

**THRISHOOL EXIM LIMITED**

**BUSINESS PLAN**

**FOR**

**ESTABLISHMENT OF ANIMAL FEEDS MANUFACTURING**

## **1.0 EXECUTIVE SUMMARY.**

**THRISHOOL EXIM LIMITED** is a company registered in Tanzania under Certificate of Change of Name No.88325 dated 18<sup>th</sup> September 2012. Previously known as New Life Health Services limited

The project promoters have sufficient knowledge and experience in animal feed production, promoters of the project are well-established businesses carrying out various businesses but majoring in animal feed businesses. Having been in the business for over 15 years the directors are now well-prepared for establishing the production of animal feed products for the domestic and export market.

The business plan has been prepared for **THRISHOOL EXIM LIMITED**. The implementation of this project will include the following activities:

- Registration of project to TIC
- Obtaining various permits and license
- Ordering machines and other project equipment
- Installation of machines
- Recruiting

The proposed project is estimated to cost about US\$ **1m** to be sourced from shareholders' equity and cash generated from business

## 1.2 THE PROJECT PROMOTERS

The shareholders of this project are individuals with diverse professional and International business backgrounds. The company is owned by three shareholders, namely: -

<b>S/N</b>	<b>NAME</b>	<b>% of ownership</b>	<b>Nationality</b>
1	Mr Sambasivarao Peravali	50	India
2	Mrs Sushma Bodduluru	50	India

## 1.3 LOCATION.

The project head office will be located at **Plot No. 1 Block F, Kidenge, Kibaha District, Coast Region Tanzania.**

## 1.4 OBJECTIVE OF THE STUDY

This study aims to work out the technical and commercial details and financial viability of a project.

## 2.0 Overview of Animal Feed in Tanzania

Animal feed is a critical resource that determines the growth potential in the livestock sector. Tanzania is endowed with abundant natural resources such as rangelands, grasslands, woodlands, and bush and shrublands. A large resource base for animal feeds includes natural forages and legumes. Additionally, cultivated land is an important source of feed in

the form of crop residues and later industrial by-products. The available feeds from these diverse sources support the country's livestock resource base estimated to be 28.9 million cattle, 16.7 million goats, and 5.0 million sheep. Other livestock kept in the country includes 1.9 million pigs, 72 million indigenous and commercial poultry, 0.6 million donkeys and 4.5 million ducks, guinea fowl, rabbits, and other livestock species (National Bureau of Statistics 2016; Tanzania Livestock Sector Analysis 2016).

Utilization of grazing lands for sustainable livestock production is hampered by seasonal variations of quality and quantity of forage, uncontrolled burning, and overgrazing, imperfect designation of grazing lands, tsetse fly and tick infestation. Weak pastoral and agro-pastoral organizations, inadequate livestock services, credit facilities and socio-economic services, and weak infrastructure also limit the utilization of poorly designated grazing lands (URT 2007). The availability and use of feeds to a large extent depends on rainfall, temperature, and humidity variations which in turn vary with agroecological zones and the livestock production system. The country has diverse agro-ecological zones namely highlands, humid to sub-humid; sub-humid to semi-arid; and semi-arid based on altitude, precipitation pattern, length of growing period (LGP) and average water holding capacity of the soils and physiographic features. Crop and livestock production is the dominant

economic sector providing livelihood, income, and employment to over 80% of the population (MLFD 2012)

### **2.1. Demand for processed animal feeds in Tanzania**

As Tanzania experiences population growth, economic growth, and increased urbanization, food consumption patterns are changing and shifting to higher-value products such as animal products (UNIDO, 2012). Demand is growing both domestically and internationally; domestically, demand is spurred by a growing population that is urbanizing and an emerging middle class made up of wealthier consumers who are more able to participate in niche markets for quality meat. Internationally, meat demand is rising and producers are able to fetch better prices by exporting their produce, largely to neighboring countries such as Kenya, Ethiopia, and The Democratic Republic of Congo as well as to countries in the middle-East such as Kuwait, United Arab Emirates and Oman(MLFD, 2011; SNV, 2008).In general terms, the events which are unfolding (and which will continue to do so) are common to livestock industries in many developing countries, particularly in Sub-Saharan Africa(SSA), such that the term “Livestock Revolution” has been coined to describe such changes (Delgado et al.,1999). These demand driven factors present realistic opportunities for livestock sector growth which can contribute to the provision of income, employment and better quality nutrition in Tanzania and in other parts of the developing world (World Bank, 2005),

thus improving the livelihoods of a large portion of the population as well as meeting the Millennium Development Goals (MDG's) (ILRI, 2011). Furthermore, animal production presents numerous benefits such as; regular income, improved nutrition, by-products such as skin for leather, and organic manure for improved soil fertility amongst others. Tanzania stands in a promising position to capture these favorable circumstances, as it is the third largest livestock-producing country in Africa (MLFD 2011). However, the potential of the livestock industry is far from being realized, and the sector

