

# **OBJECTIVE INVESTMENT COMPANY LIMITED.**

**P.O. BOX 2860**

**PWANI.**

## **Feasibility Study Report**

**On**

**Establishment of Modern Maize Milling Factory**

**In**

**Misiwe – Mbwawa – Kibaha – Coast Region, Tanzania**

**Prepared for  
M/s OBJECTIVE INVESTMENT COMPANY LIMITED,  
P.O. BOX 2860  
Pwani.**

**OBJECTIVE INVESTMENT COMPANY LIMITED,  
P.O. BOX 2860, PWANI.**

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## **0.1 Introduction**

This feasibility study report is being prepared for **M/S OBJECTIVE INVESTMENT COMPANY LIMITED of P.O. BOX 2860 PWANI, Tanzania** hereinafter referred to as OICL. OICL has undertaken a project to venture into the manufacturing of sub base materials for road/buildings construction, and other allied products including trading of commodities, transport contractors, air travels and sea travel agents, also clearing and forwarding agents. The promoters are well experienced in the envisaged line of business. The promoters have enough financial resources to see through the project and will bring in foreign exchange right from the inception stage of the project.

The purpose of this study is to assess the commercial viability and operational feasibility of the project being undertaken by OICL. Most of the data has been compiled by the promoters' own research and study in Tanzania and is first hand information. The financials have also been worked out on the basis of market and cost information provided by the promoters of the project.

This report has additionally deliberated upon the social and related economic benefits (net) that will accrue to the nation and has given adequate weight age for the same in the conclusion & recommendation paragraph.

## **02. Company Details:**

Registration:

M/S OICL was registered with the Registrar of Companies on 13<sup>TH</sup> of September 2023 as a limited liability company. The Authorized share capital of the company is same as the paid-up share capital. The registration number of the company is 168531990.

**Object Clause:**

“To carry on the business of constructions of buildings/roads, vibrated blocks, interlocks blocks, carriers by land, by sea or air and as railway and tramway owners, wharfingers, light men, warehousemen, ship owners, transport, contractors, builders and owners of aircraft and vessels of all kinds, locomotives, traction engines motors, wagons and rolling stock and as shipping agents and forwarders or goods of allied products as well”

Other object clauses include the business of transporters, transport contractors, air travel and sea travel agents, chatterers and tourist agents, to establish camps, buildings, health farms and conveniences of all kinds for tourists, passengers and holiday makers including hotel and lodging accommodation, guides and reading rooms and also interest in construction line.

**Promoters/Shareholders & Directors:**

The Shareholders of OICL are as under:

<b>Name of the Share Holder</b>	<b>Nationality</b>	<b>% Holding</b>
ANTONIO OLAOLUWA OLOWOOKERE  IBADAN - NIGERIA	NIGERIAN	90%
JAMES OLUBUNMI OLOWOOKERE  EASTERN REGION NIGERIA	NIGERIAN	5%
OLUWATENIOLA GLORIA OLOWOOKERE  IBADAN NIGERIA	NIGERIAN	5%

The first directors of the company are:

01. ANTONIO OLAOLUWA OLOWOOKERE
02. JAMES OLUBUNMI OLOWOOKERE
03. OLUWATENIOLA GLORIA OLOWOOKERE

**Location of the Proposed Site:**

The site for the business shall be in Miswe – Mbwawa, Kibaha – Coastal Region.

**Registered Office Address:**

Miswe – Mbwawa, Kibaha – Coastal Region.

**03. The Project:**

The basic purpose of the entire project is to add value to the abundantly available inputs, which have hitherto not been adequately exploited. The project will create more wealth for the nation and shall endeavor to bring in more prosperity and economic independence.

OICL is interested in venturing into this area, as they are confident about their latest technology and manufacturing process. OICL is sure to process high quality Maize Mill.

The project will create nearly 150 employment opportunities directly and more than that indirectly. Apart from adding to the wealth of the nation, it shall also increase the purchasing power of the community thereby leading to an overall increase in demand for other maize milling products, which shall in turn lead to better economy conditions.

The project shall bring in plant and machinery from outside the country and shall eventually train the local population in the running of the plant. The project will thus contribute towards the manufacturing sector of the economy. As per the latest findings of CTI (Confederation of Tanzanian Industries), manufacturing contributes less than 10% of contribution towards this sector which is very much welcome by the government. The manufacturing process being undertaken shall also ensure that

value addition is being done within the country, which is added advantage.

#### **04. Project Location & Inputs:-**

Since the project is related to manufacturing of Maize Mill, which is an outcome of specialized processes carried out on Maize, the project location preferably has to be near to the raw materials region. A part from the very fact that the project requires lot of road transport related issues also dictate the location of such projects as being nearer to the source of raw materials.

