

# **BUSINESS PLAN**

**For**

## **Financing Machineries & Equipment in the establishment of new Ginnery Plant for Cotton Processing**

**May, 2024**

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**Prepared by**

**NAXA CONSULTING GROUP**

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## **1.0 EXECUTIVE SUMMARY**

SHREE RAJENDRA AGRO INDUSTRIES LIMITED (SRAIL) is a limited liability company incorporated on 24th November 2023 under the laws of the United Republic of Tanzania and issued with Certificate of Incorporation No. 170315162. The company is owned by MITESH K.J SUMERMAL (30%), BHAWESH .C. GANDECHA (15%), PAYAL .B. GANDECHA (15%), SURMERMAL .T. JAIN (10%), RAHUL JAIN (15%) and PRASHANT .K. JAIN (15%). SRAIL was formed to develop and operate ginnery plant at Nghami Industrial Area in Maswa District, Simiyu Region, Tanzania which will process cotton for exportation and oil for human consumption. The planned cotton ginnery plant will have capacity to process 100 tons of cotton seeds per day.

The project entails construction of factory building, purchase and installation of plant and machinery, acquiring supporting equipment, acquiring motor vehicles for raw materials carriage and working capital to finance purchase of raw materials and meet initial operating cost. The total project cost is estimated at USD 5 million and is proposed to be funded by loan from reputable Financial Institutions amounting to USD 5 million repayable in ten (10) years after a grace period of two years at interest rate of 3% per annum.

The company will use cotton seeds as the main raw materials to process cotton for export purposes. The company has established strategies to get adequate raw materials to feed the plant including using contract farming with commercial farming companies, individuals and out-growers scheme.

## **2.0 INTRODUCTION OF THE BUSINESS PLAN.**

### **2.1 Overview of This Business Plan.**

This business plan has been written to SHREE RAJENDRA AGRO INDUSTRIES LIMITED with two main objectives;

**2.1.1** To be used as a guiding tool to support the inauguration and operation of the new plant based on the financial and human resources the company have and what are aspirations in the coming 5 years of business operations.

**2.1.2** To serve as the basis to assess company`s need of receiving tax incentive from **Tanzania Investment Centre (TIC)** based on the financial resources to support the project which will eventually attract revenue generation and employment creation.

Research and market analysis have been conducted to assess the viability and applicability of the nature of this business, the outcome of the research provided concrete evidence to support this line of business. Furthermore, the preliminary financial and investment projections demonstrate the business will generate substantial income from this project because of having reliable markets to sell the products.

### **2.2 Purposes of the Proposal**

The specific purposes of this proposal are:

- Assess the viability of proposed line of business.
- Review general viability of the proposed business, the supply and demand situation in the market, and the amount of financing required as additional working capital.
- Discuss the technical, management, and operational options of the business.
- Analysis the operational and management aspects of the company to determine its capability by considering the industry challenges and overall growth of the company.

## **3.0 COMPANY BACKGROUND**

### **3.1 Ownership**

SHREE RAJENDRA AGRO INDUSTRIES LIMITED was registered six months ago with certificate of incorporation number 170315162 dated 24<sup>th</sup> November 2023 by Business Registration & Licensing Authority (BRELA) in Dar es Salaam, Tanzania under the Directorship of:

(1) BHAWESH CHANDULAL GANDECHA (15%), a plastic recycling expert and industries operators with 15 years of field experience and unmatched experience in management of reputed businesses.

(2) MITESH KUMAR JAIN SUMERMAL (30%), who has 10 years of unmatched experience in management of various reputed businesses.

### **3.2 Location and Facilities**

The Company's head office is located in the house number 412, plot number 151/152 block F, Nyakato Industrial Area, Ilemela District in Mwanza City. The project new site will be at Nghami Industrial Area, in Maswa District, Simiyu Region. This location is strategic for the company's management and future expansion.

### **3.3 Mission**

Become the largest supplier of high quality processed cotton in Tanzania for exportation purpose at the highest standards of industrial practices, creating sustainable value to shareholders, employees, suppliers, customers, business partners, host communities and environment sustainability by optimizing the company's resources.

