

FEASIBILITY STUDY

ON

THE ESTABLISHMENT OF TRANSIT SHEDS FOR

EXPORTING VARIOUS PERISHABLE PRODUCTS

WITHIN

TANZANIA BORDERS

PREPARED BY:

Afridaraja Company Limited

P. O. BOX

KIGOMA

2022

1.0 EXECUTIVE SUMMARY

1.1 BACKGROUND

In recent years there has been an increase in international trade as a result of the development of many world economies and the removal of obstacles pertaining the cross-border trading. International trade is an “enabler” for achieving a broad range of development goals through promoting inclusive and sustainable economic growth. When properly harnessed, the opportunities brought by international trade can be a powerful force for creating jobs, enabling efficient use of resources, providing incentives to entrepreneurs, and ultimately improving the standards of living in all countries. **M/S Afridaraja Company Limited** has decided to take this opportunity which is brought about by international trade and venture into modern ways to establish several *Transit Sheds* for transit perishable goods along several Tanzanian cross-borders in Kigoma, Mwanza and other important borders depending on the demand of perishable goods in the corresponding neighboring borders and also to other SADC countries

1.2 THE COMPANY

M/S Afridaraja Company Limited is a Limited Liability company registered in Tanzania on **9th September 2022**. The main objective among other objectives of the company is to establish several transit sheds along several Tanzanian cross-borders such as in Kigoma, Mwanza, and other important borders.

1.3 PROJECT SPONSORS

The project sponsors are **M/S Afridaraja Company Limited** whose shareholders are Mr. Jean -Francois Gilbert Pinck and Phillipe Henri Yvon Bonin and they have vast experience in initiating a multitude of projects/investments, the ones in question being inclusive. The shareholders of the company are the driving force behind the project with their vast knowledge of perishable goods business in the world and East African region. They all have vast experience in administration, finance, strategic planning, and marketing. The shareholders also own a poultry business and cold facilities for perishable goods at Bagamoyo SEZ Trade zone. Its shareholding pattern is as follows;

NAME OF SHAREHOLDER	NATIONALITY	%SHARE- HOLDING
Jean -Francois Gilbert Pinck	French	46
Phillipe Henri Yvon Bonin	French	39
Neema Righteous Maly	Tanzanian	15

1.4 THE PROJECT

The main objective of the company is to run and operate a chain of transit sheds to facilitate the loading and discharge of goods and also to create a trading desk for the East African partner states and other SADC countries. Usually, Border processes for perishable agro-food products involve multiple agencies and raise complex compliance and enforcement issues. At the same

time, the speed of border processes is of particular importance for exporters as delays at the border can have great negative impacts on the quality of perishable agro-food products and hence their value. Based on these challenges **Afridaraja Limited** will invest in establishing several cold chains of transit sheds along several Tanzanian cross-border areas such as in Kigoma, Mwanza, and other important borders depending on the demand for perishable goods in the corresponding neighboring borders and also to other southern African countries. Additionally the project will secondarily focus efforts on building a shop network where refrigerated products would be stored with the possible construction of a cold store in the medium term.

1.5 CAPITAL COSTS

The value of the current investment is estimated as follows: -

CAPITAL ITEMS	TOTAL IN USD
Land & Buildings	15,000
Plant, machinery, and equipment	425,000
Motor Vehicles	15,000
Furniture & Fittings	25,000
Pre-Operational Expenses	32,000
Total Initial Fixed Investment	512,000
Initial Working Capital	100,000
Total Investment	612,000

1.6 PROPOSED SOURCES OF FINANCE

Funds for the execution of the program will be an injection of funds from the sponsors and a term loan from various banks. The financing pattern will be as follows

	Amount	Total
Owner's Equity	100,000	100,000
Term loan	512,000	512,000
Grand Total	612,000	612,000

1.7 MARKET

M/S Afridaraja Company Limited intends to use local agents, its employees, sales agents, social media, direct approach, TV and radio advertisement, and flyers, to sell its product and to expand its market base throughout Tanzania and the neighboring countries. Furthermore, **M/S Afridaraja Company Limited** is well-versed in customer segments for such services. This project has come at an opportune time and this will enable Tanzania to play its role in international trade because of the huge potential market within the landlocked EAC countries. This new venture will not only allow its existing customers to take advantage of it but it will also open up services to the broader segments of targeted customers. The main

customers of the company will be Importers from neighboring countries who will be using the Tanzania harbors of Dar-es-salaam, Tanga, and Kigoma.

