

**FEASIBILITY STUDY REPORT /  
BUSINESS PLAN**

**NGS INVESTMENTS COMPANY LIMITED**

**Project Name:-**

**DOUBLE ROLLER GINNING MACHINES**

**ALONG WITH OIL MILL & REFINERY**

**AT BARIADI.**

**Prepared by:-**

**NGS INVESTMENT CO. LTD.**

## 1. EXECUTIVE SUMMARY

### Company details & Project brief

**NGS INVESTMENT COMPANY LIMITED** ("the Company") is a limited Company incorporated in Tanzania under the Company act of 2002. The Company was incorporated 15<sup>th</sup> February, 2006, and bears Certificate of Incorporation No.55601. The company is implementing the project which is under manufacturing sector.

**NGS INVESTMENT COMPANY LTD** is managed by local Tanzanians with the head Office located at Plot No.1 Majahida area, Bariadi- Simiyu Region. The Company will run new project which will be located in Bariadi District- Simiyu. This project is for use of new technology of double roller ginning machines for processing raw seed cotton from farmers. The company will use new technique which will increase its productivity in terms of higher recovery of lint as compared to the existing processing of saw ginning machines. Further, the company needs to go for backward integration by using the oil seeds produced from cotton ginning to use as its raw material in its oil mill for production of quality cooking oil.

Our goals and objectives are straightforward and seeks to ensure creating of good working factory which will be able to create more job opportunities for the local people and add value to the final product. We run a professional, profitable and ethical company, building relationships with customers and investors in Tanzania and EAC at large.

### Company Goals and Objectives

**NGS INVESTMENT COMPANY LTD.** aims at:

- Establishing facility for processing seed cotton through ginning process and other related products like edible oil and cake for local and export markets.
- Manage **the Company** by human resource policies which encourage and reward individual and unified effort and achievements. The company provides training and personal development opportunities and create a working environment in which staff can feel a real sense of

work involvement and satisfy themselves for the performance shown based on their own capabilities.

- Archive levels of profit sufficient to provide for reinvestment and suitable returns to shareholders and investors.
- Seek to comply with all statutory legislation and other external relevant authorities Define and keep under review Company policy, allowing flexibility for local requirements.
- Adopt best commercial practice and ethical standards in dealing with clientele, suppliers of goods and services and other contacts.

### **Purpose of the Business Plan/ Study Report**

This document is prepared to serve the purpose as a Pre-feasibility study report for **the company** for investment in edible oil processing plant and other related products for local and export market. But also the study report shall be submitted to TIC for an award of Certificate of Incentives.

The project promoter, the project will be managed and operated by **NGS INVESTMENT COMPANY LTD** which is owned by local Tanzanians entrepreneurs. The shareholding distribution is as follows.

NAME OF SHAREHOLDERS	NATINALITY	SHARES %
Njalu Daudi Silanga	Tanzanian	50
Elizabeth Mabula Madoshi	Tanzanian	15

The Company legal certificates and documents such as Memorandum and Articles of Association, certificate of incorporation, Tax Identification Number and Value added Tax, Tax clearance certificate etc. justifies that the **Company** is operating within the ambit of the law of the Land.

Project Organization Structure, the management of **NGS INVESTMENT COMPANY LTD** constituted by the following organization set up:- Board of Directors, Managing Director who is responsible on the supervisor on the entire operations of the Company, General Manager to assist managing director and board and to see the work is going on as per the direction and instructions of board and managing director, a finance manager to look for

the required finance for the company and accountant to enter day to day transactions of company, Marketing Manager, Production Manager who will be directly responsible for all matter's pertaining manufacturing of the products. Investment Structure, the project is estimated to cost **USD 4,550,000** and the money covers investment in Machineries and Equipment, Furniture and fittings, pre-expenses and working Capital. The entire project is contributed by owners i.e., equity contributed by the shareholders to the tune USD 4,550,000/-. However a financial policy of the Company state that the profits generated will be re-invested.

Forecasted financial information of the Company is projected within five years. The projected Profit and Loss account shows a respectable turnover in first year rather than in the third year. The profits gained on fifth year are shown in annexures. The projected balance sheet shows the increase in the third year of operation and more than the 5<sup>th</sup> of operation of the business. The financial documents show that the business has a positive net cash flow.

