

NILE POINT INTERNATIONAL LIMITED

P.O. BOX 78468,
DAR ES SALAAM.

Feasibility Study Report

On

Establishment of
A MODERN ALCOHOL AND DRINKING WATER MANUFACTURING PLANT.

In

Kanyala - Geita, Tanzania

Prepared for
M/s NILE POINT INTERNATIONAL LIMITED
P. O. BOX 78468,
DAR ES ALAAM

Date: September 26, 2024

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1. Introduction

This feasibility study report is being prepared for M/s Nile Point International Limited, of P.O. Box 78468, Dar es Salaam, Tanzania, hereinafter referred to as NPIL. NPIL has ventured into a project to manufacture alcoholic drink, notably gin, as well as pure drinking water and other allied products.

The feasibility study is a comprehensive assessment that evaluates financial investments on plant and warehousing infrastructure, imports of production line (plant machineries), operational and market viability of a planned project in Kanyala, Geita Township.

The spirits drinks and drinking water feasibility report also provides fact-based insights into the likelihood of meeting project expectations and ensuring social - economic soundness.

Furthermore, this project feasibility study considers the country's economic trends, demographics, the current market situation, competitive landscape, and key factors influencing the development of this project within the manufacturing industry. With the above leads, the investors behind this project are well determined with adequate financial resources to ensure a successful business task from its inception.

By and large, the gin alcoholic drinks and drinking water feasibility report in Geita, Tanzania outlines the costs and activities required for set up and operation within the industry. It delves into business strategy and necessary investments to ensure a successful venture into the target market.

The feasibility analysis offers realistic projections of revenue and profit expectations, empowering investors and stakeholders to make informed decisions about the project's viability.

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

The investors behind this project are keenly working adhere to all compliance and resolved to significantly invest in quality assurance and standardization, thus winning more consumers and discouraging excessive imports.

Most of the information have been complied by the investors' own research and study in Tanzania and is first hand information. The financial factor has also been worked out on the basis of market and cost information provided by the investors allied to the project.

2. Company Details:

Registration:

M/S NPIL was registered with the Registrar of Companies on 15TH of November 2007 as a limited liability company. The Authorized share capital of the company is same as the paid-up share capital. The registration number of the company is 62999.

The major business of the company since its inception, among others, includes: Marketing research and public opinion polling; Advertisement; Warehousing and storage; Cargo handling; Service activities incidental to land transportation; Construction of buildings.

Investors/Shareholders & Directors:

The Shareholders of NPIL are as under:

Name of the Share Holder	Nationality	% Holding
NURU JULIUS MKUWA P.O.BOX 76277 DAR ES SALAAM	TANZANIAN	5% shares
ILIVIN MGETA MGANGA P.O.BOX 76277 DAR ES SALAAM	TANZANIAN	35% shares

The first directors of the company are:

01. NURU JULIUS MKUWA
02. ILIVIN MGETA MGANGA

Location of the proposed project site:

The company's registered office address is at House No. 85, Sinza C Street, Posta Road in Dar es Salaam, Tanzania. The site for aforementioned project shall be situated at Plot No. 62, Block K, at Kanyala, Geita Town Council. Geita is ranked among the top 5 regions with high population growth rate.

Two paved trunk roads pass through the region from east to west: road T3 from Kahama to the Rwanda border, passes through the south of the region, while road T4 from Mwanza to Bukoba passes through the north of the region. This is a significant factor for logistical network to capture the regional market.

Rubondo Island National Park is located on an island in Lake Victoria that is a part of Geita Region. It can be reached by ferry from Geita and Chato Districts. Currently the Kigongo – Busisi Bridge is being built to connect the Mwanza Region to the Geita Region across the Gulf of Mwanza of Lake Victoria.

3. About the Project:

The investors have kept aside some funds for a twin-project, namely spirits (gin) production line and bottled drinking water at Kanyala in Geita region as described below:

3.1 Gin Spirits Production Line:

NPIL has ventured into this business due to its potential market as well as favourable business environment under the patronage of Tanzania Investment Centre (TIC).

Spirits, in the context of beverages, refer to a category of alcoholic drinks that have been distilled to achieve a high alcohol content, typically exceeding 20%. It's crucial to note that while spirits offer unique flavours and textures, their high alcohol content requires they be consumed responsibly.

