

# **BM OIL COMPANY LIMITED**

**FEASIBILITY STUDY**

**FOR THE**

**MANUFACTURING FACILITIES FOR PRODUCTION**

**OF**

**HIGH-QUALITY REFINED PALM OIL**

**Prepared for  
BM OIL Company LIMITED  
P.O. Box 896  
Arusha**

## **1.0 EXECUTIVE SUMMARY**

### **1.1 Introduction**

This report is for **BM OIL COMPANY LIMITED**, a company registered in Dar-es-salaam that intends to establish a processing facility to process crude palm oil to produce refined edible palm oil. The plant plans to cater to the requirements of locals, foreigners, various industries, supermarkets, retail shops, and wholesalers operating in Tanzania. The Business Plan's main purpose is to outline to the Investment Centre **BM OIL COMPANY LIMITED** request for the certificate of incentives. The Plan has been prepared based on the prevailing business environment taking into consideration marketing aspects, especially sales growth and also profit margin trends

### **1.2 THE PROJECT**

The basic objective of the project is to establish facilities to produce refined edible palm oil with a focus on sustainability, innovation, and excellence, and also commit to quality and environmentally responsible practices to be positioned as a trusted partner in the global palm oil supply chain. The refined palm oil will be directly sold to most regions of Tanzania including supermarkets, retail shops, and wholesalers operating and also outside Tanzania and out to the neighbouring countries. It is estimated that the project will be implemented within 3 years starting in 2025.

### **1.3 PROMOTERS/ SPONSORS;**

The project is sponsored by **BM OIL COMPANY LIMITED** and was Established on **19th December 2024** with Incorporation Number

**180594345. BM Oil Company limited** will specialize in the manufacturing of high-quality palm oil. The owners over time have been able to initiate various businesses including that of Transportation and Manufacturing of various products in Tanzania, and are well-operated. The companies established by these promoters are active along the entire value chain of consumer goods and their retail presence ranges from plastic products to confectionaries & trading, with a clear focus on their customers. The Promoters having successfully turned around most of their companies decided to embark on another venture in Tanzania to establish facilities to refine crude oil to produce edible palm oil. The investment will be undertaken through BM Oil Company Limited.

#### **1.4 LOCATION**

**BM Oil Company Limited** has decided to set up crude oil processing facilities to produce refined edible oil at plots no: - **Plot No. 2990 & 2991, Malula Village, Arumeru District, Arusha, Tanzania** This piece of land is considered as being ideal for the establishment of a palm oil processing facility.

#### **1.5 The company**

**BM Oil Company Limited** is a limited liability company, incorporated in Tanzania under the COMPANY ORDINANCE of 2002 under Certificate of Incorporation no: **180594345** dated 19<sup>th</sup> December 2024. All the shareholders and directors of the company are well-experienced businessmen with a strong financial backup and sound financial track record

The shareholders of the company are ;

<b>Shareholder</b>	<b>Nationality</b>	<b>Shares In %</b>
<b><i>Sandesh Kumar Aggarwal</i></b>	<b><i>Tanzanian</i></b>	<b><i>60</i></b>
<b><i>Jagjitraj Budhram Aggarwal</i></b>	<b><i>Tanzanian</i></b>	<b><i>40</i></b>

## **1.6 Capital Investment Plan and Sourcing of Funds**

M/S **BM Oil Company Limited** proposes to invest **USD 2,500,000** for this project. The breakdown of the relevant costs is as shown below:

<b>Item</b>	<b>Amount</b>	<b>Total</b>
Land/Building ( <i>land development, irrigation and factory building</i> )	200,000	200,000
Plant	2,005,000	2,005,000
Vehicles	90,000	90,000
Furniture & Fittings	15000	15000
Pre-expenses	65,000	65,000
Others	25,000	25,000
Working Capital	100,000	100,000
<b>TOTAL</b>	<b>2,500,000</b>	<b>2,500,000</b>

## **1.7 Financing**

The total investment cost of the project is planned to be financed by the shareholders retained earnings and the term loan. Retained earnings will be about 25% and 75% will be the term loan **USD**

