

S.M.HOLDINGS LIMITED

Business Plan

for

Agri Processing

S.M.HOLDINGS LIMITED

1.0 INTRODUCTION

S.M.HOLDINGS LIMITED ("the company") is a private limited company incorporated on 30th September 1998 in the Republic of Tanzania. The company has a certificate of Incorporation Number 34882, Tax Identification Number 100-227-924. The principal business place and head office of the company is located at **Plot No. 18 Block F at Mwanaambaya in Mkuranga District, Coast region Tanzania.** . The company is planning to set up facilities for cereals sorting, grading, and packaging of farm produce such as sesame, green gram, yellow gram, peanuts, etc.

This will increase the quality of the farm produce exported from Tanzania.

Below are the expansion areas of the company;

Seeds cleaning line and Silo

Seed cleaner is a multifunctional plant which will be used for cleaning, drying and grading various types of cereal seeds which will add value and meet the international Standards for export market. The Silo will be installed for the purpose of storage of various serials including maize, rice etc.

2.0 TANZANIA OVER VIEW

Tanzania exemplifies the developing world's struggle to achieve 'High- middle-income' country status while confronting widespread

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poverty and substantial farming challenges such as low productivity, Lack of access to finance, exploitation from middle men, High post-harvest Loss up to 25% lack of markets, poor farming practices and lack of processing facilities to add value to the farm produce.

Tanzania has made a number of important agriculture achievements in recent years, including food security and raw materials. The agricultural sector on average contributes about 24 per cent of GDP compared to about 30 percent a decade ago; and it contributes about 24 percent of exports, down from about 45 percent ten years earlier.

The African Development Bank (AfDB) has recently released its first Africa's Macroeconomic Performance and Outlook – January 2023, in which it estimates that the GDP of Tanzania will have grown by +4.6% in 2022, and projects it will grow by 5.1% in 2023, and by 6.1% in 2024. These estimates are similar to the ones the World Bank (WB) includes in its recently issued Global Economic Prospects report of January 2023. According to the AfDB, global macroeconomic conditions have recently become increasingly uncertain with the persistence of multiple shocks that make policymaking and investment decisions very challenging. The highly volatile external environment has spilled over to the African

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continent, threatening to halt the gradual recovery from the lingering effects of the COVID-19 pandemic. The Bank's estimates show that Africa's average real GDP growth slowed to 3.8% in 2022. The slowdown reflects the impacts of downside factors, including spillovers from rising geopolitical tensions, climate change risks, and the lingering impacts of the COVID-19 pandemic, which have been amplified by tightening global financial conditions and the associated increase in domestic debt service costs. However, despite the challenging external environment, Africa has demonstrated continued resilience, with all but one country maintaining positive growth in 2022 and with outlooks stable for 2023 and 2024. Africa's GDP growth is projected to average about 4% in 2023 and 2024, higher than the projected world average of 2.7% cent and 3.2% respectively. The top five performing African countries before the COVID-19 pandemic are projected to grow by more than 5.5% and could reclaim their position among the world's top 10 fastest-growing economies in 2023–24.

Tanzania's GDP to Grow by 5% in 2022 and 5.6% in 2023, AfDB Projects For East Africa, growth is estimated to have moderated to 4.2% in 2022 from 5.1% in 2021 but is projected to recover to the pre-pandemic average above 5.0% in 2023 and 2024. East Africa Projected GDP Growth, Source AfDB While East Africa's production structure is relatively diversified, countries in the region are largely

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net importers of commodities. They thus bear the brunt of high international prices in addition to recurrent climate shocks and insecurity, particularly in the Horn of Africa. The projected stability in medium-term growth in Africa largely reflects the benefits of policy support in Africa, global efforts to mitigate the impacts of exogenous shocks and rising uncertainty, and stable growth in Asia, one of Africa's main trading partners. However, this welcome recovery and the economic resilience of African economies come with cautious optimism, as global financial conditions have tightened and are projected to remain restrictive in the near term, compounded by increased volatility in global financial markets and persistent disruptions in global supply chains. This could put further pressure on exchange rates and keep debt vulnerabilities and domestic inflation elevated, threatening food and energy security in most African countries.

