



# **PREMIX BLENDING BUSINESS PLAN**

**PREPARED BY: SANKU-PHC TANZANIA LIMITED**

**DATE: JUNE 2023**

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## A. EXECUTIVE SUMMARY

Sanku-PHC Tanzania Limited is an existing company in the nutrition sector, registered under the laws of Tanzania. As a subsidiary of Project Healthy Children Inc, incorporated in the United States, we have a strong foundation and expertise in addressing malnutrition. Our goal is to establish a premix blending plant in Tanzania to meet the increasing demand for high-quality premix products in the country and East Africa.

The primary objective of our project is to contribute to the government's nutrition agenda by creating a local production plant for micronutrient premix, thereby ensuring a reliable supply of fortified flour at an affordable price. With the absence of local manufacturing of premix in Tanzania and the entire East Africa region, our initiative will play a crucial role in ending malnutrition, improving health outcomes, and promoting economic development.

Our proposed premix blending plant will be strategically located in Mikocheni Industrial area, Dar-es-Salaam region, offering proximity to target markets and transportation hubs. With an annual production capacity of 960 tons, we will have the ability to fortify flour equivalent to feeding 31.5 million Tanzanians daily. By employing skilled and non-skilled workers, we aim to create job opportunities for the local community while transferring technical skills and expertise in premix blending.

Market research indicates a strong demand for premix products in Tanzania and East Africa, particularly in the milling industry. Currently, all premix is imported from Asia and Europe, and there is no local production of premix in Kenya despite mandatory fortification. Our project aims to fill this gap and meet the fortification needs of approximately 900 millers in Tanzania, reaching a potential population of 62 million.

The investment for the premix blending plant project is estimated at \$950,000, which will be financed through foreign equity from our parent company, Project Healthy Children Inc. We have a detailed implementation schedule and a comprehensive financial projection that demonstrates the viability and profitability of the project. Financial projections show a positive outlook for the project, with an estimated annual net cash flow of \$1,303,274.09

In conclusion, the establishment of the premix blending plant represents a transformative opportunity for our company and the Tanzanian economy. With a clear vision, strong market analysis, and a commitment to making a positive impact on the local community, we are confident in the success of this venture. Our project aligns with the objectives and priorities of the Tanzania Investment Centre and contributes to the country's health agenda, economic development, and the fight against malnutrition.

## **B. SUMMARY OF COMPANY LEGAL FORMATION**

We are an existing company incorporated under the laws of Tanzania with registration number 150068096. Our company is registered as SANKU-PHC Tanzania Limited and operates in the nutrition sector. We comply with all legal requirements and possess the necessary licenses and permits to carry out our business activities.

## **C. COMPANY SHAREHOLDING STRUCTURE AND NATIONALITY**

Sanku Project Healthy Tanzania Limited is a subsidiary of Project Healthy Children Inc that is incorporated in United States.

## **D. DESCRIPTION OF PROJECT LOCATION**

The premix blending plant will be strategically located in Mikocheni Industrial area, in Dar-es-Salaam region. The selected location offers proximity to target markets, and transportation hubs (for example port of Dar-es-Salaam, SGR Terminal). The plant will be situated in a warehouse space of 400sqm, ensuring sufficient space for production facilities, storage, and future expansion.

## **E. DESCRIPTION OF PROJECT OBJECTIVE**

The primary objective of the premix blending plant project is to meet the currently available and future increasing demand for high-quality premix products in Tanzania and East Africa, given that there is no manufacturing of such product in Tanzania, and the entire of East Africa. Our goal is to end the malnutrition by creating a local production plant for the micronutrient premix therefore making the supply reliable (quality and quantity), and much affordable compared to imported products currently in existence. This making the nutrition agenda for the government of Tanzania of lowering the rate of malnutrition much more possible. Through this project, we aim to create employment opportunities, facilitate technology transfer, and contribute to the overall development of the country.

## **F. SUMMARY OF SECTOR PERFORMANCE**

Tanzania has made remarkable progress in several health indicators, but a lack of micronutrients is a significant public health problem. Most women of reproductive age and children suffer from not one, but multiple micronutrient deficiencies with lasting negative consequences on their health, immune functions, cognitive development, and economic potential. Long-term micronutrient deprivation leads to delayed mental development, poor school performance, and reduced intellectual capacity. The Tanzania Demographic Survey (TDHS) of 2015 indicates that

57.7% of children under five and 44.8% of women of reproductive age are anemic. These levels remain on the same levels when we compare TDHS 2010 58.6% of children under five and 40.1% of women of reproductive age were anemic. To address these challenges in 2011 Tanzania government passed the mandate that requires all larger scale processors of wheat flour, maize flour, and vegetable oil to add the selected essential micronutrients to food to improve consumer health (i.e., iron, vitamin B9, vitamin B12, vitamin A, and zinc). As these micronutrients are currently absent from the diet of many Tanzanians, the program's aim is to increase accessibility and consumption of fortified food to all people every day.