	<b>Amount</b>	<b>Total</b>
Owners' Equity (12%)	300,000	300,000
Long term loan (88%)	2,200,000	2,200,000
<b>Grand Total</b>	<b>2,500,000</b>	<b>2,500,000</b>

## **1.8 MARKET**

Tanzania total cooking oil demand is 570,000 tons (which include Palm Oil demand of 500,000 tons) of which is presently imported. The demand is expected to increase year by year and projected to increase to 700,000 tons in 2030. Potential statistics shows that the demand for Oil Palm would continue to grow at least be 5%. All palm oil produced will be marketed in the northern Zone and there is a definite scope for export of these goods to neighbouring countries and also sell to the rest of Tanzania. M/S **BM Oil Company Limited** team shall take proactive marketing and promotional strategy to ensure that the company achieves high turnover of sales through sales made to corporate customers. In order to achieve optimal business turnover management shall design and implement the marketing strategies; The machines selected for the project are based on latest technologies where it will assure high quality conforming to the international standards.

## **1.9 Estimated Financial**

The project envisages an investment of US 2.5 million in the Establishment of its edible palm oil. It is estimated that the plant will operate at 60% capacity in the 1<sup>st</sup> year, 80% in the second year and shall reach 100% capacity utilization by the 3<sup>rd</sup> year. Based on a set of assumptions given here in the project, it demonstrates a profitable trend in its future operations. The project's Income Statement and Cash Flow indicate that M/S BM Oil Company Limited Palm oil project would be able to recoup the planned investment funds for its investment programme. This indicates that the project is financially and economically viable.

## **1.8 Developmental Linkages:**

Upon completion of the Implementation programme of the Palm oil processing facility, the project will be capable of creating the following:

- ◆ Generating foreign exchange through exports
- ◆ Create employment for the local indigenous people of about 120 People
- ◆ Promote inter-regional trade through exports to neighbouring Democratic Republic of Congo, Uganda and Burundi just to mention a few.
- Enable the creation of forward linkages between production and distribution sector.
- Building of genuine and efficient import substitution industries so as to reduce the import bill, especially in the importing of industrial palm oil.

## **CONCLUSION**

Considering the upward trend, the business performance of the company is showing, the company has decided to request the certificate of incentives to establish the production facilities of the palm oil. It can be concluded that the project will bring tremendous long-term benefits and all investment required would be funded by the promoters. The project is economically viable and technically feasible

## **2.0 INTRODUCTION**

**BM OIL COMPANY LIMITED** was established on **19th December 2024** with Incorporation Number **180594345** for the purpose of carrying edible Palm oil production. The formation of the company was a strategic move aimed at increasing planning and management base of the business. BM OIL COMPANY LIMITED has decided to start this venture of Palm oil edible oil facilities in order to meet the demand for edible oil in Tanzania hence to reduce importation of the same. The Purpose of the Business Plan is to be presented to the Tanzania Investment centre so that it can obtain certificate of incentives which will enable the company to secure tax exemptions when the capital Items are Imported. Needless to mention it aims at identification of areas requiring immediate attention for the purpose of strengthening the company during the period.

### **2.1 THE PROJECT CONCEPT**

The basic objective of the project is to establish facilities to produce refined edible palm oil with a focus on sustainability, innovation, and excellence, and also commit to quality and environmentally responsible practices to be positioned as a trusted partner in the global palm oil supply chain.

The project will also set up an integrated edible oil refinery of **100 tons per day (TPD)** capacity, together with downstream processing plant to process the CPO and produce various products including edible oil. It will also put necessary factory infrastructure, packing facilities trucks and other machinery/equipment etc. The aim is to produce Palm oil to meet the existing local demand and any excess to be exported in various country of the world. The total investment of the whole palm oil facility

will be the sum of USD **2,500,000** to be funded by the promoters' retained earnings of about 12% and 88 % will be the term loan from local and international banks.