The promoters reportedly carried out a survey of various regions in Tanzania where such project can be established with minimal obstacles. Their study led them to the Coastal region, it also has advantages in terms of availability of adequate local manpower, power and roads also, besides it is easily approachable from Dar es Salaam, which is the main commercial city of Tanzania.

The local authorities have assured the promoters about adequate supply of power and water, which is required for the successful running of the business. Power requirement has been estimated at 1,100 h.p. With 24 hours running.

#### **0.5 The Market Demand:-**

Tanzania as a country has been enjoying a steady economic growth rate of nearly 4.5% to 5% for last more than 8 years and

that has resulted into spurt of demand for quality Milling Products. The demand has been more pronounced in the basic necessity sector.

From marketing angle, apart from the points noted above, this project enjoyed a distinct advantage. There are certain international standards in which the dimensions are available for Maize Milling materials,

OICL promoters firmly believe that they will not encounter any major hurdle in marketing their products. Some time will definitely be required as the product boast of being import substitute and the products are not meant for direct consumption (which implies that they are being sold to an intermediary). However in long run OICL promoters and management are very much sure about the successful operation of the project.

#### **06. Promoters & Management:-**

The importance of well-informed promoters and professional management can never be overestimated for successful implementation of the any project. It is said that well – informed

promoter and professional management can make even a not so viable project otherwise and vice-a-versa.

#### **07. Manufacturing Process & Technology: -**

The factory to be put-up for manufacture Maize Mill shall be a very simple and target oriented.

This will not only ensure that the initial set – up cost of the project will be minimal but will also enable OICL to increase the factory will maintain a very large open space to accommodate the storage of Maize received in form of concrete waiting for further processing. In other words, the factory will be not consuming a very large area of land.

The manufacturing process is briefly described as under:

Maize from the source are brought to the factory and put into the floor form.

This process thus reduces loss of yield. This process assumes more importance in case of this project due to the fact that the Maize envisaged to be utilized here is of very inferior/perishable quality. As per the study of the promoters the species expected to be utilized have never been utilized up till now in the country. There are nearly 5 such varieties and barring for one or two none of these species have been commercially exploited. In a way this is also one of the edges of this project.

**08. Manpower: -**

Although the project of manufacturing Maize Mill will require lot of automatic machines, lot of manpower especially at lower end shall be required to carry out preparatory processes as well as for quick movement of maize within the factory premises.

OICL will hire one expatriate to oversee the operations supported by twenty local workers. Workers will be guided and trained by the expatriate technical experts to run machines. Organization hierarchy shall be as under:-

**a. Top level**

Chairman cum Managing Director  
General Manager

**b. Middle Level**

Production Manager  
Chief Engineer  
Finance Manager  
Marketing Manager

**c. Lower Level**

Production Supervisors  
Personnel and Administrative Officer  
Accounts Officer.  
Sales Officer

OICL shall endeavor to promote local staff as much as possible to ensure better employment opportunities to the local populace. However it shall always ensure that efficiency of the unit is kept intact.

OICL shall run simultaneously a small in-house training house, where the experts will provide training to the new recruits before they are put on the jobs for on-job training. OICL believes that a motivated and skilled manpower can for sure bring in immense

benefits to the industry and can ensure peaceful co-existence of all concerned.

#### **09. Cost of the Project & Means of Finance:-**

##### **A. Cost of the Project:-**

<b>Sr. NO.</b>	<b>Details</b>	<b>US \$</b>
1	Land & Building	300,000
2.	Plant & Machinery	5,993,020
3.	Furniture, Computers & Fixtures	55,000
4.	Vehicles	876,000
5.	Pre-operating Costs	52,580
6.	Others	73,400
7.	Initial working capital	150,000
	<b>Total Cost of the Project</b>	<b>7,500,000</b>

##### **B. Means of Finance:-**

<b>Sr. NO.</b>	<b>Details</b>	<b>US \$</b>
1	Equity Funds	2,000,000
2	Promoters' Loan	5,500,000
	<b>Total Means of finance</b>	<b>7,500,000</b>

The total cost of the project consisting of both the phases has been estimated at **US \$ 7,500,000** as can be seen from the above chart, majority of the expenses involved will be on Plant, Machinery and Vehicles. Nearly 73.33%. Besides considerable money will be required in the starting up of the unit which has been grouped under the head pre- operating and initial working capital costs.

Phase I will be implemented within a span of three months and the second and the final phase will be completed within a span of nearly 21 months from the date of the completion of the first phase.

Building will be a simple structure based on pillars with sidewalls open to facilitate future expansions. The height of the factory shed will be 15 feet. A small training house and a rest room for the workers will also be constructed.

