

GROWKING COMPANY LIMITED

BUSINESS PLAN FOR THE ESTABLISHMENT OF A HORTICULTURAL
PROJECT.

29TH NOVEMBER, 2024

EXECUTIVE SUMMARY

Company & Project concept.

Growking Company Limited is limited Company incorporated in Tanzania under the Company act of 2002. The Company was incorporated 26th March, 2024, and bears Certificate of Incorporation No. 173368232. The Company belongs to agriculture sector and specifically the Horticultural sector.

Company Objectives, Growking Company Limited is legally formed to fulfil the following objectives. To carry out the Cultivation, Propagation and export of Planting Material being seeds and cuttings for the Ornamental Industry worldwide, having a focus in Europe.

Purpose of feasibility report: This document is prepared to the serve the purpose as a feasibility study for Growking Company Limited for her Plant Propagation Project as well as to be submitted to TIC for an award of TIC Certificate of Incentives.

The project promoters, the project will be managed and operated by Growking Company Limited. The Company is owned by Dutch investors with the following current nominal shares distribution.

Mr Rene Kamphuis 50% holding 1 share

Mr Jan Albert de Jong 50% holding 1 share

Company Legality, the legal certificates and documents such as Memorandum and Article of Association, certificate of incorporation, justify that Growking Company Limited will be operating within the ambit of the law of the Land.

Project Organization Structure, the management of Growking Company Limited constituted by the following organization set up:- Board of Directors, who are responsible on the management on the entire operations of the Company.

Investment Structure, the project is estimated to cost total USD\$ 715,000.

Project will be financed by Share Holders Equity/Capital USD\$ 500,500 and a Loan of USD\$ 214,500.

Investments include;

Purchase and building of infrastructure such as, Boreholes, Greenhouses including inventory; such as irrigation, shade netting lighting. Cold room, Packing and Grading Area, Cultivation Equipment such as Tractor, Spraying Machines. Machinery and equipment to set up a Laboratory for production of Tissue Culture, and set up for production of biological agents for disease control such as Predatory Mites, Bacteria and Fungi.

BASIC INFORMATION

Name of company:	Growking Company Limited
Address:	P.O. Box 7335 Moshi
Telephone:	
Project Location	Moshi District, Kilimanjaro Region
Certificate of Incorporation no.	173368232
Sector	Agriculture
Sub sector	Horticulture
Total Cost of estimated Investment.	USD 715,000
Directors	i. Rene Kamphuis ii. Jan Albert de Jong

1. **PROJECT OBJECTIVES**

Growking Company Limited is legally formed to fulfil the following objectives, to carry out Plant Propagation and export business, specifically for the ornamental Industry in Europe, Asia and USA. The Company plans to produce biological agents, reducing the use of chemicals to a minimum thus complying with customer's demand.

The company plans to build Greenhouses, and production facilities for the production of bio-control agents. The company shareholders are:

- i. Rene Kamphuis
- ii. Jan Albert de Jong

1.1 **Key Region Objective / Strategy:**

The Promoters are well known in Dutch Horticulture and will produce in Tanzania, rooted and unrooted cuttings, the production will be based on an annual programme of delivery to the clients who have contracts with retailers. The strategy is to produce in large quantities, chemical free planting material. By producing rooted and unrooted plant material of different stages, Clients will rely more and more on the Company as a reliable supplier of plant material.

The Company is innovative in both assortment, and product-form of planting material, thus providing both quality and a broad assortment.

2. **LOCATION OF THE PROJECT**

Growking Limited will conduct this project on DAKAU, KIBOSHO, in Moshi District, Kilimanjaro Region.

