

# ROCHLUNZU LIMITED

## BUSINESS PLAN FOR INSTALLATION AND SET UP OF A SMALL SCALE FACTORY FOR MANUFACTURING OF HIGH DENSITY POLYETHYLENE WOVEN SACKS (BAGS)

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## **1.0 EXECUTIVE SUMMARY**

Rice has become the fastest growing food commodity in Tanzania and Africa in general. The Farming is mainly done by small holder farmers. Increasingly, urban consumers are relying on rice for calorie intake. This fact makes rice a strategic crop from availability and price standpoints, given that a substantial part of Tanzanian household are spent on food. It is a second most important food and commercial crop in Tanzania after maize; it is among major source of employment, income and food security for Tanzania farming households.

Tanzania is the second largest producer of rice in Southern Africa after Madagascar with production level of 818,000 tones (*USDA world rice statistics 2007*) with cultivated area of almost 681,00 ha; this represent 18% of Tanzania cultivated land. Almost 71% of the rice grown in Tanzania is produced under rain fed conditions, irrigated land represents 29% of the total with most of itin small village level traditional irrigations.

The rice subsector is completely privatized except for government operations in the support service like research, input supply and extension services. The impact of this transition has created more opportunities to private sector and small holders farmers.

Kahama district is among eight districts in Shinyanga region which borders Mwanza Region to the North, Shinyanga Urban and Shinyanga Rural to the East, Tabora Region to the South and Bukombe district to the West. The district has been designated as a hub by Africa Rice center for the promotion of rice in the Western part of the country. It's among the three districts chosen and operates as a hub in the country, others are Kilombero and Kyela, with the sole aim of promoting best and efficient practices in rice production and marketing.

**The Applicant:**

Rochlunzu Limited is a privately owned agro-business company registered on 29th June 2017 with Certificate of Incorporation No. 136135. The company is operated as a family business with seven shareholders led by Rehema Maharage Mwangao as the chairperson and managing director of the company. The company has its head offices at Kahama town council in Shinyanga Region.

The main business focus of the company is purchase of paddy from smallholder farmers, milling and selling of rice. The company is connected to a wide network of over 1,000 small-holder farmers who are engaged in paddy production in Shinyanga and Tabora regions.

**Market for Rice:**

Rice has become the fastest growing food commodity whereby the substantial part of Tanzanian household are spent on food. It is a second most important food and commercial crop in Tanzania after maize; it is among major source of employment, income and food security for Tanzania farming households.

**Factors behind the demand for Rice:**

In addition to rice being a major source of food energy, demand for traded rice in Tanzania is influenced by various factors, the main ones being, (a) population size; (b) income; (c) prices of substitute products; (d) food consumption habits; and (e) rate of urbanization. Of the five factors mentioned above, population size has the greatest impact on the demand for rice than any of the other four factors since consumption of rice increases as population rises, though not necessarily proportionately.

## **Genesis of the Project:**

Market is one of the major factors determining the quantity of production of goods in a particular period and particular place, its quality, taste and look. As it is in any other production, agriculture produces also react to the market and stimulate producers (small scale farmers) to produce more or produce less for the market. Tanzania has the largest number of small scale farmers with the largest arable land and other natural resources to produce and feed other countries in the East Africa Community. However, the opportunities have not full exploited due to various challenges including the marketing system of the agricultural produces.

Successful marketing of agricultural products depends on many factors including the more traditional ones such as good infrastructure, post-harvest handling technologies, transport, and processing. But provision of such facilities and services is not a sufficient condition to ensure smooth flow of agricultural commodities. This needs to be complemented by good packaging of products and retailing services in order to exploit emerging marketing opportunities in and outside the country, especially in East African Region.

It is on this background that the Rochlunzu Limited is proposing to set up a small scale factory for manufacturing of High Density Polyethylene Woven Sacks (Bags). The proposed factory is envisaged to have a capacity of producing 475 metric tons of HDPE/PP woven sacks per annum. The plan ideally will base packing materials such as: - sugar, flour, seeds, food grains, such as rice, wheat, beans and peanuts.

## **Location**

The proposed plant is planned to be established at Malunga area in Kahama Town Council, Shinyanga Region. The project site has a total area of one thousand six hundred and twenty four (1,624) square meters and it is situated in an area designated purposely for service Industry purposes. The site is bordered by rice milling factories and warehouses. Water and electricity utilities from the relevant authorities are already connected to the site.

## **Technical Aspects**

Rochlunzu Limited will institute the necessary competing factors at all levels involved in the marketing process. This involves ensuring that the company has the necessary and competent staff responsible for procurement, storage, processing, quality control and marketing of the products. Adherence to quality standards will be of primary importance as it assures the company on expanding market share to both the domestic and external markets.