1.8 Anticipated annual turnover/revenue:

M/S Afridaraja Company Limited has to be cost-conscious to ensure the project will be profitable and also the services to be provided will meet the highest satisfaction and at acceptable quality levels. The company has projected to have an annual turnover of USD 0.615 million in year five. The observance of these aspects will in turn enable the company to secure its rightful market share for the perishable products in question.

1.9 Projections

Projected Profit and Loss

The projected profit and Loss Accounts are shown in the appendices. Based on the operating assumptions and costs, with the diversification of its operations, the project will be profitable from year one to year ten

Projected cash flow

The liquidity performance is shown in the appendices. These projections take into account the assumed sources and applications of funds over the planned period and show the ability of the company to meet financial commitments and capital expenditure requirements.

1.10 DEVELOPMENT AND SOCIAL IMPACT

- The project has several impacts both in social economic and environmental terms.
- The project will create employment for about 90 people.
- , The project will contribute to government revenue through various taxes that will be paid.
- It will increase access to cold facilities for the importers and which will result in a major convenience for the importers as the services are in place for their perishables products
- The project will increase international trade of perishables within the economy as the importers of perishables goods will be able to carry out their intended activities easily.

1.11 CONCLUSION

This business plan has attempted to highlight the main elements of the business plan in preparation for an investment decision of a total of US\$. **612,000**. To maintain an intact cold chain, government authorities, port operators, warehouses, and freight transport providers (including trucking firms, and air, rail, and shipping lines), will have to play a key role in ensuring such goods are kept at the right temperature and humidity as they make their way from origin to destination. It is therefore recommended that the

project is commercially, financially, and economically viable and all interested parties will have to give their full support.

2.0 THE PROJECT

The main objective of the company is to run and operate a chain of transit sheds to facilitate the loading and discharge of goods and also to create a trading desk for the East African partner states and other SADC countries **M/S Afridaraja Company Limited** will invest in constructing several cold chains of transit sheds along several Tanzanian cross-border areas such as in Kigoma, Mwanza and other important borders depending on the demand of perishable goods in the corresponding neighboring borders and also to other southern African countries.

The modern transit sheds will be comprised of all the required facilities to facilitate the transit trade of perishable goods with the neighboring countries to catch up with the market for perishable products both from Tanzania and from overseas which will be exported to Tanzanian bordering countries such as DRC Congo, Burundi, Rwanda, Malawi, and other SADCC and COMESA countries.

The main products will be perishable and may include Meat, dairy, fish and seafood, fresh fruit, and vegetables, among others. The products will thus have a higher degree of perishability. Therefore, for products with a higher degree of perishability, all steps involved in their production, transformation, and distribution until their final consumption will share the vulnerabilities linked to their limited shelf life, and hence they need such sheds. **M/S**

Afridaraja Company Limited's main activity will be to facilitate the movements of various perishable goods in transit store them in the constructed transit sheds and then transport them to other countries as per Tanzanian tax laws. Its main investment will be constructing the sheds and equipping them with cold facilities and other amenities. Additionally the project will secondarily focus efforts on building a shop network where refrigerated products would be stored with the possible construction of a cold store in the medium term.

Various sheds will be constructed to carry out such a project. This will include looking for areas to install such facilities. Other capital items which the company may consider include A generator, 300 to 600 KVA for its head office will also be included a fleet of cars such as 5-tonne delivery and distribution trucks, and 1-tonne pick-ups for follow-ups.

2.1 Site location and ownership

The head office of the project will be at Kigoma, and transit sheds will be constructed in various border areas throughout Tanzania border and it will start with DRC Congo. Depending on the performance of the project, the company will venture into other border areas of Tanzania

2.2 Manpower

The total manpower for the project is expected to initially be about 50 to 90 people.

