



# WEBQUEST INDUSTRIES LTD BUSINESS PLAN

Kags & Co.

WEBQUEST INDUSTRIES LTD Dar Es Salaam



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## **1. Executive Summary**

Webquest Industries Ltd (Webquest) is a poultry farm company that will be rearing broilers and producing chicken meat and feed. Our poultry farm will be based in Bagamoyo, Coastal Region, Tanzania. We have done our detailed market research and feasibility studies and we were able to secure fifty acres of land to start our poultry/broiler farm and chicken meat and feed production business.

Our broiler farm is going to be a standard commercial poultry farm and will be involved in raising, processing and marketing broilers, chicken meat and feed production on a commercial level.

We are in the commercial broiler farming, chicken meat and feed production line of business because we want to leverage on the vast opportunities available in the agriculture industry, to contribute our quota in growing the Tanzanian economy, in national food production, and also to export chicken feed and processed chicken meat from Tanzania to other neighboring countries.

Webquest is well positioned to become one of the leading commercial poultry farms and chicken meat and feed producers in Tanzania, which is why we have been able to source for the best hands and machines to run the company with.

We have put processes and strategies in place that will help us employ best practices when it comes to commercial poultry farming, chicken meat and feed production as required by the regulating bodies in Tanzania.

At Webquest, our customer's best interest will always come first, and everything we do will be guided by our values and professional ethics. We will ensure that we hold ourselves accountable to the highest standards by meeting our client's needs precisely and completely. We will cultivate a working environment that provides a human, sustainable approach to earning a living.

Webquest Industries Limited is a privately registered commercial poultry farm, chicken meat and feed production company that is owned by Mr. Mohammed Hassan Mahammed,

Mr. Vijay Karan Singh and Mr. Maheshwar Singh Thakur. The poultry farm will be fully financed by the owners, at least for a period of time.

The owners have vast experience in the production of chicken meat and feed in Dubai, UAE and want to expand to the African market and Tanzania given its attractiveness to investors, it is the ideal country to build the poultry farm.

## **2. Company Analysis**

Webquest Industries Ltd is a registered poultry farm and chicken meat and feed production company that plans to establish a warehouse in Bagamoyo, Coastal Region, Tanzania. This location is ideal for the type of business the company wants to build.

In this regard, it has leased a fifty acre land that is big enough to fit into the design of the type of poultry farm and chicken meat and feed production company it intends to launch. Webquest is focused on demonstrating its commitment to sustainability by taking part in the community and adopting sustainable business practices. What is more, the company holds itself accountable for high-quality standards to meet customers' needs.

## **3. Products and Services**

Webquest is a standard commercial poultry farms, chicken meat and feed production company that is committed to raising chickens (broiler) for both Tanzania's market and the global market.

We are in the commercial poultry farms, chicken meat and feed production line of business to make profits and we are going to do all we can to achieve our business goals, aims and objectives. These are the areas we will concentrate on in our commercial poultry farms. If need arises we will definitely add more poultry produce to our list;

- Raising, Processing and Marketing chicken (broilers) on a commercial level
- Exporting Chicken (broilers)
- Processed Chicken meat
- Chicken Feed

#### **4. Mission and Vision Statements**

- Our Vision is to become one of the leading commercial poultry farm, chicken meat and feed production brands not just in Tanzania but also on the global stage.
- Webquest is a world class and registered commercial poultry farms and chicken meat and feed production company that is committed to raising broiler-chickens and producing chicken meat and feed for both Tanzania's market and the global market.
- We want our well processed and packaged chicken meat and feed to flood the nooks and crannies of Tanzania and other countries of the world.

#### **5. Business Structure**

Webquest Industries Ltd, is a privately owned and managed commercial poultry farm and chicken meat and feed production business that intend to start small in Tanzania, but looking to grow big in order to compete favorably with leading commercial poultry farms and chicken meat and feed production companies in the industry both in Tanzania and on a global stage.

