



Lugeye Investment Limited

Bottled Water Factory

Business Plan

AUGUST 2023



The Agenda

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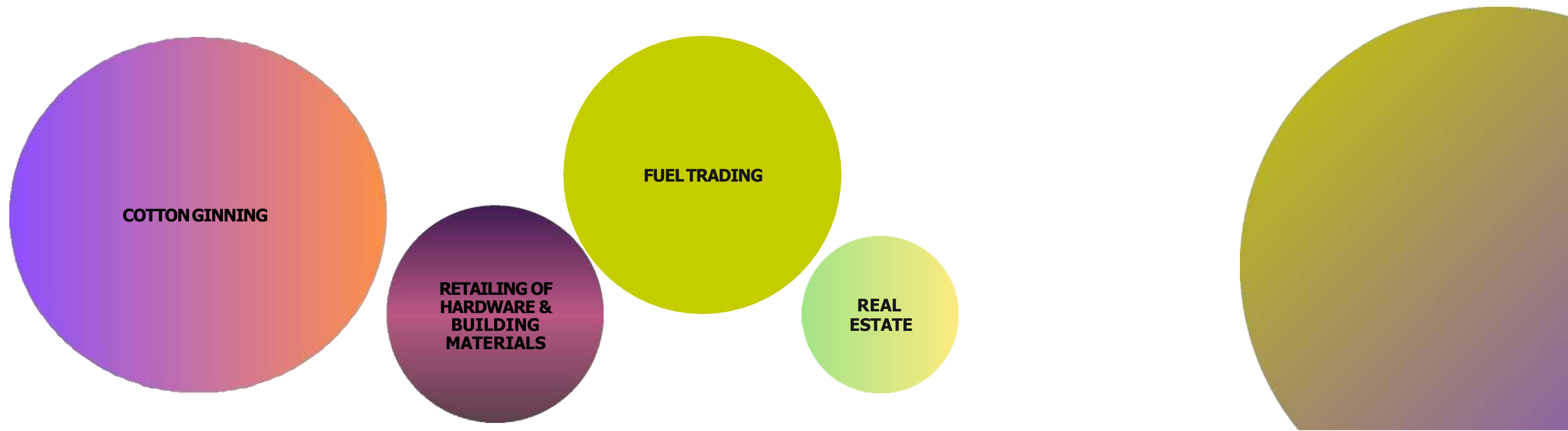
Who we are

We bring decades of experience to the table and have a proven track record of success in developing businesses. We are committed to the highest standards of integrity, transparency, and ethical behavior. We are committed to creating value for all our stakeholders, including our customers, employees, and the wider community. Our approach is underpinned by a set of core values that guide our actions and decisions, including integrity, innovation, and social responsibility.

Our company was registered in Tanzania in November 2011 as a private limited company with main operations in the Mwanza region, it engages in a diversity of activities which include Cotton ginning, fuel trading, retail trading in Hardware and Building materials and Hotel and Restaurant accommodation services with operations spanning across Tanzania's Lake region.

We are committed to unlocking potential in the markets we operate in. Our goal is to be a partner of choice for our customers and stakeholders, and to be recognized as a responsible and trusted business leader in Tanzania.

Over the years, we have grown steadily and have established a reputation for excellence in everything we do. We are confident in our ability to continue this momentum and achieve even greater success in the future.



Our Prospects

The company intends to further diversify its scope of activities by venturing into the still under-served beverages market in the Lake Zone by engaging in the manufacturing of bottled water in Magu, Mwanza region. We intend to set up a single water bottling line to produce 500 ml and 1600 ml. Plant capacity will be of 36,000 bottles of 500 ml per hour alternating to 18,000 bottles of 1600 ml per hour.

With our strategy and approach, we are confident that our new bottled water factory will tap into the growing market and establish itself as a leading player in the Lake zone.

Our company is poised for growth and success in the years ahead. We have a strong team of experienced professionals who are committed to driving value for our shareholders. Our business model is built on a foundation of innovation, agility, and a deep understanding of our markets and customers. We are targeting a market that is experiencing rapid growth.

Mission

To provide a high-quality beverages processing services to the Tanzanian citizens and neighboring countries with emphasis on convenience and reliability.

Vision

To be the leading local manufacturer and supplier of bottled water in the Lake Zone and surrounding areas

Market Opportunities



HIGH POPULATION

Mwanza region is the 2nd most populated region in Tanzania with over 3.7 Million residents as of 2022. As of 2021, Additionally the estimated population of the Lake Zone is approximately 17.7 million, making it the most populous region in Tanzania. The population of the region has been growing rapidly over the past decade, with an annual growth rate of around 2.5%.



DEMAND FOR QUALITY WATER

73% of Tanzanians don't have access to clean water. Which leaves them prone to water-borne diseases



WEALTHIER TANZANIANS

5.49% increase in GDP per capital to US\$1,099 as of 2021



PRO-BUSINESS POLITICAL ENVIRONMENT

The Tanzanian government support business activities and its one of the countries that's quickly trying to become one the best investment hubs in the world



Economic Overview

Our company is located in Tanzania, a country with over 64 Million people growing at an average of 3.16% between 2017 and 2022 with a GDP of USD 67.84 Billion which had grown at an average rate of 4.86% between 2017 and 2022 and GDP per Capital of USD 1,098 as of 2022. The country's Gross Domestic Product (GDP) has been on an upward trajectory.

Tanzania's Inflation averaged 4.3% as of 2022 compared to 3.69% in 2021 as a result of higher energy prices mainly brought about as an effect of the Russo-Ukraine war and droughts which limited food production capabilities of the country, disrupting the country's food supply which in turn led to the prices of food to also skyrocket.

The Tanzanian Shilling has remained as one of the most stable national currencies across Africa whereas during 2022 the currency depreciated at an average of 0.5241% against the US Dollar which can be attributed to a more diversified economy which the country can leverage by exporting different kinds of commodity that help the currency sustain its value in case of a downturn brought about by the underperformance of a few economic sectors.

Tanzania's GDP is expected to continue growing at an annual rate ranging between 4.6% to 6.1% from 2022 to 2026 with inflation expected to remain below the Government's inflation target of 5% with the currency expected to remain stable as the government's policies are heavily directed towards improving the country's production and investment levels

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Competitor Overview

01

Jambo Group

Based 160 km from Mwanza with more than 24 years in operation, production capabilities of 72,000 bottles of water and soft drinks per hour and 500 trucks in operation with leading market share in the Mwanza and Lake region



02

Fide Investments

Local supplier in the Mwanza region responsible for the brand Mwanza Drinking Water estimated to have the 2nd largest market share in Mwanza region.