## **G. SUMMARY OF MARKET ANALYSIS**

Market research indicates a strong demand for premix products in Tanzania, and East Africa at large. This demand stems from the milling industry where currently all the premix is being imported from Asia, and Europe. Furthermore, we have a very strong demand for premix in Kenya where fortification is already mandatory, however, there is no local production of premix.

According to the MOA 2022 report, the average maize production in Tanzania is 6,484,819 MT equivalent to 6,030,882 MT of maize flour (using FAO conversion factor).

95% of Tanzanians consume maize flour, and according to FACT survey 2015, 36.6% of the maize flour that goes to the market is packed meaning that 2,207,303 MT of maize flour has the potential to be fortified.

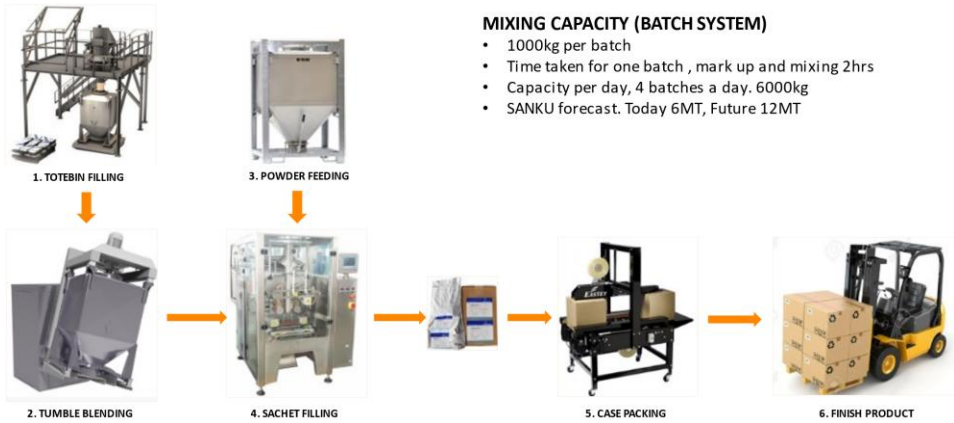
Currently, there are about 3000 maize packaging mills across the country with potential fortification. Sanku is working with approximately 900 millers using Sanku dosifier, and each month 13 MT of micronutrient Premix is imported to enable them to do fortification. We are currently reaching 7 million people every day with the fortified maize flour, and a potential to scale up the reach considering the 62 million Tanzania population.

## **H. SUMMARY OF PROJECT DESCRIPTION**

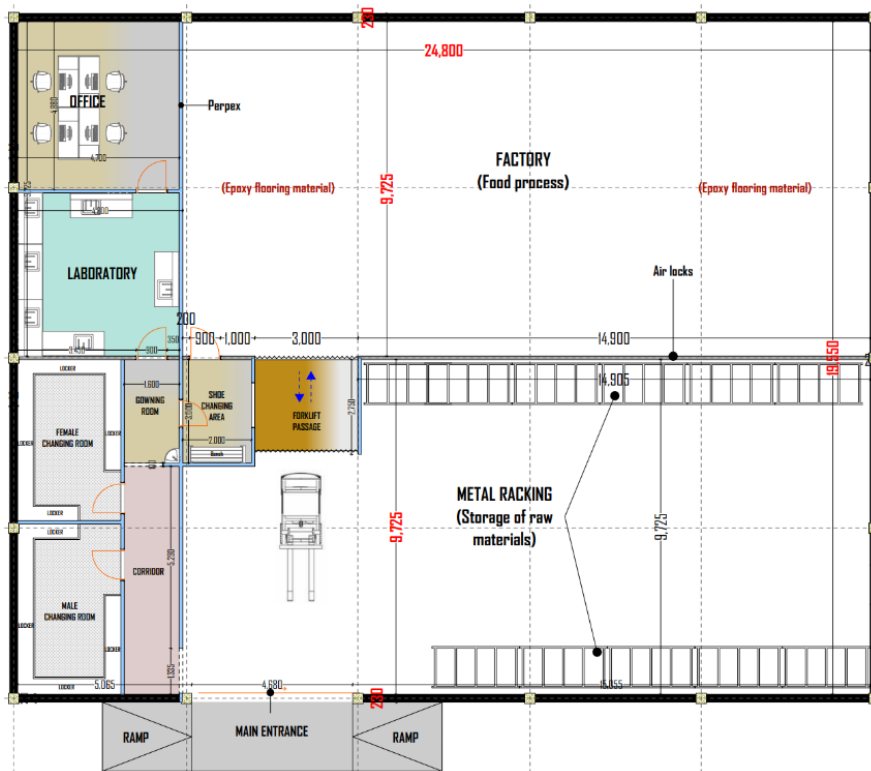
The premix blending plant will have an annual production capacity of 960 tons, which will enable to fortify flour of 1,920,000 tons, and this translates to feeding 31.5 million Tanzanians with fortified flour daily. We will employ both skilled and non-skilled workers, creating job opportunities for the local community. The plant will utilize state-of-the-art technology to ensure efficient production processes, consistent product quality, and adherence to international standards. Additionally, we are committed to transferring technical skills to the local workforce, enhancing their expertise in premix blending.