### **3.4 Vision**

To become the largest supplier of high quality processed cotton to Tanzania and East and Central African Countries.

### **3.5 Business Strategy**

To set up ginnery plant for cotton processing at Simiyu Region which is considered as strategic location and proximity to Mwanza, Shinyanga, Tabora and Dodoma regions which produce cotton for exportation.

### **3.6 Strategic Objectives**

1. To be a respectable and reliable company in the fields of cotton processing industry, which has been making progress continuously in the world and our country.
2. To develop continuously with principle of quality management services quality that provided by considering the competition, productivity, and profitability with values which requires high responsibility ,discipline and with our competent manpower.

### **3.7 Keys to Success**

The Company has been promoted by directors who command a wide network of contacts and clientele in processing industry and its businesses operational area:

- Seasoned management with over 15 years of business experience in production and trading of recycling industry.
- Focused and well-defined long-range goals for longevity. Our plan has been developed to allow flexibility and growth.
- Strong marketing goals with niche products and services; targeted services and products delivered with unique marketing approaches.

#### **4.0. BUSINESS OPERATIONS AND PRODUCT DESCRIPTION**

The project will be implemented at Simiyu Region which is known for abundant production of sunflower and cotton crops over years. Simiyu region is also surrounded by Mwanza, Tabora and Shinyanga which are also known regions in Tanzania for production of sunflower, cotton and groundnuts seeds which are main raw materials for the project. Singida, Dodoma, Simiyu and Shinyanga Regions support production and trading of sunflower, cotton and groundnuts seeds as main economic activities because these are main source of income to the people of these Regions to get basic needs. Sunflower, cotton and groundnuts seeds are main raw materials to produce edible oil. Shinyanga, Simiyu, Dodoma and Singida Regions produce cotton, groundnuts and sunflower seeds in excess of demand as a result; the surplus are sold to other regions in Tanzania.

##### **4.1 Products Description**

Sunflower, groundnuts and cotton seeds are dominant crop in different parts of Tanzania including Singida, Shinyanga, Dodoma, Simiyu etc. These are staple crop which are processed to edible oil by using mechanical extraction milling process. Edible oil obtained by milling of groundnuts, cotton seeds and groundnuts is a source of energy and carbohydrate to human being. Sunflower edible is mostly preferred by consumers because it has no cholesterol and hence good health to human being compared to other edible oils. Primary product delivery from milling of sunflower, cotton and groundnuts seeds is edible oil and seeds meal. There is also production of husks and hexane in the production process of edible oil which are also useful. Tanzania has average per capita edible oil consumption of 8.3 kg per annum.

## **5.0 INDUSTRY AND MARKET ANALYSIS**

### **5.1 Economic Outlook**

Many prominent economic reviews on Tanzania's economy (The World Bank, African Development Bank, Deloitte and the like) rate Tanzania's economic condition as being gradual but stable. While observing that a slowdown in the economic system has greatly impacted individual liquidity squeeze, business attrition and slow private sector growth, the reviews generally agree that the economy will continue to enjoy a prolonged, stable growth.

### **5.2 Market and Demand Outlook**

The Government of Tanzania is encouraging investment in cotton processing industrial project to provide market to farmers' crops, create employment opportunities and foreign currency saving for exportation. As any other business, SRAIL will operate project not only to offer customers an unforgettable experience but to also make profit whilst ensuring that can favorably compete with other competitors in the same industry.

## **6. SWOT ANALYSIS**

### **6.1 Strengths**

- a. The project will be implemented under turnkey contract and hence it is expected to be implemented on time and within budget.
- b. The shareholders will use their local knowledge and maintaining firm and good relationship with many local communities and commercial businessmen which will be instrumental in the market penetration and overall product acceptance.
- d. The management team has vast experience for more than 20 years in the areas of manufacturing and processing.
- e. The project will be implemented in Simiyu Region which is also proximity to Shinyanga, Mwanza and Tabora Regions. These regions produce adequate raw materials for the project.