The integrated large-scale Oil Palm Plantation and Crude Palm Oil (CPO) processing will also result in the development of the following additional complimentary business / industries:

## **2.2 THE SPONSORS**

The project is sponsored by BM OIL COMPANY LIMITED and was Established on **19th December 2024** with Incorporation Number **180594345**. BM Oil Company limited will specialize in the manufacturing of high-quality palm oil. All the shareholders and directors of the company are well-experienced businessmen with a strong financial backup and sound financial track record.

Shareholder	Nationality	Shares In %
<i>Sandesh Kumar Aggarwal</i>	<i>Tanzanian</i>	<i>60</i>
<i>Jagjitraj Budhram Aggarwal</i>	<i>Tanzanian</i>	<i>40</i>

The owners over time have been able to initiate various businesses including that of Transportation and Manufacturing of various products in Tanzania, and are well-operated. The companies established by these promoters are active along the entire value chain of consumer goods and their retail presence ranges from plastic products to confectionaries & trading, with a clear focus on their customers. The Promoters having successfully turned around most of their companies decided to embark on another venture in Tanzania to establish facilities to refine crude oil to produce edible palm oil.

## **2.3 PROJECT DESCRIPTION**

Palm Oil Refinery will refine palm oil of which will be imported to process palm oil (**CPO**) with capacity of 100 tons per day. It is also envisaged in the project, together with further downstream products manufacturing/packing facilities as follows:

- 1) Edible oil of different grades and different packaging
- 2) Soaps and its derivatives
- 3) Fats and its derivatives

The oil refinery will be of the State-of-The-Art Plant and machineries, efficient process layout, safety and security systems, semi-automated packing lines, quality control laboratories and fuel dispensing systems.

The key sections of the refinery are;

1. Preparation Section,
2. CPO Refinery
3. Fraction Section
4. Flings Lines
5. Jerry Can Plant
6. Boilers
7. Effluent Treatment Section
8. Workshop
9. Distribution Trucks and Automobile Workshop.

## **2.4 Integrated facility Production Capacity**

The machinery/ equipment to be opted for will be of modern status, with appropriate technological set up, fully provided with all the necessary accessories. The plant will have an envisaged installed processing capacity to process crude palm oil (CPO) with capacity of 100 tons of palm oil per day

## **2.5 Source of Raw Materials:**

Raw material such as crude palm oil will be sourced from overseas other inputs will be imported within 4-5 days reach the port of Dar es Salaam. Some of the raw materials is also readily available from sources in Kenya, Europe, the Middle East and South Africa.

## **2.6 Source of technology**

The plant and machines plus the related production technology will be imported. These machines are expected to produce products to match in international standard. To begin the activities of BM OIL COMPANY LIMITED, the factory will work 8 hours per day and 6 days Per week. The production rhythm will be depended on the success development of the trading strengths.

## **2.7 ENVIRONMENT ASPECTS.**

The project is proven to be environmentally friendly once it is established as much of pollutants are to be controlled. There will be no harm upon the environment as a result of the establishment and operation of the project only that little pollution with insignificant effect will be caused.

## **2.8 LOCATION**

**BM Oil Company Limited** has decided to set up palm oil production facilities to produce refined edible oil at plots no.: - Plot No. 2990 & 2991, Malula Village, Arumeru District, Arusha, Tanzania This piece of land is considered as being ideal for the establishment of a palm oil processing facility. The area is large enough to accommodate the factory and other buildings and also it can allow extensive future expansion of factory buildings

## **3.0 MARKETING ASPECTS**

### **3.1 PALM OIL PRODUCTION IN THE WORLD**

The global palm oil market size was valued at USD 63.7 billion in 2021 and is anticipated to grow at a compounded annual growth rate of 5.1% in terms of revenue from 2022 to 2030. As of now Indonesia is a largest palm oil producer in the world fractionated palm oil segment with a revenue share of over 39% as it is a very popular in low-income countries. The market is driven by exponentially growing demand from food, beverage, biofuel, energy, personal care and cosmetics.