3.0 BUSINESS OVERVIEW

Tanzania's Agricultural produce market is among the largest in Sub-Saharan Africa. Among the major agriculture produce in the region include cereal crops such as rice where by various international and national reports show that the demand is very high compare to the current level of production.

3.0 THE GROWING DEMAND OF SESAME SEEDS IN CHINA

The growing demand of sesame seeds in China is presenting an opportunity for Tanzanians to export the produce which is abundantly available locally.

China is the largest importer of sesame seeds in the world, accounting for about 50 percent of the world's total export volumes, according to the Chinese Embassy in Tanzania. From January to November 2022, China imported 1,032,800 tonnes of sesame seeds, of which 90 percent were from African countries with Tanzania contributing 10 percent.

Data from China Customs shows that Tanzanian sesame exports increased by 19.1 percent to \$167 million during the eleven-month period, prompting local producers to improve its quality and explore market opportunities.

According to the data, Tanzania exported 103,200 tonnes of sesame seeds to China, but can take further advantage of the growing demand and laws governing trade between China and Africa.

"China has granted tariff-free treatment to imported sesame seeds from most African countries, including Tanzania. This has greatly boosted Africa's sesame seed exports,".

With the improved living standards of Chinese people and increased importance put on health, the demand for sesame seeds and related products is on the rise.

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Tanzania is among the top producers of sesame in the world, according to the UN Food and Agriculture Organization (FAO).

According to the 2019/2020 Agriculture Sample Census by the National Bureau of Statistics (NBS), production of sesame in Tanzania was 128,842 tonnes, out of which 128,588 tonnes were produced by smallholder farmers and 254 tonnes were produced by large-scale farms.

Lindi region had the highest production of 26,900 tonnes, accounting for 20.9 percent of the total production, followed by Songwe which produced 23,544 tonnes (18.3 percent), Dodoma which produced 21,980 tonnes (17.1 percent) and finally Mara which produced 82 tonnes (0.1 percent).

Tanzania's exports to China are expected to increase to \$1 billion (about Sh2.3 trillion) in 2025, from the current \$600 million (about Sh1.4 trillion).

4.0 PROJECT OVERVIEW

S.M.HOLDINGS LIMITED project is planning to engage in agro-processing and has multiple lines of business under the same roof which can be

The step by description step-by-step of sesame seeds manufacturing

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Sesame seeds are flat, oval shaped tiny seeds with an oval-shaped crunchy and nutty texture and are used all over the world in food recipes and skin care products. With the scientific name *sesamum indicum*, these seeds are grown and manufactured in bulk quantities in the Southern region of Tanzania. The seeds grow naturally in pods and are cultivated from edible seeds. They come in a lot of varieties and variants viz. natural white sesame seeds, hulled white sesame seeds, black sesame seeds, brown sesame seeds, all of the wand which find use and application over the globe.

The following is a step by step description of the process of sesame seeds manufacturing:

Sesame seed processing:

The sesame seeds manufacturer need big processing plants and the correct machinery in-house to appropriately process the sesame seeds. The processing is broadly carried out in three main steps which are cleaning, dehulling and sorting. Since there are two kinds of sesame seeds-hulled and unhulled, the unhulled seed lot does not need to go through the dehulling process. The sesame seeds manufacturer adopt the following steps for manufacturing & processing the sesame seeds:

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Step 1: Cleaning

This is the pre-cleaning process which is meant to clean all the raw seeds and is done by removing all the impurities and dust particles.

There are many devices within the cleaning machinery to carry on this process.

Firstly, all the seeds are sieved then transferred to a spiral blending machine and then into the grader followed by the de-stoner.

The machine has three different discharging outlets for impurities, for sewage and for cleaned seeds.

Step 2: Dehulling

This process is of two different kinds-dry dehulling and wet dehulling. Dry dehulling is not used in commercial plants and industries. Whereas wet dehulling is used where a large output needs to be obtained.

Wet dehulling in turn includes 5 processes which are: soaking, dehulling, separation, cleaning and drying.

Step 3: Sorting

The final step of the sesame seeds manufacturing process is sorting in which again is divided into 3 steps: fine sorting, magnetic sorting and colour sorting.