## **2. PURPOSE OF THE REPORT**

This Profile is drawn for the purpose of seeking **CERTIFICATE OF INCENTIVES** from the **TANZANIA INVESTMENT CENTRE** and as pre-feasibility study report for investment in double roller ginning facility and other related products at Majahida, Bariadi and Tanganyika- Katavi.

### **2.1. Purpose of Investment**

This document is prepared to serve the purpose as a feasibility study Report for **NGS INVESTMENT COMPANY LTD.** for **IMPROVING GINNING PROCESS** by installing double roller ginning facility and other related products at Majahida Bariadi and Tanganyika- Katavi.

The implementation of this project will compromise the following activities:-

- Land acquisition where ever required, construct a warehouse at Majahida - Bariadi and / or modifying the existing warehouse structures to suit intended project requirements.
- Procurement and Importation of the required machineries and equipment like complete double roller ginning machines with all its

accessories and supporting equipment, Generators, Transformer, Utility vehicles, Building materials, etc. along with complete oil extraction machines and refinery

- Installation of above processing Machineries and Equipments.
- Equipping the project with all necessary modern furniture and facilities
- Employing more around 30 to 40 more people directly for the processing work and creating indirect employment for other local people of neighbouring area.

## 2.2. Source of Fund

The company expect to invest US \$ **4.55 million** from shareholder's funds.

### INVESTMETN COST PLAN

Land/Building	USD \$	650,000
Plant/Machinery	USD \$	1,500,000
Generator, Transformer & other equipments	USD \$	400,000
Vehicles	USD \$	1,000,000
Electrical equipment & Fittings	USD \$	400,000
Furniture and Fittings	USD \$	200,000
Pre-expenses	USD \$	400,000
<b>TOTAL CAPITAL INVESTMENT</b>	<b>USD \$</b>	<b>4,550,000</b>

## 2.3. Summary of the Expected Results

At the end, the project is expected to achieve the following:-

- ❖ To foster the growth of Large Scale Agro Processing.
- ❖ Higher recovery of lint cotton there by more exports.
- ❖ To combat the acute shortage of foreign exchange by bringing in more inflow of forign currency by higher exports.
- ❖ To provide more clean seeds for planting and / or processing in the oil mill for better results.
- ❖ To promote local markets for high quality agro processed crops.

- ❖ To enhance the use of local raw materials.
- ❖ Generated more revenue for Tanzania Government.
- ❖ Direct Domestic investment by private sector of around US \$ 4.55 Million with internal sources.
- ❖ Increase tax contributed to the government.
- ❖ Supporting Government will of industrialisation in phase manner with use of better technique.

### 3. BUSINESS DESCRIPTION

**NGS INVESTMENT COMPANY LTD** is a limited Company incorporated in Tanzania under the Company act of 2002. The Company was incorporated 15<sup>th</sup> Feb, 2006 and bears Certificate of Incorporation No. 55601. The company is implementing the project which is under manufacturing sector.

#### I. Mission and Vision

The company vision is to be the first and leading company in Tanzania which sales locally quality processed edible oil and other related products and exports edible oil for EAC Market, SADC and the whole of Africa at large.

#### II. Operations

The project will be managed and operated by **NGS INVESTMENT COMPANY LTD** The Company is expecting to finalize acquisition of operation permits and Tax exemption clearance for machineries and equipment to start the implementation of the project. Management will establish sound operating guidelines to conduct the day to day operations of this project.

### **III. Project Location**

The project shall be implemented at rent and buy a land and construct a warehouse which is located Majahida Bariadi. The warehouse will have more than 3,000 square metres which are very spacious to accommodate project of this nature.

### **IV. Core activities of the company**

**NGS INVESTMENT COMPANY LTD** will be dealing with establishing and operating the double roller ginning technique which is improved technique for ginning business as compared to old SAW ginning technique along with edible oil extraction and processing plant for with clear refined edible oil for local and export market. This consist installation of production machineries and refinery facilities/equipment which will be used to process edible oil and related products.

## **4. ECONOMIC GROWTH**

Positive economic growth which had been registered in Tanzania, have attracted more investments in the country like the proposed project is for production of higher lint cotton recovery.

The economic growth resulted by various economic activities will benefit the local people as well as the country as whole. The Proposed Project will be available for sell in local and foreign markets. The Project will also sell its products with other processors which need raw materials in their production process. There is high demand for the Company's Products.

