

Simba Beverages Limited-Business Plan

CONTENTS

	PAGE
0 EXECUTIVE SUMMARY	2
1 INTRODUCTION	3
2 THE COMPANY	3
3 MANUFACTURING SECTOR IN TANZANIA	4
4 COMPANY BUSINESS	4
5 MANAGEMENT	5
6 PROJECT IMPLEMENTATION	5
7 INVESTMENT AND FINANCING	5
8 FINANCIAL EVALUATION	5
9 SENSITIVITY ANALYSIS	8
10 CONCLUSION	8

APPENDIX

8: A Financial projection assumption

0 EXECUTIVE SUMMARY

Simba Beverages Limited is a newly formed company that will be in the business of Manufacturing of Wine products for various customers in and out of the country.

The company was incorporated in Tanzania on 23 January 2024 under the company act 2002 as a Limited Company, with certificate of incorporation no.171619556. Its business particulars are as follows:

Business name: Simba Logistics Limited
Postal address: P.O.Box.11869,Dar es salaam
Physical address: Plot No. 2030 Block U Kilwa Rd, Dar es salaam
Business form: Limited liability company
Director: Mr Vijaya Mohan Reddy Uppalapadu Prathakota ;Holds 1500 shares
Mr Mahesh Anreddy; ;Holds 1500 shares

Authorized share Capital: Tshs. 30 Million

The director intend to invest a total of uS\$1,800,000 in the company of which US\$800,000 is to be raised through a term loan

Financial projection show that the project is profitable.Net profit is positive for The entire period under consideration rising for US\$173,729 in the first year of Operation to US\$466,897 in year 8. Accumulated profits amount to US\$ 2.3 million.And cumulated cash amounts to US\$0.98 million at the end of the eighth year of

Operation .Net profit margin is 11 percent and return on investment 19 percent. Sensitivity analysis shows that keeping operational costs in check would greatly Improve the cash flow of the company

1. INTRODUCTION

The demand for Locally Manufactured Beverages in Tanzania has provided opportunities and spurred the Distilling sector. The Distilling sector is one of the growing sectors in Tanzania thanks to improvements investment relations between the Private Sector and Government and the availability of ready market for Beverages. Taking advantage of this opportunity, the Directors of Simba Beverages limited decided to invest in the Distilled Beverages business; they formed and registered the company for that purpose.

2. THE COMPANY

The company was incorporated in Tanzania on 23 January 2024 under the company

Act 2002 with the certificate of incorporation No.171619556 and its business particulars Are as follows:

Business name: Simba Logistics Limited

Postal address: P.O.Box.11869,Dar es salaam

Physical address: Plot No. 2030 Block U Kilwa Rd, Dar es salaam

Business form: Limited liability company

Director: Mr Vijaya Mohan Reddy Uppalapadu Prathakota ;Holds 1500 shares
Mr Mahesh Anreddy; ;Holds 1500 shares

Authorized share Capital: Tshs. 30 Million

3. MANUFACTURE OF BEVERAGES SECTOR IN TANZANIA

The Consumption of beverages i.e Wine etc, in Tanzania and all over the world has increased with the high awareness of the digestive, curative & luxurious ingredients in Naturally produced Wine and related products. Coupled with the availability of the under listed natural raw materials in Tanzania, this has influenced the directors to venture into this business.

1. Tangawizi(Ginger)kgs
2. Bulezi (Millet)kgs
3. Kechu (Pepper)kgs
4. Murondo kgs
5. Yeast kgs
6. Asali (Natural Honey)kgs
7. Chai (Tea) kgs

The above factors combined with the ready market within and outside Tanzania has greatly driven the directors to venture into the Wine Manufacturing Industry which once it kicks off will be a major contributor of tax revenue to the exchequer as well as offer employment opportunities to a considerable number of Tanzania Citizens.

During the last 10 years there has been significant improvement in the road & railway Systems. More kilometers of road has been surfaced or upgraded. The rail system has been improved to high speed SGR Electrical system. The Air ways have been improved through the refurbishment of the Tanzania Airlines. The goal is to reach all areas by road or by rail or by Air hence offering the required infrastructure to transport and market the manufactured products which is ideal to the wines manufacturing & marketing business.

4. COMPANY BUSSINESS

The company's main business will be Manufacturing for Sale of Natural Wine products to various Customers. Major customers will be Distributors, Wholesalers and Retailers of Wine and other Beverages of which there is a ready market for our manufactured products in Tanzania and Neighboring Countries as well as Export to Asia, Europe and the far Eastern Countries.

The company is to start off with the production of 23,000 cartons of wine per month selling at USD\$ 6.42 each leading to production of 50,000 Cartons towards the 8 year as per our assumptions and projections.

The land to be acquired at Mbagala site in Dar es salaam, is a 5-acre plot which will provide adequate space for the operations of the company.

5. MANAGEMENT

One of the Directors of the company, Mr.Vijaya Mohan Reddy, has Long experience (10 Years) in the Manufacture of Wine products Business. He will be the key manager in Running the company

6. PROJECT IMPLEMENTATION

Implementation starts in October 2024 once we acquire all the necessary incentives and licenses.