Fine sorting-this is a kind of sorting process in which all the seeds are fined and then sorted on the size basis

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Magnetic sing-this is a kind of a sorting process in which the fined seeds are madcoloro of magnetic field or charge to remove all kinds of magnetic impurities.

Color sorting-in this sorting, the single sorter machine separates impurities likforeign particles and stones.

Concluding the aforesaid steps of sesame seeds manufacturing, the sesame seeds manufacturer bag the seeds and get them ready for export. HL Agro is a noted & reliable sesame seeds manufacturer hailing from India. With the consistent delivery of high-quality sesame seeds over the years, it has duly carved a bag for itself in the national & international markets.

Storage facilities

The company is also planning to install seed cleaning machine and silo storage facilities to ensure the produce are cleaned, sorted, dried and stored to meet the international export standards.

4.1 Proposed Plant Capacity

The capacity of the plants to processing capacity per year is 5000metric tons per year.

4.2 Mission Statement

Agro processing facilities with customized services

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4.5 Vision Statement

To be a leading company in Agro processing and distribution within the East Africa

4.6 Audited Reports

S.M.HOLDINGS LIMITED is audited by a local reputable auditing firm.

4.7 Company Values

- Competitive
- Efficiency
- Affordable
- Customized services

4.8 The Sponsors

S.M.HOLDINGS LIMITED will be sponsoring this project. The Company is currently jointly owned by four shareholders

Share Holders	% of Share	Nationality
Salehe Mbaraka Nahdi	400	Tanzania
Anisa Mbaraka Balleth	300	Tanzania
Fahad Saleh Nahdi	300	Tanzania

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4.9 Objective of the study

The purpose of this study is to work out the technical and commercial viability of the project to be registered with TIC

5.0 PROJECT FINANCING PLAN

The proposed financing plan envisages the use of a single structure as project financing for the importation of the plant, installation, and commissioning, and a business loan for working capital to purchase raw materials for processing. The chart below

Local Loan	Local Equity	Foreign Loan	Foreign Equity
5,000,000	5,079,162	NIL	NIL

5.2 Financial Evaluation

The project is expected to generate a profit before tax throughout the project period, with an estimated 8-year projected period. . The proposed project payback period is expected to be 4 years which is attractive for the Agro-processing operations and the investment cost involved.

5.3 Project Management and Manpower Requirements

S.M.HOLDINGS LIMITED will be under the Management with vast experience in managing agro processing project , the project will be directly managed Managing Director assisted by Managers who will

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comprise the management team. **100** staff will be directly employed.

Employment	Foreign Skilled	Local Skilled	Local Unskilled	Total
Women	5	5	20	30
Men	5	10	55	70
TOTAL	10	30	90	100

5.4 Monitoring and Evaluation

The Management has full commitment to ensuring goods produced maintain the safety and standards required in the market. The quality control unit will establish a system of routine checking and getting feedback from customers, management philosophy is through business process, managers will strive to ensure compliance with standards and the safety of the products and customers they serve.

5.5 PROJECT INVESTMENT COST

The estimated capital investment cost of the project is US \$10,079,162.00

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S.M.HOLDINGS LIMITED INVESTMENT COST

PARTICULAR	
Land and Buildings	5,559,162.00
Machinery & Equipment	2,000,000.00
Motor Vehicles	400,000.00
Furniture & Fixtures	50,000.00
Pre expenses	50,000.00
Others	20,000.00
Working Capital	2,000,000.00
TOTAL	10,079,162.00

For the project to be a reality a total investment amounting to US \$10,079,162.00 is needed

6.0 **ASPECT OF PROJECT SUSTAINABILITY**

The project sponsors having studied market conditions and the infrastructure in Tanzania are convinced that the project will be able to operate undisturbed. The Government support for industrialization and global economic stability gives them assurance of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

7.0 FINANCIAL ANALYSIS

7.1 Considerations and Assumptions:

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are exempted from custom duty and Value Added Tax. The straight-line method to depreciate the project's capital items has been applied.

Revenues have been conservatively estimated based on experience of the promoters and trends in the agro business.

