

**GOLDEN CASHEWS LIMITED**

**BUSINESS PLAN**

**FOR**

**COTTON GINNERY AND SEED PROCESSING FOR COOKING OIL  
PRODUCTION**

**FIVE YEARS: 2023-2028**

**Prepared by;**

**Golden Cashews Limited**

**NOVEMBER, 2023**

## CORPORATE INFORMATION

**Date of Incorporation** : 2016

### Company Registration

**Number** : 131074

**TIN** : 132-080-941

**Project Activity:** **Cotton Ginnery and Seed Processing for Edible Oil Production**

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### LIST OF ABBREVIATIONS

AfCFTA	-	African Continental Free Trade Area
CEO	-	Chief Executive Officer
CIF	-	Cost Insurance and Freight
EAC	-	East African Community
SADC	-	Southern African Development Community
SWOT/SWOC-		Strengths, Weaknesses, Opportunities and Threats/Challenges
TIN	-	Taxpayer Identification Number
US\$	-	United Stated Dollar

## 1.0 EXECUTIVE SUMMARY

Cotton is among the backbone sectors of the Tanzanian economy for a number of decades. However, recent development of the sector is at a stroll due to a number of factors including lack of sectoral development strategies, emergency of pests and diseases affecting the growth of cotton in some areas, and influx of competitive cotton products as well as alternative products across the globe. The industry looks like a dead sector in Tanzania as the industrialists, government and cotton industry owners have forgotten the Community Development aspect. They have focused on the financial side of the business and forget the social aspects that benefit farmers or the surrounding farming community.

**Golden Cashew Limited** is a private company limited by shares registered in Tanzania with the main purpose of engaging in farming, processing and distribution of agricultural products in the country as well as foreign markets. Currently, the company which will be using the Golden Cotton business name for this project, has embarked on the procurement of cotton, ginning, and processing of cotton seeds for the production of cooking oils. The company has already acquired 10 acres of land in Bariadi, Shinyanga region, and seeks to invest in cotton ginnery for the production of cotton lint that will be sold locally and in foreign markets, especially in India. The company also intends to set up a Cotton Oil Extraction Plant for the production of cooking oils and animal feeds from seedcakes. The plot has all the necessary infrastructure for industrial activities, it is accessible by road and is installed with electricity and water for industrial operations.

The company is owned and managed by experienced persons in the agribusiness sector. The project is expected to be financed both through owners' equity and external financing through bank loans, where the total project requirement amounts to **US\$ 4,000,000 (United States Dollar Four Million only)**. During the first year of operations, the project intends to employ at least 310 people constituting 10 foreigners and 300 locals.

## 1.1 Company Vision, Mission and Core Values

**Our Vision:** Our vision is to emerge as the best practitioner in production, processing and distribution of cotton and other agricultural products for the local and foreign markets.

**Our Mission:** Our mission is to provide value addition to agricultural crops mainly cotton by embarking on cotton ginnery and processing of cotton seeds through modern facilities and clean environment for production of high-quality cooking oils.

**Our Belief:** Is that, success depends entirely on our exceptional teamwork approach, while constantly striving to leave our clients with an everlasting positive customer experience.

**Core Values:** Through our dedicated, competent, professional and motivated organization, modernized, and experienced personnel, we are committed to the following principles:

- We ensure total continual customer satisfaction and optimum returns.
- We are committed to listening and responding to the needs of the community we serve;
- We are by international standards and a system that is uncompromised quality, achieved by individuals and as a team.
- To inspire and connect with our community to put their best selves forward every day.

## 1.2 Project Objectives

The main objective of our project is to increase our operational capability of cotton ginnery for the production of cotton lint and extraction of cotton seeds for the production of cotton seeds cooking oils that will be sold in the country and foreign markets. The project intends to invest highly in the community in which we operate by providing of best agronomy practices for the production of high-quality cotton that will be procured by the company. The project shall also support various community development aspects including supporting education and health care.

Specifically, the project aims to achieve the following objectives;

- To ensure the availability and reliability of high-quality cotton lint for the production of garments and other textile products.
- To utilize cotton seeds for production of cooking oils to meet the growing demand in the country.
- To employ at least 310 people to improve the livelihood to the community and join hands with the government efforts in job creation.
- To improve the linkages among producers, suppliers, and consumers of various products across the country.
- Stimulate the production of cotton in various places of the country by utilizing the arable land available for growing cotton.

### **1.3 Project components and costs**

The project is expected to commence its activities soon after all the preliminary arrangements and permits are obtained. The project office and some office equipment have already been prepared. The project shall be implemented in two phases. Phase one shall include preliminary stages such as site preparations, construction, office installation and procurement and installation of machineries and equipment for a ginnery. Phase two shall include activities for project expansion such as the construction of more production facilities, new equipment purchases and the installation of a cotton oil extraction plant. The activities in phase two shall commence in January, 2025 through the rest of the project. The installation of machinery and equipment and start of production is described in the following Table 1.

**Table 1.1: Project Requirements (Cost in US\$)**

Descriptions	Quantity	Value per unit (USD)	Total value (USD)
<b>Land and Buildings:</b>			
Land	10 acres	5,000	50,000
Buildings	Lampsum		650,000
Site Preparations	Lampsum		50,000
<b>Sub-total Land &amp; Buildings</b>			<b>750,000</b>
<b>Plant:</b>			
Machinery	Full set		1,000,000
Equipment	Full set		500,000
<b>Sub-total Plant</b>			<b>1,500,000</b>
Motor vehicles	5	50,000	250,000
Furniture & Fixtures	Lampsum		100,000
Others	Lamsum		200,000
Working Capital	Lampsum		1,200,000
<b>TOTAL</b>			<b>4,000,000</b>

The project requirement amounts to **US\$ 4,000,000 (United States Dollar Four Million only)** which covers the cost of land, buildings, plant and equipment and working capital required at the commencement of the project.