## **Capital Investment Costs and Financing Plan**

Based on the project scope of works, total capital investment is estimated at **TZS 4.270 billion**. These estimates comprise two types, namely;

- i) Investment capital items cost estimates and
- ii) Initial working capital cost estimates.

Investment capital items cost estimates - that include building on the plot on which the project will be situated; various equipment including that of the plant; and pre-operating expenses as well as construction of buildings are estimated at **TZS 3.187 billion** while initial working capital is estimated at **TZS 1.083 billion**.

## **Proposed financing plan**

Rochlunzu Limited capital investment items cost estimates and plan have been explained as per table 1 below:

Table 1: Investment and Financing plan:

<b>Type of Funds</b>	<b>Amount</b>	<b>% Age</b>
Equity Contribution	2.770 Bil	64.87%
Term Loan Facility	1.500 Bil	35.13%
<b>Total Investment</b>	<b>4.270 Bil</b>	<b>100.00%</b>

## **Implementation programme**

Rochlunzu Limited proposed HDPE / PP Woven Sacks project is expected to be implemented over a period of six months from the time all funds to meet its capital investment items costs have been mobilized.

## **Financial Aspects**

Financial analysis of the project shows that it is financially viable. After-tax profits during the first year of operations is justifiable. The Internal Rate of Return (IRR) for the project is good, thus underlining the viability of the venture.

## **Economic Aspects**

The project has several useful economic aspects to smallholder farmers through creation of market for their produces. It will improve the livelihood of farmers in Shinyanga and neighboring regions through purchasing of more paddy from smallholder farmers at a fair market price. The project will also increase the value of agricultural produce through processing of the same. The project will create 76 both temporary and permanent jobs during its implementation with several more jobs created indirectly in various activities.

## **Environmental Aspects**

Due to its nature the project is environmentally friendly. The procurement and processing of paddy poses minimal threat to the environment. The project will generate a relatively small amount of waste and therefore it removes the necessity for complex waste management systems. However, Rochlunzu Limited will be conducting periodic Environmental Impact Assessment studies to ascertain the impact of the project on the environment.

## **Conclusions and Recommendations**

It is apparent from the foregoing that the proposed HDPE / PP Woven Sacks manufacturing project is expected to be profitable as there is a growing market for HDPE / PP Woven Sacks. The economic impact for implementing and operating the project is also positive. Lastly and most important, the operations of the project are also friendly to the environment. Its risks are also fairly manageable. In view of the above, the Project is strongly recommended for financing to realize the anticipated benefits.

## **2.0 INTRODUCTION**

### **2.1 Project overview**

Rochlunzu Limited seeks financial support of **TZS 1.5 Billion** as loan facility from Tanzania agriculture Development Bank (TADB). A portion of this loan, amounting to **TZS 1.2 Billion**, has been categorized as a medium to long-term loan as it is earmarked to pay for fixed expenditure items including the purchase and installation of machines and equipment. The other portion of the loan, equivalent to **TZS 300 million**, will be in the form of short-term loan for financing working capital requirements including the purchase of raw materials to be used for the production of HDPE/PP woven sacks. The produced HDPE/PP woven sacks will be sold to the domestic market especially to the SMEs food processing companies in Tanzania.

## **3.0 GOVERNANCE AND MANAGEMENT**

### **3.1 Client Profile**

Rochlunzu Limited is a privately owned agro-business company registered on 29th June 2017 with Certificate of Incorporation No. 136135. The company has its head offices at Kahama town council in Shinyanga Region. The company is operated as a family business with seven shareholders led by a lady Rehema Maharage Mwangao who is the founder and managing director of the company. Other shareholders of the company are Neema Pemba Festus, Hindu Omary Mwangao, Zuberi Pamba Msomi, Omary Pamba Festus, Luqman Pamba festus and Chausiku Abdul Zubery.

### **3.2 Management of day to day operations**

Rochlunzu Limited has a well-established management team that deals with day to day affairs of the company. The team is led by a lady Rehema Maharage Mwangao who has vast experience in this line of business particularly proper management in procurement, sales and marketing, thus optimizing the chances of a subsequent, vertical integration business programme.

### 3.3 Project Details

The main business focus of the company is purchase of paddy from smallholder farmers, milling and selling of rice. The company is connected to a wide network of **over 1,000 small-holder farmers** who are engaged in paddy production in Shinyanga and Tabora regions.