We are aware of the importance of building a solid business structure that can support the picture of the kind of world class business we want to own. This is why we are committed to only hire the best hands within our area of operations.

At Webquest, we will ensure that we hire people that are qualified, hardworking, and creative, result driven, customer centric and are ready to work to help us build a prosperous business that will benefit all stakeholders (the owners, workforce, and customers).

As a matter of fact, contract arrangements will be made available to all our senior management staff and it will be based on their performance for a period of five years or more as agreed by the board of trustees of the company. In view of the above, we have decided to hire qualified and competent hands to occupy the following positions;

- Chief Operating Officer
- Production Manager

- Commercial Manager
- Financial Manager
- HR & Legal Issues Manager

Initially Webquest will be organized in several departments

<b>Department</b>	<b>No. of Employees in Year 1</b>
Management	5
Production Department	32
Commercial Department	16
Finance Department	2
<b>Total</b>	<b>55</b>

Table 1: Employees by department

The number of employees will increase respectively with increasing production and sales.

## 6. SWOT Analysis

Webquest does not intend to launch out with trial and error hence the need to conduct a proper SWOT analysis.

We know that if we get it right from the onset, we would have succeeded in creating the foundation that will help us build a standard commercial poultry farm and chicken meat and feed production company that will favorably compete with leading commercial poultry farms and chicken meat and feed production companies like Kuku Poa, Interchick, Frostan, Kijenge, Kiliagro, Mitobolo, Mkuza, Kingchick, Endanahai and Omondi.

We engaged the services of a core professional in the area of business consulting and structuring to assist our organization in building a well – structured commercial poultry farm and chicken meat and feed production company that can favorably compete in the highly competitive commercial poultry farms and chicken meat and feed production industry in Tanzania and the world at large.

Part of what the team of business consultants did was to work with the management of our organization in conducting a SWOT analysis for Webquest Industries Ltd. Here is a summary from the result of the SWOT analysis that was conducted on behalf of Webquest.

- **Strength**

The company's strength will be a new and modern facility, which meets all the necessary standards for this kind of plant. It will be equipped with new machines and will have its own veterinary department, which will be responsible for the technological process to meet the veterinary standards and local health regulations.

Our strength as a commercial poultry farm and chicken meat and feed production company is the fact that we have healthy relationships with loads of major players (agriculture merchants) in the industry; suppliers of medications and buyers of chicken meat and feed within Tanzania and Africa as whole and Asia.

We have some of the latest commercial poultry farming tools and equipment that will help us raise and produce broilers in commercial quantities with less stress. Aside from our relationship (network) and equipment, we can confidently boast that we have some of the most experienced hands in our payroll.

- **Weakness**

Our weakness could be that we are a new commercial poultry farm and chicken meat and feed production company in Tanzania, and perhaps it might take us sometime to attract big time customers in the industry and in the country. We are aware of this and from our projection will overcome this weakness with time and turn it to a major advantage for the business.

- **Opportunities**

The opportunities that are available to us as a standard commercial poultry farm and chicken meat and feed production company cannot be quantified.

We know that there are loads of households and businesses such as grocery stores, hotels and fast food restaurants that can't do without a daily supply of live chicken and processed

chicken meat. We also know the need for chicken feed in the country and we are well positioned to take advantage of this opportunity.

- **Threat**

Some of the threats and challenges that we are likely going to face when we start our own commercial poultry farm and chicken meat and feed production company are global economic downturn that can impact negatively on household spending, bad weather cum natural disasters (draughts, epidemics), unfavorable government policies and the arrival of a competitor (a commercial farm that engages in the rearing of chickens and other birds) within same location.

## **7. Market Analysis**

The Poultry and Chicken Meat Production industry has greatly benefited from campaigns advertising the health benefits of chickens and eggs as a good source of protein.

### **7.1 Market Trends**

In Tanzania, it has been projected that the demand and consumption of poultry meat and products will grow steadily in line with population growth and the rise of the middle-class. Chicken demand is driven by population growth and increasing per capita consumption of eggs and poultry meat, which translates directly into demand for feed (AKM Glitters, 2016). It is also expected that in the long run, chicken meat will bridge the red meat (beef) deficit.