### **6.2 Weakness**

- a. It is a start-up project which may face challenge to get funds from commercial banks to finance the project. Solution for this is to seek funds from investors and development banks both locally and internationally.
- b. The project will use cotton as the main raw materials for the project. As with all agriculture, is one that is the mercy of nature due to weather variation but the project will enjoy the most stable agricultural weather climates of Singida, Simiyu, Shinyanga and Dodoma Regions produce huge sunflower seeds, cotton seeds and groundnut.
- c. Establishing ginnery plant requires a relative large capital investment.

### **6.3 Opportunities**

- a. There is a high demand for processed cotton in Tanzania as well as in East African and SADC Countries and world at large.

b. The project is supported by the Government of Tanzania aiming at promoting investments in industries particularly for projects which reduce importation of goods from abroad and add value to agricultural products.

d. There is enough fertile land in Singida, Dodoma, Simiyu and Shinyanga to produce sunflower seeds, cotton seeds and groundnuts the main raw materials for the project to produce edible oil.

#### **6.4 Threats**

a. Competition is expected from the local industries to process cotton which may affect the project. However demand for processed cotton is higher than supply which provides additional investment opportunities.

b. The East Africa community common market can also act as a threat to small and new industries especially in the Tanzania market.

#### **7.0 Implementation schedule**

The project implementation schedules cover the activities starting from the project planning, evaluation, approval, testing, trial-run and commissioning. The implementation program requires a total of 18 months starting from the project approval up to plant commissioning and starts commercial production.

The cost for project implementation shall include project management, project design, detail engineering, procurement of plant and machinery, erection and commissioning, consultancy services and personnel training. The table below indicates processes, activities and time frame for project implementation.

<b>Start- up Schedule</b>	<b>Particular/Activity</b>	<b>Time frame (Months)</b>
1	Approval of Credit Facility	2 Months
2	Legal Documentation	1 Month
3	Disbursement	1 Month

4	Importation and Installation of cotton plant and supporting equipment and purchase of trucks	10 Months
5	Trial running and Commissioning	2 Month
7	Starting Commercial Production	2 Months
<b>Total</b>		<b>18 Months</b>

SRAIL will be staffed with eligible personnel with corresponding authority and responsibility for achievement goals and objectives of the company. The highest body of company will be Board of Directors responsible for handling policy issues, approving strategic plan and follow up activities of General Manager.

The project implementation arrangement will be under turnkey contract. The machinery manufacturer will carry out the detailed engineering design, manufacture all the plant & machinery, equipment, install and commissioning the functioning facility or asset to SRAIL. The manufacturer will execute and deliver the project within an agreed time and budget under Turn Key Contract.

## **8. ENVIRONMENT AND SOCIAL IMPACT**

In adherence to regulations, the company obtained environment guidelines from National Environment Management Council regarding milling project. The following environment factors have been considered in order to protect environment as well as to comply with other regulatory bodies including OSHA, TBS.

### **a. Factory Design**

The factory designs are planned properly in a way that not only is environmentally friendly but also aesthetically appealing. The facility will comprise of the processing plant, office space, warehouse, an open and a reserve water tank which will be designed to allow adequate ventilation and lightning to minimize energy consumption.

### **b. Plants, Machinery and Equipment**

The equipment designs make and capacity ratings have been carefully selected based on their suitability and minimal environmental emissions as advised by industrial experts.

### **c. Waste Disposal**

The production process flow is environmentally friendly as the waste will be very minimum in the edible oil milling plant and will be conserved. The by products from the production will be sold to animal feeds producers. The company will install EFTP – Effluent Treatment plant to clean the processed water used in plant during processing and refining of oil. With this plant, the company will be able to reuse this water for gardening, cleaning and other activities within factory.

## **9.0 ORGANIZATION STRUCTURE AND MANAGEMENT**

### **9.1 Organization Structure**

The organization structure will be staffed with eligible personnel with corresponding authority and responsibility for achievement goals and objectives of the company. The highest body of the company is Board of Directors responsible for handling policy issues, approving strategic plan and follow up activities of the General Manager.