3. **INVESTOR PROFILE/PROJECT PROMOTERS**

Name	Nationality	Shares%
Jan Albert de Jong	Dutch	50%
Rene Kamphuis	Dutch	50%

4. INVESTMENT COSTS

The total investment cost is US Dollars (\$) 715,000. The Investment Financing Plan is as follows;

Foreign Equity - USD 715,000

Year 1

The Investment Breakdown is as follows in USD \$

Greenhouses	400,000
Plant (Coldroom Packing Area)	20,000
Furniture & Fittings -	20,000
Pre-expenses (Building up of Motherstock and Lab facilities for Biological agents)	50,000
Working Capital –	30,000
Other investments, IT systems	37,500
TOTAL -	\$ 557,500

Year 3

Greenhouses	70,000
Plant (Coldroom Packing Area).	25,000
Increase Lab facilities, tissue culture	20,000
Vehicles Coldtruck	42,500
TOTAL -	\$ 157,500

4.1 Financial and Economic Analysis

The projection for financial statements was based on the following assumption: -

- The implementation of the project will cost USD 715,000

The capital expenditure will spread over a period of the five years

- Implementation cost take into consideration inflation rate/influx.

4.2 Financial Statement of Project

The financial projection is based on the assumption that the prices of input and output are accurately estimated over the project useful lifetime that is five - ten years. However be cause of unforeseen events in the future, the prices of these inputs and outputs will be adjusted accordingly in order to maintain objective of the company, that is maximizing next profit and in the cause of time to ensure customer satisfaction by providing the right product service at the right price and time. Expenditure items are as shown in the financial statements. They include all major costs items plus depreciation changes and financial charges. They are also listed under annual costs in the financial statements.

4.3 Projected Cash Flow Statement

The business has a positive net cash flow estimating that the project can be implemented. But also this guarantees the Company to meet its entire obligation.

4.4 Projected Business Scale/Production

The project can be considered as a medium to large scale operations as the average size of this type of operation is 5 – 30 hectares. Growking will eventually have 15 hectares under intense cultivation.

4.4 Projected Profit and Loss Amount

The computations of the company projected profit and loss account show a respectable turnover. The export business of plant-material is good, as it can be seen; the projected profit and loss of statement of the company is strong and sound. Hence the company is expected the following taxes; - Skilled Development Levy, Insurance, Land Rent Tax, PAYEE, NSSF & Corporate Tax.

4.5 Projected Balance sheet

The projected current assets and current capabilities estimates that the company financial status is strong. As the result we expect the company to meet all its financial and administrative transaction without difficulties.

5. MARKETS OVERVIEW

The current projected market for Growking is \$ 1.500.000 for rooted and unrooted cuttings, \$ 300.000 for Hybrid and OP seeds. It will take Growking 4 – 5 years to satisfy this demand.

6. ECONOMIC SWOT ANALYSIS

Strengths:

- Perfect Climate, and abundant high quality water resources
- Perfect infrastructure having Kilimanjaro Airport Nearby
- Well educated staff, and keen workforce
- One hour time difference with Key Market being Europe
- Expected stable Political environment and economic stability eg .stable exchange rate
- Government has simplified the establishment of new businesses.
- Tanzania has an agricultural backbone people are familiar with agriculture and horticulture

Weaknesses:

- So far bureaucratic and unnecessary laws such as OSHA regulations.
- Radiation Certificate needed for export of Seeds
- Poor system of Plant Health Service
- Unpredictable Tax regime such as refunds of VAT
- High fuel prices due to high government taxation
- Poor and unreliable Power supply

Opportunities:

- High demand for quality planting material as Growers in Europe and Asia have high energy and labour costs and are ready to pay extra for quality planting material that will reduce growing costs in expensive Greenhouses.
- Excellent climatical conditions due to perfect altitude and rain season, gives an advantage compared to neighbouring countries
- Flexibility in production of motherstock, thus being able to produce large volumes in a relative short period
- Pressure of plant diseases and pests is relatively low

Threats:

- Many obstacles for foreign investment due to bureaucratic attitude.
- Last few years an erratic rain season, extra investment is needed to protect crops
- Limited capacity of airfreight, as Tanzania has still low volumes compared to Ethiopia and Kenya
- Expensive supply chain of raw materials due to regulation and need for Pre-inspection of Horticultural inputs