This explanation is strictly related to gin spirits in the context of alcoholic beverages, the term 'spirits' can have different meanings in other contexts. It should be acknowledged that some of the commonly consumed spirits include vodka, gin, rum, tequila, whiskey, and brandy, each varying in their base ingredients and aging process.

Thus to cater for the potential market demand, the high standard automated gin production line will have the minimum capacity to produce over 4,000BPH [bottles per hour] of gin; on schedules for 200ml and 2500BPH in 750ml. This will be a game changer to the economic trends not only to the lake zone, but also to the national coffers through various revenue taxes and levies.

3.2 Drinking Water Production Line:

On the other hand, the emergence of the packaged and bottled water enterprises has not only just provided profit, employment opportunities, stability and source of revenue to the government; it has also served as a medium of economic development because unavailability of water constraints economic growth and social development.

Water, apart from being absolutely essential for life, is also the most common, most widely distributed and most useful liquid on earth. It is the most precious natural resource that exist on our planet.

Accessibility and availability of fresh clean water is a key to sustainable development and an essential element in health, food production and poverty reduction. Drinking water is an integral component and indispensable requirement in life. It therefore cannot be substituted for any other fluid, according to various sources.

The drinking water investment at Kanyala site in Geita will oversee the production of 3,000BPH [bottles per hour] of drinking water packaged in 500ml and 2000BPH in 1000ml PET bottles. This project entails state of the art water treatment system of 2 cubic meter of water per hour; a state of the art fully-fledged industrial water laboratory unit; automated filling system and bottled packing unit.

In this context, the project investors are determined to procure top-notch production line to accommodate the manufacturing of both, spirits (gin) and drinking water products. NPIL has already procured production line from outside the country. The machineries that now awaits importation includes but not limited to:

- Top quality industrial water treatment system,
- Highest standard mixing system
- Top-notch filling system for spirits, pure drinking water with its accessories.
- Top quality bottled packing unit for spirits, pure drinking water with its accessories
- Fully-fledged industrial laboratory unit,
- High quality moulded glass bottles & caps
- High standards PET moulds for bottled drinking water
- A state-of-the-art standby generator

At the moment, the construction of the company's own production site to accommodate the production line is at advanced stage at Kanyala and would be completed soon.

The project is envisaged to create at least 150 direct employment opportunities and substantial jobs indirectly. Apart from adding to the wealth of the nation, the business shall also increase the purchasing power of the community thereby leading to an overall increase in demand for other supplementary

products, which shall in turn lead to better social-economy milestones.

4. Project Location & Inputs:

Since the project is related to manufacturing of alcohol and drinking water, which is an outcome of specialized processes, there were several factors to influence the plant location. These include the region's economic activities, demographic and demand for high quality and standards locally produced products. Above all, viable logistical infrastructure, adequate power supply to the plant and adequate manpower among others were some of the most considered criteria.

Thus it was upon the investors, after thorough evaluation to ultimately come to a conclusion that the project should be situated in Geita. As a strategic manufacturing location, Geita region shall also play a crucial role as one of the most important market as well as playing a significant role as the main distribution centre to other potential markets within and beyond the region.

5. Tanzania's Economic Perspective

According to Tanzania's National Bureau of Statistics (NBS), the economy of Tanzania expanded 5.6% year-on-year in the first quarter of 2024, up from a 5% growth in the previous three-month period.

Real GDP growth is projected at 5.7% in 2024 and 6% 2025, driven by agriculture, manufacturing, and tourism and supported by public investments and reforms to improve the business environment as recorded by Africa Economic Outlook (AEO) 2024.

Real GDP grew 5.3% in 2023, up from 4.7% in 2022, driven by agriculture, construction, and manufacturing on the supply side and private investments on the demand side. Inflation is projected to decline to 3.3% in 2024 and 3.4% in 2025, helped by stability in food and energy prices.

Furthermore, an investment like this comes at a time where the manufacturing sector has shown steady growth over the years, registering 8.3% annual growth rate and a small contribution of 8.1% to the GDP, as shown in the Tanzania Investment Centre (TIC) portal.

TIC expounds that the sector employs around 306,180 workers mainly in the urban areas. The sector contributes to the Tanzania economy through revenue collection of import and export sales, corporate tax, and income tax, contributing about 18.1% foreign exchange to the government. The project will therefore, significantly contribute towards the economy in the same drive.