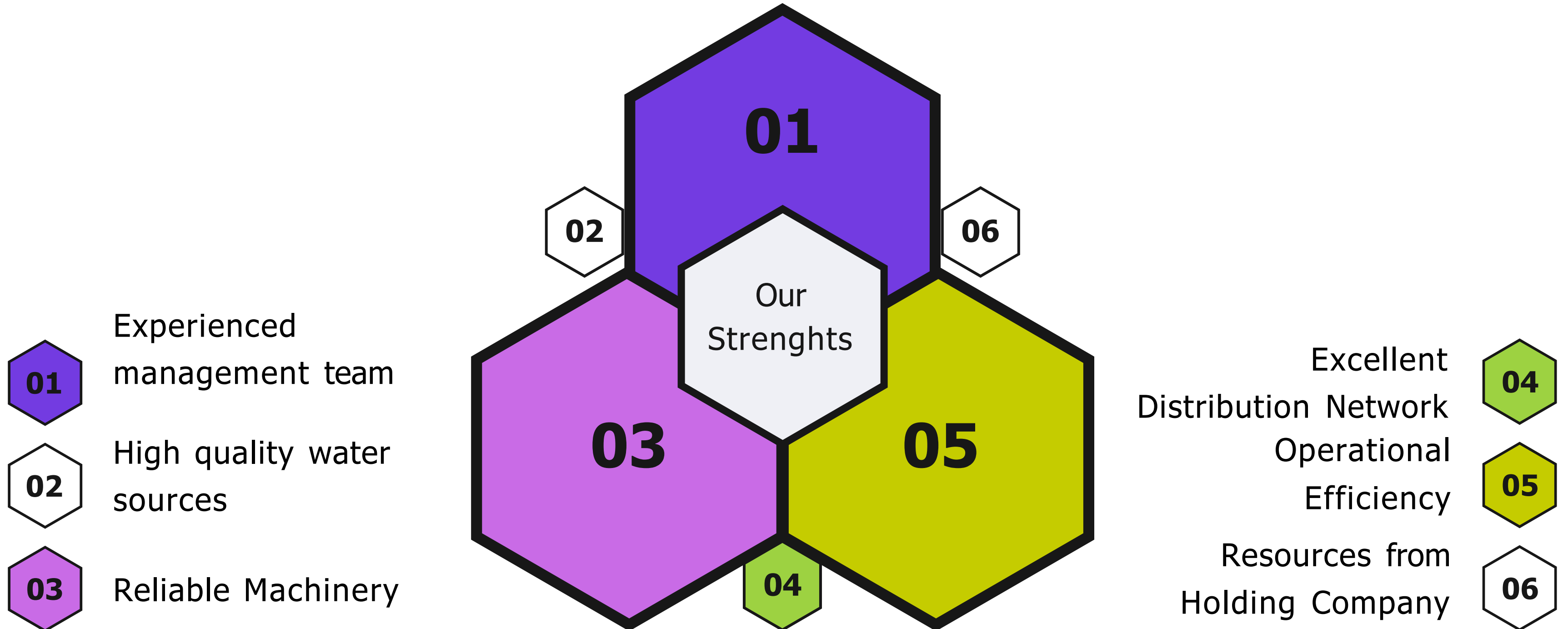
03

Other Competitors

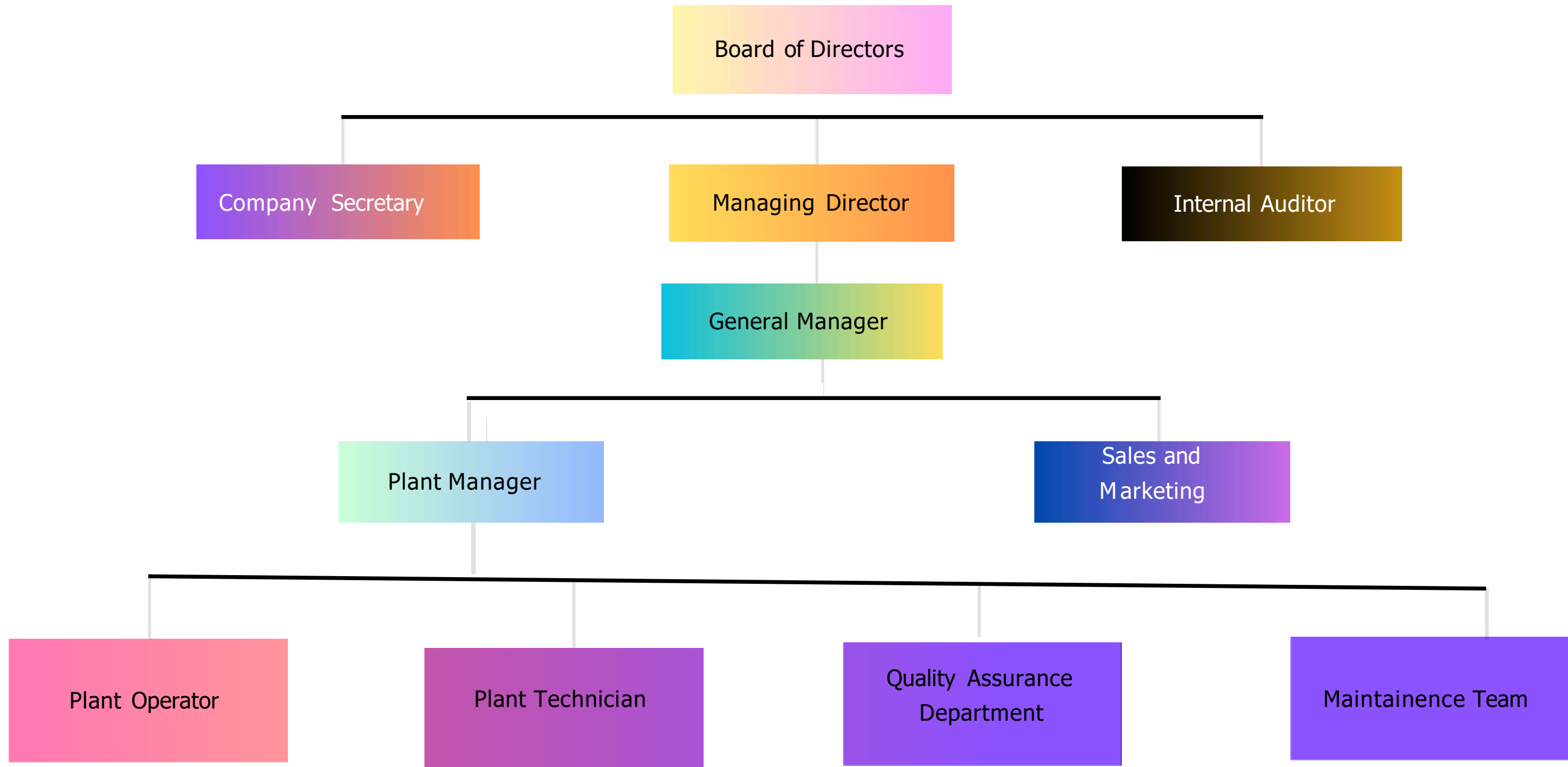
Other suppliers of bottled water to Mwanza and Lake Zone with relatively lower market share are headquartered in other parts of the country including Dar es Salaam and Kilimanjaro more than 800 kms from Mwanza. These brands include HILL WATER, MAJI POA, KILIMANJARO, UHAI, MASAFI, AFYA

Compared to our competitors, we believe that our bottled water factory will offer a unique value proposition. We pride ourselves on using the highest quality water sources and state-of-the-art filtration processes to deliver a premium product that is both affordable and sustainable. We believe that our focus on quality, affordability, and sustainability sets us apart from our competitors and positions us for strong growth and success in the lake zone market.

Our Competitive Advantages



Organizational Chart



Our Existing Businesses

Our existing business encompasses four different sectors: cotton ginning, retail trade, real estate, and fuel trading. By operating across multiple sectors, we are able to generate multiple revenue streams and diversify our risk exposure.