In an effort to strengthen the country's economy, the Government of Tanzania cited animal feed industries as one of the potential revenue and job creation sectors, its importance is not only to social economic development but has a positive sign on economic development. THRISHOOL EXIM LIMITED decided to establish integrated Animal feeds factories as a major expansion of

## **2.2. Project Description**

### **2.2.1. Animal feeds factory overview**

The main animal feeds resources available in Tanzania's mainland are classified into roughages and concentrates. The roughages include pastures (natural and planted), trees,

shrubs, conserved forage, crop residues, and agro-industrial by-products. THRISHOOL EXIM LIMITED production is based on agro-industrial by-products, these are from maize, sorghums, cotton meals, and cotton seed cake. The raw materials are mainly from cotton seed-ring. The processed feeds are mainly for poultry, cows, piggery goats, and sheep. The main type of animal feeds includes Creep Feed crumble, Pig Starter Crumble, Pig Grower Pellet, Pig Finisher Pellet, Pig Sow Ration Pellet, and for poultry includes Chicken starter, Chicken grower, and Layer Feed

### **2.2.2. Production process**

The production process and the recipes for all the products are the same. The process is given below

Steps	Descriptions
Step 1	Collection of necessary items of feed production
Step 2	Sorting the items or quality inspections
Step 3	Batching weight (per formulation)
Step 4	Crushing of maize, oats, sorghum Mixing of other ingredients with the above crushed raw materials such
Step 5	as cotton seed cake

Step 6 Pelleting of other items

Step 7 Cooling of the products

Step 8 Crumbling and conveying of the products

Step 9 Quality inspection

Step 10 weighing and packaging of the products in their respective sags

Step 11 Storage

Step 12 Distribution simple stages of the production process

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## **Packaging & Transportation**

Large loads of premixed feedstuffs are packed into bulk bags. If the ingredients have to travel greater distances packaging sags are used to assist in stability and maximize the load. Machines and the market are filled with printed Open Mouth Bottom

Weld, Block Bottom, and Valve Sacks printed to the individual requirements of the product and company however the proposed business would mainly use animal feeds since it has a significant role within this sector predominantly because of their inherent strength.

In the first year of operation, the project will install a fully complete set for both machines whereas Animal feed processing machines with a capacity of 3.6MT per day. The plant capacity during the first year of production will be 75% operations and as the plant successfully wins the market will be operated to 100%. The selling plan for Animal feeds products is estimated to be 0.65US\$ per Kg Raw materials mainly are from Tanzanian farmers and other ingredients will import, Expected stock for raw materials is 3-4 months so the company will have a continuous operation in case of delay of importation of raw material from china to Tanzania.

## 2.0. **PROJECT MANAGEMENT**

**THRISHOOL EXIM LIMITED** will be under the Management Director who has experience in managing various businesses.

Under this management, **THRISHOOL EXIM LIMITED** is expected to grow steadily from a small to a medium company

The company will have a team of qualified and experienced functional managers in different areas. Other senior and middle-level staff will be available for the start-up and

subsequent operations of the company, the total number of employees is expected to be **30**

## 2.1 **PROJECT MANAGEMENT POLICY**

The day-to-day operations will be managed by the Managing Director, to be assisted by the Production and Technical Director of Production who will be overall in charge of production, Business Development and Logistics Director and financing and administration Director who will take care of all matters related to financial resources and human resources of the company

## 4.0 **FINANCIAL ASPECTS**

### **THRISHOOL EXIM LIMITED COST STRUCTURE**

Land and Buildings	180,851.00
Vehicles	80,000.00
Plant and Machinery	106,383.00
Furniture & Fittings	5,000.00
Others	10,000.00
Working Capital	212,766
<b>TOTAL</b>	<b>595,000.00</b>

For the project to be a reality a total investment amounting to US \$ **595,000.** is needed

## 5.0 **FINANCING PATTERN**

The project will be financed by the equity of US\$595,000

## **5.1 PRODUCTION CAPACITY**

The company has estimated to produce 1,080,000Kg per year

## **5.2 SELLING PRICE**

The average price is estimated to be US\$65 per Kg

## **6.0 FINANCIAL ANALYSIS**

### **6.1 Considerations and Assumptions:**

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

### **6.2 Financial Statements:**

### **6.3 Projected Profit and Loss Statement**

The Income and Expenditure Statement shows the projected income for the 5 years period. The position depicted is that the project earns profit throughout its life. Accumulated after-tax profits grow from. US \$190,133 in the first year to US \$1,053,985 in the 5 year

#### **6.4 Projected Cash Flows**

This is shown in the financial statements. The project has a positive end-of-year cash flow from year1, i. e US\$ 199,314 of operation to the 5th year i.e. US \$ 7,792,640

#### **6.5 Projected Balance Sheet**

The projected Balance Sheet of the projected is shown in the financial statements under the same heading. The net worth of the project increases from US\$ 2,127,000 in the first year of operation to US\$ \$ 1,099,889 in the 5<sup>th</sup> year.