7. INVESTMENT AND FINANCING

Total investment in the project is US\$ 1,800,000 as follows:

Asset	Value (US\$)
Land	250,000
Buildings	600,000
Plant & Machinery	650,000
Trucks and Equipment	250,000
Office equipment	30,000
Pre- operational Expenses	20,000
Total Investment	1,800,000

The investment is to be financed as follows:

	<u>US\$</u>
Equity (Own funds)	1,000,000
Term loan	800,000
Total	1,800,000

8. FINANCIAL EVALUATION

Financial Projection Assumptions

Assumption adopted in preparing financial projections for the project are detailed in Appendix 8: A Here we discuss key financial assumptions as following

- Loan interest is 8.5 percent per annum repayable in 8 years.
- Financial projections cover a period of eight years

- Revenues and expenses have been estimated based on production of initial 23,000 cartons of wine per month; this is a conservative estimate that allows for the revenue to be maintained at an increasing projection over the project period leading to a progressive rate of 50,000 cartons per month on the 8 year.
- We have applied zero inflation rates on revenues and operating expenses on the premise that any increase in operating expenses due to inflation would be matched by a corresponding increase in charges for products and services in Tanzania Shilling terms.

Financial Results

Financial project results are given in Table 8.1 and the highlights are discussed below.

>Project income Statements

Revenue is maintained at an increasing tangent at US\$ 1.7 Million in the 1st year to 3.8m in the 8th year over the project period. Net profit is positive for the entire period rising from US\$ 173,729 in the first year of operation to US\$ 466,897 in year 8. Cumulative retaining profit for the 8-year period amounts to US\$ 2.3 Million.

Net profit margin is, on average, 11 percent, return on equity 112 percent and return on investments 19 percent, well above the interest rate on the loan. These figures indicate that the project is profitable.

>Projected Balance Sheets

Total assets worth US\$ 2.6 Million at the end of the first year of operation increase to US\$ 4.11 Million at the end of the eight year of operation. Fixed assets valued at US\$ 1.59 million at the end of year 8; no major reinvestment is envisaged during this period.

>Projected Cash Flows

The project posts cash surplus averaging US\$ 122,848 per year over the 8-year period. Cumulated cash balance at the end of the eight-year amounts to US\$ 982 million.

SIMBA BEVERAGES LIMITED

P.O BOX 11869, Dar es Salaam, Tanzania

FINANCIAL PROJECTIONS FOR 8 YEARS

TABLE-8.1 Financial Reports

PROJECTED INCOME YEARLY STATEMENTS

Figures in US Dollars	PROJECTED INCOME YEARLY STATEMENTS							
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8
Revenue	1,71,920	1,926,000	2,157,120	2,301,200	2,542,320	2,850,480	3,312,720	3,852,000
Operating Expenses	1,47,536	1,540,800	1,725,696	1,848,960	2,033,856	2,280,384	2,650,176	3,081,600
Depreciation	21,200	20,776	20,360	19,953	19,554	18,780	18,404	18,404
Profit Before interest & Tax	333,184	364,424	411,064	442,287	488,910	550,933	643,764	751,996
Term Loan(interest)	85,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000
Profit Before Tax(30%)	248,184	279,424	326,064	357,287	403,910	465,933	558,764	666,996
Corporate Tax	74,455	83,827	97,819	107,173	121,773	139,780	167,629	200,099
Profit After Tax	173,729	195,597	228,244	250,101	282,737	326,153	391,135	466,897
Dividends								
Profit for the Year	173,729	195,597	228,244	250,101	282,737	326,153	391,135	466,897
Retained profit(Cumulative)	173,729	369,326	597,570	847,671	1,130,408	1,456,561	1,847,696	2,314,593
Net profit % of Revenue	10	10	11	11	11	11	12	12
ROE:Net Profit% of Equity	17	20	23	25	28	33	39	47
ROE:Net Profit + Interest % of Investment	14	16	17	19	23	23	26	31

PROJECTED BALANCE SHEET

Capital Employed	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Share Capital	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Retained Profit	173,729	369,326	597,570	847,671	1,130,408	1,456,561	1,847,696	2,314,593
Term Loan-Local Bank	700,000	600,000	500,000	400,000	300,000	200,000	100,000	-
Total	2,673,729	2,769,326	2,897,570	3,047,671	3,230,408	3,456,561	3,747,696	4,114,593
Represented By								
Fixed Assets	1,728,800	1,708,024	1,687,664	1,667,700	1,648,156	1,628,993	1,610,213	1,591,809
Net Current Assets	944,929	1,061,302	1,209,907	1,379,961	1,582,252	1,827,568	2,137,482	2,522,784
Net Assets	2,673,729	2,769,326	2,897,570	3,047,671	3,230,408	3,456,561	3,747,696	4,114,593