6. Market Analysis

The Tanzania spirits market size reached US\$ 731.9 Million in 2023, according to Research and Markets, the world's largest market research store. Looking forward, the market expects to reach US\$ 1.56 billion by 2032, exhibiting a growth rate (CAGR) of 8.82% during 2023-2032.

Among other factors, the development of the hospitality sector has created a sustainable market for both local and international spirits, offering a promising avenue for further growth and diversification within the industry. In addition, the rapid growth of online sales platforms and home delivery services has made it easier for consumers to access a wide variety of spirits without needing to visit physical stores.

On the other hand, the gin segment within Tanzania's spirits industry is experiencing a significant growth influenced by the expanding consumer preference for diverse and unique

flavor profiles, and gin, with its various botanical infusions. Along with this, the rising cocktail culture, particularly in urban cities, also contributes significantly to gin's popularity, as it is often a key ingredient in many mixed drinks.

Nevertheless, bottled water market in Tanzania is expected to register a CAGR [Compound Annual Growth Rate] of 4.5% during the forecast period covering 2020-2026. The rising health awareness, increasing disposable income and changing lifestyle among people are driving the growth of the market. This is a significant information to NPIL project being developed in Geita.

Moreover, growing demand for healthier beverages and convenience products is likely to support market growth in future. Additionally, government initiatives such as plastic waste management systems are driving players to introduce eco-friendly packaging solutions into their product portfolio which will also fuel the growth of Tanzania bottled water market in upcoming years

In confluence with this, the growing segment of health-conscious consumers is favoring gin due to its relatively low-calorie content compared to other spirits. Additionally, advancements in distribution networks, through digital platforms, have increased the accessibility of a wide variety of gin brands, thus stimulating demand.

The convenience of online shopping and the ability to explore a vast array of products from the comfort of home has contributed to a rise in demand for spirits. Apart from this, new technologies in manufacturing, packaging, and distribution allowing businesses to optimize their operations, improve the quality of their products, and reach a wider consumer base are contributing to the market.

Moreover, advancements in packaging technology enabling companies to preserve and present their products more attractively is creating a positive market outlook.

6.1 Rising middle-class population/Disposable income

The expanding middle class has led to an increase in disposable income. This trend is fostering a change in consumption patterns, particularly among younger generations, who are now more inclined to explore new and diverse alcoholic beverages, including spirits and bottled drinking water. As the economic landscape continues to grow, so does the demand for higher-quality spirits, which were previously considered luxury item.

Along with this, the purchasing power of the middle class has made international brands more accessible, and local manufacturers have responded by upgrading their offerings to meet this new standard. The overall increase in spending capacity has had a substantial impact on the spirits industry, encouraging innovation, increasing competition, and broadening the market's reach.

6.2 Evolving urban lifestyle/Cultural influence

Tanzania's urbanization drive is another major factor for the spirits industry as well as bottled drinking water. As cities and urban areas grow, there is a natural blending of cultures, with international influences becoming more prominent.

This has led to a broadening of tastes and preferences, with city dwellers showing a greater interest in trying different types of spirits, both locally produced and imported. The same applies to bottled drinking water.

Nightlife culture, bars, and restaurants have also grown, creating new opportunities for the spirits industry. In confluence with this, the integration of spirits into social gatherings, celebrations, and leisure activities is shaping consumer behavior, making it a driving force in the industry's growth.

6.3 Demographic perspective

The choice of Geita as a strategic location for the project has been carefully considered. Geita is a town and regional capital of Geita Region in northwestern Tanzania. The fastest growing town is known for its gold trade.

With a population of 318,006 (2022 census), Geita is ranked among the top 5 regions with high population growth rate. Geita region is bordered to the east by Lake Victoria, Mwanza Region and Shinyanga Region. The region is bordered by Tabora Region and Kigoma Region to the south and south west respectively. To the west, Geita borders Kagera Region. This is also strategically a potential market under the investors' perspectives.

The regional economy is dominated by the extraction industry especially the mining gold. The Geita Gold Mine (GGM) is the largest mining operation located within Geita Region, 4 km west of the town of Geita. The mine is currently being owned and managed by AngloGold Ashanti. Other major industries in the region is agriculture and fishing.

7. Investors & management

The importance of well-informed investors and professional management can never be over estimated for a successful implementation of the any project. It is said that well – knowledgeable and professional management can make even a not so viable project otherwise and vice-a- versa.