According to the Ministry of Livestock and Fisheries, Population growth, rising urbanisation and growth in poultry meat production imply an increasing demand. Traditional poultry encompasses about 70% of producers while commercial takes about 30%. However, 60% of eggs are consumed away from home (restaurants, hotels) while the rest (40%) are consumed at home. There are several market actors who are involved in the chicken egg value chain; poultry producers, village egg collectors, small and big traders, restaurants and hotels.

Tanzania is a member of the Southern African Development Community (SADC), East African Community (EAC), and Tripartite Free Trade Area/Common Market for Eastern and

Southern Africa (COMESA) with a population of more than 600 million people hence a potential market for poultry products. (TIC, 2018).

Investment opportunities exist along the value chain in the areas of: breeder farms, cross breed chicken research and development, processing facilities including slaughter houses and cold storage, animal feeds technology including processing and storage, farm infrastructures and transportation.

Tanzania imports parent stock from different countries as the country lacks breeding programs and facilities to feed the demand. Most hatcheries and poultry breeder farms operate within residential areas without standard operating procedures. Unregistered themselves, they rarely avail of services of registered veterinarians. The number of parent stock farms has been moderately increasing but mostly are owned by hatchery facility operators and not specialized breeder farms. Some new projects claim to have grandparent stock as well. This suggests a need for potential investors to invest into poultry breeder farms. Also, investment in hatchery facilities has been moderately increasing, thus, increase in production of DOCs. However, most of the hatcheries are operating at only 45% of their installed capacity (Ringo, 2018). There is, however, large importation of fertile eggs by the large hatcheries. The chart below shows importation of parent fertilized eggs from different countries in euros for the last three years (2016 – 2018).

## **7.2 Target Market**

Indeed, the target market of those who are the end consumer of commercial poultry farm produce and also those who benefit from the business value chain of the poultry farming and chicken meat and feed production industry is all encompassing; it is far – reaching.

Every household consumes produce from commercial poultry farms be it chicken or egg. So also, almost all hotels and fast food restaurants sell meals made with chicken and eggs. In essence a commercial poultry farmer cum broiler farm should be able to sell his or her chickens to as many people as possible.

In view of that, we have positioned our business to attract consumers of chickens not just in Tanzania alone but also other parts of the world. We have conducted our market research

and survey and we will ensure that we meet and surpass the expectations we set for the business.

Below is a list of the people and businesses that we will market our live chickens and processed chicken meat and feed to;

- Hatcheries
- Households
- Individuals
- Hotels
- Restaurants
- Fast food eateries
- Agriculture merchants

### **7.3 Competitive Advantage**

Webquest is fully aware that there are competitions when it comes to selling commercial farm produce all over the globe, which is why we decided to carry out thorough market research so as to know how to take advantage of the available market Tanzania and in other parts of the world.

We have done our homework and we have been able to highlight some factors that will give us competitive advantage in the marketplace; some of the factors are effective and reliable poultry farming and chicken meat and feed production processes that can help us sell our produce at competitive prices, good network and excellent relationship management.

Another competitive advantage that we are bringing to the industry is the fact that we produce our own chicken feed and we have healthy relationships with loads of major players (agriculture merchants) in the industry; both suppliers of medications and buyers of live chicken and processed chicken meat and feed within and outside of Tanzania.

We have some of the latest commercial poultry farming tools and equipment that will help us raise and produce broilers in commercial quantities with less stress. Aside from our relationship (network) and equipment, we can confidently boast that we have some of the most experienced hands in Africa in our payroll.

Lastly, all our employees will be well taken care of, and their welfare package will be among the best within our category in the industry. It will enable them to be more than willing to build the business with us and help deliver our set goals and achieve all our business aims and objectives.