#### **1.4 Implementation Plan**

The envisaged project is expected to be implemented from November 2023 preliminary activities including site preparations, then the project shall continue its implementation in January 2024 with other requirements of the project. The implementation programme is well described in the Table 1.2

**Table 1.2: Implementation Schedule**

DESCRIPTION		PHASE I					PHASE II
No.	Activities	Nov-Dec, 2023	Jan-March 2024	Apr-June,2024	July-Sept,2024	Oct-Dec.2024	Jan 2025-Dec.2028
1	Site preparations and mobilization of resources						
2	Purchase of machineries, equipment						
3	Building Construction and Installation of the Ginnery Plant						
4	Procurement of materials, Recruitments of Staff, advertisement, engagements						
5	Start production of cotton lint and sales						
6	Project Expansion, setting up the Cotton Oil Extraction Plant						

Upon completion of site preparations, construction, and installation of the Plant, machinery and equipment, and other facilities, the process of hiring and engaging qualified personnel shall follow. The project shall pay attention to expertise in the sector. Then the production of cotton lint through ginning shall start. The project shall conduct a periodical assessment of its machinery and equipment and replace obsolete ones through disposal and procurement of new equipment. Project monitoring and evaluation shall be maintained throughout the duration of five years.

## 1.5. Project Benefits

The Implementation of this project will have economic and social benefits to the community and the country at large notably:

- The project will help the community access the best, safest yet affordable ginnery products in the country;
- The project will support industrialization campaign by setting up a ginnery and promote cotton, textiles and edible oil sectors in the country.
- The project will increase employment opportunities to the community;
- The project will increase social services to the community;
- The project will increase tax revenue to the government.

## 2.0 PROJECT DESCRIPTION

The project intends to utilise the prevailing opportunity due to availability of ample land that can be used for production of cotton. The project will also help to fill the gap in the edible oils in the country through production of cotton seeds oil.

The project shall be operated through the following model.

- Establishment of the Ginnery for the production of cotton lint that will be sold locally and exported to various countries;
- The Project will work with 100,000 farmers who will be given 10 acres each for growing cotton that will be purchased by the company on a contractual basis.
- The project will be centered on community Development by establishing an Organic society where farmers will be encouraged to join through voluntary membership. The project will preserve the values of Tanzania, protect land fertility, farmers' welfare, preserve of environment etc.
- Farmers will be given opportunities to feel part of the business. The company will bring experts from USA and Canada to train Tanzanians including farmers and other staff to understand how Cotton business is done in other parts of the world.
- The project will develop a community center, Health Centre, and Primary school, and establish an input store where farmers will be able to come and buy inputs and implements.
- The project envisages having exchange programmes with counterparts in Canada for locals and those abroad.

## **2.1 Key Success Factors**

Provision of value addition to agricultural crops to meet the local and foreign markets demands is our core competency. The project is designed to have modern, decent, well-managed facilities with immaculately humanitarian services during service delivery. We will ensure we have enough materials and equipment's that are operated by highly professional persons, who are ready to produce high quality products of nearly any requirement.

## **2.2 Our Staff**

**Golden Cotton Ltd** is well known for its “safety-first” policy that guarantees safe handling and delivery of our clients' requirements. The project shall maintain its policy to hire staff who have years of experience in the ginnery and oil extraction sectors. The hired staff shall comprise both Tanzanians and foreigners, creating opportunity for hundreds of jobs, providing fair pay in an excellent work environment. We will conduct periodical orientations and team building seminars so that our staff continue to be on the same page and properly trained to meet our objectives.

## **2.3 Community Engagement**

The idea of working with all parties along the value chain, including farmers, small and medium enterprises, technicians and researchers to make the sector vibrant once again while making textile products that meet international standards will be a sustainable means of making our project sustainable.

## **2.4 Machinery and Equipment**

The project will ensure that appropriate machinery and equipment are installed for ginning business and oil extraction.

## 2.5 Ginning Process

Ginning separates seed cotton into lint and cotton seeds. Ginneries are a focal point in the cotton industry and their location. The main objective will be to produce lint of satisfactory quality and to gin the cotton with minimum effect on fibre spinning quality. The outcome of the process is that, the lint will be baled and goes to textile industries for further processing whereas the cotton seed is milled by oil mills to produce edible oil.

