

MAPACHA COTTON COMPANY LIMITED

**FEASIBILITY STUDY FOR OIL MILL FACTORY
NSOLA- MAGU DISTRICT
MWANZA REGION**

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1.0. EXECUTIVE SUMMARY

1.1 Factory Industry Overview:

Industrialization in Tanzania is the most target sector and governmental emphasis to the growth of national economy. It is undeniable fact that manufacturing sector plays key role in growth of any economy and it is from this sector developing countries can catch-up with the rest of the world. While other countries are struggling in upgrading the level of their industrialization to accommodate the concept of sustainability by going for more advanced technology hence increase productivity, others are still on the ground struggling to take off and catch-up with industrialized world, Tanzania being one of them. In spite of various strategies proposed and implemented, the sector contribution has remained low, and currently statistics shows a decline.

From analysis, it is evidently that manufacturing sector remain to be significant for the growth of Tanzania's economy despite her small GDP share relative to other sector like agriculture and service. The stagnant contribution share of sector is linked with; implementation lags on ambitious uncoordinated plans, slow transforming economic structure which is dominated by agriculture, and competition from low priced manufactured import from Asian economies. Thus, the best way to go is for a country to centrally coordinate all development policies to ensure connectivity and progressive monitoring of policies' implementations, and attention should be paid on emphasis for more investment from local citizen.

According to TIC Nov 2022 ***“EDIBLE OIL PRODUCTIONS”***

Market Size and Environment

Tanzania imports 320,000 tons of edible oil per year.

Tanzania’s annual demand for edible oil stands at 500,000 tons, whereas the country can supply only 180,000 tons, forcing it to import 320,000 tons each year, signaling major opportunities for import substitution.

Tanzania’s average import bill for animal or vegetable fats and oils and their by-products stands at around USD 126 million.

Despite strong growth in sunflower seed production, the level of edible oil processing in TZ is low compared to prevailing demand (at 500,000 tons a year). Much of the demand gap is currently met by imported edible oil (60% across all edible oils) (Salisali, 2017). The Government of Tanzania wants to reduce Tanzania’s dependence on imported edible oil by boosting domestic oil seed production and downstream oil processing capacity.

In 2016 the Government of Tanzania implemented a 10% tariff on imports of CPO as one mechanism to support this objective, but stakeholder views on the merits of the tariff policy are mixed. This study collected evidence through a literature review, survey, stakeholder consultations and analysis of available data to assess the impact of the tariff on demand and supply dynamics. The ultimate objective is to inform future policies to facilitate greater investment in domestic production, processing and refining in Tanzania's edible oil sector

1.2 The company:

MAPACHA COTTON COMPANY LIMITED is a private company incorporated in Tanzania under the Companies Act, 2002 with registration No. 152-041-187 of 25th May 2020. The main objects for which it is established include; to carry on any trade or business whatsoever as General Trading Company including buying ,processing and selling of cotton and other agricultural products, and act as wholesaler and retailers of agriculture raw materials and products as well as supplying fertilizers and farming Equipments. The authorized and paid up share capital of the company is 50,000,000 (Fifty million) divided into 1000 (One thousand) ordinary shares of nominal value Tshs. 50,000 each. It is owned by two Tanzania shareholders namely; Dhirajlal Jadavji Unadkat and Neel Dhirajlal Unadkat owning 50/50 percentage of whole investment.

1.3 The Project Proposal:

MAPACHA COTTON COMPANY LIMITED proposes to construct a New Oil mill factory in Nsola Area, Magu District. The oil mill machines and Equipments are to be procured through a Local Dealer and external dealers from MANALA ENTERPRISE COTTON MERCHANT, India. The proposed machines are capable of having the highest production and of superior quality as compared to most oil mill machines available in the country market since have high standard and efficient operation including high technology of solvent extraction plant which is the most efficient technology to increase oil extraction capacity from the cotton seeds and the complete set of process will include oil mill, solvent extraction plant and refinery for oil purification. The project is intended to augment the oil milling capacity in the country given the government emphasis to increase production and the fact that most of the existing ginneries are aged and of outdated technology and with the up to date technology requires more competition to improve efficiency and quality and adequate existing products in the market to meet customer's demand for more satisfaction and right time availability and accessibility.