### **3.2 PALM OIL INDUSTRY IN TANZANIA**

In 2023, Tanzania imported around 181,007kg. The countries from which Tanzania imported palm oil include, Malaysia Indonesia, China, Kenya and Uganda. Tanzania is the 37<sup>th</sup> largest importer of palm oil in the world. Currently, there are no big plantations of palm oil, and therefore most of the crude oil for the factory will be imported. Tanzania has made some efforts to promote the growth of oil palm plantations so that the crude oil can be obtained locally. Hence the establishment of Processing Facility of palm oil project by **BM Oil Company Limited** would at least be able to meet demand of cooking oil to some extent as Tanzania total cooking oil demand is 570,000tons (which include Palm Oil demand of 500,000 tons ) of which is presently imported . The demand is expected to increase year by year and projected to increase to 700,000 tons in 2030. Potential statistics shows that the demand for Oil Palm would continue to grow at least be 5%.

M/S **BM Oil Company Limited** by considering to start palm oil production considers itself to be in a unique position as it could service a sizeable proportion of Tanzania's main economic sectors and that of

neighbouring countries. The company relies on growth in both agro-processing and large industrial sectors for its markets.

### **3.3 DISTRIBUTION**

Production will be sold at the factory, where both wholesale and retail customers would be served. The company will also have distribution trucks, which would carry the product to various depots, especially in Dar es Salaam where the market is concentrated. This would be a strategy to increase sales. The market for the products is assured, as the promoters will use latest equipment's for manufacturing of high-quality palm oil.

### **3.4 THE MARKET**

The demand for the palm oil is influenced by the presence of large population and level of personal disposable income and the export market. The market survey done, establish and ascertain the true demand and supply position. The existing low capacity of the palm oil and backward technology in production in the country, projects like this one and improvement of linkages in industry sector assure that the products produced will not face serious market problems. The target market is together with Arusha Region, and the northern part of Tanzania. Further expansion is expected later in the future.

### **3.5 MARKETING STRATEGIES:**

M/S **BM Oil Company Limited** Management team shall take proactive marketing and promotional strategy to ensure that the company achieves high turnover of sales through sales made to corporate customers. In order to achieve optimal business turnover management shall design and implement the marketing strategies.

### **3.6 ADVERTISEMENT**

These would include the local media namely; local television, social medias, Radio commercials and Newspaper advertisements etc.

### **3.7 PRICING**

The pricing of the products in this respect shall be a very sensitive and persuading factor towards promising performance of the business. This entails therefore, the business shall embark upon a pricing strategy to enable it meet competitive challenges with a view to boost turnover. The pricing strategies in plan include together with offer of discounts as well as basing in marginal costs incurred during the manufacturing processes