## **8. Sales and Marketing Strategy**

### **8.1 Sources of Income**

Webquest is in the poultry farms and chicken meat and feed production line of business for the purpose of maximizing profit hence we have decided to explore all the available opportunities within the industry to achieve our corporate goals and objectives. Below are the sources we intend exploring to generate income for Webquest;

- Raising, Processing and Marketing chicken (broilers) on a commercial level
- Exporting Chicken (broilers)
- Processed Chicken meat
- Chicken Feed

### **8.2 Marketing and Sales Strategy**

We are quite aware that the reason why some commercial poultry farms and chicken meat and feed production companies hardly make good profit is their inability to sell off chicken meat as at when due.

Our sales and marketing team will be recruited based on their vast experience in the poultry farming and chicken meat and feed production industry and they will be trained on a regular basis so as to be well equipped to meet their targets and the overall business goal of Webquest.

Over and above, we have perfected our sales and marketing strategies first by networking with agriculture merchants and businesses that rely on daily supply of live chicken and processed chicken meat and feed from poultry farms and chicken meat and feed production industry who are likely to become our customers.

In summary, Webquest will adopt the following strategies in marketing our commercial farm produce;

- Introduce our business by sending introductory letters alongside our brochure to stakeholders in the agriculture industry, grocery stores, households, hotels and restaurants and agriculture produce merchants et al.
- Advertise our business in agriculture and food related magazines and websites
- Attend related agriculture and food expos, seminars, and business fairs et al
- Leverage on the internet (instagram, Tik Tok, Twitter) to promote our business
- Engage in direct marketing
- Encourage the use of Word of mouth marketing (referrals)

## **9. Operational Plan**

### **9.1 Location and Equipment**

The new production plant of Webquest will be built in Bagamoyo, Coastal Region, Tanzania. The facilities will cover an area of 5 acres where state-of-the-art technology will be installed. The company will possess an area of 50 acres in total. The location is near the main road from Dar es Salaam to Arusha and close to the proposed Bagamoyo port. Water and electricity supply are available too.

The equipment will have a capacity of 6,000 birds in one shift, or 12,000 birds per day. Installed capacity is 2,250 tons/year. At the beginning, the work will be organized in one shift every day, and the capacity utilization level will be 30% with 55 employees and annual productivity of 7.67 tons/employee.

The second year capacity utilization will be 50%, with 65 employees producing 10.82 tons/employee. The production will be dominantly in one shift, but the second shift will be organized during the almost half of the working year.

Third year, the capacity will be utilized 80% and productivity would increase up to 13.85 tons/employee. Working in two shifts will become a normal production schedule during the whole year, with exceptions in the low season.

At the beginning, the offices will cover only 400 m<sup>2</sup>, with a possibility of enlarging the administration area as the needs are growing. The office equipment will be limited to the necessary minimum of 5 computers, 2 printers, fax machine, photocopier and 4 phones. The necessary office supply is also foreseen.

## **9.2 Labour**

As a result of the investment, at the beginning Webquest will hire 55 employees of different qualification profiles.

The workers will be full-time employed with the average gross monthly salary of approximately \$500. The sum predicted includes health and pension insurance. The salary of an individual employee will vary depending on the educational background, position and behavior. The HR manager will design a special rewarding system, training program and appraisal criteria. Most of the operators will have technical background in order to be able to perform autonomous equipment maintenance.

Qualified workers and heads of the more specific departments (breeding or slaughtering and chicken feed production) will be searched throughout the country. For the other employees, HR will design recruitment and selection procedures. Part of the activities may be outsourced as well.

## **9.3 Logistics**

At the beginning it is foreseen that all the daily production of chilled broilers meat will be delivered to the retail chains. If there is interest in deep frozen products, the company will rent a freezer. The location of the deep-freezing chambers is in the industrial area of Dar Es Salaam, only a few kilometers from Bagamoyo. The transportation of the final product to the customers and to the warehouses will be effectuated with 2 own refrigerated trucks, each of 5 tons.