**Details of Plant & Machinery to be imported is as under:-**

<b>Sr. NO.</b>	<b>Description</b>
01	Hammer mill
02	FMFQ250 - 1000 4 rollers Flour Mill
03	Vertical Iron Roller Peeling Machine
04	Vertical suction duct for high efficiency vibrating screen
05	Spare parts for 2240 roller mill
06	20 ton silo-SS201
07	Bucket Elevator
08	750 ton corn silo

Three in-house utility vehicles will be needed to transport the finished goods from the factory to the buyers' place and also for moving the logs within the factory premises wherever required.

Office furniture will be bare minimum and so will be computers (may be three sets). Telephone lines; fax line and Internet line will be kept handy at the factory to ensure speedy and cheap communication.

Pre-operating costs will take care of the preliminary expenses, initial survey and travel costs including accommodation charges, professional charges for preparation of reports etc and shall also cover for the initial joining costs of various key personnel till the real operations commence. Initial working capital shall include the money required to bring in enough quantity of road construction materials, spend for the revenue

expenses for the process carried out on them and the financing of other revenue costs till the time money starts flowing back from the debtors for the goods sold to them on credit.

The promoters of OICL are in possession of required finances and are committed to put in the same as and when required. The initial capital has been created at 2.0 million dollars and balance amount will be treated as loan from promoters, interest free.

#### **10. Project Implementation Schedule:-**

As has been stated in the earlier paragraphs the entire project will be implemented in two phases within a period of 24 months. The first phase is expected to be completed within a span of nearly two to three months and the next phase is expected to be completed in another 21 months. The initial capacity shall be 100 cubic meters a day and after completion of the second phase the manufacturing capacity shall be 450 cubic meters a day.

Considering Aug 2013 as the first month, the first phase is expected to be completed by July 2016 and commercial operations expected from September 2011. Where as the increased production form 100 cubic tones a day to 450 cubic tones as day will be achieved gradually, however optimum capacity will be reached within 24 months.

The project implementation schedule is shown in form of a table hereunder: (PHASE I).

Sr. No	Activity	Completion Period
01	Company Formation, Registering with statutory authorities, like Income tax, VAT NSSF, etc. securing TIC certificate of incentive Industrial license etc.	Aug 2023
02	Site identification, purchasing the same, designing of plant layout and commencing of construction of factory shed.	April 2024
03	Order placement for various	July 2024

	machineries, recruitment of key personnel.	
04	Installation of Machines	Dec 2024
05	Procurement of, Sands, granite stones for initial trial runs as also for future.	Dec 2024
06	Commencement of Trial Runs	Jan 2025
07	Commencement of commercial Operations.	July/August 2025

The project implementation schedule is shown in form of a table hereunder (PHASE II)

<b>Sr. NO.</b>	<b>Activity</b>	<b>Completion Period</b>
01	Site Mobilization & Factory Construction	January/February 2026
02	Factory Shed Complete & Plant Layout finalized for implementation.	February 2026
03	Order placement for various machineries, recruitment of key personnel	February/March 2026
04	Installation of Plant & Machines	March/April 2026
05	Procurement of granite stones for initial trial runs and plant commissioning.	May 2026
06	Commencement of Trial Runs	May/June 2026
07	Commencement of Commercial Operations.	May/June 2026

The second phase implementation will begin immediately after twelve months and it is expected that within a span of another nine months major expansion as envisaged will be completed. Improvements will be introduced in the next phase based on the experiences of the first phase.

## **11. Project Financials:-**

### **11.01 Assumptions**

- a) The rate of one US \$ is equal to T.shs 2,690/=
- b) Required labor force will be available
- c) Required permits will be granted within the limited time schedule to ensure implementation as per schedule.
- d) The first phase will be operational within a span of three months.
- e) The second phase will taken nearly 21 months to complete after the start of first year and will increase the capacity to 450 cubic tones per day.
- f) Total investment will be US \$ 7,500,000
- g) The project will have own finance
- h) Land will be available on lease in future as and when required.
- i) Import duty exemption and deferment of VAT will be available on import of plant and machinery.

### **11.02 Projected Five Years Profitability Statements**

As can be seen from the enclosed projected profitability statement, the company will not earn profits in the first year where the operations are to run only for six months; however there will be cash- profits.

The company will attain a turnover of US \$ 0.62 million in first six months; will go up to US \$ 0.240 millions in the next years and from third year of operation will remain steady at US \$ 1.580 millions.

The profits will start coming from the 2nd year of operations. From the year 4 and onwards the annual profits will be in the range of US \$ 1.0 million and above. The project enjoys a payback period of 5 years.

The company will be earning gross profit @ 6% and net profit of nearly 2.5%. For a very large project, like this a net profit of 2% is quite reasonable. Government will earn lot of revenues due to such high turnover.

Selling costs have been assumed at 2% of the sales and other overheads have been assumed not to cross US \$ 50,000 a month including manpower costs.