## **5. MARKET POTENTIAL**

### **5.1 Overview**

The management of the company has vast experience of this cotton ginning business where they realized that there is high demand for long staple quality lint cotton for production of good quality yarn. The company will

be able to provide good quality refined oil for direct human consumption at reasonable prices.

Despite being a number of agro processors there is still more demand for the lint produced from double roller processing ginning machines.

However, the proposed project for Edible Oil, expects to dominate the local and export market because the project will produce high quality Edible Oil. Supply of locally produced edible oil will increase which will save foreign reserves of the country by reducing import of edible oil from out side.

## **6. BUSINESS STRATEGY**

In order to meet the current demand and high productivity the management of the company will develop and implement additional strategies which will capture markets

- Technology use,
- Product quality,
- employing qualified and experienced personnel,
- on job training,
- business discipline.

## **7. MANAGEMENT AND ADMINISTRATION**

The overall management of the company is vested in the Board of Directors – Mr. Njalu Daudi Silanga is the Managing Director of the Company; he is well versed in Agro Processing / Edible Oil Industry. The other Director is Elizabeth Mabula Madoshi. All other existing team will help the directors to work in efficient manner.

## **8. MANPOWER AND TRANSFER OF TECHNOLOGY**

This project being use of better ginning technique as compared to the existing one, will show use of improved technology for processing and to do more recovery from same quantity of raw material which will give more

finished products with same amount of raw materials. The new technique is very simple and user beneficial.

The advantages to the country are quite significant, and will get the advantage of value addition due to such incoming technology.

The Proposed programme will cause more people to be employed in the factory about 30 local people. The Farmers will also benefit by selling to the Company seed cotton at a good price and the programme will raise their income, improve their social welfare, it is poverty alleviation programme to them. And the Company will pay taxes (Government revenues).

## **9. CONCLUSION AND RECOMMENDATION**

The financial evaluation of the proposed project done so far indicates that this programme will be profitable both economically and financially viable venture. There are many other benefits direct and indirect of this project.

The management being experienced businessmen possesses ample managerial capabilities in various business disciplines. Based on the above factors, it is recommended that the company should be granted the certificate of incentives for the implementation of the proposed project so that the project will import and enjoy Tax exemption on CAPITAL/DEEMED CAPITAL GOODS and increase its production capacity.

<b>COST STRUCTURE</b>	
<b>PARTICULAR</b>	<b>AMOUNT USD</b>
Land and Building	650,000
Machinery & Equipment	1,500,000
Generator, Transformer & other equipments	400,000
Motor Vehicles	1,000,000
Electrical equipment & Fittings	400,000
Furniture & Fittings	200,000
Pre expenses	400,000
<b>Total</b>	<b>4,550,000</b>

<b>PROJECTED CASHFLOW</b>						
		<b>YEAR 1 USD</b>	<b>YEAR 2 USD</b>	<b>YEAR 3 USD</b>	<b>YEAR 4 USD</b>	<b>YEAR 5 USD</b>
<b>CASHFLOW FROM OPERATIONS</b>						
Sales		2,299,500	2,414,475	2,462,765	2,585,903	2,715,198
Subtotal Cash Received		2,299,500	2,414,475	2,462,765	2,585,903	2,715,198
<b>Expenditures from</b>						
<b>Operations:</b>						
Purchases		1,558,355	1,608,947	1,749,401	1,834,871	1,029,875
Processing cost		131,400	183,960	193,158	202,816	212,957
Interest Expense		30,800	30,800	30,800	30,800	30,800
Subtotal Cash payment		1,744,132	1,823,707	1,973,359	2,068,454	2,177,793
<b>CASH FROM OPERATIONS</b>		<b>555,368</b>	<b>590,769</b>	<b>489,406</b>	<b>517,449</b>	<b>537,405</b>
<b>CASH FLOW FROM INVESTMENTS:</b>						
Purchase of Assets		- 3,050,000	1,500,000			
<b>CASH FLOW FROM INVESTMENTS:</b>						