Rochlunzu Limited currently is owning the rice processing plant and Installed machine for grading. The Company employed 75 workers of both skilled and unskilled. The Company is working with **1,000 small-holder farmers** through the smallholder lead farmers system where **100 key lead farmers** have been identified. Each lead farmer is leading a group of **10 smallholder farmers**. Through the use of lead farmers system the smallholder farmers are supported various inputs to support in the farming activities with the agreement/commitment that during the harvest season they will supposed to bring their paddy to Rochlunzu Limited and sell at a prevailing market price.

However, the major challenge facing the company is on the carrying bags for paddy by smallholders from farm to warehouse as well as the packing bags for the processed rice to the market. Rochlunzu Limited is consuming an average of 5,000 bags per day equivalent to 150,000 bags per month for packing of processing rice. Availability of printed bags to brand the product has been a big challenge hence posed a marketing challenge for the products.

Rochlunzu Limited is therefore proposing to set up a small scale factory for manufacturing of High Density Polyethylene Woven Sacks (Bags). The proposed factory is envisaged to have a capacity of producing 475 metric tons of HDPE/PP woven sacks per annum. The plan ideally will base packing materials such as: - sugar, flour, seeds, food grains, such as rice, wheat, beans and peanuts. The focus of the plan is to create an Agri –business enterprises that will help to supply Woven Sacks (Bags) in Shinyanga Region and the nearby regions. The demand of this project is highly needed due to the growing of food processing industry which will need packing materials.

### **3.4 Project Location**

The project is located on Plot No. 589 Block “L” Density situated at Malunga Mtaa, Malunga Ward in Kahama Town Council, Shinyanga Region. The project site has a total area of one thousand six hundred and twenty four (1,624) square meters and it is situated in an area designated purposely for service Industry purposes. The site is strategically bordered by rice milling factories and various warehouses for food storage.

### **3.5 Vision and Mission**

The principal purpose of Rochlunzu Limited as a business entity is to create wealth to its shareholders and to ensure that its main stakeholders i.e. smallholder farmers receive fair return from their farm produce sold to the company. Thus it’s Vision and mission statement are:

#### **Vision:**

*“Leading rice milling company in Shinyanga region offering smallholder farmers with assured market for their produce”*

#### **Mission:**

*“Become a reliable partner of smallholder farmers able to purchase their produced paddy at remunerative price and produce high quality rice to the satisfaction of consumers”.*

#### **Our Core Values**

***Professionalism:*** - We take responsibility for the quality of our work;

***Integrity:*** - we demonstrate integrity in all our actions

***Innovation:*** - We always develop new idea that brings positive changes;

***Customer centric:*** - We ensure that always the customer is at the center of our business's philosophy, operations or ideas.

## **4.0 MARKETING**

### **4.1 Product Description**

Rochlunzu Limited will procure paddy from smallholder and sell high quality rice as HDPE/PP woven sacks. The paddy grain will be procured from smallholder farmers and packaging will be carried out at Milling Plant located in Kahama town. The HDPE/PP woven sacks will be produced in different sizes while the rice will be packed in 5, 10, 25 and 50kgs bags respectively so as to capture different market niches. This aims also at capturing different customers ranging from the local and regional markets.

### **4.2 Nature of Market/Market Description**

Rice has become the fastest growing food commodity in Tanzania. It is a second most important food and commercial crop in Tanzania after maize; it is among major source of employment, income and food security for Tanzania farming households.

### **4.3 Market Segmentation**

Rice grains and the HDPE/PP woven sacks (bags) are the main products of interest for the Rochlunzu Limited. The company will sell its rice grains and HDPE/PP woven sacks (bags) to local traders (wholesalers and retailers), processors and other institutions. The company will also sell its products to customers outside the country to cater for the East African Community markets.

### **4.4 Potential Customers**

Targeted potential customers are the wholesalers, retailers, processors and different institutions at the local market. Rochlunzu Limited will also take advantage of the existing regional market as well as food relief organizations including WFP and UNHCR. Rochlunzu Limited will invest in quality products and establish a strong distribution chain in order to create more demand for its products.

#### **4.5 Main Competitors**

The potential competitors in rice grains are SMEs and private companies around Kahama while for HDPE/PP woven sacks (bags) the main competitor is the Bakhresa Group (Azam Polysacks Limited). The Azam Polysacks, situated in Dar Es Salaam, Tanzania, is one of the leading manufacturers of PP/HDPE Woven sacks (viroba) in East Africa. It has got specialization in producing quality woven sacks in various sizes and grades, both printed and plain to cater to wide range of market needs in industrial and agriculture sector.

