT:

Mkwawa Tobacco Processors Limited expects to expand the current plan processing plant from a maximum of 70,000 MT per season to 140,000 MT. The expected level of investment for the expansion project is:

- 1- USD 10,556,188
- 2- TZS 43,281,262,448.

8. MARKET STRATEGY/ANALYSIS:

Mkwawa Tobacco Processors Limited which combines expertise and knowledge from Tanzania, Italy, Greece, South Africa, and Brazil to design, manufacture, install and Commission the project, is expected to drive exports of tobacco to Europe, Asia, and UAE at

a time when demand for Virginia processed tobacco is stable.

Other competing origins like Brazil and India have hit a weather challenge thus ongoing efforts to increase both volume and Agro processing capacity in- Country is a strategic development worth embracing.

9. COMPETITORS:

The industry operates on contract farming basis in line with the Tobacco Act of 2001 as amended. The Company, through its sister company Mkwawa Leaf Tobacco has a sound market base with firm indications for at least for the coming 3 years. The Company's client base includes the likes of:

- PMI [Philip Morris]
- BMJ-
- Eastern- Egypt.
- Atlas Agri Global
- Beluka Trading
- Hail & Cotton
- Lichfield trading

10. BUSINESS BENEFITS:

In addition to boosting forex earnings, the expansion project is expected to have

- 1) Additional farmers on board through Contract farming in excess of 20,000 farmers.
- 2) Multiplier effect to local businesses that support the plant including transporters and shipping companies.
- 3) Additional Employment with 20 permanent staff and 1,025 seasonal staff.

11. CAPITAL AND FINANCIAL CONTROLS:

The company expects to install the additional processing plant as financed through local banks and external syndication with technology sourced from

- MacTavish – USA
- Goglioli & Bellanti- Italy
- VIT- Greece
- Comas- Brazil
- R- Systems Seimens- Italy
-

The project scope is design, manufacture, install and Commission. The incumbent holds a EIA application number EAC/EAR/1696 referenced as certificate number 61.

12. FINANCIAL PROJECTION

Mkwawa Leaf Tobacco Limited

		Actuals				
		Current Line	Year 0	Year 1	Year 2	Year 3
Additional Internal Income -						
Contribution to margin from New			Installation			
Line			Zero Income			
Green		42,262,224				
Yield		62%				
Green New Line	Kgs			47,300,000	60,200,000	60,200,000
Yield				62%	62%	62%
Dry	Kgs	26,148,620		29,326,000	37,324,000	37,324,000
Factory Costs		\$12,541,201				
	US\$/Kg	\$0.48				
Variable		\$7,634,364				
	US\$/Kg	\$0.29		\$0.29	\$0.29	\$0.29
Fixed		\$4,906,837				
	US\$/Kg	\$0.19				
Additional Fixed				\$0.10	\$0.10	\$0.10
New Depreciation	Fixed			\$0.10	\$0.07	\$0.07
Internal processing Charge		\$0.60		\$0.60	\$0.60	\$0.60
Less Variable Costs	US\$/Kg	\$0.29		\$0.29	\$0.29	\$0.29
Less Fixed Costs	US\$/Kg	\$0.19		\$0.20	\$0.17	\$0.17
Internal Income	US\$/Kg	\$0.12		\$0.11	\$0.13	\$0.13
Internal Income	US\$	\$3,147,971		\$3,314,097	\$4,977,997	\$4,977,997
Capital Expenditure	US\$ Imported			\$10,556,188	\$10,556,188	\$10,556,188
	Tsh Local	Rate 2,500		\$17,312,505	\$17,312,505	\$17,312,505
				\$27,868,693	\$27,868,693	\$27,868,693
10% Depreciation	US\$			2,786,869	2,786,869	2,786,869
	US\$/Kg			\$0.10	\$0.07	\$0.07