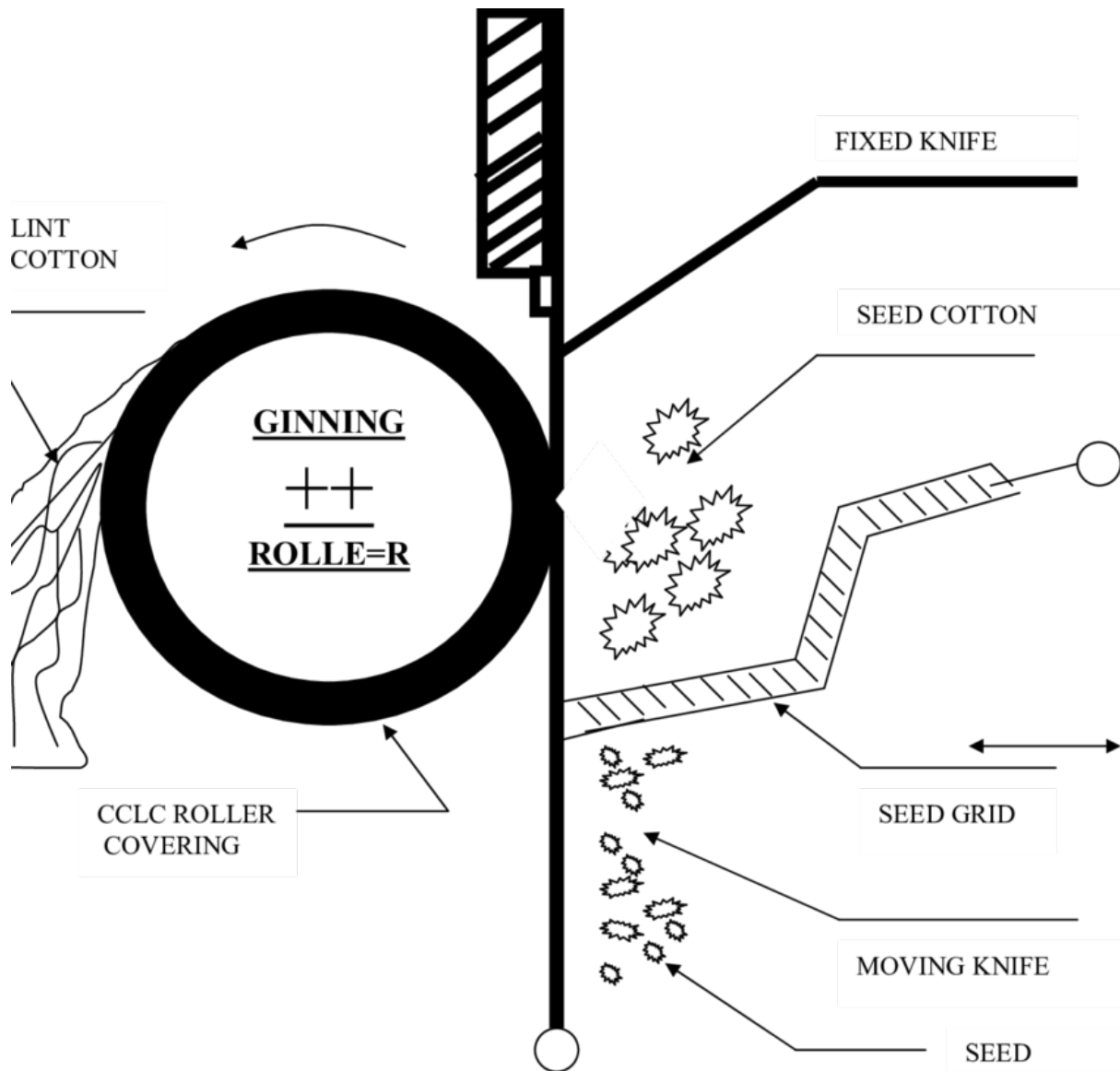
The project shall utilise roller ginning process which is the common mechanical means of separating cotton lint from seed. As the critical link between its upstream customer (the producer) and its downstream customer (the textile mill), the cotton ginning plant shoulders a great responsibility to do everything it can to maintain the cotton's quality properties. The ginneries will be expected to process even greater throughputs without abnormally extending the length of the processing season. This shall be enhanced by the high-speed processing which allows cotton to be ginned more efficiently and ensure high-quality resulting from roller ginning. The fibre quality properties required by textile mills around the world (reduced short fibre content, less naps, higher uniformity, etc.) shall be maintained regularly.

Cotton ginning, therefore, requires the unprocessed raw cotton, and then is applied on the cotton ginner in order to produce baled cotton and cottonseed.