8. Manufacturing process & technology

The proposed plant at Kanyala in Geita is geared at manufacturing alcoholic drinks and drinking water by adhering to highest quality and standards. The supplier of the plant machineries is one of the best in the world and strictly observes international standards on their supplies. This includes several high quality SUS316 imported 10,000 litres storage tanks with 3mm thickness.

With semi-automated technology, the plant will be one of the best in Geita. The process will entail technology transfer to the local engineers who will be tasked with the daily running of the production system. Suppliers' expatriate will be in the country to install the production line and spend some time to train local technicians at the production line.

The plant will also be equipped with the state-of-the art standby generator to run the plant in case of grid power interruptions.

9. Manpower

Despite the fact that the production line will be equipped with automatic machines, there are significant numbers of works that will have to be done manually like packaging, technical staff, sales and marketing to name but a few. NPIL will hire one expatriate to oversee the operations supported by a 50 local staff. These staff will be guided and trained by the expatriate to oversee the daily running of the production line.

Organization hierarchy shall be as under: -

- a. **Top level**
Chairman cum Managing Director
General Manager
- b. **Middle Level**
Production Manager
Chief Engineer
Finance Manager
Sales & Marketing
Manager
- c. **Lower Level**
Production Supervisors
Personnel and Administrative Officer
Accounts Officer.
Sales Officer

NPIL shall endeavor to promote local staff as much as possible to ensure maximum desired productivity. In that context, training of staff members will be guaranteed in every production section to suit the market needs for better productivity. It's an employee policy at NPIL that a motivated and skilled manpower can bring in positive performance to the company and its competitive sector as a whole.

10. Cost of the project & means of finance

A. Cost of the project: -

Sr. NO.	Details	US \$
1	Land & Building	350,000
2.	Plant & Machinery	300,000
3.	Furniture, Computers & Fixtures	80,000
4.	Vehicles	100,000
5.	Pre-operating Costs	70,000
7.	Initial working capital	100,000
	Total Cost of the Project	1,000,000

B. Means of Finance

Sr. NO.	Details	US \$
1	Equity	
2	Loan	
	Total Means of finance	1,000,000

The total capital investment to the project consisting of both phases has been estimated at US\$ 1,000,000 as can be seen from the above chart flow. As indicated above, major part of the expenses involved will be on plant, warehousing, complete production line and vehicles.

Besides, considerable financial facilitation will be required during the production take-off which has been grouped under the pre-operating and initial working capital costs. The first phase of the project will be implemented within a span of three months while the second phases will be completed within a span of nearly 21 months.

11. Details of plant & machinery to be imported is as under

Sr. NO.	Description
01	Cranes –
02	Fork Lifts
03	Industrial back up generator
04	2T/H Water treatment system
05	Mixing system
06	Filling system for glass bottle
07	Filling system for PET
08	Bottled packing unit for glass bottle
09	Bottled packing unit for PET
10	Industrial laboratory equipment
11	Glass bottle and caps
12	Water Pumps
13	Automatic 2 cavity bottle blowing system
14	Empty bottle in-feed & air conveyor unit
15	Vehicles for marketing and distribution
16	Air conditions
17	Office furniture
18	Warehouse building materials

The in-house utility vehicles will be needed to transport the finished goods from the factory to the buyers' place and also for moving the logs within the factory premises wherever required. Pre-operating costs will take care of the preliminary expenses, such as travel costs, including accommodation charges, professional charges for preparation of reports, etc, and shall also cover for the initial joining costs of various key personnel till the real operations commence.

Initial working capital shall those items that are required as part of the base of the business and includes, but is not limited to, deposits for utilities, rent, down payments for insurance and lease purchases, purchase of office supplies and incidentals and petty cash. The investors to the Geita project have secured adequate financial resources and are committed inject into the running of the project as and when required.

12. Project implementation schedule

As indicated earlier, the entire project will be implemented in two phases within a period of 24 months. The first phase is expected to be completed within a span of nearly two to three months and the next phase is expected to be completed in another 21 months.

The initial capacity shall be 5,000 bottles of 200ml/750ml per hour. Similar production line for water will be observed. This is approximately a minimum of 50,000 litres per day when the production line runs 10 hours per day.