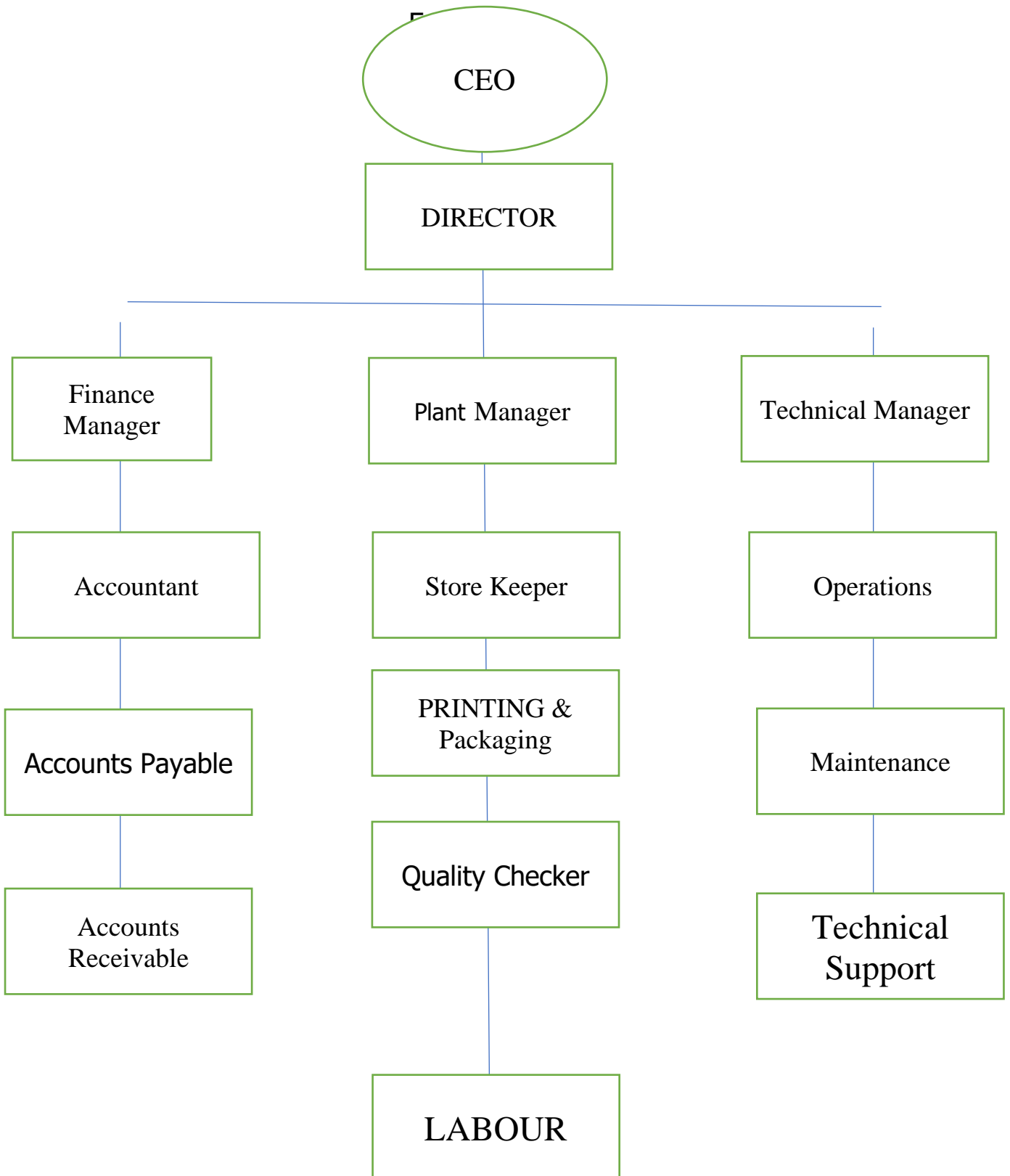
### **4.0 MANAGEMENT**

The strategy shall be to fill key managerial positions with people who have extensive experience and sound qualifications in managing companies and those who have experience in the Palm oil industry. The staff would include a General Manager who will be assisted by departmental managers as shown in the organization structure.

#### **4.1 MANPOWER REQUIREMENT**

The company intends to employ 135 people both in (Permanent and Temporary Terms). Total employment will be 135 people including expatriates' persons who will be recruited as and when needed.

### 4.3 ORGANISATION STRUCTURE



## 5.0 CAPITAL INVESTMENT AND FINANCE

M/S **BM Oil Company Limited** proposes to invest **USD 2,500,000** developing this project. It is planned that some investment cost will be financed by personal shareholders' contribution and other funds will be sought from Banks. Furthermore, the sister company's Self-Generated Funds shall be utilized at a later stage for working capital funds. Following is the projects investment plan and sources of financing:

The breakdown of the relevant costs is as shown below:

USD

Item	Amount	Total
Land/Building ( <i>land development, irrigation and factory building</i> )	200,000	200,000
Plant	2,005,000	2,005,000
Vehicles	90,000	90,000
Furniture & Fittings	15000	15000
Pre-expenses	65,000	65,000
Others	25,000	25,000
Working Capital	100,000	100,000
<b>TOTAL</b>	<b>2,500,000</b>	<b>2,500,000</b>

### 5.1 Financing

The total investment cost of the project is planned to be financed by the shareholders retained earnings and shareholders contribution equity. The shareholders will seek for the loan if the need arises.