7.2 Financial Statements:

7.3 Projected Revenue

For projection purposes, it is assumed that the economic life of the project is five years, and that revenue from bottled drinking water business from the first year of operation.

8.0 ECONOMIC ASPECTS

Implementation of this project will have the following social and economic values

- The project is an ideal option for utilization of Government support for agro processing and industrialization
- The project will create employment for **100 people** on permanent contract basis as well as on temporary basis.
- It will create more business opportunities to local suppliers which will also have a trickledown effect in the environmental issues.

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- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.
- The project will have transfer of knowledge and skills to agro processing
- The project will generate foreign earnings

9.0 IMPLEMENTATION

Project implementation is expected to be relatively very short once project has been approved it is estimated that implementation of the project will take hardly 9months be completed within one year:

S.M.HOLDINGS LIMITED IMPLEMENTATION

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	February 2023
	Recruitment	August 2023
	In house training	August -December 2023
	Production test	Nov 2023
	Commercial operations	Dec 2023
2	Project implementation	June2023- Dec 2026

9.0 CONCLUSION & RECOMMENDATIONS

The project is technically feasible, financially viable, and economically sound, provided the sponsors will manage it efficiently.

It is recommended that the project be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 1997.

S.M.HOLDINGS LIMITED COST STRUCTURE

PARTICULAR	
Land and Buildings	5,559,162.00
Machinery & Equipment	2,000,000.00
Motor Vehicles	400,000.00
Furniture & Fixtures	50,000.00
Pre expenses	50,000.00
Others	20,000.00
Working Capital	2,000,000.00
TOTAL	10,079,162.00

S.M.HOLDINGS LIMITED FIXED ASSETS US\$

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NAME OF ASSETS	1	2		4.00	5.00	6	7	8
Land And Buildings	5,559,162	5,447,979	5,336,796	5,225,612	5,114,429	5,003,246	4,892,063	4,780,879
Machinery, Tools & Equipment	2,000,000	1,980,000	1,960,000	1,940,000	1,920,000	1,900,000	1,880,000	1,860,000
Motor Vehicles	400,000	380,000	360,000	340,000	320,000	300,000	280,000	260,000
Furniture & Fixtures	500,000	450,000	400,000	350,000	300,000	250,000	200,000	150,000
Total	8,459,162	8,257,979	8,056,796	7,855,612	7,654,429	7,453,246	7,252,063	7,050,879
DEPRECIATION	1	2	3					
Land and buildings	111,183	111,183	111,183	111,183.24	111,183.24	111183.24	111183.24	111183.24
Machinery tools & Equipment	20,000	20,000	20,000	20,000.00	20,000.00	20000	20000	20000
Motor Vehicles	20,000	20,000	20,000	20,000.00	20,000.00	20000	20000	20000
Furniture & Fixtures	50,000	50,000	50,000	50,000.00	50,000.00	50000	50000	50000
ANNUAL DEPRECIATION	201,183	201,183	201,183	201,183.24	201,183.24	201,183.24	201,183.24	201,183.24

S.M.HOLDINGS LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

-	1	2	3	4	5	6	7	8
Revenue	7,500,000.00	7,875,000.00	8,268,750.00	8,682,187.50	9,116,296.88	9,572,111.72	10,050,717	10,553,253
Operating Expenses:	5,250,000	5,512,500	5,788,125	6,077,531	6,381,408	6,700,478	7,035,502	7,387,277
Gross Profit Before Interest and Depreciation	2,250,000	2,362,500	2,480,625	2,604,656	2,734,889	2,871,634	3,015,215	3,165,976
Interest	400,000	400,000	400,000	400,000	400,000	-	-	
Depreciation	201,183	201,183	201,183	201,183	201,183	201,183	201,183	201,183
Gross Profit	1,648,817	1,761,317	1,879,442	2,003,473	2,133,706	2,670,450	2,814,032	2,964,793
Tax (30%)	494,645	528,395	563,833	601,042	640,112	801,135	844,210	889,438
Profit After Tax	1,154,172	1,232,922	1,315,609	1,402,431	1,493,594	1,869,315	1,969,822	2,075,355
Accumulated Profit	1,154,172	2,387,094	3,702,703	5,105,134	6,598,728	8,468,043	10,437,866	12,513,221