7. INDUSTRY SWOT ANALYSIS**Strengths:**

- Demand for Seeds, and ornamental plants is growing
- Horticultural sector is highly innovative and is seen as one of the more sustainable Industries
- Diversity in varieties and growing methods will create more markets

Weaknesses:

- Constant adaption is needed to produce in more and more erratic climate conditions
- CO2 footprint of Airfreight needs to compensate for CO2 footprint for the same activity in Europe
- Price fluctuations in Airfreight need to be accommodated in price settings

Opportunities:

- Asia and USA are growing markets
- Tanzania has one of the best climates in the world for seed production
- Competition ex Asia and Latin America has reduced following increase in transport costs world wide

Threats:

- Tanzania has a poor reputation to implement Phytosanitary guidelines (one example is the slow response to implement protocols for Xylella)
- Business environment is not conducive as there is a wide range of taxations,

8. MARKET SUPPLY AND MARKET SHARE

The market for Plantmaterial is dominated by a handful of Multinationals having their own setup in countries like Kenya and Ethiopië. These Companies control the major crops such as Pelargonium and Chrysanthemum. Growking is targeting the segment of Tropical plants such as Chlorophytum, Dieffenbachia and Peperomia, in this segment varieties are royalty free, and 40 – 50 % of the demand for cuttings of these

varieties can be produced by Growking. In terms of Market Share in the Total segment of Tropical plants Growking could achieve 5 % in Europe 2 % in USA and in terms of Hybrid seeds 3 % of for example Hybrid Seed demand can be supplied.

Growking will have agreements with the bigger Dutch Growers and supply on basis of exclusivity of “new” and trendy varieties. In other words, Growking is not producing a commodity but is producing on demand, and follows client needs in a business to business model.

8.1 Main players from the region and their sizes

In Tanzania; Africa Roots Ltd (2.5 hectare) is active in the same segment as Growking although having less area and producing specific varieties.

Multiflower Ltd in Arusha (5 hectare) is producing for a specific market as well being Lavandula, Pelargonium and Schlumbergera

Dummen Tanzania (15 hectare) is active in Kalanchoe and Pelargonium but is part of a Multinational.

In Kenya, Ethiopië and Uganda various companies are active in various segments of plant reproductions in Total an estimated 250 hectares is being cultivated with various varieties in East Africa, Companies like Syngenta, Florensis, Beekenkamp, Selecta have operations in Kenya Uganda and Ethiopië, estimated area 150 hectares.

9. COMPETITOR REVIEW

As mentioned, Growking will not compete in a commodity market but has found profitable niches. This business model is common in the sector, and most competitors follow this model. One reason is the various climate zones in Uganda Kenya and Ethiopia and the diversification of the client base having a wide variety of cultivations

The Multinationals active in this market follow a different strategy and compete on variety level, promoting their own varieties that are licensed and grower right protected.

10. SOCIAL AND ECONOMIC IMPACT OF THE PROJECT

The proposed project will result into the following social and economic impacts:

- The proposed project in investment will provide employment to more than 650 people

- The Government and other agencies will benefit from various taxes, fees and commissions that will be paid to the government by Growking Limited.
- The Company will set up a Saccos where workers can benefit from collective purchase power and a Credit and Savings scheme.

PROJECTED INCOME & EXPENDITURE STATEMENT						
		YR 1 USD	YR 2 USD	YR 3 USD	YR 4 USD	YR 5 USD
Sales Revenue		1,225,000	1,347,500	1,482,250	1,630,475	1,793,523
Cost of Sales	0.612	750,000	825,000	907,500	998,250	1,098,075
Gross Profit		475,000	522,500	574,750	632,225	695,448
General Administrative and Other Expenses:		305,000	320,250	336,263	353,076	370,729
Depreciation		60,000	60,000	85,000	85,000	110,000
Operating Profit		110,000	142,250	153,488	194,149	214,718
Finance Costs		28,000	25,200	22,400	19,600	16,800
Profit before Tax		82,000	117,050	131,088	174,549	197,918
Tax (30%)		24,600	35,115	39,326	52,365	59,375
Profit After Tax		57,400	81,935	91,761	122,185	138,543
		<i>57,400</i>	<i>139,335</i>	<i>231,096</i>	<i>353,281</i>	<i>491,823</i>
PROJECTED BALANCE SHEET						
		YR 1 USD	YR 2 USD	YR 3 USD	YR 4 USD	YR 5 USD