AGRO PROCESSING

We have a Cotton Ginning Factory that's been operating since 2011 performing activities such as: Suction of seed cotton from stores to the ginning hall, Cleaning of cotton to remove dust/stones, Opening of cotton fiber, Separation of fibers from seeds, Pressing of lint fiber into bales and Packing of seeds into bags ready for storage and further shipment.

FUEL TRADING

The company has a subsidiary called Luyege Oil Company Ltd whose principal activities involves the selling of fuel

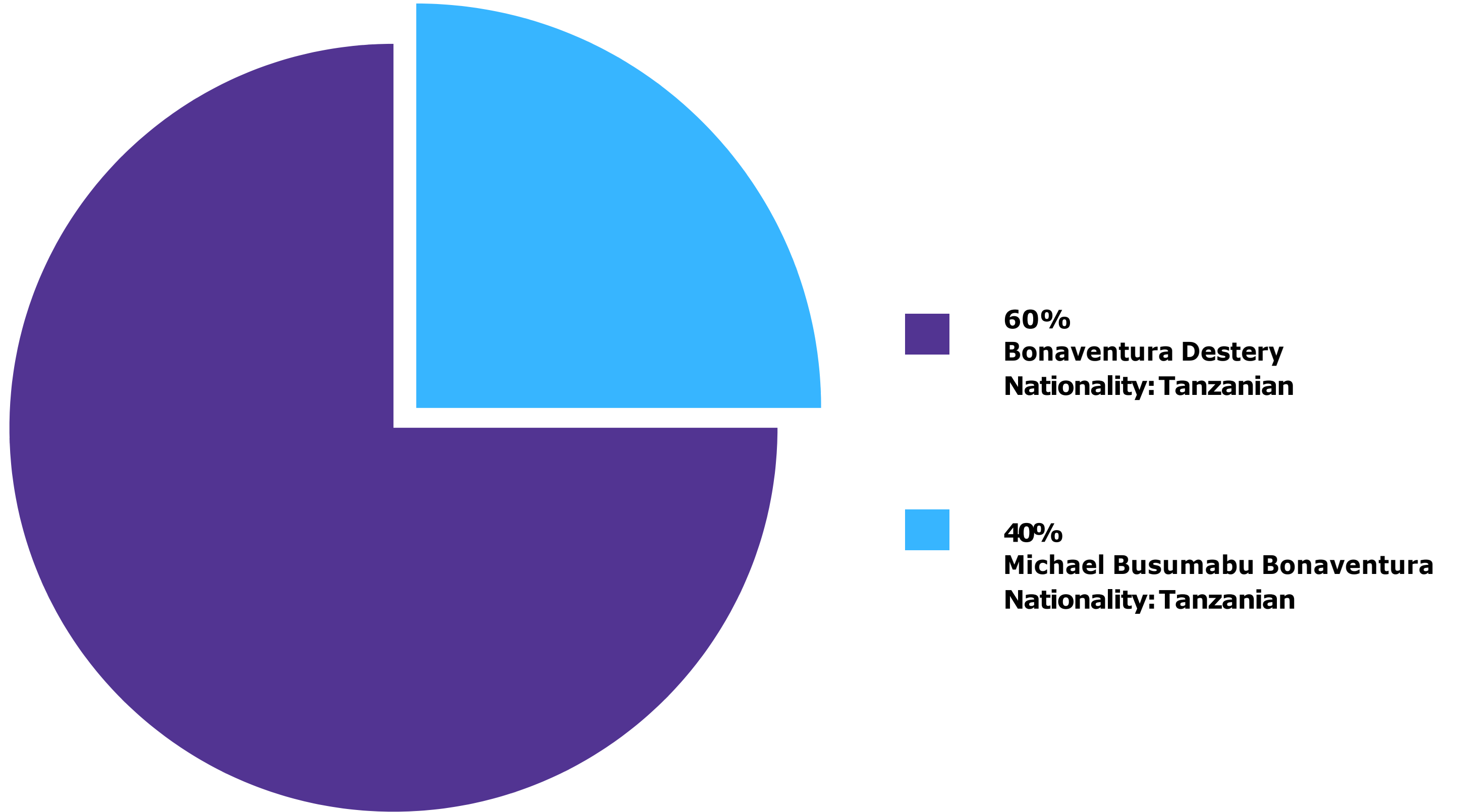
RETAIL TRADE

In 2011 the company opened another line of business which dealt with the purchase and wholesaling and retailing of building materials where since establishment, the business profits have been growing and have established solid relationships with the suppliers.

REAL ESTATE

In February 2019 the company opened one of the most modern hotels in Mwanza Region which provides accommodation with a restaurant, free private parking and a garden service at a reasonable price.

Our Shareholders



OUR PROGRESS

The company's plants are to be situated in Magu District, Mwanza Region (Tanzania) where the company has already acquired land and plan to invest about US\$1.5 million.

The company has Land of 50 acres and is also investing in sourcing water from two sources; government water supply company (MWAUWASA) and doing deep boreholes to access water with consistent chemical and mineral composition.

So far, total water volume of 50,000 liters per hour is obtained from the boreholes. For more reliable consistence in water chemical and mineral composition, water from the boreholes will be the first option to that from the municipality.

Other investments include office and factory buildings, warehouses and fencing the land acquired for the project. The company is currently procuring warehouse with a size of 8,500 sqm.

Our Manufacturing Process

1. Source Selection and testing

A suitable borehole water source that meets the necessary quality and safety standards is selected. The water is then tested for a range of parameters, including pH, total dissolved solids, mineral content, and microbiological contaminants.

2. Filtration

This section involves pumping water to a treatment plant where it undergoes several stages of filtration to remove any impurities, such as sediment, dirt, and other suspended particles.

3. Disinfection of water

This involves using various methods, such as chlorination, UV treatment, or ozone treatment. This step is critical to ensure that any harmful bacteria or other pathogens are destroyed, making the water safe for consumption.

4. Mineralization

Depending on the type of water being produced, additional minerals may be added to the water to enhance its taste and provide health benefits. For example, mineral water may contain higher levels of calcium, magnesium, and other minerals.

5. Bottling

The final stage in the process is to bottle the water. The water is typically transferred to a bottling line where it is sanitized, filled into bottles, and then sealed. The bottles are then labeled and packaged for distribution.

<u>01</u>	FILTRATION TECHNOLOGIES	Activated carbon filters Reverse osmosis systems Ultrafiltration systems
<u>02</u>	DISINFECTION TECHNOLOGIES	Chlorination systems UV disinfection systems Ozone disinfection systems
<u>03</u>	MINERALIZATION TECHNOLOGIES	Dosing systems Carbon dioxide injection systems
<u>04</u>	BOTTLING TECHNOLOGIES	Sanitizing machines Filling machines Capping machines
<u>05</u>	QUALITY CONTROL TECHNOLOGIES	pH meters Turbidity meters Conductivity meters

Our Technologies

Our Project Partners

We have contracted expert turnkey solutions provider from Italy to offer a full turnkey project design and development.



SACMI IMOLA

HEAD OPERATIONS: ITALY

104 Years in Operations

Role Played for the project:

Complete manufacturing line for 1-pieces plastic closures, mainly composed of No.1 CCM48S compression moulding press and No.1 SFM12L band folding and scoring machine.