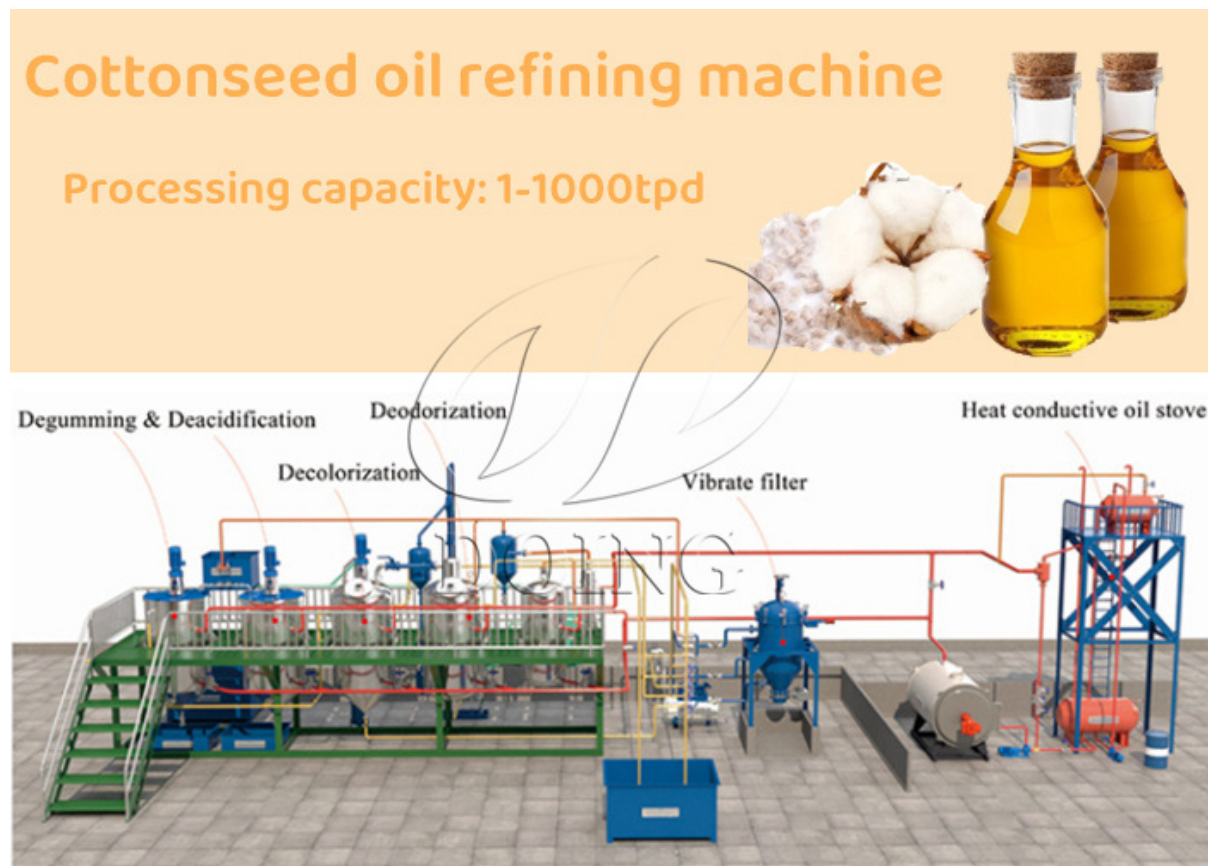
The major unit operations involved in cotton ginning are: -

1. Separation
2. Drying
3. Cleaning
4. Extraction
5. Distributing
6. Feeding
7. Ginning
8. Lint cleaning
9. Baling

**Figure 2.1: Cotton Ginning Process**



**Figure 2.2: Cotton Seeds Processing Plant**



In summary, the cotton ginneries will perform one main function and that is to separate the lint from the seed by roller processing. After this operation, cotton seed is packed in bags and cotton lint is sold to various textile mills for making yarn while cotton seed is sent to oil mills for the processing of edible oils, cattle feed cakes, soap, chicken feed etc. The ginneries also shall prepare, among other things cotton seed for distribution to farmers for planting purposes.

### **3.0 BUSINESS ENVIRONMENT AND SECTOR ANALYSIS**

#### **3.1 Business environment**

Businesses may be affected by factors beyond owner's control, and these need to be taken into account before making any investment decision. The company has considered many opportunities and challenges that may arise out of the expected changes. Thus, analysis of business environment key factors is paramount to this plan in order to determine external factors and how they are likely to affect the project.

*Economically;* Tanzania is now experiencing economic growth whereby the purchasing power of people is increasing and people's interactions is increasing as trade grows in the East African Region, SADC and AfCFTA. This has called for a lot of business opportunities in the regions. The burning issue currently is the rate of inflation and continuous fall in domestic currency this would lead to increased cost of operations as the price of materials are rising.

*Politically;* Tanzania has enjoyed political stability since it gained her independence in 1961, which has allowed for a degree of continuity and coherence in the organisation of both the state and the private sector. The country retains strong national unit with an engaged civil society and private sector. The government of Tanzania is in support of investments through a number of policies and strategies that aims at making the business environment more conducive.

*Social-Cultural:* The social aspect focuses on the forces within the society. Family, friends, colleagues, neighbours and the media are social factors. These factors can affect our attitudes, opinions and interests. So, it can impact sales of products and revenues earned. There is no doubt that the society is continually changing. The tastes and preferences are a great example of this change for the Tanzanian culture. Most of Tanzanians currently are willing to pay a premium price for a product that satisfies their expectations. Demographically, the country is increasing in population where currently the country is estimated to have over 61 million people. The increase in population necessitates increase in demand of goods and services.

*Technological factors:* Technological factors are one of various external environment factors that affect businesses greatly and are also an integral component of the **environment analysis**. Our project considers technology as an integral part and important tool for improving operations and functions. In the present scenario, utmost dependence on equipment, technological factors can have more effect on business operation and success globally than ever before. Furthermore, development of technology has also introduced digital marketing strategies through which companies are able to sell their products and services. Even the research and development (R&D)

divisions in most companies have changed their ways of functioning and more advanced techniques in the development of products and services have been introduced only through technological advancements. We will ensure we keep up the pace of technology to suit the needs of our customers.

## **4.0 MARKETING PLAN**

There is a growing population in the country, where current statistics shows that the population trend grows by 3% annually with a current population of 61 million in 2022.<sup>1</sup> Dar es Salaam being the largest commercial city has been one of the fastest growing cities in terms of population with more than 6 million people. The pace of regional integration within EAC and SADC blocs with recent ratification of AfCFTA paves way for more trade in the region. Our motive is to cater for this need especially through providing a high-quality cotton products and cooking oils that will be sold locally and at international markets.