## **10. Financial Plan**

The projections of financial results from Webquest's activities are prepared for the period of five years as shown in the financial statements in the coming sections.

The projections for the next five years are based upon the following assumptions:

1. Sales of the company will be as follows

<b>Sales Forecast</b>					
<b>Unit Sales</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Chicken meat (kg)	421,875	703,125	1,125,000	1,125,000	1,125,000
Chicken feed (kg)	187,500.00	312,500.00	500,000.00	500,000.00	500,000.00

**Table 2: Sales of chicken meat and feed in the first five years**

2. The price of chicken meat will be \$0.36 per kilogram and the price of chicken feed will be \$21 per 50 kilogram bag
3. Gross Salary of the employees will increase as the number of sales increases, hence this will boost our production and sales efficiency.
4. Regarding the costs of raw materials and packaging materials, they would amount to 42% of the sales revenue. The greatest part of raw materials (90%) will be sourced locally.
5. Energy costs (electricity, water, gas) amount to 3% of the sales revenue.
6. Costs of marketing are calculated at 15% of the sales revenue in the first year; 8% in the second year and in year three to five it will be calculated at 6% of the sales revenue.
7. Selling costs will be calculated at 3% of the sales revenue
8. The company will use 11% of the revenue in the first year for Research and Development, and in the second year 4% of the revenue and 2% in year three to five. This will help the company improve its efficiency and sales overall in the future.
9. Maintenance and other fixed costs would amount to 4% of the sales revenue.
10. Income tax is at 30%
11. In the second year dividends would be paid in the amount of 15% of the net income after tax.

## 10.1 Start-up Funding

Webquest's total assets amount to \$677,850. Founders of the company will have 100% shares. The total value of the company's assets is \$588,500 capital assets and \$89,350 current assets. The structure of the assets is presented in the following table:

CAPEX & OPEX	
Variable Costs	Amount
Cost of Business Incorporation	\$ 850.00
Permits & Licenses	\$ 3,500.00
5-Year Land Lease	\$ 50,000.00
Website	\$ 500.00
Budget for Employees for 6 months	\$ 30,000.00
Additional Expenditure (Ads, and Promotions)	\$ 2,500.00
Legal Fees	\$ 2,000.00
<b>Total Variable Costs</b>	<b>\$ 89,350.00</b>
Fixed Costs	
Machinery	\$ 200,000.00
Chicken Layers	\$ 65,000.00
Furnitures & Fixtures	\$ 15,000.00
Vehicles	\$ 90,000.00
Office Equipment	\$ 8,500.00
Land Preparation (Fencing et al)	\$ 30,000.00
Land	\$ -
Buildings (Plant)	\$ 180,000.00
<b>Total Fixed Costs</b>	<b>\$ 588,500.00</b>
<b>Total Startup Costs</b>	<b>\$ 677,850.00</b>

*Table 3: Start-up Funding*

The price of the building comprises both, the price of materials (bricks, steel, etc.) and the construction works.

The same applies for the equipment. Installation is included in the price. The equipment will have a capacity for a daily production of 12,000 chickens, in two shifts. The fleet of the company consists of three vehicles, one second-hand truck for transport of chicken feed and two new vehicles for transport of chicken meat.

Office equipment consists of all the computers in the company, phones, fax machines, photocopier, etc

## 10.2 Projected Profit & Loss

Major expenses include:

- **Payroll:** Covers the management, staff (when not directly attributed to jobs)
- **Marketing/Promotion:** Projected higher in the first year and then dropping due to extra marketing devoted to the launch and the weaning off of search engine marketing over time
- **Rent & Utilities:** Projected to rise slightly due to inflationary increases
- **Insurance:** Will grow with the number of trucks and size of operations
- **Payroll Taxes:** Applied to payroll as listed and half of the direct cost of sales
- **Licensing and Permitting:** Include ongoing renewals of licenses and additional licenses when needed

The business expects a net loss in the first year as operations and sales scale up appropriately. Net profits will begin in the second year.