Rochlunzu Limited as a local company is well supported and linked to smallholder paddy producers as well as Local processors in Kahama and the nearby regions. This is a key advantage for the Rochlunzu Limited as it competes with their main competitors in the business.

#### **4.6 Growth potential**

Rochlunzu Limited has a great potential to grow and capture the increasing production of paddy and demand of HDPE/PP woven sacks (bags) in the local market as well as the regional market. The fact that there is a population growth in the region the demand for rice grain and HDPE/PP woven sacks(bags) will increase, thus enhancing the growth potential of the company.

#### **4.7 Marketing Strategy**

Rochlunzu Limited business will involve selling quality rice grains and HDPE/PP woven sacks (bags) to local and regional markets. To capture its customers, marketing strategies will be applied through market research, market information and market intelligence. Rochlunzu Limited will segment its market accordingly and sell its products to wholesalers and retailers within and outside the country. Optimal productive efficiency will be insisted so that quality products will be sold at competitive prices and according to the product grades. This will enable the company to capture costumers in local and regional market.

#### **4.8 Sales Strategy**

Rochlunzu Limited will make sure that it sells its products to its customers through the use of strategies. The marketing section will use the sales strategies so as to capture its potential customers. The company will sell its products in cash and use of contract sales. The sales contracts for different customers will be prepared accordingly.

#### **4.9 Pricing strategy**

The pricing of rice grains and HDPE/PP woven sacks (bags) will be based on market forces. However, the cost incurred during purchasing and processing of rice as well as HDPE/PP woven sacks (bags) will be considered during price setting to ensure profit. Rochlunzu Limited will make every effort to maintain a competitive pricing policy while building its reputation as a public institution.

#### **4.10 Distribution strategy**

Currently the company is selling its products in the local market in Kahama, Arusha, Kilimanjaro, Kagera and the Rwanda market. The company may establish new selling centers as deemed necessary for its business. Rochlunzu Limited will also use qualified and experienced Sales Agents who will be identified in different market locations.

#### **4.11 Promotion strategy**

Different media will be used as a means for promoting and advertising its products. Leaflets, brochures, TV and radio programs will all be used as part of the promotional strategy. Rochlunzu Limited will effectively participate in national exhibitions and festivals such as Farmers Exhibitions day known as Nane Nane to promote and advertise its products.

## **5.0 TECHNICAL ANALYSIS**

### **5.1 Design of the Project, Utilities and Resources utilized**

In its endeavor to improve its financial performance, Rochlunzu Limited is proposing to carry out a vertical integration project that will entail setting up facilities for manufacturing High Density polyethylene (HDPE/PP) Woven Sacks (Bags). The plan ideally will base packing materials such as sugar, flour, seeds and food grains such as: rice, wheat, beans and peanuts. The focus of the plan is to create an Agri –business enterprises that will help to supply Woven Sacks to both smallholder farmers and small scale enterprises dealing with food processing in Shinyanga.

The process of manufacturing will involve the production of tape with the help of tape extrusion machine followed by knitting to form cloth on circular weaving machine, which cut into required length and width and stitched with the help of industrial sewing machine.

Printing will also be done as per requirement on cloth with the help of two color printing machine. The proposed factory is envisaged to have a capacity of producing 475 metric tons of HDPE/PP woven sacks per annum (1,000,000 bags per month). The bag will be produced at various weight size such as 5Kg, 10Kg, 25Kg, 50Kg and 100Kg. The source of power to support operation of the project will be from Tanzania Electric Supply Company Limited (TANESCO) and the Installed standby generator which has the capacity of 20 KVA which will be used in case of power outage.

### **5.2 HDPE/PP Woven Sacks (Bags) Project**

HDPE/PP Woven Sacks (Bags) project essentially involves the installation of a Raffia Tape Stretching Line for PP/HDPE woven sack thread fabric. This project comprises three major components as follows:

- i) Construction of buildings which will accommodate the installation of a Raffia Tape Stretching Line for PP/HDPE woven sack;

- ii) Setting up the utilities infrastructure required for the operation of the project; and
- iii) Procurement of raw materials and other accessories required for smooth operations of the project.

The project will entail construction of factory building which will accommodate the installation of a Raffia Tape Stretching Line for HDPE/PP woven sacks. This factory building will also include all the quality control equipment and any other associated machinery or accessories. The building will also have a store room for finished goods i.e. HDPE/PP woven sacks as well as those for inputs materials.