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S.M.HOLDINGS LIMITED PROJECTED CASH FLOW US\$

SOURCES:	0	1	2	3	4	5	6	7	8
Profit before interest and depreciation	-	2,250,000	2,362,500	2,480,625.00	2,604,656	2,734,889	2,871,634	3,015,215	3,165,976
Equity	5,079,162								
Loan	5,000,000								
Total Sources	10,079,162	2,250,000	2,362,500	2,480,625	2,604,656	2,734,889	2,871,634	3,015,215	3,165,976
Applications:									
Capital expenditure	8,459,162		-	-	-	-			
working Capital & Others	1,620,000								
Cash	-	1,755,355	1,834,105	1,916,792	2,003,614	2,094,777	2,070,498	2,171,006	2,276,538
Tax	-	494,645	528,395	563,833	601,042	640,112	801,135	844,210	889,438
Total applications	10,079,162	2,250,000	2,362,500	2,480,625	2,604,656	2,734,889	2,871,634	3,015,215	3,165,976
Accumulated cash		1,755,355	3,589,460	5,506,252	7,509,867	9,604,644	11,675,143	13,846,148	16,122,686

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S.M.HOLDINGS LIMITED PROJECTED BALANCE SHEET US \$

Fixed Assets	1	1	2	3	4	5	6	7	8
Opening balance	-	8,459,162	8,257,979	8,056,796	7,855,612	7,654,429	7,453,246	7,252,063	7,050,879
Total Long-term Assets	-	8,459,162	8,257,979	8,056,796	7,855,612	7,654,429	7,453,246	7,252,063	7,050,879
Less depreciation	-	201,183	201,183	201,183	201,183	201,183	201,183	201,183	201,183
Closing balance	-	8,257,979	8,056,796	7,855,612	7,654,429	7,453,246	7,252,063	7,050,879	6,849,696
Working capital	1,620,000	1,620,000	1,620,000	1,620,000	1,620,000	1,620,000	1,620,000	1,620,000	1,620,000
Accumulated cash	-	1,755,355	3,589,460	5,506,252	7,509,867	9,604,644	11,675,143	13,846,148	16,122,686
Total assets	1,620,000	11,633,334	13,266,255	14,981,865	16,784,296	18,677,890	20,547,205	22,517,027	24,592,382
Financed by									
Equity	5,079,162	5,079,162	5,079,162	5,079,162	5,079,162	5,079,162	5,079,162	5,079,162	5,079,162
Accumulated profit	-	1,154,172	2,387,094	3,702,703	5,105,134	6,598,728	8,468,043	10,437,866	12,513,221
Total equity	5,079,162	6,233,334	7,466,256	8,781,865	10,184,296	11,677,890	13,547,205	15,517,028	17,592,383
Bank Loan	5,000,000	4,000,000	3,000,000	2,000,000	1,000,000	-	-	-	-
Total debts	5,000,000	3,000,000	3,000,000	2,000,000	1,000,000	-	-	-	-
Total equity and debts	10,079,162	9,233,334	10,466,256	10,781,865	11,184,296	11,677,890	13,547,205	15,517,028	17,592,383

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S.M.HOLDINGS LIMITED PROJECTED LONG TERM LOAN REPAYMENT

Repayments US\$				
Year	principle	Loan Interest (8%)	Total Amount Paid	Loan Balance
1	1,000,000	400,000	1,400,000	5,000,000
2	1,000,000	400,000	1,400,000	4,000,000
3	1,000,000	400,000	1,400,000	3,000,000
4	1,000,000	400,000	1,400,000	2,000,000
5	1,000,000	400,000	1,400,000	1,000,000

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S.M.HOLDINGS LIMITED PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	1,154,172	201,183	1,355,355	1,355,355
2	2,387,094	201,183	2,588,277	3,943,632
3	3,702,703	201,183	3,903,886	7,847,518
4	5,105,134	201,183	5,306,317	13,153,836
5	6,598,728	201,183	6,799,911	19,953,747
6	8,468,043	201,183	8,669,227	28,622,974