Pro Forma Profit and Loss					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Sales</b>	\$ 230,625.00	\$ 395,906.25	\$ 652,453.50	\$ 672,027.11	\$ 692,187.92
Direct Material Costs	\$ 96,862.50	\$ 166,280.63	\$ 274,030.47	\$ 282,251.38	\$ 290,718.93
Direct Labour Costs	\$ 46,125.00	\$ 79,181.25	\$ 130,490.70	\$ 134,405.42	\$ 138,437.58
Direct Energy Costs	\$ 6,918.75	\$ 11,877.19	\$ 19,573.61	\$ 20,160.81	\$ 20,765.64
<b>Cost of Sales</b>	\$ 149,906.25	\$ 257,339.06	\$ 424,094.78	\$ 436,817.62	\$ 449,922.15
<b>Gross Profit</b>	\$ 80,718.75	\$ 138,567.19	\$ 228,358.73	\$ 235,209.49	\$ 242,265.77
<b>Operational Expenses</b>					
Marketing Costs	\$ 34,593.75	\$ 31,672.50	\$ 39,147.21	\$ 40,321.63	\$ 41,531.28
Selling Costs	\$ 6,918.75	\$ 11,877.19	\$ 19,573.61	\$ 20,160.81	\$ 20,765.64
Research and Development	\$ 25,368.75	\$ 15,836.25	\$ 13,049.07	\$ 13,440.54	\$ 13,843.76
Repairs & Maintenance	\$ 9,225.00	\$ 15,836.25	\$ 26,098.14	\$ 26,881.08	\$ 27,687.52
Fixed & Administrative Expenses	\$ 13,837.50	\$ 23,754.38	\$ 39,147.21	\$ 40,321.63	\$ 41,531.28
<b>Total Operational Expenses</b>	\$ 89,943.75	\$ 98,976.56	\$ 137,015.24	\$ 141,125.69	\$ 145,359.46
<b>Operating Profit</b>	\$ (9,225.00)	\$ 39,590.63	\$ 91,343.49	\$ 94,083.79	\$ 96,906.31
<b>Profit Before Tax &amp; Interest</b>	\$ (9,225.00)	\$ 39,590.63	\$ 91,343.49	\$ 94,083.79	\$ 96,906.31
Interest					
Taxes (30%)	\$ -	\$ 11,877.19	\$ 27,403.05	\$ 28,225.14	\$ 29,071.89
<b>Profit After Tax and Interest</b>	\$ (9,225.00)	\$ 27,713.44	\$ 63,940.44	\$ 65,858.66	\$ 67,834.42

Table 4: Pro forma Profit & Loss

The projections of the Income Statements (Table 4) show that the company will be profitable in the next five years. In Year 1, we see a net loss of \$9,225, however, in Year 2 the Net Income amounts to \$27,713 and will continually increase up to \$67,834.42 in Year 5. In the first year, having in mind that Webquest is a new entrant on the RM market, there are sufficient revenues, which are constant throughout the year, despite the costs being high. The following years revenues will increase rapidly, reaching a figure of almost above half a million dollars due to the increase of the sales from 421,875 kg of chicken meat to 1,125,000 kg of chicken meat. Similarly, sales of chicken feed increases from 187,500 kg to 500,000 kg.