The capital investment costs of the project amount to Tshs. 19,679,412,500/= which are proposed to be financed through equity financing Tshs. 4,590,000,000/= and Bank borrowing of Tshs 15,089,412,500/= divided into Tshs 10,089,412,500/= for capital investments acquisition of machinery to factory and construction and Tshs 5,000,000,000/= for working capital finance as stock loan for cotton seed procurement. The project loan of Tshs 15,089,412,500/= is proposed to be repaid over 5 years with interest at 9% per annum and 9% per annum for the Tshs 5 Billion stock loan as short term finance for 1 year in terms of Bank Overdraft.

TOTAL PROJECT UTILIZATION DESCRIPTION

| Description | Amount (Tshs) |
|----------------------|-------------------------|
| Machinery | 4,889,250,000/= |
| Clearing | 2,200,162,500/= |
| Construction | 4,590,000,000/= |
| Working capital | 5,000,000,000/= |
| Take of current loan | 3,000,000,000/= |
| TOTAL | 19,679,412,500/= |

PROJECT CAPITAL STRUCTURE

| | |
|-----------|------------------|
| EQUITY | 4,590,000,000/= |
| BANK LOAN | 15,089,412,500/= |

1.4 Rationale of the Proposal:

The proposal by **MAPACHA COTTON CO LIMITED** is aimed at increasing the country's oil milling capacity given the present government efforts to promote increased production of the crop by farmers which becomes raw materials for the factory. It is also aimed at filling the gap presently experienced by aged and out dated technology plant capacities dominated by local investors including SHIRECU and NYANZA who have been the major players in this business for years. This will result into improved efficiency in oil milling and increased foreign currency earnings for both, the country in revenue collection, investors in business returns and individuals for employment opportunities.

1.5 Purpose of the Study:

This document has been prepared to serve the following purposes;

- To facilitate the application for Certificate of Incentives from Tanzania Investment Centre (TIC) so as to have access to exemptions of duties, VAT deferments and other benefits and protections as statutory provided for under Tanzania Investment Act (1997) for the Project.
- To determine the viability of the proposed project and serve as a Business plan for the company's development program.

- To utilize the document for possible mobilization of financial credits from local Banks/ Financial Institutions for either term loan financing or overdraft Facility to support smooth implementation of the proposed project.

1.6 The oil milling production factory:

1.6.1 Location:

The factory is located at Nsola Village in Magu district, Mwanza Region. The company has adequate land covering 4.60 hectares to accommodate the project. The location is ideal since it is within the seed cotton growing regions of the lake zone. The road leading to the factory is also accessible throughout the year either from Mwanza City or Musoma to Nairobi in Kenya. All the cotton and cotton seeds to be bought at the buying posts will be easily transported to the proposed new factory.

1.6.2 Plant Capacity:

The proposed Plants are of modern and technological machines consisting of required equipment's and machines which consists of three machines, Solvent extraction plant to process 200tons to 250tons of cotton seeds per day, Oil mill to process 250tons to 300tons per day and Refinery to process 50ton per day and produced is intended for both for local market export market. Both plants are brand new equipment and fully automated plant.

1.6.3 Electricity and water:

The electricity for the project site is provided by TANESCO through the National Power System. However, a standby generator of 350 KVA will be used during power outbreak has also been provided for.

1.6.4 Buildings:

Buildings under consideration for the project will include;

- Factory Buildings including structures for plants and machineries
- Cotton Oil Storage ware house
- Cotton seeds ware house.
- Residential Houses
- Toilet Block

The factory buildings will be Pre Engineered structures to be imported from the machinery suppliers in India.

1.6.5 Project Investment and Financing:

The capital investment costs of the project amount to Tshs. 19,679,412,500/= which are proposed to be financed through equity financing Tshs. 4,590,000,000/= and Bank borrowing of Tshs 15,089,412,500/= divided into Tshs 10,089,412,500/= for capital investments acquisition of machinery to factory and construction and Tshs 5,000,000,000/= for working capital finance as stock loan for cotton seed procurement. The project loan of Tshs 15,089,412,500/= is proposed to be repaid over 5 years with interest at 9% per annum and 9% per annum for the Tshs 5 Billion stock loan as short term finance for 1 year in terms of Bank Overdraft.