**BUILDING SUSTAINABILITY**

**Premix Blending | Process Flow**



## Plant Layout



**I. PROJECT INVESTMENT COSTING**

The investment for the premix blending plant project includes the following components:

| Items                                 | Cost      |
|---------------------------------------|-----------|
| Rent                                  |           |
| Plant and Machinery                   | \$950,000 |
| Vehicles                              |           |
| Furniture                             |           |
| Other (Finance to advise other items) |           |

**J. PROJECT FINANCING PATTERN**

We intend to finance the project through Foreign Equity from Parent Company which is Project Healthy Children Inc.

**K. PROJECT IMPLEMENTATION SCHEDULE**

The premix blending plant project will be implemented in phases, below is a high-level presentation of the schedule:

| Phase                        | Dates                     |
|------------------------------|---------------------------|
| Sourcing Machinery           | Feb – May 2023            |
| Facility Set-up & Renovation | June – August 2023        |
| Hiring                       | June – August 2023        |
| Pilot production             | September – December 2023 |
| Full Scale production        | January 2024              |

A detailed project plan is attached to this for reference on the detailed steps of implementation, phases implementation dates may be subject to change based on factors out of our controls.

## L. PROJECT FINANCIAL PROJECTIONS

|   | Total          | 2022           | 2023 |
|---|----------------|----------------|------|
| <b>CapEx Investment</b>                           |                |                |      |
| Baleing Machine                                   | 26,734         | 26,734         |      |
| Bag cutting and stitching machine and Accessories | 47,121         | 47,121         |      |
| Premix Blending Machine                           | 409,833        | 409,833        |      |
| Tote Bins   | 28,361         | 28,361         |      |
| Filling Machine                                   | 77,253         | 77,253         |      |
| Fork Lift   | 42,918         | 42,918         |      |
| Pallet Trucks                                     | 2,987          | 2,987          |      |
| Qa/Qc Equipments                                  | 12,876         | 12,876         |      |
| Metal Detection Equipment                         | 78,970         | 78,970         |      |
| Flexographic Bag Printer (Bag To Bag)             | 12,876         | 12,876         |      |
| Batch Coding Machine                              | 6,009          | 6,009          |      |
| Case Packing And Taping Machine                   | 4,979          | 4,979          |      |
| <b>Total CapEx Investment</b>                     | <b>750,916</b> | <b>750,916</b> |      |
| <b>Operating Expenses</b>                         |                |                |      |
| Routine Maintenance                               | 45,055         | 45,055         |      |
| Adhoc Maintenance                                 | 150,183        | 150,183        |      |
| Consultancy Costs                                 | 36,000         | 36,000         |      |
| Utilities   | 12,000         | 12,000         |      |
| Spare replacement                                 | 0              |                |      |
| <b>Total Operating Expenses</b>                   | <b>243,238</b> | <b>243,238</b> |      |

| <b>Production Output (kg)</b>      |                     |                  |
|------------------------------------|---------------------|------------------|
| Premix                             | 960,000             | 960,000          |
| <b>Total Production Output</b>     | <b>960,000</b>      | <b>960,000</b>   |
| <b>Operating Income</b>            |                     |                  |
| Premix Sales Inhouse (15% of prod) | 1,047,501           | 1,047,501        |
| Premix Sales (75% of prod)         | 5,237,506           | 5,237,506        |
| <b>Total Operating Income</b>      | <b>6,285,008</b>    | <b>6,285,008</b> |
| <b>Operating Cost of Sales</b>     |                     |                  |
| Premix                             | 3,027,579           | 3,027,579        |
| Starch                             | 0                   |                  |
| <b>Total Cost of Sales</b>         | <b>3,027,579</b>    | <b>3,027,579</b> |
| <b>Annual Net Cash flow</b>        | <b>1,303,274.09</b> |                  |

### M. CONCLUSION

In conclusion, the proposed premix blending plant project represents a transformative opportunity for our company and the Tanzanian economy. With a clear vision, robust market analysis, and a strong implementation plan, we are confident in the success of this venture.

By leveraging our expertise in the industry and capitalizing on the available demand for fortified maize/wheat flour, we aim to establish ourselves as a leading player in the market.

The premix blending plant project aligns perfectly with the objectives and priorities of the Tanzania Investment Centre and Tanzania’s Health agenda. Through job creation, skills transfer, the generation of economic value, and providing nutrients for ending malnutrition we are dedicated to making a positive impact on the local community and contributing to the industrial development of Tanzania.