### **4.1 Marketing Strategies**

#### **4.1.1 SWOT Analysis**

The SWOT analysis is conducted in order to assess our internal strengths and drawbacks that we need to improve. We have also analyzed external factors which may provide opportunities or pose threats to our project. Finally, we have indicated how we can best utilize the available opportunities and mitigate potential threats and overcome our weaknesses.

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<sup>1</sup> National Bureau of Statistics, 2022: Population and Housing Census

**Table 4.1: SWOT Analysis**

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> <li>• Ability of the project implementers to solicit required funds for the project.</li> <li>• More than 30 years of business experience of promoters is an asset</li> <li>• Modern equipment and facilities and safe environment for production of high-quality cotton lint and cooking oils from cotton seeds.</li> <li>• Excellence in service from highly skilled service providers.</li> <li>• Affordable prices will give options for customers to prefer our products.</li> </ul>	<ul style="list-style-type: none"> <li>• Sourcing of required resources including finances may cause delay in starting operations on time.</li> <li>• No appropriate data on the current and projected market demand.</li> </ul>
OPPORTUNITIES	THREATS/CHALLENGES
<ul style="list-style-type: none"> <li>• Growing demand of cotton and textiles products due to increase in population and regional integration.</li> <li>• Government commitment to support ye sector.</li> <li>• Economic growth and rising in purchasing power of individuals provides opportunities for the project.</li> </ul>	<ul style="list-style-type: none"> <li>• High expectations and catering for changing customer preferences.</li> <li>• Ensuring punctuality, safety, health and hygiene of our products.</li> <li>• Stiff competition in the sector.</li> </ul>

From the SWOT analysis, we have been able to identify our strengths, weaknesses, opportunities and threats. The project will capitalize on the key strengths to provide best services to customers. The available opportunities create a room for business expansion and the company sees that this prevailing opportunity cannot be left in vain. The company is new to cotton industry as it has been in Cashew industry but through proper marketing strategies any constraints will be minimized. The project shall make use of the marketing mix in making sure that high quality product is maintained in the market, our services reaches to high demand locations (place), reasonable price is charged to our clients and appropriate promotional tools are employed to increase awareness of our products and services.

**Product:** The modern equipment and facilities shall be an added advantage to compete in the market through determination to provide high quality products and

services. A sufficient budget shall be allocated for repair and maintenance to ensure that all machineries and equipment and facilities remain in a good quality all the time so as to maintain products of high quality. The brand name “Golden Cotton” shall be used to sell companies products throughout the project.

**Pricing:** The objectives of price strategy depend on a number of factors such as business economic and marketing objectives. Price setting can be based on cost or market based. With demand and completions orientation concepts, a fair price will be set which customers are willing to pay at the same time covers operational costs with some profit margin. In this regard, price setting shall be based on demand, and competition but also cost of operation.

**Place:** The project shall invest in modern and sophisticated technology and facilities and conducive environment. The project has arranged to start operations by looking at the most convenient market segment.

**Promotion:** Branding and Media advertisements both digital and print media shall be widely employed by the project. We will engage in positive promotion of the project through developing appropriate marketing strategies. The project will make advertisement of the available services via a number of media such as local newspaper, leaflets, TV, radio, social media and Internet. Different procedures of promotion will be applied, such as providing price discounts to regular customers and providing seasonal tickets.

## **5.0 OPERATIONAL AND MANAGEMENT PLAN**

### **5.1 Operational Plan**

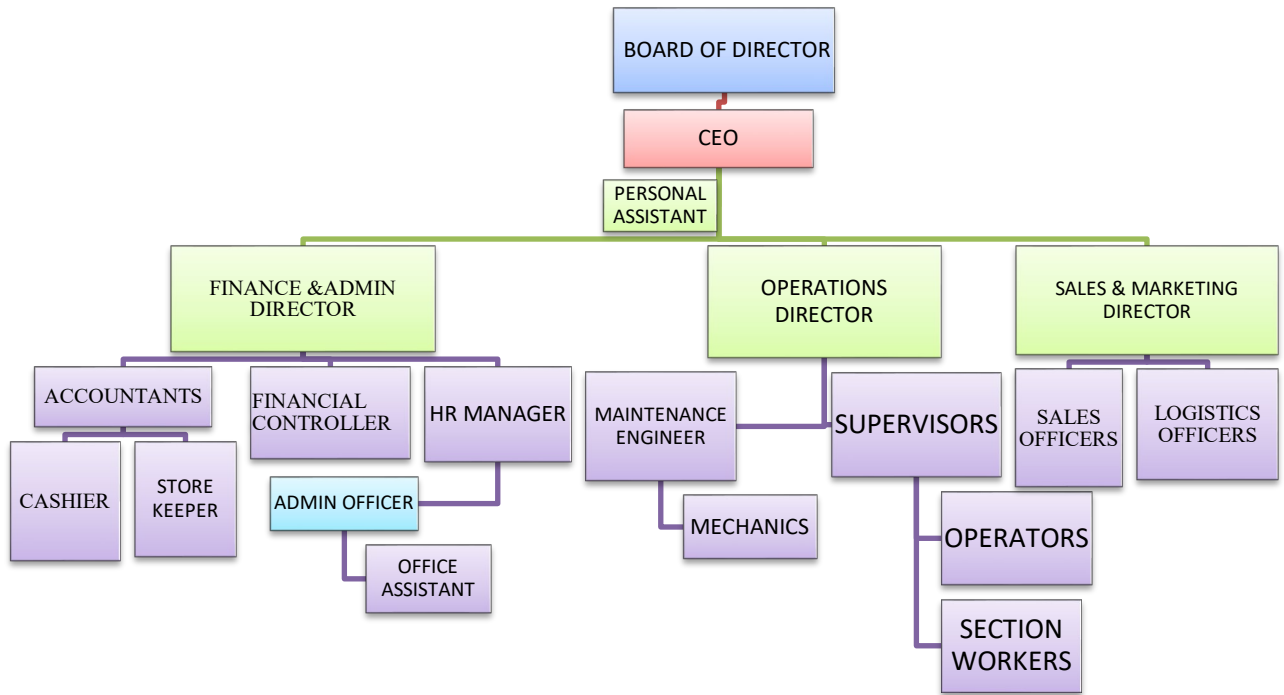
The operation is subject to government regulations and acquiring relevant permits and licenses before commencement of the business. All necessary licensing and permits shall be obtained prior to commencement of the project.