1.7 Management:

The project after its full construction will be managed by Mapacha Cotton Company Limited which is currently managing ginning plant from cotton ginning. The company Directors will ensure that qualified and experienced personnel are engaged in the management of the entire sections of the factory. The Managing Directors of the Company is local investors with vast experience in business management.

1.8 Plant Production Plan:

The plant will be into commercial operations 2024 beginning of cotton season. The company' plans to produce and market her products for more profit maximization above current plan of procuring, processing of cotton seeds to produce cotton edible oil for sale to the market. The plant is planned to go into commercial operations starting this season (2024/25) cotton season. Company plans to purchase and process a total of 12,000,000 kg of seed cotton which is expected to produce a total of 6,960,000 kgs of seeds which will yield to 1,392,000 litres of cotton oil produced ready to fill gape of local market demand and 5,568,000 kgs of cotton cake ready for export market South Africa, China and India also plans to procure 10,000,000 kgs of cotton seeds from external ginning plants. Sales of cotton seeds oil are expected to rise on commercial percentage of estimate 25% to 30% where the Gross profit margin to be 25% to 35% basing on economic and market forces for profit determinant.

1.9 Market Aspect:

1.9.1 The Market for Lint Cotton:

The major export market for lint cotton is central Asia followed by the United States of America which accounts for 25% world cotton trade. On the other hand South East Asia is the major importer and processor of raw cotton. Most of cotton finds its market in this area, which imports an average of 2.5 Million tones. Hong Kong, Portugal, Taiwan and Thailand are the principal importers of Tanzania's cotton. Portugal and Taiwan accounting for 50% for all exports from Tanzania. Part of the cotton lint produced in the country however (about 30%) is consumed locally by local Textile Manufacturers.

1.9.2 The Target Market:

Apart from traditional buyers of Tanzanian cotton, during this season, the government has assured all cotton ginneries with ready market for all lint cotton to be produced at export price ranging 1.3million per one lint include; M\ S New Tabora Textiles, Urafiki Textile Mills and 21st Century Textiles.

1.9.3 Market Demand for Cotton Seed oil:

The market for cotton seeds is comparatively large for oil milling producing edible oil. This is important raw material used for production of edible oil. Cotton seed oil has high demand due to the competitive price, high quality with low cholesterol contents as compared to the imported oil brands. It should also be noted that cotton seed oil is the common man's cooking oil in the entire Lake Region, which has a population of more than 10 Million people. Cotton cake market size is also growing rapidly particularly in Dar es salaam, Morogoro, Arusha and Kilimanjaro regions because of campaigns to encourage modern farming methods and livestock husbandry but with secured partners we will export cotton cake to South Africa, China and India but local market for cotton oil is still in high demand and demand gap has a wider room not to be filled with the current producers.

1.10 FINANCIAL EVALUATION:

The financial evaluation carried out on this proposal indicates that the project proposal by Mapacha Cotton Company limited to operate the proposed new oil mill Plant is technically feasible, financially viable and economically sound. The results are as summarized below;

1.10.1 Project Investment and Financing: -

The capital investment costs of the project amount to Tshs. 19,679,412,500/= which are proposed to be financed through equity financing Tshs. 4,590,000,000/= and Bank borrowing of Tshs 15,089,412,500/= divided into Tshs 10,089,412,500/= for capital investments acquisition of machinery to factory and construction and Tshs 5,000,000,000/= for working capital finance as stock loan for cotton seed procurement. The project loan of Tshs 15,089,412,500/= is proposed to be repaid over 5 years with interest at 9% per annum and 9% per annum for the Tshs 5 Billion stock loan as short term finance for 1 year in terms of Bank Overdraft.

1.10.2 Profitability:

Based on assumptions and considerations used in the evaluation of the project, the business is projected to make gross profit of Tshs. 5.3billion for the first year making average of 40% to 45% margin. Profits are projected to increase by 25% every year to Tshs 8.3 billion by the 3" year and to Tshs. 12.9 billion by the 5" year due to projected increase in production of cotton lints which would result into increased capacity utilization from 32% in the first year, to 43% by the 3rd year and to 67% by the 5th year.