Depreciation has been provided as per the prevailing income tax rates. Further full depreciation has been provided on assets purchased during the year. Separate schedules are attached with this report for calculation of depreciation.

### **11.03 Projected Five Years Balance Sheet**

The enclosed balance sheet shows a very sound position of the company. The current assets ration is in excess of 1.2 from the beginning and by the year 5 it reaches 2.

Inventory will be maintained only for a period of one week. The reason being the plant is going to be located in the close proximity of Road Constructions materials.

Creditors will be outstanding for a period of 15 days and SOI CLiers of services will be paid at the expiry of one month.

### **11.04 Projected Five Years Funds Flow Statements:-**

As can be seen from the appended projected funds flow statement the company will be financed by the promoter's own funds.

Operating profits will be ploughed in to the business. Once the operations are steadied form the year 2015, the annual contribution of operational profits shall be turning the tune of US \$ 400,000/=

As the operations will grow, the net working capital requirement will also grow. As can be seen the increase in net current assets will be from US \$ 90,000/= (year 2013) to US \$ 680,000/= (year 2015).

The company assumes to maintain a positive cash balance of US \$ 45,000/= to US \$80,000/=.

#### **11.05 Projected Five Years Taxation Schedule:-**

The company will enjoy tax incentives as per the governing laws of the country. It will have taxable profits only from the year 2016 and will then onwards contribute to the exchequer in excess of US \$ 150,000/= in the first year and then onwards in excess of US \$ 340,000/= The company may reduce its tax burden by investing or expanding its operations and in either case the country benefits.

#### **12. Social & Development Benefits:-**

Generally it is presumed that a project for manufacture of granite stones or concretes will result into block making. Whilst this is true to a very larger extent, it should be noted that this project plans not to acquire more and more land even for manufacturing.

##### ◆ Employment creation

As has been observed earlier this project will provide direct employment opportunities to more than 120 locals inclusive of skilled, semi- skilled and un-skilled class. One expatriate will also be employed as per the requirement of the project.

This direct employment of more than 121 individuals will generate indirect employment for more than 500 individuals. In nutshell it can be concluded that this project will have a very positive impact on the level of employment in the country and will be welcome change.

##### ◆ Transfer of technology

This project being a manufacturing project will usher in the country technology. Although the technology is simple the advantages to the country are quite significant. The country will get the advantage of value addition due to such incoming technology. Further the country can reduce its dependence on

imports for the finished products manufactured by this project. Local employees will get on-the-job training from the experts (expatriate) employed and in long run will improve the technical competence of the local population.

- ◆ Contribution to the exchequer.

This project will contribute substantially to the society in general and to the exchequer in particular. As has been observed the total turnover at 100% utilization will be in the range of US \$ 24 million. This will result into VAT outflow of substantial amounts. Besides the company will be contributing tremendously in terms of PAYE and NSSF. In addition the company will also be contributing in terms of corporate taxation from the year 2017 onwards.

- ◆ Positive cascading impact on the nation's economy.

This project will have overall positive impact on the society. It will not only save the precious foreign currency reserves of the country by producing import substitute products, and by exporting the final product, but will also generate direct employment to more than 121 individuals and will provide means of livelihood to more than 500 individuals. The cascading positive impact on the society will be too great. This project will lead to creation of national wealth. Its contribution to the exchequer will also be quite significant in terms of NSSF, PAYE, VAT and direct taxation apart from skills and development levy.

One more advantage of this project is its location. Since it is located at Lugoba, Coast Region, which is not fully developed, will get more opportunities to commercially expand and develop. This project will thus result into regional development. This project will thus held the government to further its own objective of promoting regional development.

### **13. Conclusion & Recommendation:-**

The foregoing write-up indicates following benefits to the country, which in turn pleads for immediate acceptance of this project as a feasible project.

- ◆ The country will get a manufacturing unit, which will add to its scarce manufacturing base. As on date the country's manufacturing base is very low with contribution of 9% to the GDP and thereby making the economy pre-dominantly agriculture oriented.
- ◆ The project will bring in latest technology in the relevant field and will ensure training or development of skilled labour force in the country. The labour force will get on –job training and will thus make them more and more competent.
- ◆ The project when implemented in full over a period of 24 months will ensure that there will be a direct flow of foreign currency in the country to the tune of US \$ 1,500,000/= which is considerable by any standard.
- ◆ The project will lead to regional development besides. As it will be located in Coast Region. This advantage has many other advantages running parallel. There will be tremendous boost to the economic development in the region. It will arrest migration of individuals and will also alleviate the problem of congestion and concentration of working force in neighboring regions.
- ◆ It will provide cascading positive impact on the economic situation in Arusha and other neighboring regions.

There are many other benefits direct and indirect of this project and therefore we conclude that this project is feasible technically as well as economically.