2.3 DEVELOPMENT AND IMPLEMENTATION PROGRAMME

The implementation plan is to concentrate on the construction of transit sheds in various areas that would allow **M/S Afridaraja Company Limited** to store the perishables goods and also use its network to provide storage cold facilities for perishables goods. The company intends to establish 10 transit sheds within a period of 10 years. The implementation schedule shows that the first shed will take about 36 months – starting June 2023. The project intends to take up to ten years to reach all the earmarked border areas.

3.0 The Market

3.1 Demand

M/S Afridaraja Company Limited has been established solely for providing storage facilities for the transit of perishable goods and also perishable products from some of its mother companies in Tanzania. This new venture will allow importers of perishable goods to take advantage of the cold facilities offered by **M/S Afridaraja Company Limited**. The main customers of the company's transit shed facilities will be importers of perishables products. This facility besides catering for its perishables imported products and it will also allow other importers to take advantage of it. This then will provide an open-ended market service that is presently not in place in Tanzania.

3.2 Supply

The transit sheds project will be suitable for importers wishing to import and store perishable goods in transit or with Tanzania Exporters who will want

to export perishable products to the neighboring countries. The transit shed's use will be mainly for the products having a nature of being perishable and may include Meat, dairy, fish and seafood, fresh fruit and vegetables, among others. The products will thus have a higher degree of perishability when stored in such sheds. So, the supply of cold storage facilities in the sheds is essential to the growing economy and it will be of much help as it will allow importers and exporters to trade in perishables goods without the hassle of selling spoiled perishable products.

3.3 Market Environment

3.3.1 Given the ongoing economic activities, the transit sheds market environment is generally expected to be competitive. Border processes for perishable agro-food products involve multiple agencies and raise complex compliance and enforcement issues. At the same time, the speed of border processes is of particular importance for exporters as delays at the border can have great negative impacts on the quality of perishable agro-food products and hence their value.

3.3.2 The transit shed must adhere to Trade Facilitation Indicators (TFIs) of the world trade organization (WTO) which provides a more complete picture of the performance of border processes for perishable agro-food goods. WTO highlights the documentation requirements or border controls related to sanitary and phytosanitary measures and technical trade barriers, and automation and streamlining of border formalities. Trade costs for perishable agro-food products will remain higher than for manufactured goods if the bureaucratic procedures at the border stemming from

documentation requirements or border controls associated with specific components of SPS and TBT measures are not followed.

The WTO /TFA requires countries to perishable goods face the shortest possible release time, to give them appropriate priority when scheduling inspections, and, to the extent practicable, to communicate the reasons for any significant delay in their release. The WTO provisions encourage arrangements that would allow the release of these goods outside the business hours of Customs and other relevant authorities, where appropriate. It also highlights the importance of appropriate storage conditions for perishable goods pending their release, and requests countries to arrange proper storage facilities, or allow importers to do so, and to allow, under certain conditions, for the release to take place at those storage facilities.

3.3.3 With these provisions in place Perishables will benefit from provisions that generally improve the efficiency of border practices and expedite the movement of all types of goods, allowing time-sensitive products to spend less time at the border. These include the disciplines on publication and inquiry points, advance rulings, appeals procedures, fees, charges, risk management, inland clearance, use of international standards, prearrival processing of documentation, simplified procedures, electronic payments, separation of release from duty determination, and Single Windows.

4.0 FINANCIAL ANALYSIS

The financial analysis of **M/S Afridaraja Company Limited** shows that the operations can be run profitably and that there will be sufficient cash to meet both short and long-term obligations.

4.1 Fundamental Assumptions

The preparations of the financial projections took into account the following main assumptions;

- The operating period under which the project will be reviewed in 10 years
- The Capital Cost Summary of the establishment is reproduced below for ease of reference.