Fixed Assets						
Long-term Assets		600,000	600,000	850,000	850,000	1,100,000
Depreciation		60,000	20,000	205,000	290,000	400,000
Total Long-term Assets		540,000	480,000	645,000	560,000	700,000
Current Assets						
Cash		3,120	80,958	35,063	137,054	95,518
Accounts Receivable		122,500	134,750	148,225	163,048	179,352
Stock		150,533	175,674	180,892	186,509	190,321
Total Current Assets		269,913	391,382	294,054	486,610	465,191
Total Assets		809,913	871,382	939,054	1,046,610	1,165,191
Current Liabilities						
Accounts Payable		77,913	81,932	88,631	95,965	103,992
Income taxes payable		24,600	35,115	39,326	52,365	59,375
Subtotal Current Liabilities		102,513	117,047	127,958	148,330	163,368
Long-term Liabilities						
Long-term Loan		350,000	315,000	280,000	245,000	210,000
Net Liabilities		452,513	432,047	407,958	393,330	373,368
Capital and Reserves						
Owners Contribution		300,000				

			300,000	300,000	300,000	300,000
Retained Earnings		57,400	139,335	231,096	353,281	491,823
Total Capital		357,400	439,335	531,096	653,281	791,823
Total		809,913	871,382	939,054	1,046,610	1,165,191
		-	-	0.00	0.00	-
PROJECTED STATEMENT OF CASH FLOWS						
CASH PROVIDED BY THE FOLLOWING ACTIVITIES						
OPERATING		YR 1 USD	YR 2 USD	YR 3 USD	YR 4 USD	YR 5 USD
Net earnings		57,400	81,935	91,761	122,185	138,543
Depreciation		60,000	60,000	85,000	85,000	110,000
Change in working capital accounts		117,400	141,935	176,761	207,185	248,543
Accounts receivable		-122,500	12,250	13,475	14,823	16,305
Inventory		-150,533	25,141	5,218	5,617	3,812
Other assets		600,000	-	250,000		250,000
Accounts payable		77,913	4,019	6,700	7,333	8,028
Income taxes payable		24,600	10,515	4,211	13,039	7,011
Total		-770,520	-22,858	-257,782	-68	-255,079
FINANCING						
Repayment of long- term		0	- 35,000	- 35,000	- 35,000	- 35,000

loan		350,000	0	-	0	0
Owners Contribution		300,000	0	-	0	-
CHANGE IN CASH		-120,520	-57,858	-292,782	-35,068	-290,079
CASH BEGINNING OF						
THE YEAR		-	-3,120	80,958	-35,063	137,054
CASH, END OF THE						
YEAR		-3,120	80,958	-35,063	137,054	95,518
		3,120	80,958	35,063	137,054	95,518
OPERATING COSTS		YR 1 USD	YR 2 USD	YR 3 USD	YR 4 USD	YR 5 USD
Depreciation		60,000	60,000	85,000	85,000	110,000
Operating profit		110,000	142,250	153,488	194,149	214,718
TOTAL		170,000	202,250	238,488	279,149	324,718
COST INVESTMENT STRUCTURE AT FULL CAPACITY						
Current assets	Rate	USD				
Working capital		-3,120				
Opening stock		150,533				
Account receivable		122,500				
		269,913				
Property and Equipment						
Long - term assets		600,000				

Depreciation	-10%	-60,000				
		540,000				
Total Assets		809,913				
Current Liabilities						
Account payable		77,913				
Income tax payable		24,600				
		102,513				
Owner's Equity						
Cash						
Contributed asset value		300,000				
Less Retained Earnings		57,400				
		357,400				
Total		459,913				