### **7.0 ECONOMIC ASPECTS OF THE PROJECTS**

Besides the financial/monetary returns to the owners, there are other benefits to be derived for the whole country viz.

#### **(i) Employment Opportunities**

Employment and poverty reduction are among the major concern of the Central and Local Government authorities. It is gratifying to note that the project is going to provide employment for **30** people. This is a significant contribution coming from investors.

#### **(ii) Revenue to the Government**

The Project is expected to pay a substantial annual amount in the form of corporation tax amounting and other taxes will be paid directly to the government during the project's 8 years covered under our project review.

### **(iii) Foreign Exchange Earning**

Since the project's final products will be exported, the project will thus earn foreign currency for the United Republic of Tanzania.

## **8.0 CONCLUSION AND RECOMMENDATION**

### **8.1 CONCLUSION**

- (i) The project is profitable and contributes to government revenue by way of taxes.
- (ii) The project provides employment to 30 people all of whom are national Tanzanians.
- (iii) The project is an encouraging sign to prove that we have Animal feed value addition that could be done in Tanzania.

### **9.0 RECOMMENDATION**

After the foregoing economic and financial evaluation of the project, we strongly recommend that this project be implemented and be given all the support required by all the concerned Government Ministries and Agencies, including the Tanzania Revenue Authority (TRA) and the Tanzania Investment Centre – (TIC) The project deserves this support because of its viability, since it is technically feasible, economically viable and socially acceptable.



**THRISHOOL EXIM LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT US\$**

-	1	2	3	4	5
Revenue	702,000.00	737,100.00	773,955.00	812,652.75	853,285.39
<b>Operating Expenses:</b>	421,200	442,260	464,373	487,592	511,971
<b>Gross Profit Before Interest and Depreciation</b>	280,800	294,840	309,582	325,061	341,314
<b>Interest</b>	-	-	-	-	-
<b>Depreciation</b>	9,181	9,181	9,181	9,181	9,181
<b>Gross Profit</b>	271,619	285,659	300,401	315,880	332,133
Tax (30%)	81,486	85,698	90,120	94,764	99,640
<b>Profit After Tax</b>	190,133	199,961	210,281	221,116	232,493
Accumulated Profit	190,133	390,094	600,375	821,491	1,053,985

**THRISHOOL EXIM LIMITED PROJECTED CASH FLOW US\$**

<b>SOURCES:</b>	0	1	2	3	4	5
Profit before interest and depreciation	-	280,800	294,840	309,582	325,061	341,314
Equity	595,000					
Loan	-					
<b>Total Sources</b>	595,000	280,800	294,840	309,582	325,061	341,314
<b>Applications:</b>						
Capital expenditure	372,234		-	-	-	-
working Capital &Others	222,766					
Cash	-	199,314	209,142	219,462	230,297	241,674
Tax	-	81,485.75	85,697.75	90,120.35	94,764.08	99,639.99
<b>Sub total</b>	595,000	280,800	294,840	309,582	325,061	341,314
<b>Total applications</b>	595,000	280,800	294,840	309,582	325,061	341,314
Accumulated cash		199,314	408,456	627,918	858,215	1,099,889

### THRISHOOL EXIM LIMITED PROJECTED BALANCE SHEET USD

<b>Fixed Assets</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Opening balance	-	372,234	363,053	353,872	344,691	335,511
<b>Total Long-term Assets</b>	-	372,234	363,053	353,872	344,691	335,511
<b>Less depreciation</b>	-	9,181	9,181	9,181	9,181	9,181
<b>Closing balance</b>	-	363,053	353,872	344,691	335,510	326,330
Working capital	222,766	222,766	222,766	222,766	222,766	222,766
Accumulated cash	-	199,314	408,456	627,918	858,215	1,099,889
<b>Total assets</b>	<b>222,766</b>	<b>785,133</b>	<b>985,094</b>	<b>1,195,375</b>	<b>1,416,491</b>	<b>1,648,985</b>
Financed by						
Equity	595,000	595,000	595,000	595,000	595,000	595,000
Accumulated profit	-	190,133	390,094	600,375	821,491	1,053,985
Total equity	2,300,000	785,133	985,094	1,195,375	1,416,491	1,648,985
<b>Total equity and debts</b>	<b>2,300,000</b>	<b>785,133</b>	<b>985,094</b>	<b>1,195,375</b>	<b>1,416,491</b>	<b>1,648,985</b>

**THRISHOOL EXIM LIMITED PROJECTED PAYBACK PERIOD USD**

<b>Year</b>	<b>Profit After Tax</b>	<b>Depreciation</b>	<b>Total Cash Flow</b>	<b>Accumulated Cash Flow</b>
1	190,133	9,181	199,314	199,314
2	199,961	9,181	209,142	408,457
3	210,281	9,181	219,462	627,919
4	221,116	9,181	230,297	858,216
5	232,493	9,181	241,674	1,099,890