CAPITAL ITEMS	TOTAL IN USD
Land & Buildings	15,000
Plant, machinery, and equipment	425,000
Motor Vehicles	15,000
Furniture & Fittings	25,000
Pre-Operational Expenses	32,000
Total Initial Fixed Investment	512,000
Initial Working Capital	100,000
Total Investment	612,000

The highlights of the financial analysis are as follows:

4.2 Operating Costs

The overall revenue in the second year is about **USD 0.252 Mil** in year one rising to **USD 0.615 Mil** in the fifth year. The Operation Costs Include operational, administrative, and marketing expenses. Other costs include salaries and wages and administrative overheads.

4.3 Projected Profitability

The projected Profit and Loss Account is shown in the appendices. Based on the assumptions the operations of the project are profitable from year 4 to year 10. Net profit rises from **US \$13,837** in the second year and rises to **US \$84,385** in the tenth year.

4.4 Liquidity Projections

The projections take into account the assumed sources and applications for funds over the planned period and show the ability of the project to meet capital expenditure.

4.5 Financial Review

The Financial Review of the project demonstrates that: -

- a) The project is profitable
- b) The liquidity position of the project is sound and that is should be able to meet its loan commitment easily;
- c) The operations are financially and technically viable.

4.6 DEVELOPMENT AND SOCIAL IMPACT

- The project has several impacts both in social economic and environmental terms.
- The project will create employment for about 90 people.
- , The project will contribute to government revenue through various taxes that will be paid.
- It will increase access to cold facilities for the importers and which will result in a major convenience for the importers as the services are in place for their perishables products
- The project will increase international trade of perishables within the economy as the importers of perishables goods will be able to carry out their intended activities easily.

5.0 CONCLUSION

This business plan has attempted to highlight the main elements of the business plan in preparation for an investment decision of a total of **US\$. 612,000**. To maintain an intact cold chain, government authorities, port operators, warehouses, and freight transport providers (including trucking firms, and air, rail, and shipping lines), will have to play a key role in ensuring such goods are kept at the right temperature and humidity as they make their way from origin to destination. It is therefore recommended that the project is commercially, financially, and economically viable and all interested parties will have to give their full support

APPENDICES

CAPITAL COST SUMMARY

CAPITAL ITEMS	TOTAL IN USD
Land & Buildings	76,000
Plant, machinery, and equipment	425,000
Motor Vehicles	15,000
Furniture & Fittings	25,000
Pre-Operational Expenses	32,000
Total Initial Fixed Investment	612,000
Initial Working Capital	100,000
Total Investment	612,000

AFRI DARAJA LIMITED

FINANCING PLAN

<u>USD</u>	<u>Amount</u>	<u>Total</u>
<u>Owner's Equity</u>	<u>100,000</u>	<u>100,000</u>
<u>Term loan</u>	<u>512,000</u>	<u>512,000</u>
<u>Grand Total</u>	<u>612,000</u>	<u>612,000</u>

AFRI DARAJA LIMITED

DEPRECIATION SCHEDULE (US\$)

Item description (make and model)	Cost Price	Depreciation Rate	Yearly Depreciation										
			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Land & Buildings	76,000	5%	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800	3,800
Machinery and equipment	425,000	25%	106,250	106,250	106,250	106,250	-	-	-	-	-	-	-
Motor Vehicles	15,000	25%	3,750	3,750	3,750	3,750	-	-	-	-	-	-	-
Furniture & Fixtures	25,000	12.5%	3,125	3,125	3,125	3,125	3,125	3,125	3,125	3,125	3,125	-	-
Pre-operational Capex	32,000	20%	6,400	6,400	6,400	6,400	6,400	-	-	-	-	-	-
TOTAL	573,000		123,325	123,325	123,325	123,325	13,325	6,925	6,925	6,925	3,800	3,800	