### **5.2 The Organization Structure**

The project shall maintain the hierarchical mode of organization structure. The organization structure comprises of the Project Implementation Team led by the CEO and other supporting staff.

The Organization structure comprises of three main departments which shall report to the CEO; Finance and Admin Department which shall include the Finance and Administrative Director, Accountants, Cashiers, revenue collectors and store keepers; HR Officers, Administrative Officers and Office Assistants as well as watchmen/security guards and drivers. Marketing and Sales Department shall include the Director of Sales and Marketing, Marketing Manager; Sales Officers and Logistic Officers. The Operations Department shall include the Director of Operations, Technical and maintenance Manager, Mechanics, Machine Operators, Drivers and section workers; The figure 5.1 describes the organization structure and the reporting lines for each category.

**Figure 5.1 Organization Chart**



**5.3 Management**

The Chief Executive Officer shall be responsible for day-to-day running of the project and direct reports to the Board of Directors. Director of Operations shall be responsible for day-to-day operational activities of the project including sourcing of materials, manage the personnel under him, repair and maintenance and control the timetable for trucks. Finance and Administrative Director shall be responsible for all financial and administrative issues. Accounting and Administrative officers shall be responsible for all financial and administrative issues respectively. The financial controller shall ensure monitoring resource allocation especially funds and making sure that the fund is used in a desired manner.

## 5.4 Revenue collection

Revenue collections will be done on cash basis and bank transfers. Where there is a written agreement, the company will also provide services on credit basis to institutional customers. For the first year of the project, the average revenue is estimated to be **USD 2,250,000**. The description of revenue projections are shown in the Table below.

**Table 5.1: Description of Revenue Projections**

S/N	Revenue Source	Amount per month (USD)	Amount per year (USD)
1	Cotton Lint	90,000	1,080,000
2	Cooking Oil	61,000	732,000
3	Seedcakes	36,500	438,000
	<b>Total</b>	<b>187,500</b>	<b>2,250,000</b>

## 6.0 PROJECT MONITORING AND EVALUATION

The project will be monitored and evaluated on a regular basis to track progress and identify any potential problems. The monitoring process will collect data on key indicators, such as the number of trucks added, the number of trucks per route, and reduction in service delivery time and costs. The evaluation process will collect data on the benefits of the project, such as improvement in transport services, the creation of jobs, and the improvement of economic activities of the Company.

The monitoring and evaluation plan will be tailored to the specific needs of the project. However, the following general principles will be followed:

- i) **Relevance:** The monitoring and evaluation plan will be relevant to the objectives of the project.
- ii) **Accuracy:** The monitoring and evaluation plan will be accurate and reliable.
- iii) **Timeliness:** The monitoring and evaluation plan will be timely and up-to-date.
- iv) **Transparency:** The monitoring and evaluation plan will be transparent and accessible to stakeholders.

## 7.0 RISK ASSESSMENT AND KEY ASSUMPTIONS

The project has the potential to significantly improve the efficiency of transport service in Dar es salaam and hence promote increase in economic activities and incomes of people. However, there are also a number of risks associated with the project. Some of the key risks may include:

- i) **Competition:** There is a stiff competition in the cotton and textile sector as well as cooking oil as it is for other businesses. Majority of competitors have already covered a huge share in the market, the company intends to capitalize on a niche in which the company can best serve than others. The project shall utilize the existing gaps in the local market and exploit export potentials to various markets.
- ii) **Price changes:** Due to inflation, the price of materials is expected to rise up particularly fuel and spare parts. In order to cater for this price increase, the project shall review the project planning, timelines and make price adjustments from time to time.
- iii) **Accidents:** Factories are prone to accidents. One of the major causes of these accidents is overworking of employees without being given enough time to rest. We intend to employ qualified staff and use modern technology to ensure labour gets enough rest. The company also intends to secure the machineries and equipment through a comprehensive insurance cover in case of any accident, theft or any other disaster.

Despite likelihood of these risks, the project potentials to make significant contribution to the economic development are inevitable. If the project is successful, it could help to improve the development of cotton and edible oils sectors and ensuring availability of high-quality products in the country and ultimately boost economic growth.