### 5.3 Manpower requirements

Manpower requirements for the proposed project are estimated to be 75 at a minimum as shown in table 2 below:

Table 2: Expected staff to be employed in the factory

	Male	Female	Total
Skilled	6	4	10
Unskilled	10	20	30
Total	16	24	40

### 5.4 Project Implementation

Implementation of the proposed HDPE/PP Woven Sacks (Bags) project has already started as the building to install the machinery and equipment has been completed. As a result once the funding is firmed up the implementation of the project will take about six months before commercial operations start.

## **5.5 Raw materials and machinery/equipment**

The proposed factory is envisaged to have a capacity of producing 475 metric tons of HDPE/PP woven sacks per annum (1,000,000 bags per month). The raw materials which will be used for manufacturing of woven sacks are HDPE/PP granules and will be imported from India.

## **5.6 Quality Assurance**

Quality control on the HDPE/PP woven sacks (bags) as well as the rice grains will be observed in all stages of production. Technical equipment, agrochemicals and tools will be procured to ensure quality of products. Paddy grain purchased will be thoroughly inspected, cleaned, bagged, stacked and stored. Inspection will be done regularly to ensure that grain conditions remain within the specifications and standards.

## **6.0 FINANCIAL AND ECONOMIC ANALYSIS**

### **6.1 Project Cost**

The total project cost is estimated at **TZS 4.270 Billion**. The cost estimate is based on the prevailing prices of items required for the project scope of works and working capital as well as on the assumption that implementation of the project will not face any prolonged delays.

The capital investment items cost estimates of the company's proposed project amount to **TZS 3.1 Billion** and the initial working capital cost estimates at **TZS 1.083 billion**. Both the capital investment items costs and the Initial Working capital cost estimates are planned to be financed by way of both equity and loan funds.

## **6.2 Source of funds**

Rochlunzu Limited is seeking a medium term loan of **TZS 1.5 billion** to meet part of the investment capital items costs of **TZS 1.2 billion** and part of initial working capital requirement of **TZS 300.0 million**. The loan is expected to be sourced from the Tanzania Agricultural Development Bank Ltd. The equity is expected to meet all the remaining capital investment items costs, inclusive part of the initial working capital.

As indicated earlier, Rochlunzu Limited has been trading profitably and it is therefore expected that the company will be able to raise the required equity funds to meet part of its financial obligation towards ensuring the success of the proposed project.

## **7.0 PROJECTED FINANCIAL RESULTS**

Financial projections have been prepared to see what the expected financial results are going to be like following complete implementation of project. The projections are based on three main assumptions related to: market, inflation and production.

### **7.1 Market related assumptions:**

Based on the market for HDPE/PP Woven Sacks (Bags), it has been assumed that the demand/supply gap for the HDPE/PP Woven Sacks (Bags) will remain in place during the whole period of the project implementation.

### **7.2 Inflation related assumptions:**

So as to reflect the impact of inflation on the expected financial results of the company's operations after the complete implementation of project, annual inflation rates have been assumed to be 5% for Tanzania's economy. However, the rates of inflation for foodstuffs in the country are generally lower than those for non-foodstuff. Furthermore this inflation rate has been assumed to apply for both revenues and operating costs.

### **7.3 Production related assumptions**

The quantity of HDPE/PP Woven Sacks (Bags) produced is dependent on several factors, such as the availability of raw materials, Production of paddy and other cereal crops etc.

## **8.0 RISK ANALYSIS AND MITIGATION**

Risk is the probability of deviation of the actual outcome of an event from the expected/desired outcome. This project, like all other ventures, has its ownset of risks. It is important that possible risks are identified and necessary actions to minimise or eliminate them altogether are outlined and implemented when and where necessary so as to improve the overall sustainability and viability of the project. These risks are of three categories, namely, (a) economic, (b) political, social and religious, and (c) industry risks.

### **8.1 Economic risks**

There are two major economic risks that the proposed will continue to face throughout its operations. These are an economic recession and runaway inflation i.e. hyper-inflation. Each of these risks is briefly described hereunder.

- i) **Economic recession:** - A recession reduces economic activities within a country thus reducing the purchasing power of the people. This in turn dampens demand for goods and services. If severe, an economic recession may lead to bankruptcies and closure of some businesses.
- ii) **Hyper-inflation:** - Another severe economic risk that a business faces in its daily operations is that of hyper-inflation. Severe inflation also stifles the people's purchasing power thus reducing their demand for various products and services.

**Mitigation measures:**

Mitigation measures against these risks for an entity like the proposed one hinge on its ability to control its operating costs. Rochlunzu Limited must ensure that it has internal capacity to control its operating costs at all times. This is necessary so that in the event of any of the two above risks setting in, the company is able to cut down some of its operating costs without adversely impacting on its ability to remain profitable in its operations.