AFRI DARAJA LIMITED

SCHEDULE OF STAFF AND THEIR REMUNERATION

	Year 1	Year 2	Year 3	Year 4	Year 5
Production Manager	\$ 15,600.00	\$ 15,600.00	\$ 15,600.00	\$ 15,600.00	\$ 15,600.00
Commercial Manager	\$ 5,400.00	\$ 5,400.00	\$ 5,400.00	\$ 5,400.00	\$ 5,400.00
Sales Assistant	\$ -	\$ -	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00
Quality Assurance	\$ 7,800.00	\$ 7,800.00	\$ 7,800.00	\$ 7,800.00	\$ 7,800.00
Accountant	\$ 10,200.00	\$ 10,200.00	\$ 10,200.00	\$ 10,200.00	\$ 10,200.00
Accounts Assistant	\$ -	\$ -	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00
Casual Laborers	\$ 9,360.00	\$ 9,360.00	\$ 11,232.00	\$ 13,478.40	\$ 16,174.08
TOTAL	\$ 48,360.00	\$ 48,360.00	\$ 53,832.00	\$ 56,078.40	\$ 58,774.08

AFRI DARAJA LIMITED
PROJECTED PROFIT AND LOSS ACCOUNTS

USD	31-Dec 2023 Pre-op	31-Dec 2024 Year 2	31-Dec 2025 Year 3	31-Dec 2026 Year 4	31-Dec 2027 Year 5	31-Dec 2028 Year 6	31-Dec 2029 Year 7	31-Dec 2030 Year 8	31-Dec 2031 Year 9	31-Dec 2032 Year 10
<i>Revenue</i>	252,000	315,000	393,750	492,188	615,234	769,043	961,304	1,201,630	1,502,037	1,877,546
<i>Cost of Sales</i>	176,400	220,500	275,625	344,531	430,664	538,330	672,913	841,141	1,051,426	1,314,282
<i>Gross Profit</i>	75,600	94,500	118,125	147,656	184,570	230,713	288,391	360,489	450,611	563,264
<i>Indirect Expenses</i>	90,720	108,675	129,938	136,434	150,078	172,589	207,107	258,884	336,549	437,514
<i>EBIDTA</i>	(15,120)	(14,175)	(11,813)	11,222	34,492	58,123	81,284	101,605	114,062	125,750
<i>Depreciation and Amortization</i>	123,325	123,325	123,325	123,325	13,325	6,925	6,925	6,925	3,800	3,800
<i>EBIT</i>	(138,445)	(137,500)	(135,138)	(112,103)	21,167	51,198	74,359	94,680	110,262	121,950
<i>Finance Costs</i>	-	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
<i>Profit before Tax</i>	(138,445)	(138,900)	(136,538)	(113,503)	19,767	49,798	72,959	93,280	108,862	120,550
<i>Income tax expense</i>	-	-	-	-	5,930	14,940	21,888	27,984	32,658	36,165
<i>Net profit for the year</i>	(138,445)	(138,900)	(136,538)	(113,503)	13,837	34,859	51,071	65,296	76,203	84,385

AFRI DARAJA LIMITED

PROJECTED CASHFLOW (US\$)

YEAR	0	1	2	3	4	5	6	7	8	9	10
INFLOWS											
Share Capital	100,000	-	-	-	-	-	-	-	-	-	-
Long-Term Loan	573,000	-	-	-	-	110,000	-	-	-	-	-
Depreciation		123,325	123,325	123,325	123,325	13,325	6,925	6,925	6,925	3,800	3,800
Net Profit		(138,445)	(138,900)	(136,538)	(113,503)	13,837	34,859	51,071	65,296	76,203	84,385
TOTAL INFLOW	673,000	(15,120)	(15,575)	(13,213)	9,822	137,162	41,784	57,996	72,221	80,003	88,185
OUTFLOWS											
Capital expenditure(Capex)	341,000	-	-	-	-	55,000	-	-	-	-	-
Inventory (Pre-op)	40,000	-	-	-	-	-	-	-	-	-	-
Changes in working capital	125,000	83,750	56,113	37,595	25,189	16,877	25,315	37,972	49,364	74,046	111,069
TOTAL OUTFLOW	506,000	83,750	56,113	37,595	25,189	71,877	25,315	37,972	49,364	74,046	111,069
NET CASH FLOW	167,000	-98,870	-71,688	-50,808	-15,367	65,286	16,469	20,024	22,857	5,957	-22,884
CUMULATIVE CASH FLOW	167,000	68,130	-3,558	-54,365	-69,732	-4,447	12,022	32,046	54,903	60,860	37,976