The General Manager is accountable to the Board of Directors and responsible for planning, executing, monitoring and controlling whole activities of the company. Further to that, General Manager will be responsible for management of day to day business operations and will lead five departments as follows:

#### **a. Human Resource and Administration Department**

This is the main department which will handles all matters of the company. It will be responsible for rules and regulations, security of the employees and other facilities to workers. This department also encircles quality control, production, security and information technology departments.

#### **b. Commercial Department**

This will be the most important department of the company. It is responsible for management of finance, sales and marketing activities of the company.

#### **c. Procurement, Stores and Logistics Department**

This is the most important department of the factory. The function of this department is to deal with raw materials procurement and logistics as well as handling store goods.

#### **d. Production Department**

The main function of production department is to produce maximum high quality of products. The department has to maintain a quality standard for products and their raw materials which are being tested with different laboratory. The department will also handle the equipment in the process and packing house

## **e. Mechanical Department**

The mechanical department is merged with electrical department and has mechanical workshop that provides all equipment for smooth running of the plant. In case of failure of machine or any part this department is responsible for repair. The operation activity of mechanical department is to provide mechanical and electrical maintenance and repair.

## **9.2 Governance Structure**

The company will operate as a medium scale edible oil milling project. Since the scale of operation is relative medium, there will be a diversified Board of Directors with Board Charter will be formed to manage the project. The Board of Directors will be involved with numerous responsibilities among others including:

- Oversee management, finances, and quality;
- Set strategic direction of the company;
- Build community relationships;
- Establish ethical standards, values, and compliance; and
- Select General Manager and monitor his or her progress.

## **9.3 Staff Plan**

The total manpower required for the project is 57 people for production operations, marketing and administration with a total wage bill of USD 38,400 per month. The table below indicates staff plan for the project.

- Shareholders
- Board of Directors
- General Manager
- Commercial Manager Procurement & Logistics Manager
- Production Manager Human Resource and Administration Manager
- Technical Manager.

<b>Details of Human Resource Title</b>	<b>Number of Employee</b>	<b>Monthly Salary (USD)</b>	<b>Total Monthly Salary (USD)</b>
General Manager	1	3,500	3,500
Commercial Manager	1	2,500	3,500
Procurement and Logistics Manager	1	2,500	2,500

Production Manager	1	3,000	3,000
Technical Manager/Quality Controller	1	3,000	3,000
Accountant	2	650	1,300
Marketing Officer	2	650	1,300
Procurement Officer	2	650	1,300
IT Officer	1	700	700
Supervisor	3	1,000	3,000
Maintenance Technician	2	650	1,300
Workers - Adm & milling Operations	40	350	14,000
<b>Total</b>	<b>57</b>	<b>38,400</b>	

## 10. INVESTMENT COST AND FINANCING PLAN

### 10.1 INVESTMENT COST

The total project cost is estimated at **USD 5 million** made up of the following items

- a. Land and Buildings
- b. Plant & Machinery:
- c. Supporting equipment (Generator, weighbridge, Tanks and transformers)
- d. Furniture and Fittings
- e. Motor vehicles
- f. Pre-operation Expenses
- g. Initial Working capital to cater for raw material, electricity, water, salaries, packing materials and marketing and distribution expenses. The table below indicated details of estimated investment cost.

	<b>Items</b>	<b>Amount-USD</b>
1	Land and Buildings	1,029,187
2	Supporting Equipment	443,787
3	Plant & Machinery	2,000,000
4	Furniture, Fittings and Fittings	25,751
5	Motor Vehicle	230,764
5	Pre-operation Expenses	20,511
6	Initial Working Capital	1,250,000
<b>Total</b>		<b>5,000,000</b>

## 10.2 FINANCIAL ASSUMPTIONS BEHIND THE PROJECT TO BE IMPLEMENTED

PROJECT DESCRIPTIONS	
a	The project will be the processing of cotton for exportation
b	The daily capacity of the plant is 100 ton/day
c	Production will be grown by 25% year on year whilst the selling prices are assumed to be the same throughout
d	The direct costs are raw materials will take up to 45% of the total revenue

## 10.3 SALES FORECAST / REVENUE PROJECTIONS

The Project has much expectation on having great sales as the number of clients are expected to be high due to growing on demand of processed cotton and supplying growing year on year. And these sales will be increasingly based on the current and future demand.