USD

	Amount	Total
Owners' Equity (12%)	300,000	300,000
Long term loan (88%)	2,200,000	2,200,000
<b>Grand Total</b>	<b>2,500,000</b>	<b>2,500,000</b>

## **6.0 IMPLEMENTATION SCHEDULE**

Both local and external factors have been taken into account when drawing out the proposed schedule of implementation. Factors such as finalization of civil works, survey, acquisitions of machinery and equipment, recruitment of qualified personnel and other factors have been looked into. Ordering of Machinery/Equipment/Vehicles/Furniture will have to be executed to match the rate of the project. Installation of Machinery/Equipment/Furniture will take place Once the buildings are constructed and rehabilitated then will follow the installation of machinery/equipment/furniture and fittings upon arrival at the project site. Upon completion of the installation of machinery and equipment then will follow trial runs of the unit. On completion of the buildings/fitting of machinery and equipment/furniture, trial runs then will follow commercial production.

## **7.0 PROJECT FINANCIALS**

### **7.1 ASSUMPTIONS:**

- i) Cost of goods sold at 60% of total sales
- ii) Income tax charged at 30% of profit before tax
- iii) Depreciation of property will be 5% p.a. plant 12.5 % p.a. and Vehicles 25% p.a.

### **7.2. PROJECT FINANCIAL VIABILITY**

The financial analysis indicates that the proposed project would be a profitable venture.

### **7.2 PROJECTED PROFIT AND LOSS ACCOUNTS**

The project is expected to make a post-tax profit during its first year of operation.

### **7.3 PROJECTED CASH FLOWS**

The projected cash flows show that the project would be able to honour its financial obligations as they fall due throughout the project's economic life and still remain with reserve of cumulative cash that could be re-invested in the project.

### **7.4 ECONOMIC BENEFITS**

The successful operation of this processing plant will contribute significant economic benefits to Arusha region people and Tanzania as whole. In summary the benefits which will be realized are as follows: -

- i) The execution of this project will bring about employment opportunities for 135 people.
- ii) Provision of income to other services providers, thus contributing to the reduction of poverty. The income to be earned will help

in improving standard of living of the workers and other people residing in the region.

- iii) The direct income for the workers, combined with other social benefits that the Management of will provide, will help in overall efforts of alleviation of poverty in the Region.
- iv) Provision of a market for goods and services demanded by established tax base to the Treasury and local Government authorities and generation of substantial income to the Government. The Government earns considerable revenue from the manufacturing sector in terms tax collections.
- v) This project will facilitate opportunities to increase foreign exchange earnings through the export of some of its value products. And will have an import substitution effect

## **8.0 CONCLUSION**

The investment and development of this Oil Mill undertaking is in line with the Government's objective of encouraging proper development of industries in the country. In addition, it will positively impact the region's development, as it would generate a number of benefits and a more positive impact on the region's economy. It has been established that the proposed project is technically sound, financially viable, and economically/socially beneficial. In the context of the immense useful potential of this project, the management of BM OIL COMPANY LIMITED. anticipates that all interested parties in the region/and the Government of Tanzania will give their full support so as to ensure timely implementation of the project and apprehension of successful operation.

# **ANNEXETURE &APPENDICES**

# BM OIL COMPANY LIMITED

## INVESTMENT COST

USD

Item	Amount	Total
Land/Building ( <i>land development, irrigation and factory building</i> )	200,000	200,000
Plant	2,005,000	2,005,000
Vehicles	90,000	90,000
Furniture & Fittings	15000	15000
Pre-expenses	65,000	65,000
Others	25,000	25,000
Working Capital	100,000	100,000
<b>TOTAL</b>	<b>2,500,000</b>	<b>2,500,000</b>

# **BM OIL COMPANY LIMITED**

## **Investment Financing**

**USD**

	Amount	Total
<b>Owners' Equity (12%)</b>	300,000	300,000
<b>Long term loan (88%)</b>	2,200,000	2,200,000
<b>Grand Total</b>	<b>2,500,000</b>	<b>2,500,000</b>

# BM OIL COMPANY LIMITED

## Depreciation Schedule

US\$'