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

Sr. No	Activity	Completion Period
01	Procurement of the production line and negotiations with foreign company suppliers, including visiting the manufacturers under KYC.	Jan/May 2024
02	Land acquisition and construction of plant facilities in Geita	April 2024
03	Placement of orders for the production unit, down payment.	May/June 2024
04	Placement of glass bottles/PET moulding for spirits production	June /Aug. 2024
05	Shipment of machineries from abroad	Oct/Nov. 2024
06	Installation of production line	Nov/Dec. 2024
07	Commencement of production line trials	December 2024
08	Commencement of commercial Operations.	Dec. 2024/Jan. 2025

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

Sr. NO.	Activity	Completion Period
01	Site facilities construction & Factory Construction	February 2026
02	Factory Shed Complete & Plant Layout finalized for implementation.	April 2026
03	Order placement for various machineries, recruitment of key personnel	May 2026
04	Installation of production line	October 2026
06	Commencement of trial runs	October/Nov. 2026
07	Commencement of commercial operations.	December 2026

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

13. Project financials

13.1 Assumptions

- a) The rate of one US\$ is equal to T.shs 2,600/=
- b) Required labor force will be available
- c) Required permits will be granted within the limited time schedule to ensure implementation as per schedule.
- d) The first phase will be operational within a span of three months.
- e) The second phase will take nearly 21 months to complete after the start of first year and will increase the capacity to 40,000 litres per day.
- f) Total investment will be US\$1,000,000
- g) The project will have own finance
- h) Land has been acquired for site development
Import duty exemption and deferment of VAT will be available on import of plant and machinery.

14. Social & Development Benefits:-

◆ Employment creation

As it has been earlier presented, this project will provide direct employment opportunities to more than 150 locals comprised of skilled, semi- skilled and un-skilled class. One expatriate will also be employed as per the requirement of the project on temporary contract for technical skills transfer.

Furthermore, this direct employment of individuals will generate indirect employment for more than 500 individuals. In a nutshell it can be concluded that this project will have a very positive impact on the level of employment thus compliment the government's efforts in job creation.

◆ Transfer of technology

As a manufacturing project with the automated state-of-the-art technological equipment, the project is significant when it comes to knowledge transfer. The country will get the advantage of value addition due to such incoming technology. Machinery manufacturers expatriate will be in the country for the installation of production line, where apart from ensuring a smooth operation, they are also obliged, as per contract, to train local experts for sustainable running of various sections of the plant. Through this endeavour, the country will reduce its dependence on imports for the finished products manufactured by this project.

◆ Contribution to the exchequer.

This project will contribute substantially to the communities in general and to the exchequer in particular. The contributions will be in the form of employments, corporate social responsibilities (CSR), taxes, levies, among others. Besides, the project, will have a significant contribution to the national welfare schemes as as social security funds.

◆ Positive cascading impact on the nation's economy.

This project will have overall positive impact to the nation. It will not only save the most needed foreign currency reserves of the country by reducing imports of substitute products, exporting products to foreign markets,

especially owing to the fact that Geita is relatively closer to several neighboring countries.

15. Conclusion & Recommendation: -

Industrial development has been an integral part of Tanzania's development strategies in the post-independence era. In fact it has been expected by policy makers to lead the process of transforming the country's economy from low productivity and low growth to high productivity and dynamic economy, associated with structural change, sustained income growth and adoption of modern technology in production circles.

- ◆ The project will significantly add value to the country's industrialization drive and broaden the manufacturing base. In fact, manufacturing contributes twice as much to productivity growth relative to its share of overall employment compared to other sectors.
- ◆ With the state-of-the-art machineries, the project is geared at bringing not only the latest technology but also of high quality and standards in the relevant field and will ensure training or development of skilled labour force in the country with the best on-job for a competitive market.
- ◆ The project will add value to Geita regional development owing to the fact that it's a new regional headquarter and need new sources of products, employment and revenue. Manufacturing lends itself to spatial concentration, creates opportunities for capital accumulation and economies of scale, and leverages the trend toward increased urbanization.
- ◆ As demand for manufactured goods is expected to grow, this trend will offer opportunities to enhance the region's manufacturing base and satisfy domestic demand. In this context, the advantage will be the faster the growth of the manufacturing sector, the faster the productivity of the non-manufacturing sector. The faster the growth of the manufacturing industry, the faster the total GDP growth.

Therefore, an increase in manufacturing output further induces production in the manufacturing sector as well as in other sectors through direct production linkages and indirect multiplier effects, hence driving the growth of the whole economy in Tanzania as a whole.

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