Complete manufacturing line for PET preform production, mainly composed of No.1 IPS300 injection press

SACMI IMOLA is well known for its innovative approach and commitment to sustainability, with a focus on developing solutions that are efficient, eco-friendly and tailored to the needs of its customers.



PRISMATECH

HEAD OPERATIONS: ITALY

35 Years in Operations

Role Played for the project:

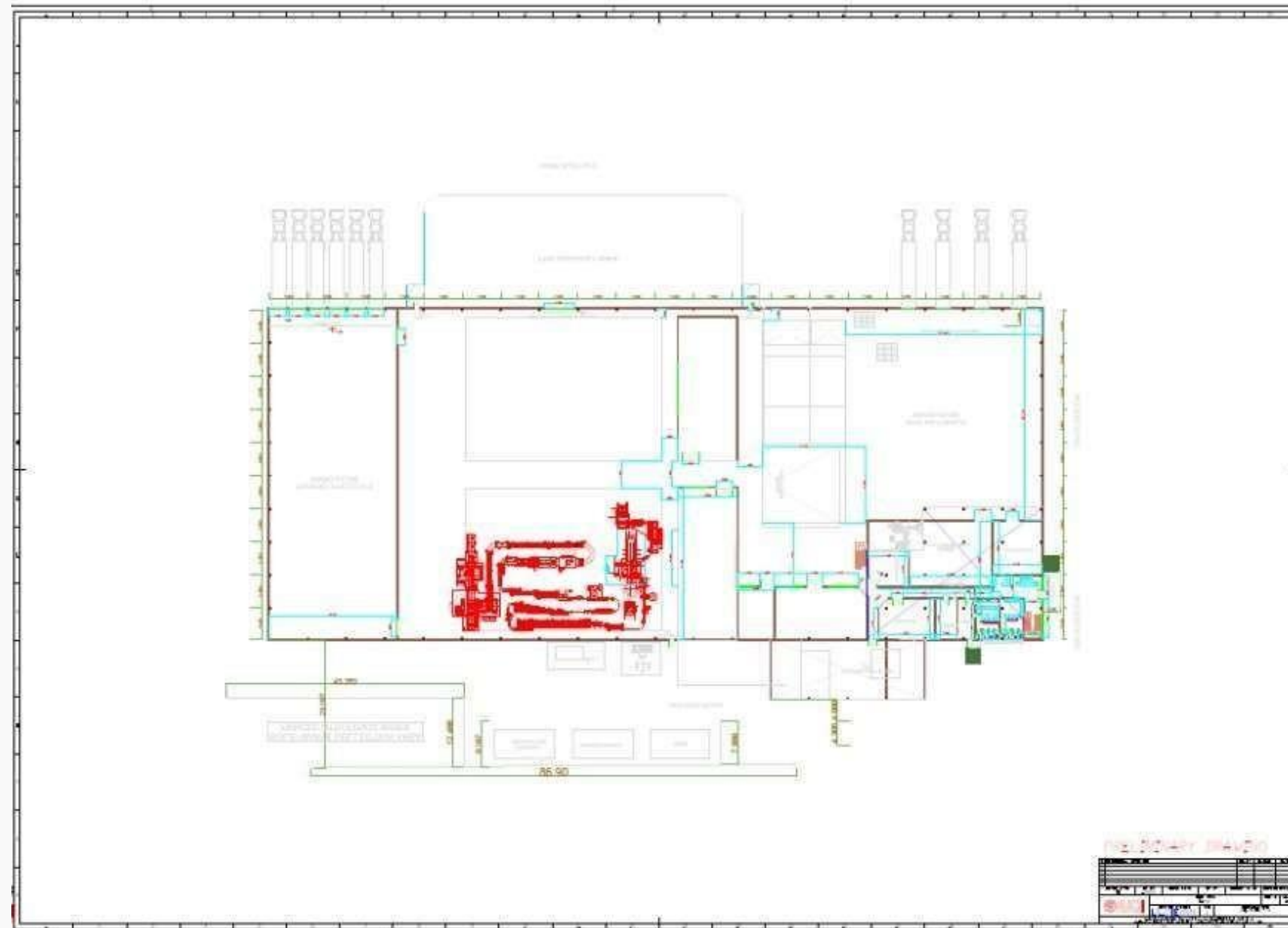
Complete Water Treatment 18-27M3 with reverse osmosis

Prismatech is an Italian company that specializes in the design, development, and manufacturing of cutting-edge technological solutions for industrial automation and control. With over 30 years of experience, the company has built a reputation for producing high-quality products that offer superior performance and reliability.

Overall, Prismatech is a leading player in the industrial automation industry, delivering innovative solutions that improve productivity, quality, and safety.

Our Plant Design

PRELIMINARY LAYOUT N. L01_23BEV0046



This is a state-of-the-art facility designed to produce high-quality bottled water efficiently and sustainably.

This plant design includes a range of advanced equipment and systems that enable precise control of the entire production process, from water purification to packaging.

To ensure maximum efficiency and minimize environmental impact, the factory incorporates a range of sustainable features, such as energy-efficient lighting, water recycling systems, and waste reduction programs.

Overall, this plant is designed to produce high-quality bottled water using advanced technology and sustainable practices.