	<b>Rate</b>	<b>Amount</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
<b>Land &amp; Buildings</b>	5%	200,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
<b>Plant &amp; Machinery</b>	12.5%	2,005,000	250,625	250,625	250,625	250,625	250,625	250,625	250,625	250,625
<b>Furniture &amp; Fitting</b>	12.5%	15,000	1,875	1,875	1,875	1,875	1,875	1,875	1,875	1,875
<b>Vehicles</b>	25%	90000	22,500	22,500	22,500	22,500	-	-	-	-
<b>Pre operational Expenses</b>	20%	65,000	13,000	13,000	13,000	13,000	13,000	-	-	-
<b>Total</b>			<b>298,000</b>	<b>298,000</b>	<b>298,000</b>	<b>298,000</b>	<b>275,500</b>	<b>262,500</b>	<b>262,500</b>	<b>262,500</b>

# BM OIL COMPANY LIMITED

## REVENUE SCHEDULE

USD 000

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
Revenue in USD	10,000	12,000	15,000	19,000	19,000	19,000	19,000	19,000

# BM OIL COMPANY LIMITED

## Projected Income and Expenditure Statement

**USD 000**

<b>Year/</b>	1	2	3	4	5	6	7	8
Capacity Utilization	60	70	80	80	80	80	80	80
<b>Sales Revenue</b>	10,000	12,000	15,000	19,000	19,000	19,000	19,000	19,000
<b>Less: Cost of goods sold</b>	6,000	7,200	9,000	11,400	11,400	11,400	11,400	11,400
<b>Gross Profit</b>	<b>4,000</b>	<b>4,800</b>	<b>6,000</b>	<b>7,600</b>	<b>7,600</b>	<b>7,600</b>	<b>7,600</b>	<b>7,600</b>
<b>Less: Expenses</b>								
<b>Depreciation</b>	298	298	298	298	275	263	263	263
<b>Operating Profit (Loss)</b>	3,702	4,502	5,702	7,302	7,325	7,337	7,337	7,337
<b>Profit before tax</b>	<b>3,702</b>	<b>4,502</b>	<b>5,702</b>	<b>7,302</b>	<b>7,325</b>	<b>7,337</b>	<b>7,337</b>	<b>7,337</b>
<b>Taxation 30%</b>	1,112	1,351	1,711	2,191	2,198	2,201	2,201	2,201
<b>Profit After Tax</b>	2,590	3,151	3,991	5,111	5,127	5,136	5,136	5,136
<b>Accumulated profit</b>	-	<b>2,590</b>	<b>5,741</b>	<b>9,732</b>	<b>14483</b>	<b>19970</b>	<b>25106</b>	<b>30,242</b>
<b>Operating Profit (Loss)</b>	<b>2,590</b>	<b>5,741</b>	<b>9,732</b>	<b>14,843</b>	<b>19,970</b>	<b>25,106</b>	<b>30,242</b>	<b>35378</b>

# BM OIL COMPANY LIMITED

## Projected Cash Flow

**USD 000**

	0	1	2	3	4	5	6	7	8
<b>Inflow</b>									
Profit before interest and depreciation	-	4,000	4,800	6,000	7,600	7,600	7,600	7,600	7,600
Equity	2,500	-	-	-	-	-	-	-	-
depreciation		298	298	298	298	275	263	263	263
<b>Total Inflow</b>	<b>2,500</b>	<b>4,298</b>	<b>5,098</b>	<b>6,298</b>	<b>7,898</b>	<b>7,898</b>	<b>7,898</b>	<b>7,898</b>	<b>7,898</b>
<b>Outflow</b>									
<b>Investment</b>	<b>2,500</b>	-	-	-	-	-	-	-	-
<b>Taxation</b>	-	1,112	1,351	1,711	2,191	2,198	2,201	2,201	2,201
<b>Sub-total</b>	<b>2,500</b>	1,112	1,351	1,711	2,191	2,198	2,201	2,201	2,201
<b>Total Outflow</b>	<b>2,500</b>	1,112	1,351	1,711	2,191	2,198	2,201	2,201	2,201
<b>Net Cash flows</b>	-	<b>3,186</b>	<b>6,449</b>	<b>4,587</b>	<b>5,707</b>	<b>5,707</b>	<b>5,707</b>	<b>5,707</b>	<b>5,707</b>