**We have depicted the financial highlights and analysis for the projected 5 years of operations.**

Revenue Projections						
"USD"	Year 1			Year 2		
	Quantity(Ton)	Selling Price	Revenue	Quantity(Ton)	Selling Price	Revenue
Proceeds from sale of edible oils	36,000	1,980	71,280,000	45,000	1,980	89,100,000
Proceeds from sale of by products	5,400	300	1,620,000	6,750	300	2,025,000
<b>Total Revenue</b>			<b>72,900,000</b>			<b>91,125,000</b>

Year 3			Year 4			Year 5		
Quantity(Ton)	Selling Price	Revenue	Quantity(Ton)	Selling Price	Revenue	Quantity(Ton)	Selling Price	Revenue
56,250	1,980	111,375,000	70,312.50	1,980	139,218,750	87,891	1,980	174,023,438
8,438	300	2,531,250	10,546.88	300	3,164,063	13,184	300	3,955,078
		<b>113,906,250</b>			<b>142,382,813</b>			<b>177,978,516</b>

The reason behind the growth of revenue is supported by the fact that the un limited demand of processed cotton quantities taking into the level of massive investment in the operational efficiency of the project to curb all the opportunities as market potentials.

## 10.4 PERSONNEL PLAN ANALYSIS

"USD"	Qt	Year 1	Year 2	Year 3	Year 4	Year 5	
<b>Net Revenues</b>		72,900,000	91,125,000	113,906,250	142,382,813	177,978,516	
<b>Staff Salaries</b>	<b>Monthly Income</b>						
General Manager	1	3,500	42,000	44,100	46,305	48,620	51,051
Commercial Manager	1	2,500	30,000	31,500	33,075	34,729	36,465
Procurement Manager	1	2,500	30,000	31,500	33,075	34,729	36,465
Production Manager	1	3,000	36,000	37,800	39,690	41,675	43,758
Technical Manager	1	3,000	36,000	37,800	39,690	41,675	43,758
Accountants	2	650	15,600	16,380	17,199	18,059	18,962
Marketing Officers	2	650	15,600	16,380	17,199	18,059	18,962
Procurement Officers	2	650	15,600	16,380	17,199	18,059	18,962
IT Officer	1	700	8,400	8,820	9,261	9,724	10,210
Supervisor	3	1,000	36,000	37,800	39,690	41,675	43,758
Maintenance Supervisor	2	650	15,600	16,380	17,199	18,059	18,962
Operations Staff	40	350	168,000	176,400	185,220	194,481	204,205
<b>Total Salary</b>			<b>448,800</b>	<b>471,240</b>	<b>494,802</b>	<b>519,542</b>	<b>545,519</b>
<b>Benefits</b>							
Percent (%)			10%	10%	10%	10%	10%
Total benefit costs			44,880	47,124	49,480	51,954	54,552
<i>Total S &amp; M Compensation</i>			493,680	518,364	544,282	571,496	600,071
% of Revenue			0.7%	0.6%	0.5%	0.4%	0.3%

The projected staff costs are in consideration from the investment in the newly expansion phase of the project with experienced staff team which will yield the maximum output in the coming phases of productions. The staff budget is in line with the expected levels of operating income and we are comfortable.

At full capacity the plant will have a total of 57 staff with different disciplines with vast experiences in the manufacturing, finance and marketing and strategic business experts.