<b>CASH FLOW FROM FINANCING:</b>						
Owners Contribution		3,050,000	1,500,000			
CASH FLOW FROM FINANCING		3,050,000	1,500,000			
NET CASHFLOW FOR PERIOD		555,368	590,769	489,406	517,449	537,405
CASH FLOW AT START OF YEAR			555,368	1,146,137	1,635,543	2,152,992
CASHFLOW AT THE END OF YEAR		555,368	1,146,137	1,635,543	2,152,992	2,690,397

## PROJECTED BALANCE SHEET

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b><u>Fixed Assets</u></b>					
Long-term Assets	790,000	713,000	636,000	559,000	482,000
Depreciation	77,000	77,000	77,000	77,000	77,000
<b>Total Long-term Assets</b>	<b>713,000</b>	<b>636,000</b>	<b>559,000</b>	<b>482,000</b>	<b>405,000</b>
<b><u>Current Assets</u></b>					
Cash	1,193,526	2,427,066	3,671,330	4,956,958	6,327,153
Accounts Receivable	130,700	100,780	94,800	55,800	20,860
<b>Total Current Assets</b>	<b>1,324,226</b>	<b>2,527,846</b>	<b>3,766,130</b>	<b>5,012,758</b>	<b>6,348,013</b>
<b>Total Assets</b>	<b>2,037,226</b>	<b>3,163,846</b>	<b>4,325,130</b>	<b>5,494,758</b>	<b>6,753,013</b>
<b><u>Current Liabilities</u></b>					
Accounts Payable	3,000	3,200	3,220	3,300	3,450
Other Current Liabilities	0	0	0	0	0
<b>Subtotal Current Liabilities</b>	<b>3,000</b>	<b>3,200</b>	<b>3,220</b>	<b>3,300</b>	<b>3,450</b>
<b><u>Long-term Liabilities</u></b>					
Long-term Liabilities	200,000	200,000	200,000	200,000	200,000
<b>Total Liabilities</b>	<b>203,000</b>	<b>203,200</b>	<b>203,220</b>	<b>203,300</b>	<b>203,450</b>
<b>Net Assets</b>	<b>1,834,226</b>	<b>2,960,646</b>	<b>4,121,910</b>	<b>5,291,458</b>	<b>6,549,563</b>
<b><u>Capital and Reserves</u></b>					
Owners Contribution	800,000	800,000	800,000	800,000	800,000
Retained Earnings	579,100	584,758	586,306	588,975	616,578
<b>Total Capital</b>	<b>1,379,100</b>	<b>1,384,758</b>	<b>1,386,306</b>	<b>1,388,975</b>	<b>1,416,578</b>

## PROFIT AND LOSS ACCOUNTS

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Sales Revenue	1,630,700	1,640,780	1,649,800	1,655,820	1,700,860
Cost of Sales	410,000	412,000	418,000	420,000	425,000
<b>Gross Profit</b>	<b>1,220,700</b>	<b>1,228,780</b>	<b>1,231,800</b>	<b>1,235,820</b>	<b>1,275,860</b>
<b>Operating Expenses:</b>					
Administrative Expenses	4,200	4,205	5,000	5,200	5,800
Motor vehicle running expenses	10,000	10,000	10,000	10,000	10,000
Salaries and Wages	220,000	220,000	220,000	220,000	220,000
Donation	1,000	1,000	1,000	1,000	1,000
Depreciation	77,000	77,000	77,000	77,000	77,000
Marketing Costs	2,800	2,800	2,810	2,812	2,815
Maintenance	10,000	10,000	10,000	10,000	10,000
Utility costs	30,000	30,000	30,000	30,000	30,000
Insurance	5,000	5,000	5,000	5,000	5,000
Communication	5,400	5,406	5,410	5,415	5,418
Pension Contribution	22,000	22,000	22,000	22,000	22,000
Loan Interest (3%)	6,000	6,000	6,000	6,000	6,000
<b>Total Expenses</b>	<b>393,400</b>	<b>393,411</b>	<b>394,220</b>	<b>394,427</b>	<b>395,033</b>
<b>Profit before tax</b>	<b>827,300</b>	<b>835,369</b>	<b>837,580</b>	<b>841,393</b>	<b>880,827</b>
Tax (30%)	248,190	250,610	251,274	252,417	264,248
<b>Profit After Tax</b>	<b>579,110</b>	<b>584,758</b>	<b>586,306</b>	<b>588,975</b>	<b>616,578</b>