Our Demographics

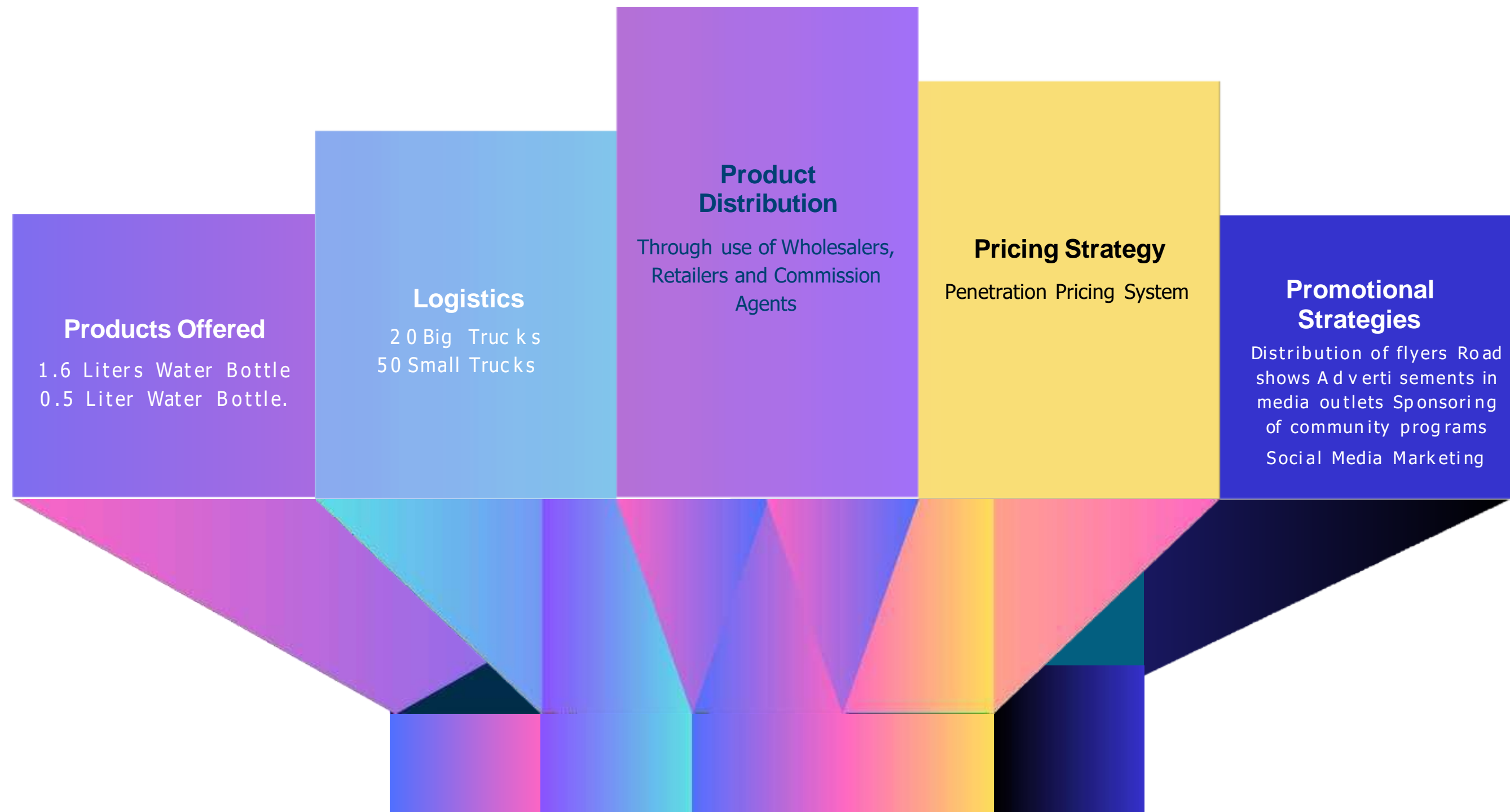
We intend to begin our operations in Mwanza region the 2nd Largest city in Tanzania where the population is estimated to be as 3.39 Million people as of 2022 with an average GDP per capita of USD 1,191.

The company intends to further expand towards neighboring regions known as the lake zone with a population of around 17.7 Million or 29.01% of the entire Tanzania population. It is also the region with the most output where according to the Tanzanian Central Bank the region accounts for 26% of the total GDP which means the average GDP per capita of the entire region is about USD 1,028.

This means that our targeted market is quite populous with individuals who can afford our products where considering that our most expensive product is around USD 1.18 which makes up about 0.1% of the average individuals spending based on GDP per capita estimates.

Product Offering & Distribution

All of our products will be made with high-quality water sources and state-of-the-art filtration processes to ensure purity and freshness. Our strategic location and efficient production processes will allow us to quickly and cost-effectively deliver our products to our customers



Path to Market

01 Market Research

This phase involved us trying to understand the target audience, competitors, and consumer needs. This research helped us to identify demand-supply gap for bottled water, the type of water bottles that customers are in high demand of, the best way to promote the product and the best distribution channels to optimize in order to reach our customer.

02 Product design and development:

Based on market research, we've come up with prospective product types and designs for our bottled water which include the 1.6 and 0.5 Liter water bottles

03 Manufacturing

In this stage we have focused on partnering up with some of the most notable brands in the water bottle manufacturing industry which include Sacmi Imola and Primatech to engineer bring in and engineer the competitive machinery that can meet high capacity production of bottled water.



04 Packaging and labeling

After manufacturing, the water bottles are packaged and labeled with branding and product information. This includes labeling requirements, such as recycling symbols and BPA-free certifications.

05 Distribution channels

In this phase we intend to use both direct and indirect distribution channels to reach consumers. Direct channels include selling through sponsored events and indirect channels include wholesalers, distributors, and retailers who purchase water bottles in bulk and sell them to end consumers.

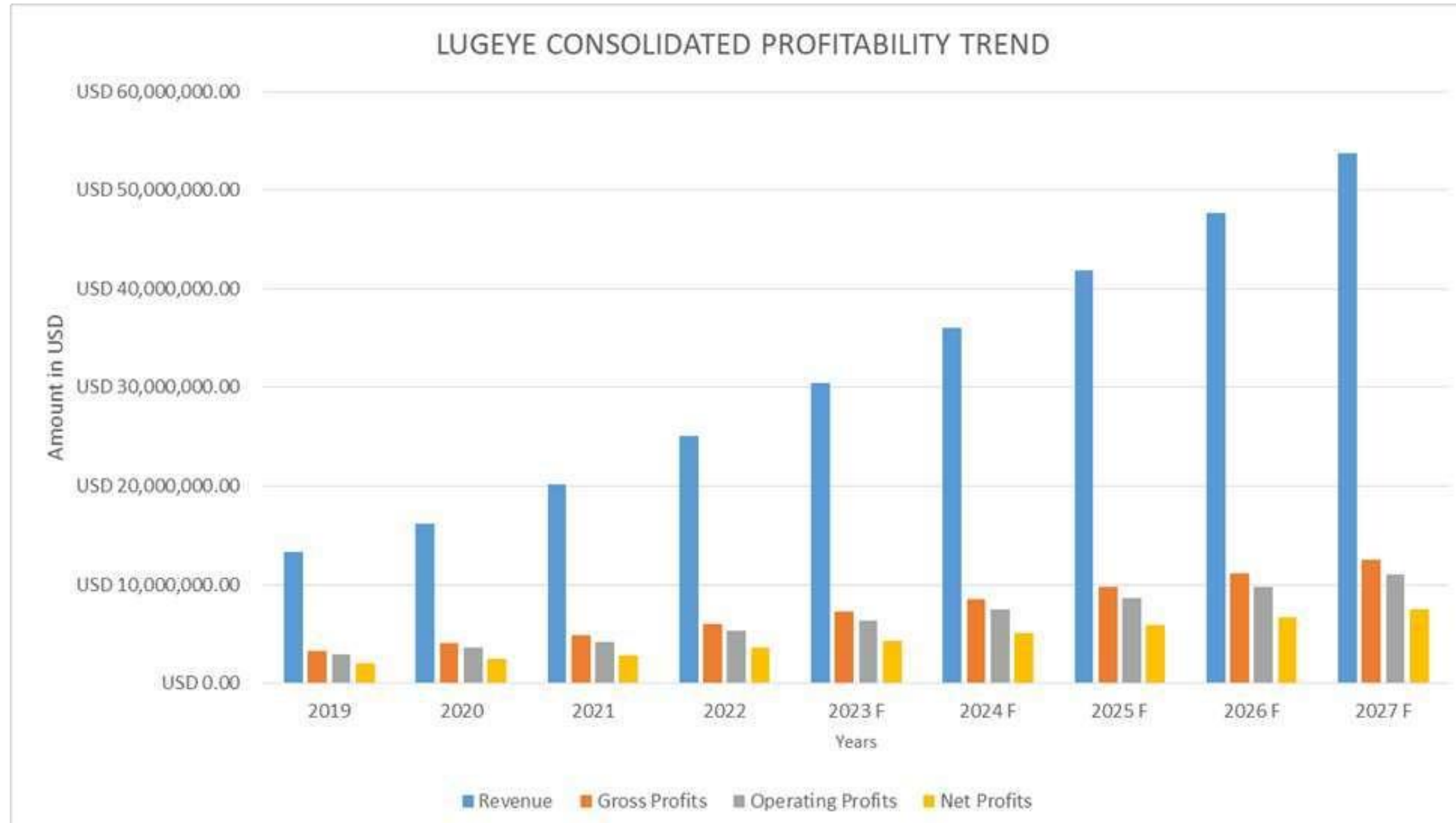
06 Marketing and advertising

To promote our products, we intend to engage in marketing and advertising activities such as social media campaigns, influencer partnerships, and paid advertising on traditional media channels. The company may also attend trade shows to showcase their products and network with potential customers.