## 10.5 DIRECT COSTS ANALYSIS

"USD"	Year 1	Year 2	Year 3	Year 4	Year 5
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Revenue	72,900,000	91,125,000	113,906,250	142,382,813	177,978,516
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### Cost of Revenue

Raw materials purchasing + processing costs	32,805,000	41,006,250	51,257,813	64,072,266	80,090,332
Other overhead costs	3,645,000	4,556,250	5,695,313	7,119,141	8,898,926
<b>Total Direct Costs at 100% capacity</b>	<b>36,450,000</b>	<b>45,562,500</b>	<b>56,953,125</b>	<b>71,191,406</b>	<b>88,989,258</b>

<b>Gross Profit</b>	<b>36,450,000</b>	<b>45,562,500</b>	<b>56,953,125</b>	<b>71,191,406</b>	<b>88,989,258</b>
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	% of Revenue	50%	50%	50%	50%	50%
Salaries and wages		493,680	518,364	544,282	571,496	600,071
Insurance		15,000	16,500	18,150	19,965	21,962
Utilities		30,000	33,000	36,300	39,930	43,923
Miscellaneous expenses		10,000	11,000	12,100	13,310	14,641
<b>Total Administrative and Operating costs</b>		<b>548,680</b>	<b>578,864</b>	<b>610,832</b>	<b>644,701</b>	<b>680,597</b>

### Other Expenses

Loan repayments	-	-	-	-	-
Depreciation	14,550	15,278	16,041	16,843	17,686
<b>Total Cost of Revenues</b>	<b>563,230</b>	<b>594,142</b>	<b>626,874</b>	<b>661,545</b>	<b>698,282</b>
% of Revenue	0.8%	0.7%	0.6%	0.5%	0.4%

### Allocation of Cost of Revenue between:

Variable	36,450,000	45,562,500	56,953,125	71,191,406	88,989,258
Fixed	548,680	578,864	610,832	644,701	680,597
<b>Total</b>	<b>36,998,680</b>	<b>46,141,364</b>	<b>57,563,957</b>	<b>71,836,108</b>	<b>89,669,854</b>

The components of direct costs (costs of revenue) are in line with the targeted levels of production revenue which give us comfort in the generation of strong operating income which will lead to sustainable profitability. The projected operating income are promising which will be able to cover both short-term and long-term obligations on time without delay.

## 10.6 INCOME STATEMENT ANALYSIS

"USD"	Year 1	Year 2	Year 3	Year 4	Year 5
<b>NET REVENUES</b>	72,900,000	91,125,000	113,906,250	142,382,813	177,978,516
<b>DIRECT COSTS</b>	36,450,000	45,562,500	56,953,125	71,191,406	88,989,258
% of Revenues	50%	50%	50%	50%	50%
<b>EARNINGS FROM OPERATION</b>	36,450,000	45,562,500	56,953,125	71,191,406	88,989,258
% of Revenues	50%	50%	50%	50%	50%
<b>ADMINISTRATIVE AND OPERATING COSTS</b>	563,230	594,142	626,874	661,545	698,282
% of Revenues	1%	1%	1%	0%	0%
<b>PROFIT BEFORE TAX</b>	35,886,770	44,968,359	56,326,251	70,529,861	88,290,976
% of Revenues	0%	0%	0%	0%	0%
<b>TAXES</b>	10,766,031	13,490,508	16,897,875	21,158,958	26,487,293
<b>NET EARNINGS</b>	25,120,739	31,477,851	39,428,376	49,370,903	61,803,683
% of Revenues	34%	35%	35%	35%	35%
<b>Cumulative Earnings</b>	<b>25,120,739</b>	<b>56,598,590</b>	<b>96,026,966</b>	<b>145,397,869</b>	<b>207,201,552</b>

The Comprehensive Income analysis of the project is one among the things showing the going concern of this business and likelihood survival in next three decades. The Company's projected numbers are showing consistency in the making profitability. This will be tremendous increasing a year to year thus showing business efficiency and prosperity in the coming phases of production.

## **11 CONCLUSION AND RECOMMENDATIONS**

The Company is planning to open ginnery plant for cotton processing in Simiyu Region, Tanzania. The promoters are confident that the project will operate successfully of which investors and lender are assured their return of capital to be invested due to the following reasons;

- a. The company will recruit competent management team to run the project.
- b. The project will be implemented under turnkey contract and hence implementation, completion and operation risks will be mitigated.
- d. The project is located in Simiyu Region where the availability of cotton as the main raw materials is not a problem.
- f. The infrastructure to facilitate production is available at the project site.
- g. The project is technically, financially and commercially feasible and hence worth for implementation and hence it worth for implementing.