**8.2 Political, social, and religious risks:**

Political, social, and religious risks relate to disturbances caused by any of those factors. Disturbances of either political, social or religious may harm business as they create insecurity within the society. This insecurity leads to reduction of economic activities and so dampening demand for goods and services.

**Mitigation measures:**

Much as Tanzania still to date largely enjoys a stable political, social, and religious environment, to sustain this peace and stability it is incumbent upon the company and other business entities to contribute positively to the maintenance of this stable environment so as to guard themselves against turmoil arising from political, social or religious causes.

**8.3 Industry risks:**

There is only one industry risk which is competition that the project's operations are going to face throughout its business life. Since the markets that the project will service will also be sought after by other companies from within and outside Tanzania, there is always the risk that the markets may be flooded by both new local companies and importers.

**Mitigation measures:**

The risk of market competition may be mitigated in various ways such as having a diversified range of customers and a wider marketing area. One other way is to control operating costs to allow the reduction of selling prices to match with those ruling in the market. Lastly, Rochlunzu Limited could increase its production volumes so as to lower the cost of its final product and so afford to reduce its selling price to beat its competitors.

**9.0 ECONOMIC AND SOCIAL VIABILITY**

The plan is expected to create employment to the local people which will result to improve their wellbeing from salary which they will be paid, also there will provision of training on how to work and handle the material produced from the project. Also, the project will use some part of its profit for the development by paying service levy, revenue to the Government and other charges as it will directed accordingly. The availability of the Woven Sacks (Bags) Industrial farmers will be benefited by improving the shelf life of the crops and reducing the harvest loses of the products.

**9.1 Commercial Analysis**

The plan will produce the products depending on the demand of the customers. The products will depend on the forces of demand and supply relative to the cost of running the plan.

**9.2 Community Participation**

The plan will involve Government Institutions for the consultancy and planning how the business should be implemented, community surrounding the area which the plan is located so they feel as theirs hence sustainability of the plan.

## **10.0 INCLUSIVE AND EMPOWERING SMALLHOLDERS**

Smallholder farmers are major source of paddy raw materials of Rochlunzu Limited. The management believes that raw material assurance will come from scaled-up smallholder farmers. In order for the company to be assured of adequate and quality supply of paddy raw materials, smallholder farming systems need to become more productive, efficient and environmentally sustainable.

Rochlunzu Limited is connected to a wide network of 1,000 smallholder farmers who are engaged in paddy production in Shinyanga region. The company is working with 1,000 small-holder farmers through the smallholder lead farmers system where 100 key Lead farmers have been identified. Each lead farmer is leading a group of 10 smallholder farmers. Through the use of lead farmers system the smallholder farmers are supported various inputs to support in the farming activities with the agreement/commitment that during the harvest season they will supposed to bring their paddy to Rochlunzu Limited and sell at a prevailing market price.

## **11.0 GENDER PARTICIPATION**

The plan will provide the priority of employment to women, provide training to women concerning to Woven Sacks (Bags) production. The management will be responsible for fighting against with HIV/AIDS by raising workers awareness and their individual responsibility in preventing the epidemic.

## **12.0 ENVIRONMENTAL IMPACT ASSESSMENT (EIA)**

The Environmental Impact Assessment has already done where by the project is registered of No. EC/EIA/3246. The Certificate of Environmental Impact Assessment has provided by the Minister of State, Vice President Office - Union and Environment on 25Th September, 2017. The measures related to environment concern will be observed accordingly with respect to environmental conservation and waste management.

### 13.0 FINANCIAL ASPECTS:

#### 13.1 Fixed Capital:

Table 3: Extract of Fixed Assets

SN	PARTICULARS	AMOUNT (TZS)
1	Land and Building	1,722,992,000
2	Plant & Machinery	129,428,000
3	Other Fixed Assets (MV, Tools and furniture)	134,970,000
	<b>TOTAL</b>	<b>1,987,390,000</b>

#### 13.2 Working Capital (Per Month):

Table 4: Staff and Labor (per month)

SN	Designation	No.	Rate (TZS)	Amount (TZS.)
1	General Manager	1	500,000	500,000
2	Sales Manager	1	450,000	450,000
3	Accountant	1	480,000	480,000
4	Store keeper	1	450,000	450,000
5	Clerk cum typist	1	350,000	350,000
6	Foreman	1	400,000	400,000
7	Supervisor	1	400,000	400,000
8	Environmental Manager	1	450,000	450,000
9	Unskilled Worker	27	150,000	4,050,000
10	Electrician	1	350,000	350,000
11	Production Manager	1	450,000	450,000
12	Peon/Guard	3	200,000	600,000
13	Plant Technician	1	450,000	450,000
	<b>Sub- Total</b>	<b>40</b>		<b>9,380,000</b>
	Perquisites @ 15% of salary			1,407,000
	<b>Total</b>			<b>10,787,000</b>