07 Sales and customer support

As water bottle sales increase, the company intends to set up a stronger proper customer support channels in place to handle inquiries and complaints from our customers.

Lugeye Investments Financial Performance



HISTORICAL TRENDS

Revenue growth at a Compound Annual Growth Rate (C.A.G.R) of 23.27% from USD 13.29 Million in 2019 to USD 20.21 Million in 2021

Gross Profit growth at a C.A.G.R of 22.33% from USD 3.26 Million in 2019 to USD 4.87 Million in 2021 with an average gross profit margin of 24.49%

Operating Profit growth at a C.A.G.R of 19.00% from USD 2.92 Million in 2019 to USD 4.14 Million in 2021 with an average operating profit margin of 21.65%

Net Profit growth at a C.A.G.R of 18.90% from USD 1.99 Million in 2019 to USD 2.82 Million in 2021 with an average net profit margin of 14.73%

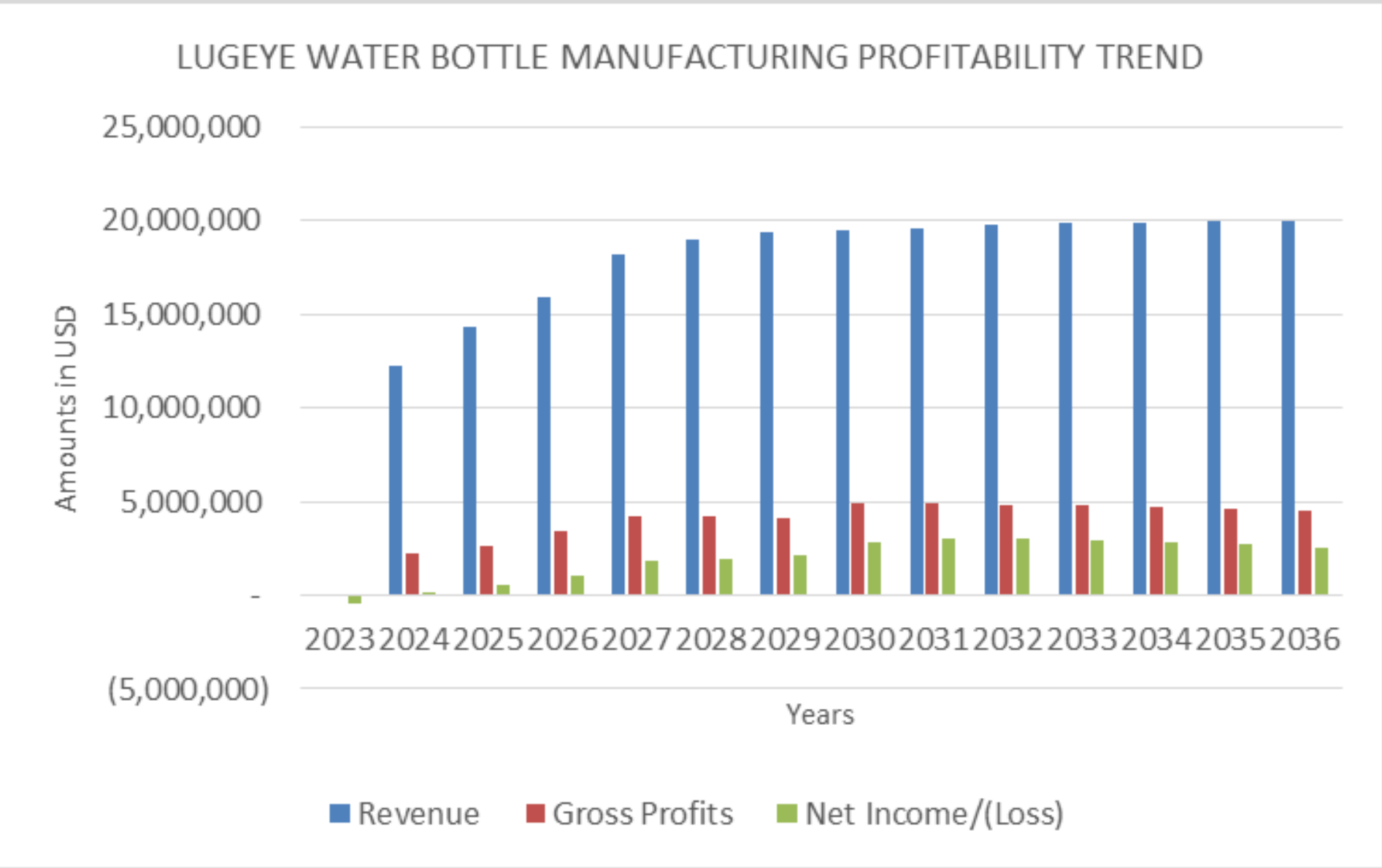
ASSUMPTIONS ON FORECASTS

Revenue is expected to grow at a Compound Annual Growth Rate (C.A.G.R) of 17.72% to USD 53.71 Million in 2027 as a result of projected growth in the agricultural sector, fuel consumption, construction and real-estate by the World Bank and African Development Bank

Historical profitability margins are maintained throughout the forecasted years

The Tanzanian Shilling depreciates at a C.A.G.R of 0.433% annually towards 2027 based off historical average depreciation of the Shilling between 2019 and 2021