| S/N | | KG | PRICE | |
|-----|-------------------------|--------------------------------|------------------|----------------|
| 1 | TOTAL SEEDS TARGET | 10,000,000 | 600 | 6,000,000,000 |
| 2 | MAXIMUM OPERATION COSTS | 10,000,000 | 150 | 1,500,000,000 |
| | TOTAL | | | 7,500,000,000 |
| A | OIL PRODUCED | 2,000,000YIELD 111,111 BUCKETS | 80,000/= @BUCKET | 8,888,888,889 |
| B | CAKE POWDER | 7,800,000 | | 3,900,000,000 |
| | TOTAL | | SALES | 12,788,888,889 |
| | LESS EXPENSES | | | 7,500,000,000 |
| | GROSS PROFIT | | | 5,288,888,889 |

1.11 SECURITY COVER:

The proposed term loan financing from local banks has been assumed to be secured by company Mortgage over landed properties of the company including all machinery and equipment at the project site, CMA arrangement and PASS.

1.12 CONCLUSION AND RECOMMENDATIONS:

Based on considerations and assumptions given above, it is concluded that the proposal by **Mapacha Cotton Company limited** to operate new oil mill Plant at Nsola in Magu district is technically feasible and commercially viable. It is therefore recommended for the project promoters to proceed and invest in the proposed oil milling plant at company Site in Nsola - Magu district, Mwanza region.

3.0. TECHNICAL ANALYSIS:

3.1 Location:

The project is to be located at Nsola in Magu district. The area is linked to Mwanza and Musoma through a Tarmac road. This is a strategic location, which is easily accessible by road for transportation of facilitation materials and its products. The location is also connected to the national Power Grid System.

3.2 Building and Civil Works

Building under consideration for the project will include;

- Factory Buildings including structures for plants and machineries
- Cotton Oil Storage ware house
- Cotton seeds ware house.
- Residential Houses
- Toilet Block

3.3 Plant Capacity & Technology:

The proposed Plants are of modern and technological machines consisting of required equipment's and machines which consists of three machines, Solvent extraction plant to process 200tons to 250tons of cotton seeds per day, Oil mill to process 250tons to 300tons per day and Refinery to process 50ton per day and produced is intended for both for local market export market. Both plants are brand new equipment and fully automated plant.

3.5 Capital Costs:

The project total capital costs are estimated as Tshs. 19,679,412,500/= . The capital costs outlay is summarized as below:

| TOTAL PROJECT UTILIZATION DESCRIPTION | | |
|---------------------------------------|--|-----------------|
| Description | | Amount (Tshs) |
| Machinery | | 4,889,250,000/= |
| Clearing | | 2,200,162,500/= |
| Construction | | 4,590,000,000/= |
| Working capital | | 5,000,000,000/= |
| Take of current loan | | 3,000,000,000/= |

3.6 Source of Financing

The project sponsor would contribute equity funds to the tune of Tshs. 3 Billion and the balance of Tshs. 3 Billion would be loan finance from local Banks as per summary given under:

| | | | |
|---|------------------------|------|-----------------------|
| 1 | Equity | Tshs | 4,590,000,000 |
| 2 | Bank loan-Project loan | Tshs | 10,089,412,500 |
| | Sub Total | | 15,089,412,500 |

| | | |
|---|--|-----------------------|
| 3 | Bank Working capital loan (Overdraft) | 5,000,000,000 Tshs |
|---|--|-----------------------|

3.7 Implementation Schedule:

The project is expected to be implemented over 6 months period starting from the date of fund approval. Implementation involves;

- Construction of Machinery Hall
- Construction of stores/ warehouse
- Procurement and installation of machinery and equipment
- Electrical installations
- Trial runs
- Commercial operations.

3.8 Environmental Aspects:

The most pertinent environmental and health considerations in this project include dust emission and employees exposure to noise and fire. The project sponsors have addressed these possible hazards adequately in the project plan. Factory workers will be provided with breathing masks and early plugs. Fire extinguishers and hydrants will also be in place.

4.0 MARKETS AND MARKETING:

4.1 Business Strategic Framework

4.1.1. (A) Vision

To become a leading in cotton ginning and oil milling business regional and Zonal wide.

4.1.2. (B) Mission

To provide high quality service through quality and modern service delivery systems managed by motivated staff, operating with, manufacturing, government institutions, non-governmental organizations and others.