**Note:** Wages and salaries for 12 months  $10,787,000 \times 12 = 129,444,000$

Table 5: Raw Material Requirement:

SN	Particulars	Quantity	Rate (TZS)	Value (TZS)
1	HDPE / PP Granules	30 MT	62,000/MT	18,600,000
2	Other misc. items.			6,400,000
<b>Total</b>				<b>25,000,000</b>

*Note: Raw material for the year 25,000,000 x 12 = 300,000,000*

Table 6: Utilities calculation:

SN	Particulars	Quantity	Rate	Value (TZS)
1	Electricity & Power	24000 units	TZS 355/unit	8,200,000
2	Water	100 units	TZS 1,400/unit	200,000
<b>Total</b>				<b>8,400,000</b>

*Note: Total utilities for the year 8,400,000 x 12 = 100,800,000*

Table 7: Other Contingent Expenses:

SN	Description	Amount (TZS)
1.	Telephone and stationery	200,000
2.	Travelling & Transport	500,000,000
3.	Advertisement & Publicity	3,600,000
4.	Repair & Maintenance	23,333,000
5.	Insurance & Taxes	5,833,000
6.	Other expenditure	20,075,000
	<b>TOTAL</b>	<b>553,041,000</b>

Table 8: Total Recurring Expenses.

SN	Description	Amount (TZS)
1.	Salary & Wages	129,444,000
2.	Raw material	300,000,000
3.	Utilities	100,800,000
	<b>TOTAL</b>	<b>530,244,000</b>

*Note: Total Working Capital = : TZS 1,083,285,000*

Table 9: Total Capital Investment:

SN	Description	Amount (TZS)
1	Fixed Capital	3,187,390,000
2	Working Capital	1,083,285,000
	<b>Total</b>	<b>4,270,675,000</b>

### 13.3 Financial Analysis:

Table 10: Cost of production (Recurring Expenses) per annum

SN	Particulars	Amount (TZ.)
1.	Total Recurring Expenditure	530,244,000
2.	Depreciation on Building @ 20%	325,200,000
3.	Depreciation on Machinery & Equipment @ 20% (Except Electrification & Installation, Trial run)	25,885,600
4.	Interest on loan @ 15% p.a.	147,473,000
	<b>Total:</b>	<b>1,028,802,600</b>

Table 11: Turnover (Sales proceeds) per annum:

Item	Quantity (MT)	Rate	Value (TZS)
HDPE/PP Woven Sacks	1,665,000 bags	TZ 732/each	1,218,135,000

### 14.0 CONCLUSIONS AND RECOMMENDATIONS

It is apparent from the foregoing that the proposed HDPE/PP Woven Sacks manufacturing project is expected to be profitable as there is a growing market for HDPE/PP Woven Sacks. The economic impact for implementing and operating the project is also positive. Lastly and most important, the operations of the project are also friendly to the environment. Its risks are also fairly manageable.

In view of the above, the Project is strongly recommended for financing to realize the anticipated benefits.