Lugeye Water Manufacturing Financial Forecasts



ASSUMPTIONS ON FORECASTS

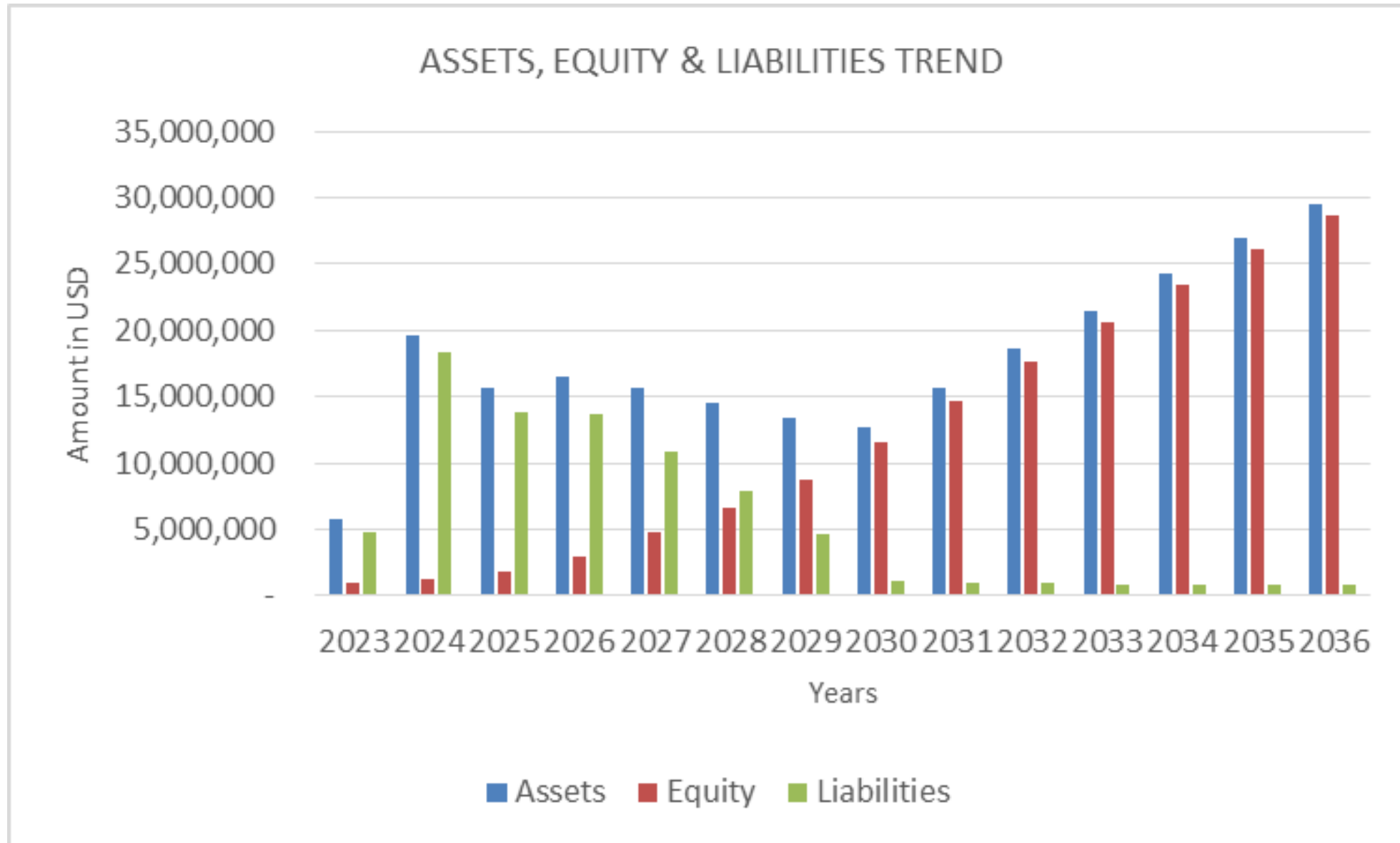
Production is assumed to begin in 2024 where revenue is expected to grow at a C.A.G.R of 4.15% to USD 19.96 Million in 2036 with production of bottles estimated to grow at a C.A.G.R of 3.84% to 16.5 Million bottles in 2036

Gross Profits are expected to grow at a C.A.G.R of 6.08% to USD 4.47 Million in 2036 with gross profit margins growing at a C.A.G.R of 1.84% to 22%

Net Profits are expected to grow at a C.A.G.R of 24.07% to USD 2.56 Million in 2036 with net profit margins growing at a C.A.G.R of 19.11% to 13% in 2036

A net loss of USD 453 thousand is assumed in 2023 as a result of the interest on Long term debt and Overdrafts

Lugeye Water Manufacturing Financial Forecasts



ASSUMPTIONS ON FORECASTS

Assets are projected to grow at a C.A.G.R of 22.32% to USD 29.52 Million in 2036 with Return on Assets estimated to average between 2024 and 2036

Equity is expected to grow at a C.A.G.R of 4.71% to USD 28.70 Million with Return on Equity estimated to average 21.86% between 2024 and 2036

Total Liabilities are expected to decline by 82.82% throughout the forecasted period as the long term debt is expected to be fully paid by 2030

Source of Project Financing

Internal Financing
USD 1.50 Million

External Financing
USD 19.852 Million

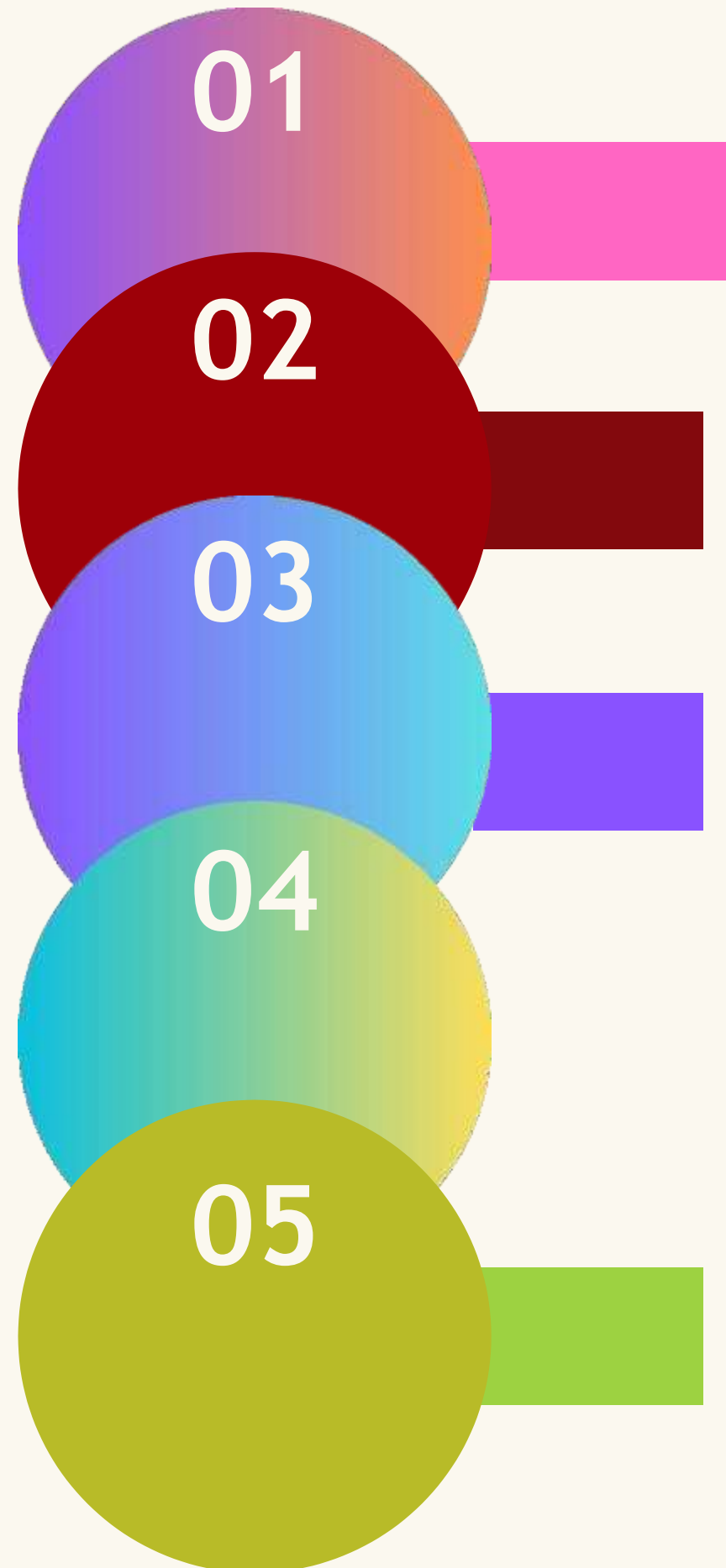
DESCRIPTION	INTERNAL FUNDING
Land	USD 0.50 Million
Factory Building and Part of the Civil Works	USD 1.00 Million
Total	USD 1.50 Million