## 8.0 FINANCIAL PLAN

### 8.1 Sources of Funds

The project financing is expected to be through both owners' equity and debt financing through both internal and external sources of financing. The amount of revenue shall be clearly allocated to the parties as per profit calculations of the project. The project financing shall be in the following mode;

**Table 8:1 Project Financing**

S/N	Type of Financing	Source	Amount (\$)
1	Equity	Foreign	600,000
2	Loan	Foreign	200,000
3	Loan	Local	3,200,000
<b>TOTAL</b>			<b>4,000,000</b>

### 8.2 Financial Assumptions

Several assumptions were made and considered in the preparation of this financial plan and projection. The assumptions are based on professional judgment, economic trends and current financial market environment. These are as noted below;

- (i) The focus market shall be both domestic market and foreign markets including EAC, SADC, ACFTA and beyond the African Continent.
- (ii) Investment shall be progressively made throughout the project;
- (iii) The annual sales are projected to grow by 10% per annum; while operating expenses will rise at the rate of 5%. The revenue is expected to double in year 3 after having installed the Cotton Oil Extraction Plant.
- (iv) Depreciation will be charged on straight line method to allocate the cost of each value over its estimated useful life. The rates to be used for vehicles and equipment are as follows;
  - (a) Buildings 5%
  - (b) Furniture & Fittings 10%
  - (c) Equipment 10%
  - (d) Motor vehicles 20%

The financial assumptions will also include issues on credit sales, payments of interest rates, taxes and other levies. From the beginning, we recognize that payment terms

and hence collection days are critical, but not a factor we can influence easily. At least we are planning on the problem, and dealing with it. Interest rates, tax rates, and personnel burden are based on conservative assumptions. Some of the more important underlying assumptions are:

- We assume a strong economy, without major recession.
- We assume, of course, that there are no unforeseen changes in economic policy to make our service immediately obsolete or unwanted.
- We assume an inflation rate of 5% yearly.
- Maintenance costs 5% of Property Plant and Equipment
- Corporate tax is 30% of Net Income

### 8.3 Projected Financial Sstatements

The projected financial statements for five years indicate that the company shall be able to generate substantial amounts of profits as detailed below.

**Table 8.2: Projected Income Statements for Five Years**

<b>Description</b>	<b>YEAR 1 (US\$)</b>	<b>YEAR 2 (US\$)</b>	<b>YEAR 3 (US\$)</b>	<b>YEAR 4 (US\$)</b>	<b>YEAR 5 (US\$)</b>
Revenue	2,250,000	2,475,000	4,950,000	5,445,000	5,989,500
Less: Cost of sales	957,043	1,004,895	2,009,790	2,110,280	2,215,794
<b>Operating Profit</b>	<b>1,292,957</b>	<b>1,470,105</b>	<b>2,940,210</b>	<b>3,334,720</b>	<b>3,773,706</b>
<i>Less: Op. expenses</i>	<i>642,067</i>	<i>674,170</i>	<i>1,348,341</i>	<i>1,415,758</i>	<i>1,486,546</i>
Earnings Before Interest and Tax	650,890	795,935	1,591,869	1,918,962	2,287,161
Less: Charges					
Interest	510,000	408,000	306,000	204,000	102,000
<b>Earnings Before Tax</b>	<b>140,890</b>	<b>387,935</b>	<b>1,285,869</b>	<b>1,714,962</b>	<b>2,185,161</b>
<i>Corporate Tax (30%)</i>	<i>42,267</i>	<i>116,380</i>	<i>385,761</i>	<i>514,489</i>	<i>214,310</i>
<b>Earnings After Tax (Loss)</b>	<b>98,623</b>	<b>271,554</b>	<b>900,108</b>	<b>1,200,474</b>	<b>1,970,851</b>
<i>Dividends (30%)</i>	<i>29,587</i>	<i>81,466</i>	<i>270,032</i>	<i>360,142</i>	<i>150,017</i>
<b>Retained Earnings</b>	<b>69,036</b>	<b>190,088</b>	<b>630,076</b>	<b>840,332</b>	<b>350,039</b>

**Table 8.3 Projected Balance Sheet for Five Years**

DESCRIPTIONS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	US\$	US\$	US\$	US\$	US\$
NON-CURRENT ASSETS					
Land & Buildings	95,000	190,000	180,000	185,000	177,000
Machinery & Equipment	1,100,000	1,200,000	2,323,000	2,030,200	1,807,180
Motor vehicles	250,000	200,000	300,000	250,000	200,000
<b>Total Non-Current Assets</b>	<b>1,445,000</b>	<b>1,590,000</b>	<b>2,803,000</b>	<b>2,465,200</b>	<b>2,184,180</b>
Stocks	1,517,472	718,440	519,284	322,500	133,100
Debtors & Prepayments	255,693	256,825	111,500	115,400	116,700
Cash and Bank balance	1,314,288	1,074,221	95,185	168,389	221,220
<b>Total Current Assets</b>	<b>3,087,453</b>	<b>2,049,486</b>	<b>725,969</b>	<b>606,289</b>	<b>471,020</b>
<b>TOTAL ASSETS</b>	<b>4,532,453</b>	<b>3,639,486</b>	<b>3,528,969</b>	<b>3,071,489</b>	<b>2,655,200</b>
Equity Capital	900,000	600,000	628,579	609,562	636,841
Retained Earnings	196,436	235,658	271,941	310,038	350,039
<b>Total Equity</b>	<b>1,096,436</b>	<b>835,658</b>	<b>900,520</b>	<b>919,600</b>	<b>986,880</b>
Bank loan	3,400,000	2,720,000	2,040,000	1,360,000	680,000
<b>Total Non-Current Liability</b>	<b>3,400,000</b>	<b>2,720,000</b>	<b>2,040,000</b>	<b>1,360,000</b>	<b>680,000</b>
Trade Creditors and Accruals	17,142	61,622	577,710	693,389	970,220
Taxation	18,875	22,206	10,739	98,500	18,100
<b>Total Current Liabilities</b>	<b>36,017</b>	<b>83,828</b>	<b>588,449</b>	<b>791,889</b>	<b>988,320</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>4,532,453</b>	<b>3,639,486</b>	<b>3,528,969</b>	<b>3,071,489</b>	<b>2,655,200</b>