**ROCHLUNZU LIMITED**  
**Statement of Cash Flows Projection**  
**2024 - 2028**

	2024	2025	2026	2027	2028	Total
<b>OPERATING ACTIVITIES</b>						
Net Income	11,116,516,345.30	12,228,167,979.83	13,450,984,777.81	14,796,083,255.59	16,275,691,581.15	67,867,443,939.68
Sales PP Bags	5,483,811,931.13	6,032,193,124.24	6,635,412,436.67	7,298,953,680.33	8,028,849,048.37	33,479,220,220.74
Debtors	469,776,127.41	516,753,740.15	568,429,114.17	625,272,025.58	687,799,228.14	2,868,030,235.45
Prepaid Expenses	4,336,500.00	4,770,150.00	5,247,165.00	5,771,881.50	6,349,069.65	26,474,766.15
Changes in Stock & Inventory	383,894,593.50	422,284,052.85	464,512,458.14	510,963,703.95	562,060,074.34	2,343,714,882.78
Purchases	-3,423,403,896.00	-3,765,744,285.60	-4,142,318,714.16	-4,556,550,585.58	-5,012,205,644.13	-20,900,223,125.47
Tax Prepaid	-15,007,500.00	-16,508,250.00	-18,159,075.00	-19,974,982.50	-21,972,480.75	-91,622,288.25
Payroll Liabilities: Net Pay	-245,764,991.70	-270,341,490.87	-297,375,639.96	-327,113,203.95	-359,824,524.35	-1,500,419,850.83
Payroll Liabilities:HESLB Loan	-1,620,000.00	-1,782,000.00	-1,960,200.00	-2,156,220.00	-2,371,842.00	-9,890,262.00
Payroll Liabilities:NSSF Payable	-49,152,998.34	-54,068,298.17	-59,475,127.99	-65,422,640.79	-71,964,904.87	-300,083,970.17
Payroll Liabilities:PAYE/SDL Payable	-17,810,208.72	-19,591,229.59	-21,550,352.55	-23,705,387.81	-26,075,926.59	-108,733,105.26
Payroll Liabilities:Workers						
Compensation	-1,228,824.96	-1,351,707.45	-1,486,878.20	-1,635,566.02	-1,799,122.62	-7,502,099.25
Tax Liability:10% WHT on Interests	-3,620,700.00	-3,982,770.00	-4,381,047.00	-4,819,151.70	-5,301,066.87	-22,104,735.57
Tax Liability:10% WHT on Rent	-360,000.00	-396,000.00	-435,600.00	-479,160.00	-527,076.00	-2,197,836.00
Electricity	-351,972,000.00	-387,169,200.00	-425,886,120.00	-468,474,732.00	-515,322,205.20	-2,148,824,257.20
Casual labour	-21,631,867.50	-23,795,054.25	-26,174,559.68	-28,792,015.64	-31,671,217.21	-132,064,714.27
Other Operating Activities	-38,543,946.00	-42,398,340.60	-46,638,174.66	-51,301,992.13	-56,432,191.34	-235,314,644.72
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	<b>TZS 2,171,702,218.82</b>	<b>TZS 2,388,872,440.70</b>	<b>TZS 2,627,759,684.77</b>	<b>TZS 2,890,535,653.25</b>	<b>TZS 3,179,589,218.57</b>	<b>TZS13,258,459,216.12</b>
Net cash provided by operating activities	<b>TZS13,288,218,564.12</b>	<b>TZS14,617,040,420.53</b>	<b>TZS 16,078,744,462.58</b>	<b>TZS17,686,618,908.84</b>	<b>TZS19,455,280,799.73</b>	<b>TZS81,125,903,155.80</b>
<b>INVESTING ACTIVITIES</b>						
Building & Properties						0.00
Furniture & Fittings						0.00
Tools & Equipments	-20,000,000.00					-20,000,000.00
Tools & Equipments:Accumulated Depreciation						0.00
Tools & Equipments:Disposal						0.00
Net cash provided by investing activities	<b>-TZS 20,000,000.00</b>	<b>TZS 0.00</b>	<b>TZS 0.00</b>	<b>TZS 0.00</b>	<b>TZS 0.00</b>	<b>-TZS 20,000,000.00</b>
<b>FINANCING ACTIVITIES</b>						
Current Account	120,000,000.00	120,000,000.00	120,000,000.00	120,000,000.00	120,000,000.00	600,000,000.00
Loan - Long Term						0.00
Repayments of Long Term Loan	-45,758,239.62	-45,758,239.62	-45,758,239.62	-45,758,239.62	-45,758,239.62	-228,791,198.10
Loan - Short Term	114,620,000.00					114,620,000.00
Repayments of Short Term Loan						0.00
Net cash provided by financing activities	<b>TZS 188,861,760.38</b>	<b>TZS 74,241,760.38</b>	<b>TZS 74,241,760.38</b>	<b>TZS 74,241,760.38</b>	<b>TZS 74,241,760.38</b>	<b>TZS 485,828,801.90</b>
Net cash increase for period	<b>TZS13,457,080,324.50</b>	<b>TZS14,691,282,180.91</b>	<b>TZS 16,152,986,222.96</b>	<b>TZS17,760,860,669.22</b>	<b>TZS19,529,522,560.11</b>	<b>TZS81,591,731,957.70</b>

**NOTES OF ASSUMPTIONS**

1. Net income is projected to increase by 10% of the prior year's sales, and purchases are expected to increase by the same percentage.
2. Debtors Movement remains relatively constant but may vary seasonally, with a percentage change not exceeding 30%.
3. The inflation rate is assumed to remain constant, following the governed inflation rate.
4. Operating activities are expected to remain constant.

**ROCHLUNZU LIMITED REMARK**

The cash flow projection provides an estimate of Rochlunzu's cash position over the next 5years, based on the specified assumptions. It serves as a valuable tool for monitoring and planning financial activities, ensuring adequate liquidity to meet operational needs.