4.1.3. (B) Goal

- a) To have a sustainable working capital base that will enable the business to flourish.
- b) Increase annual sales turnover
- c) Increase gross profitability
- d) Increase market share

4.1.4. (D) Core values

- a) Consistent High Product Quality Standards
- b) Reliability in partnership with customers
- c) Social responsibility
- d) Financial transparency and accountability
- e) Eco-friendly services

4.2.0. Business Objectives

4.2.1. Operational objectives

- a) To increase and sustain the business market share around the lake Zone Regions.

4.2.2. Financial objectives

- a) To ensure that the business liquidity position remains sound so as to be able to meet its financial obligations without any distress.
- b) To ensure that the business operates profitably and generates reasonable returns to its owners.

4.2.3. Business Strategies

- a) To engage and motivates sales force to increase efficiency in the sales activity.
- b) To undertake aggressive, but targeted advertisement, promotion and publicity programs.
- c) To establish and continue to improve the contact and source of reliable suppliers of items we sell at the premises.
- d) To extend market penetration into the rest of region through agency arrangements and using economy packs.
- e) To seek other sources of funds to raise the initial capital so as to expand the business.

4.3. Business Situational Analysis

4.3.1. (a) Strengths, Weaknesses, Opportunities and Threats

4.3.2. Strengths(S)

- a) Good administration and leadership
- b) Good customers reputation
- c) Knowledge of the local market
- d) Favourable access to distribution networks
- e) Cost advantages from customary know-how
- f) Established customer base and contacts

4.3.3. Weakness (W)

- a) Inadequate business capital that hinders the business capability to place larger orders and enjoy economies of scale.
- b) Competitor activity in a price sensitive market
- c) Concocted reputation among some of the customers and competitions.
- d) Price fluctuation.

4.3.4. (A) Internal Factor Analysis Summary (IFAS)

From the analysis of the strengths and weaknesses above, it can be observed the business strengths weigh more as compared to its weaknesses. Therefore we conclude that the business is viable. I.e. $S > W$

4.3.5. Opportunities:

- a) Country's political stability which creates a conducive environment for investment and operations of the business.
- b) Availability and accessibility of funds from financial institutions.
- c) A good infrastructure system that facilitates operation of business.
- d) The business location favours easy purchases and supply of the goods.
- e) An unfulfilled customer demands.
- f) Improved technology

4.3.6 Threats

- a) Presence of competitors in the market with the same goods and services and others with close substitutes.
- b) Unpredictable change in weather and climate conditions which distort demand and supply trends.

4.3.7 (A) External Factor Analysis Summary (EFAS)

From the analysis above we have observed that the opportunities of the business are more as compared to its Threats. Therefore we conclude that the business is viable. I.e. O>T

4.3.8. Political, Environmental, Social and Technical Analysis

(a) Political

The business does not face any serious political threat as the country is in peace and the company is paying all of the required taxes on time hence the company has a good relationship with the tax and city authorities.

(b) Environment

The business has no negative impact on the environment and has better procedures for waste disposal.

(c) Social

The business offers employment to the surrounding community and facilitates the availability of services through payment of Tax to the government via Tanzania Revenue Authority (TRA).

(d) Technical

Technically the business is well equipped with modern facilities like, Telephone, etc. to facilitate business transactions.

5.0 PROFILE OF THE TARGET MARKETS

5.1 Market Segments

The business currently operates into both market segment which is domestic and international market. The opening of the new oil mill factory is for expansion of the business through improving and maximizing production that will enhance and manages to operate and maintain both local and international market like South Africa, China and India for cotton cake.

5.2 The Business differential advantages over others

- a) Commitments to customers
- b) Team working spirit
- c) Quality product and services

5.3 Market analysis

- a) The market is of moderate competitions.

5.4 Entry strategy

The company employs the following strategies to enter into the market

- a) Emphasizing quality services and reliable to reduce customers price sensitivity.
- b) Simple advertisement and promotional strategy will also be employed.
- c) Customer satisfactions will be taken as a core value of the business together with selling of high quality products.