DESCRIPTION	EXTERNAL FUNDING
Machinery & Equipment	USD 9.380 Million ✓
Taxes on Machinery & Equipment	USD 2.472 Million
Distribution Trucks	USD 2.50 Million ✓
Procurement of Raw Materials	USD 2.00 Million ✓
Utilities (Transformer, Generator, Water Tanks)	USD 2.00 Million ✓
Civil Works	USD 1.50 Million
Total	USD 19.852 Million

Overall, our project financing plan is designed to provide the capital needed to establish a world-class bottled water factory while minimizing risk and ensuring long-term sustainability. We believe that our financing plan, combined with our experienced management team and cutting-edge technology, positions us for success in the bottled water market in lake zone.

External financing plan includes debt financing and/ or equity financing or a mix of debt financing and equity financing.

Risk Analysis



Risk 1: Strong Competition

Risk Mitigation Plans

Organizational Structure with experienced management
Excellent customer service
Reliability
Lower Production Costs

Risk 2: Theft, Fire & Burglary

Risk Mitigation Plans

Payments via bank transactions
Insurance against theft and security
Continued investments in security systems

Risk 3: Road accidents

Risk Mitigation Plans

Hiring trained and experienced drivers
Full comprehensive insurance on vehicles
Outsourcing delivery of goods to transport companies in case of vehicle or driver shortage

Risk 4: Loss of Potential Staff

Risk Mitigation Plans

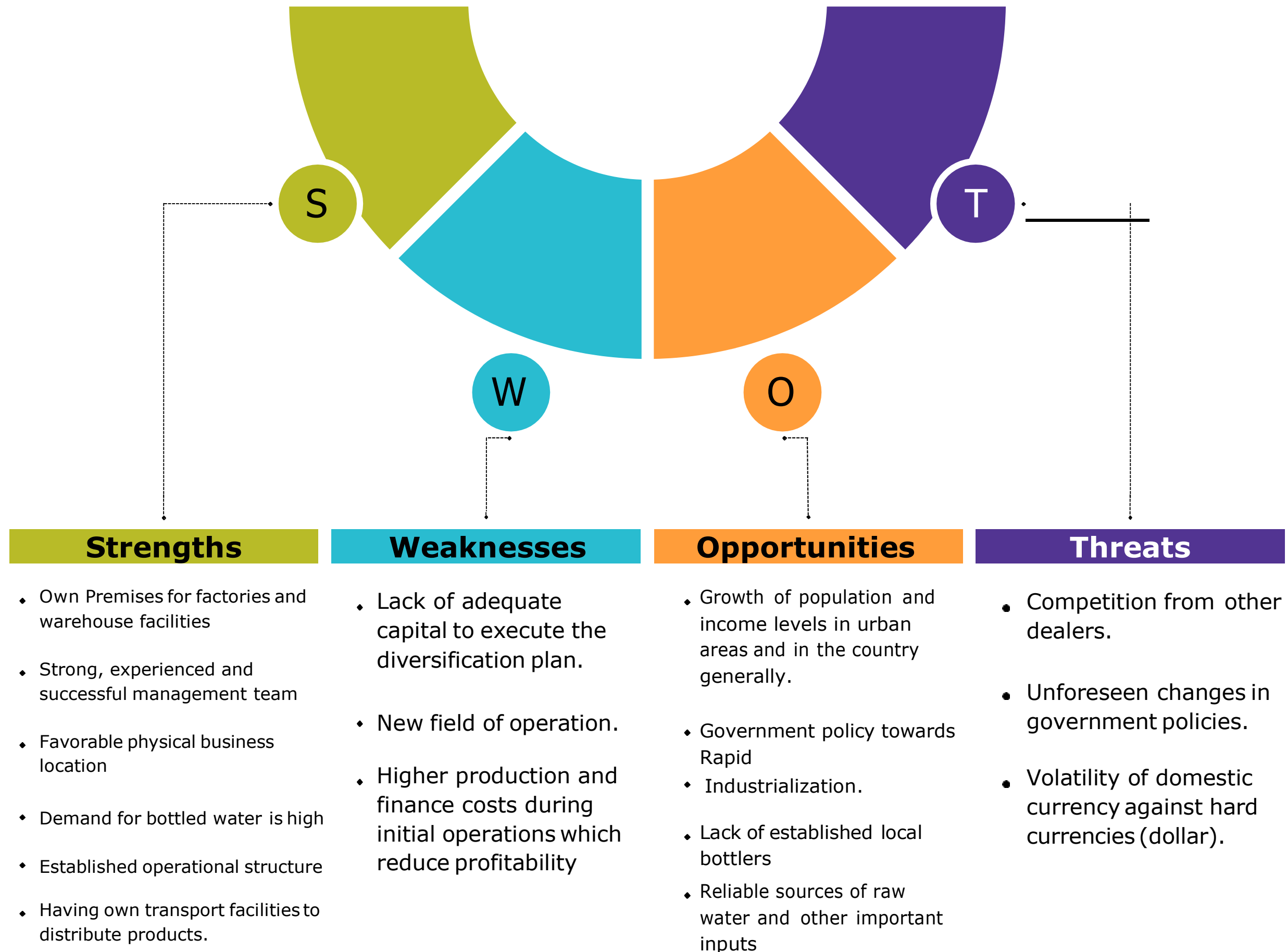
Consistent reviews of employment policies
Promoting staff motivation strategies

Risk 5: Depreciation of the Tanzanian Shilling

Risk Mitigation Plans

Making foreign currency payments on time
Relying on export income & cash flows from Cotton Ginning Factory in case of delays from bottled water company

SWOT Analysis



Conclusion & Investment Opportunity

We believe that our bottled water factory presents a compelling investment opportunity. Our focus on quality, affordability, and sustainability sets us apart from our competitors and positions us for success in the growing bottled water market.

The need to go into bottled water production is in line with demand supply gap, government policy to reduce mortalities due to water borne diseases and to uplift living standards of the population.

The business will make use of its existing financial resources and key staff experienced in the manufacturing industry. The company will also hire expertise in beverages and bottled water business.

The current and future economic, social and financial conditions in the country are expected to support the growth of this company. This investment is projected to pay back and returns are prospectively high. We are confident in the potential for our bottled water factory to deliver strong returns for investors and make a positive impact.

It is, therefore, recommended that the business to be considered favorably for financing of US\$ 19.852 million.

This will enable the company to meet the costs of importation of a high technology bottled water processing lines as well as have sufficient working capital to get the business line off to a good start and ensure sustainability over the coming years.

Based off our projections we estimate the annual Internal Rate of Return to investors will stand at 17.30% which is significantly higher compared to the required rate of return of 12%

We are seeking investment to fuel our growth and accelerate our expansion plans. With your support, we can take our business to the next level and achieve our vision of becoming a leading player in lake zone.

THANK YOU

Lugeye Investment Limited

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