**Table 8:4 Projected Cash Flow for Five Years**

<b>DESCRIPTIONS</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>Cash from operations:</b>					
Profits before tax	650,890	795,935	1,591,869	1,918,962	2,287,161
<b>Adjustments for non-cash items:</b>					
Depreciations	560,750	448,600	836,600	748,500	648,100
<b>Change in Working Capital:</b>					
Receivables	-255,693	-256,825	-111,500	-115,400	-116,700
Trade payables & Accruals	36,017	83,828	588,449	791,889	988,320
<b>Total</b>	<b>991,964</b>	<b>1,071,538</b>	<b>2,905,418</b>	<b>3,343,951</b>	<b>3,806,881</b>
Tax payments	-42,267	-116,380	-385,761	-514,489	-214,310
<b>Total Cash Inflow from Operating Activities</b>	<b>949,697</b>	<b>955,157</b>	<b>2,519,657</b>	<b>2,829,463</b>	<b>3,592,571</b>
<b>Cash from investing activities:</b>					
Purchase of assets	-460,000	-218,750	-632,318	-136,822	-529,163
Other purchases	-489,697	1,084,149	-1,668,343	1,402,168	1,468,011
<b>Net Cash Outflow from Investing Activities</b>	<b>0</b>	<b>865,399</b>	<b>218,996</b>	<b>1,265,346</b>	<b>938,848</b>
<b>Cash from financing activities:</b>					
Dividends	-29,587	-81,466	-270,032	-360,142	-150,017
Loan Repayments	-1,120,000	-1,024,000	-928,000	-832,000	-736,000
<b>Net Cash Outflow from Financing Activities</b>	<b>-1,149,587</b>	<b>-240,067</b>	<b>-979,036</b>	<b>73,204</b>	<b>52,831</b>
<i>Beginning Cash Balance</i>	<i>2,463,875</i>	<i>1,314,288</i>	<i>1,074,221</i>	<i>95,185</i>	<i>168,389</i>
<b>Ending Cash Balance</b>	<b>1,314,288</b>	<b>1,074,221</b>	<b>95,185</b>	<b>168,389</b>	<b>221,220</b>

#### 8.4 Loan Repayment Plan

As indicated, the financing of the project shall come from both equity and debt financing through bank loans. The project shall ensure that, the repayments of loans are usually made in periodic payments that include some principal and interest as indicated in Table 8.5 below.

**Table 8.5: Loan Repayment Schedule**

<b>Loan amount (US\$)</b>	3,200,000				
<b>Interest rate per annum</b>	15%				
<b>Annual Instalments</b>	12				
<b>Loan Duration (Years)</b>	5				
<b>Years</b>	<b>Principal Payment</b>	<b>Balance</b>	<b>Interest</b>	<b>Total Repayment</b>	<b>Total Repayment Per Month</b>
<b>Year 1</b>	640,000	2,560,000	480,000	<b>1,120,000</b>	<b>93,333</b>
<b>Year 2</b>	640,000	1,920,000	384,000	<b>1,024,000</b>	<b>85,333</b>
<b>Year 3</b>	640,000	1,280,000	288,000	<b>928,000</b>	<b>77,333</b>
<b>Year 4</b>	640,000	640,000	192,000	<b>832,000</b>	<b>69,333</b>
<b>Year 5</b>	640,000	0	96,000	<b>736,000</b>	<b>61,333</b>
<b>TOTAL</b>	<b>3,200,000</b>	-	<b>1,440,000</b>	<b>4,640,000</b>	<b>386,667</b>

From the loan disbursement table above, it shows that the project will be able to repay its loan totalling to US\$ 4,640,000 for period of five years. This is a good indication as the project will be able to cover its financing requirements on time.

## **9.0 ECONOMIC ASPECTS**

### **9.1 National economic and social Benefits**

The economic and social impact of establishing the proposed project to Tanzania is expected to be positive. This positive impact is expected to be direct and indirect as explained below:

#### **a) Direct economic impact**

Direct positive economic impact is expected to come from the following factors, namely,

- 1) Tax payments to the government increased,
- 2) Access to quality, reliable and affordable products increased,
- 3) Employment opportunities generation; more than 310 direct jobs expected to be created.
- 4) Technology and skills transfer from expertise hired from different parts of the globe.

#### **b) Indirect economic impact**

The project is expected to operate as a responsible corporate citizen by fulfilling some of its corporate responsibilities such as assisting some of the disadvantaged communities by way of donations, starting from the communities living near the project and participation in economic development activities of the country.

## **10.0 CONCLUSION**

The fact that owners are willing to raise investment capital to finance the project, it shows a strong commitment in making sure that the project is successfully implemented. The Project lays in areas which are very rich in cotton production, hence project activities will help to revamp the cotton sector at large. Owners are willing to comply with all government requirements. The fact that there is a huge demand for cotton products and edible oils despite presence of a number of other players in the market, makes this project a viable idea.