### 10.3 Projected Balance Sheet

Below is a five year pro forma balance sheet

Pro Forma Balance Sheet	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Assets</b>					
<b>Current Assets</b>					
Cash	23,637.50	64,294.61	136,736.80	224,419.92	262,425.16
Trade Receivables	11,185.31	19,201.45	31,643.99	32,593.31	76,140.67
Raw Materials	6,411.38	11,006.19	18,138.21	18,682.35	19,242.82
Inventories	7,070.48	23,204.36	21,771.36	8,000.41	16,622.80
<b>Total Current Assets</b>	<b>48,304.67</b>	<b>117,706.62</b>	<b>208,290.36</b>	<b>283,695.99</b>	<b>374,431.46</b>
<b>Fixed Assets</b>					
Land	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00
Buildings	180,000.00	180,000.00	180,000.00	180,000.00	180,000.00
Chicken Layers	65,000.00	65,000.00	65,000.00	65,000.00	65,000.00
Furnitures & Fixtures	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Machinery & Exquipment	200,000.00	200,000.00	200,000.00	200,000.00	200,000.00
Office Equipment	8,500.00	8,500.00	8,500.00	8,500.00	8,500.00
Vehicles	90,000.00	90,000.00	90,000.00	90,000.00	90,000.00
Intangible Asset	98,575.00	110,926.78	115,483.96	88,256.05	45,787.22
Accumulated Depreciation	45,214.29	90,428.57	135,642.86	180,857.14	226,071.43
<b>Total Fixed Assets</b>	<b>641,860.71</b>	<b>608,998.21</b>	<b>568,341.10</b>	<b>495,898.91</b>	<b>408,215.79</b>
<b>Total Assets</b>	<b>690,165.38</b>	<b>726,704.83</b>	<b>776,631.46</b>	<b>779,594.90</b>	<b>782,647.25</b>
<b>Liabilities &amp; Owner's Equity</b>					
<b>Current Liabilities</b>					
Trade Payables	8,394.75	14,410.99	23,749.31	24,461.79	25,195.64
Salaries Payables	3,920.63	6,730.41	11,091.71	11,424.46	11,767.19
Dividends Payables	0.00	4,157.02	9,591.07	9,878.80	10,175.16
<b>Total Current Liabilities</b>	<b>12,315.38</b>	<b>25,298.41</b>	<b>44,432.08</b>	<b>45,765.05</b>	<b>47,138.00</b>
Longterm Liabilities	0.00	0.00	0.00	0.00	0.00
<b>Total Long-term Liabilities</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Owner's Equity</b>					
Owner's Investment	677,850.00	677,850.00	677,850.00	677,850.00	677,850.00
Retained Earnings	0.00	23,556.42	54,349.38	55,979.86	57,659.25
<b>Total Owner's Equity</b>	<b>677,850.00</b>	<b>701,406.42</b>	<b>732,199.38</b>	<b>733,829.86</b>	<b>735,509.25</b>
<b>Total Liabilities and Owner's Equity</b>	<b>690,165.38</b>	<b>726,704.83</b>	<b>776,631.46</b>	<b>779,594.90</b>	<b>782,647.25</b>

Table 5: Pro forma Balance Sheet

As it is presented in the Balance Sheet (Table 5), the assets of the company amount to \$690,165.38 in the first year. This amount will gradually be increasing in the following years reaching the figure of \$782,647.25 in the fifth year. The cash surplus in the first two years represents the highest item of the total current assets. The analysis shows that the cash surplus increases also in the third year, but not so rapidly compared to the account receivables. This is due to the new strategy of the company, increasing the account receivables in order to get bigger market share. For the same reason the company increased the marketing and sales costs. The balance sheet illustrates the launch of the business on equity financing. This will allow cash and assets, as well as net worth, to continue to grow.