PROJECTED CASH FLOW

Cash Inflows								
Equity	1,000,000							
Term Loan-Local Bank-1	800,000							
Profit Before Tax	248,184	279,424	326,064	357,287	403,910	465,933	558,764	666,996
Depreciation	21,200	20,776	20,360	19,953	19,554	18,780	18,404	18,404
Total Cash Inflows	1,800,000	300,200	346,424	377,240	423,464	485,096	577,544	685,400
Cash Out Flows								
Investment/Reinvestment	1,800,000							
Loan Repayment	185,000	185,000	185,000	185,000	185,000	185,000	185,000	185,000
Corporate Tax	74,455	83,827	97,819	107,173	121,773	139,780	167,629	200,099
Total Cash Outflows	1,800,000	268,827	282,819	292,166	306,173	334,780	352,629	385,099
Net Cashflows	9,979	31,373	63,605	85,054	117,291	150,316	224,915	300,301
Cumulative Cashflows	9,979	41,302	104,907	189,961	307,252	457,568	682,482	982,784
Debt Service Coverage Ratio		1.04	1.12	1.22	1.29			
Average Debt Service Recovery Ratio					1.17			
				7				

9. SENSITIVITY ANALYSIS

Three factors – revenue, operational costs, and investment cost – have been used for sensitivity analysis because they have direct impact on the operational viability of the project. We have applied a 10 percent change for each factor and the results are summarized in **Table 9.1**

The base case indicates a net profit margin of 11 percent, return on investment of 19 percent and a debt service cover ratio of 1.17 Table 9.1 shows that an increase of 10 percent in operational costs has the highest negative impact on project cash being associated with the lowest ratios. However, the same increase in investment cost has the least impact. The profitability of the project will be improved if operational costs are kept in check.

Table 9.1 **Sensitivity Analysis: Changes in Basic Ratios**

Factor	Average		
	Net Profit Margin	Return on Investment	Debt Service Coverage Ratio
Base case	11%	19%	1.17
Revenue down by 10%	10%	15%	0.99
Operations costs up by 10%	6%	13%	0.89
Investment cost up by 10%	10%	15%	1.17

10. CONCLUSION

The proposed project constitutes substantial investment in the Manufacturing sector in Tanzania. Financial analysis shows that the project is viable and, therefore, worth supporting.

SIMBA BEVERAGES LIMITED

P.O BOX 11869, Dar es Salaam, Tanzania

FINANCIAL PROJECTIONS ASSUMPTIONS

FROM-2025

Appendix-8.1

Figures in US Dollars where applicable

YEAR	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	
PARAMETERS									
Total Investment	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	
Equity	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	
Loan Interest Rate %	0.085	0.085	0.085	0.085	0.085	0.085	0.085	0.085	
Tanzania Tax Rate	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	
Tanzania Vat	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	
REVENUE									
No Wine Cartons per Month	23,000	25,000	28,000	30,000	33,000	37,000	43,000	50,000	
Earning per Month per Carton(US\$)	6.42	6.42	6.42	6.42	6.42	6.42	6.42	6.42	
Months in a Year	12	12	12	12	12	12	12	12	
TOTAL REVENUE	1,771,920	1,926,000	2,157,120	2,311,200	2,542,320	2,850,480	3,312,720	3,852,000	
OPERATING EXPENSES									
Production Material(35% Revenue)	620,172	674,100	754,992	808,920	889,812	997,668	1,159,452	1,348,200	
Labour & Fuel(15% Revenue)	265,788	288,900	323,568	346,680	381,348	427,572	496,908	577,800	
Maintenance(20% Revenue)	354,384	385,200	431,424	462,240	508,464	570,096	662,544	770,400	
Other Costs (10% Revenue)	177,192	192,600	215,712	231,120	254,232	285,048	331,272	385,200	
TOTAL OPERATION EXPENSES	1,417,536	1,540,800	1,725,696	1,848,960	2,033,856	2,280,384	2,650,176	3,081,600	
ASSETS & ADDITIONS									
Land	250,000								
Buildings	600,000								
Plant & Machinery	650,000								
Trucks & Equipment	250,000								
Office Equipment	30,000								
Pre-Operational Expenses	20,000								
Total	1,800,000								
DEPRECIATION									
	Depreciation Schedule-LAND			Depreciation Schedule-BUILDINGS			Depreciation Sched. Plant Machinery+Trucks & Equipment		
	Value	US\$	Depr. Rate	Value	US\$	Depr. Rate	Value	US\$	
Depreciation Period	8 Years	0%	0%	8 Years	2.0%	2.0%	8 Years	25%	
Year	Value	Depreciation	Balance	Value	Depreciation	Balance	Value	Depreciation	
0	170,000	0	170,000	600,000	0	600,000	900,000	0	
1	170,000	0	170,000	600,000	12000	588,000	9200	460,000	
2	170,000	0	170,000	588,000	11760	576,240	9016	450,800	
3	170,000	0	170,000	576,240	11525	564,715	8836	441,784	
4	170,000	0	170,000	564,715	11294	553,421	8659	432,948	
5	170,000	0	170,000	553,421	11068	542,352	8486	424,289	
6	170,000	0	170,000	542,352	10847	531,505	8316	415,804	
7	170,000	0	170,000	531,505	10630	520,875	8150	407,487	
8	170,000	0	170,000	520,875	10418	510,458	7987	407,487	
								399,338	
								391,351	