5.5 Competitive Analysis

The business intention is to become the leading seller of cotton lint and cotton seeds to the local and international market. The market is surely one of the most competitive within the Lake Zone. The currently existing competitors of the company are;

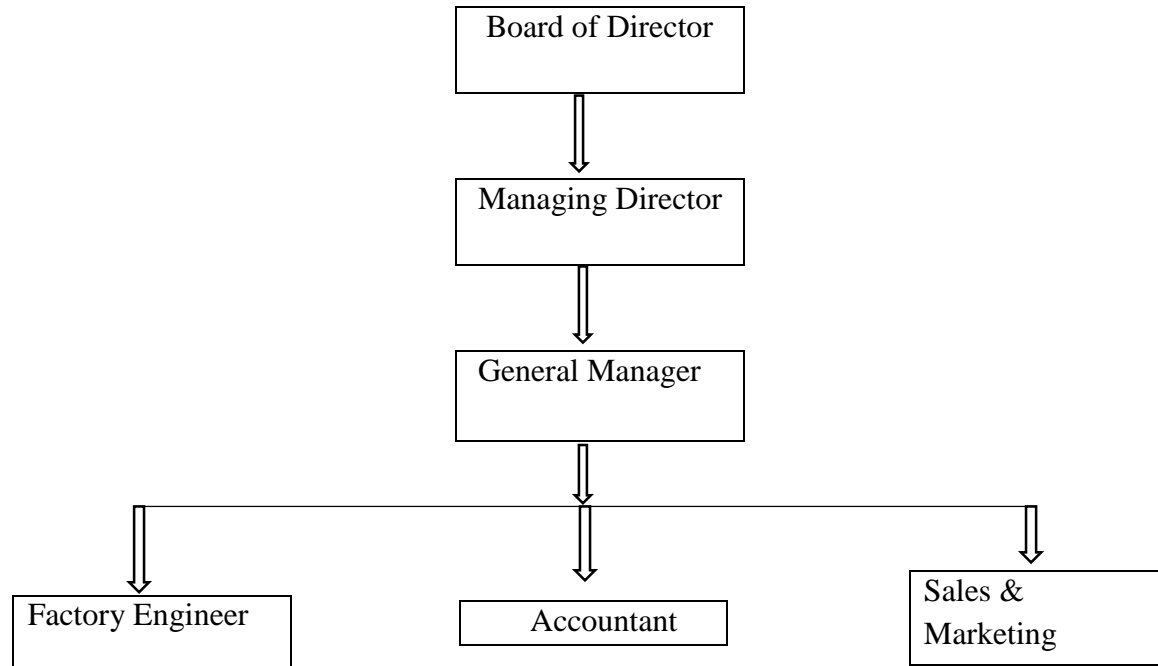
- a) Company with similar and close substitute services
- b) Retails with the same line of business
- c) Other agent
- d) A hawker who tends to sells the products at lower prices.

6.0 ORGANIZATION AND MANAGEMENT:

6.1 Company Organization Structure:

The project Organization Structure will consists of three (3) departments' i.e. Factory / Production Departments, Accounts Department and the Sales and Marketing Department. Each department shall be led by a manager with respective section heads. A broad outline of the organization structure is as indicated under;

ORGANIZATIONAL STRUCTURE:



6.2 Management:

The project management will be under the supervision of the Board of Directors of Mapacha Cotton Company Limited under its principal shareholders Dhirajlal Jadavji Unadkat and Neel Dhirajlal Unadkat. The General Manager shall be appointed by the Board of directors and would head the Factory Management. Three heads of departments namely; Finance and Administrative Manager, Production and the Operations Manager would assist the General Manager. A supporting staff of over 60 permanent employees will be employed. The company Managing Director has accumulated vast experience in the business management and marketing industry. This experience would enable him not only utilize his technical and business management experience in this area, but would also enable the project to charting out a proper business strategy, identification, and recruitment of technical and management personnel required for efficient management of the ginnery.

1.3.Profile of Company Directors

NAME : NEEL DHIRAJLAL UNADKAT
POSITION : Managing Director
NATIONALITY : Tanzanian
GENDER MARITAL STATUS : Married
PERMANENT RESIDENCE : Mwanza Region
OCCUPATION : Businessman

BUSINESS EXPERIENCE

He is the Chairman and Managing Director of the company. He has also been running various businesses which include; buying, processing and selling of cotton, and other trade business. He has proved capable of leading the business to a successful future as evidenced by the audited financial statements annexed document.