#### 10.4 Projected Cash Flow Statement

Below is the pro forma cash flow cash flow statement

Pro forma Cash Flow Statement	Year 1	Year 2	Year 3	Year 4	Year 5
Cash at the Beginning of the Month	0.00	23,637.50	64,294.61	136,736.80	224,419.92
<b>Operations</b>					
<b>Cash receipts from Customers</b>	(9,225.00)	27,713.44	63,940.44	65,858.66	67,834.42
Depreciation	45,214.29	45,214.29	45,214.29	45,214.29	45,214.29
Accounts Payable Increase	8,394.75	14,410.99	23,749.31	24,461.79	25,195.64
Salaries Payable Increase	3,920.63	6,730.41	11,091.71	11,424.46	11,767.19
Other Payables Increase	0.00	4,157.02	9,591.07	9,878.80	10,175.16
Accounts Receivables	(11,185.31)	(19,201.45)	(31,643.99)	(32,593.31)	(76,140.67)
Raw Materials Increase	(6,411.38)	(11,006.19)	(18,138.21)	(18,682.35)	(19,242.82)
Inventory Increase	(7,070.48)	(23,204.36)	(21,771.36)	(8,000.41)	(16,622.80)
<b>Net Cash Flow from Operations</b>	<b>23,637.50</b>	<b>44,814.13</b>	<b>82,033.25</b>	<b>97,561.91</b>	<b>48,180.41</b>
<b>Investing Activities</b>					
<b>Cash receipts from</b>					
Sale of Property and Equipment					
Collection of Interest on Loan					
<b>Cash paid for</b>					
Purchase of property or equipment	588,500.00				
Start Up Variable Costs	89,350.00				
Making Loans to other entities					
<b>Net Cash Flow from Investing Activities</b>	<b>(677,850.00)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Financing Activities</b>					
<b>Cash receipts from</b>					
Loan	0.00	0.00	0.00	0.00	0.00
Equity	677,850.00				
<b>Cash paid for</b>					
Dividends	0.00	4,157.02	9,591.07	9,878.80	10,175.16
<b>Net Cash Flow from Financing activities</b>	<b>677,850.00</b>	<b>(4,157.02)</b>	<b>(9,591.07)</b>	<b>(9,878.80)</b>	<b>(10,175.16)</b>
<b>Net Increase/(Decrease) in Cash</b>	<b>23,637.50</b>	<b>40,657.11</b>	<b>72,442.19</b>	<b>87,683.12</b>	<b>38,005.25</b>
<b>Cash at the End of the Year</b>	<b>23,637.50</b>	<b>64,294.61</b>	<b>136,736.80</b>	<b>224,419.92</b>	<b>262,425.16</b>

Table 6: Pro forma Cash flow Statement

The Cash Flow Statement (Table 6) confirms that it is feasible to found the company. Throughout the projected period of five years, the company has positive cash flow and cumulative surplus. This means that in the future when the company will establish itself better on the market, the sales increase and sales costs decrease, the company could accumulate enough cash to use later on for investment activities i.e. extension of the production process.

## **11. Contingency Plan**

Our strategy is to fortify our position on the domestic market and increase our market share gradually. We direct all our business efforts towards becoming a leader and taking the place of the current one. This should be realized through high capacity utilization and massive distribution of our high quality products. In order to expand the business at medium term perspective, we would consider the following actions:

- Acquisition of domestic company, offered for privatization, and
- Establishing joint ventures with foreign partners

The first move could be planned as an introductory one in expanding the business. In the country, there are a number of companies looking for investors. We would make the decision for acquisition of an existing company, once we have conducted a detailed analysis and have recognized opportunities to expand our market share and improve our competitive advantage significantly. This would surely strengthen our position on the market, especially if we could achieve forward vertical integration.

The other possibility is, as mentioned before, to create joint ventures with some of the existing competitors. Our company should have the majority stake in the newly formed entity. This could also be realized with a foreign investor interested in the Tanzanian market and Africa as a whole. When a big foreign company would come to explore the possibilities, we would be able to offer our company with the acquisitions previously realized. It would significantly improve our chances to sell the company to a potential investor at a much higher price. The strategy of all big companies is when making acquisitions or mergers; they do it with the market leaders. Since our business goal is to

become one, they could consider our company as a prime potential partner. The potential buyer would evaluate our company based on its most recent performances and future perspectives: What we have to do?

- We have to keep high profile by getting well known by industry competitors
- Rapid growth is what we are expecting to achieve with the company. Potential partner will appreciate more rapid growth, which leads to high profits
- Controlling market share can contribute to a big valuation of the company
- Building up technical advantage over the competitors

However, our company would pursue the strategy of becoming a leader on the market, and keeping that position in the following years. The value of every business would depend on the market demand and on the way we are managing the business, which would determine the profits our company would generate.