NAME : DHIRAJLAL JADAVJI UNADKAT
POSITION : Director
NATIONALITY : Tanzanian
GENDER : Male
PERMANENT RESIDENCE : Mwanza Region
OCCUPATION : Businessman

7.0 FINANCIAL EVALUATION:

The project after full implementation and commencement of commercial operation is a going concern. It has therefore been assumed that it will continue to operate profitably and successfully for subsequent years. The business is projected to run smoothly and generate adequate profits to be able to meet its financial commitment without problems. The financial evaluation carried out on this report indicates that the project proposal is technically feasible, financially and economically sound. The results are summarized below;

7.1 Project Investments and Financing:

The capital investment costs of the project amount to Tshs. 19,679,412,500/= which are proposed to be financed through equity financing Tshs. 4,590,000,000/= and Bank borrowing of Tshs 15,089,412,500/= divided into Tshs 10,089,412,500/= for capital investments acquisition of machinery to factory and construction and Tshs 5,000,000,000/= for working capital finance as stock loan for cotton seed procurement. The project loan of Tshs 15,089,412,500/= is proposed to be repaid over 5 years with interest at 9% per annum and 9% per annum for the Tshs 5 Billion stock loan as short term finance for 1 year in terms of Bank Overdraft.

7.2 Working capital:

It has also been estimated that the project would need an estimated Tshs. 5Billion to finance the business working capital for the first year. The requirement has been assumed to be provided by local commercial bank with interest at 9% per annum.

7.3 Projected Income Statement:

Based on assumptions and considerations used in the evaluation of the project, the business is projected to make gross profit of Tshs. 5.3billion for the first year making average of 40% to 45% margin. Profits are projected to increase by 25% every year to Tshs 8.3 billion by the 3" year and to Tshs. 12.9 billion by the 5" year due to projected increase in production of cotton lints which would result into increased capacity utilization from 32% in the first year, to 43% by the 3rd year and to 67%by the5th year.

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| | TOTAL | | SALES | 12,788,888,889 |
| | LESS EXPENSES | | | 7,500,000,000 |
| | GROSS PROFIT | | | 5,288,888,889 |

7.5 Projected Balance Sheet:

These projections indicate that, the company's liabilities would be adequately covered by net fixed assets throughout the period under review.

7.6 Financial Rate of Return (IRR):

The project's internal rate of return works at over 31% which is a key factor in project viability assessment. Assuming the cost of capital of 9% per annum, this is yet another confirmation that the project is commercially viable.

7.7 Pay Back Period:

The project payback period works out to be within repayment period. This confirms to the investors that the project would be able to recoup their investments over only a short period of four years. Details are as in schedule VI.

8.0 ECONOMIC BENEFITS:

The business under consideration has the following economic benefits:

- It contributes towards increased capacity in production of cotton lint and cotton seeds for production of edible oil in the market.
- The business increases regional trade and industrial development among EAC member states considering the fact that part of the company products would be exported to Ugandan and Kenyan as final products.
- The business also contributes towards increased government revenue through taxes and duties.
- The business generates over 100 direct jobs every year and a number of indirect jobs.

9.0. ENVIRONMENTAL AND SAFETY ASPECTS:

Cotton ginning and oil milling does not involve production of any hazardous materials. No major environmental impact is therefore expected as a result of the operations of the plant. However, necessary protection gears are provided to the workers against emissions of dust from cotton processing to protect the workers. Any waste materials produced by the plant are also properly handled and disposed through existing system established by the company.

10.0 RISK ANALYSIS:

The major risk factor considered is the possibility of poor harvests due unfavorable weather conditions. There is very minimal control over this factor hence the project will need to adjust its business expectations and respective financial obligations with its creditors to cope with the actual situation.

11.0 SECURITY COVER FOR BANK BORROWING:

Mapacha Cotton Company Limited will provide Legal Mortgage over the company's landed properties located at Plant Sites at Nsola in Magu district including all plant and equipment, CMA arrangement and PASS guarantee as third part.

12.0 CONCLUSIONS AND RECOMMENDATION.

Based on considerations and assumptions used in the evaluation of this project, it is concluded that the proposal by **Mapacha Cotton Company Limited** to invest in the construction and operating of Oil milling plant at Nsola, Magu district is technically feasible and financially viable. It is therefore recommended for the project promoters to proceed and invest in the proposed Oil milling plant at company Site in Nsola Village - Magu district.