

Argan Ino



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By

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"Developers are always on the look out for something new to give their product an edge and away from 'me-too' products. Argan oil fills this role," Kate Hall, marketing manager at Silbury Marketing.

Venture Name & Nature of the Business

The name of the company will be called “Argan Ino”, which means in Moroccan Berber my Argan. The nature of this business will be a new start-up company founded in the Souss region where there is an abundance of Argan trees. It is indeed a venture company of a capital of approximately \$ 600.000 that intends to produce the typical Argan oil.

Purpose of the Business Plan

The Objective of this business plan is to provide a solution for the poor population of the region of Souss. This local community does not benefit from the abundance of the unique Argan trees which grows only in Morocco. For this reason, we want to create “Argan Ino” Company for Argan oil production in order to enhance both the social and the financial situation of this region. We will also try to export this unique oil product to potential markets such as Europe and U.S.

Product Description & benefits

Product description

The Argan Tree, or *Argania Spinosa* as it is called in scientific terms, is a really fascinating and unique source of uncountable uses and benefits. It is alleged that the tree existed since the tertiary period extending from Southern Europe till the North African Region. The famous explorer Leo Africanus was the first person who reported the specimen to Amsterdam, to be then cultivated by Lady Beaufort at Bindminton c1711. Nowadays, only 860,000 hectares remain in South West Morocco. Because this natural species is now considered as truly rare and endangered, the UNESCO added in 1999 the Argan Tree to its

list of Biosphere Heritage. The Argan tree is the most common tree in Morocco with 21 million trees in the country belonging to the Moroccan Forestry Commission. It can live from 150 to 200 years and is very resistant to drought and heat surviving temperatures of up to 50C. It grows wild and abundantly in the arid and semi-arid regions of southwester Morocco - roughly between Essaouira and Agadir.

Benefits

The Argan tree is ideal for a harsh environment, surviving heat, drought and poor soil. The Argan tree also aids to hold the soil and helps in combating water and wind erosion because of its strong root system. Actually, Argan oil is to some extent darker than olive oil, with a reddish shade. It can be used for cooking and is asserted to have a variety of medicinal and beauty properties. It is not for nothing that the Argan oil is progressively more popular by Parisian chefs as a seasoning.

Argan oil also has rare plant sterols not existing in other oils, which comprises anti inflammatory properties, valuable for arthritic or rheumatic conditions. It also serves to prevent loss of moisture from the skin, and linings of the nose, digestive system, lungs, and brain. In addition, it diminishes pain and inflammation, decrease blood viscosity, lowers cholesterol levels, improves circulation, blood pressure and diminishes the risk of heart attacks. It also improves skin elasticity - particularly after weight-loss or childbirth, reduces the appearance of wrinkles, and reduces scars left by acne, chicken pox, spots or burns.

Potential markets and market access strategies

Mainly there are two big markets for argan oil, the edible specialty oil that is only sourced from Morocco. At least three cosmetic companies were using argan oil in their products: Galénique, Yves Rocher and Colgate Palmolive. Pure argan oil is also marketed as a moisturizer and a treatment for wrinkles and dermatological ailments. In addition to these

expanding cosmetic markets, commercial distributors also market 'high-value' argan oil domestically to tourists and relatively wealthy Moroccans. These two sorts of argan oil products, cosmetic and culinary, presently constitute the high-value argan oil market.

During the first two years, all our efforts will focus on developing our existence in the domestic market and gain market shares. We will expand to new destinations to reach the European and the US markets. We are going to follow a low-cost strategy.

Domestically, we will set up regional representatives in the biggest Moroccan cities. Also, we intend to sign agreements with the biggest hypermarket chains in Morocco. Internationally, we will seek the help of some NGOs and get the support of the local authorities to facilitate the access of our products to the international market. For advertising, a special web site will be designed before the launch of the venture to make consumers aware of the existence of the product. Business to customer advertising will be in form of brochures, catalogs, and radio ads. The business to business advertising would be in form of sending brochures to prospective wholesalers

Management Team

PRODUCTION MANAGER (Nazih el Bezgari): He will be in charge of supervising the production process from beginning to end (Cracking, Extraction and Bottling), ensuring that the quality and hygiene requirements are met, and ensuring the commitment of women to their work.

MARKETING AND MANAGER (Boujir Achraf): He will be in charge of Creating and manage customers, campaigns, advertisements, discounts, promotion codes, expressions, direct mail, and lists, personalizing the buying experience with targeted merchandising, creating and schedule campaigns for customers who compete in the same industry and create direct mail to distribute e-mail message ads to a targeted group of us

FINANCIAL ACCOUNTING MANAGER (El Attari Ahmed): Under direction, the Financial Accounting Manager manages staff and functions in Financial Accounting including Financial Reporting, Cash Management, Financial Information Business Systems, and Capital Programs.

VENTURE'S ADVISORS:

- Dr. Robert Ritchie: Associate Professor of Finance & Management & MBA coordinator in Alakhawayn University.
- Dr. Hammad Kassal: professor in Alakhawayn University and the president of SME's association in morocco. The CEO of a venture company that operates in the agroalimentary sector.

Sales and Profit projections

Cost structure

- Equipment: \$ 300,000

Equipment of reception, continuous system by centrifugation with 2 phases, equipment of decantation and storage, heating installation, electric installation.

- Land (3 000 m2): \$ 30,000
- Buildings (400 m2): \$ 60,000
- Working capital: \$ 170,000
- Preliminary expenses: \$ 40,000

Capital structure

The capital structure of « Arganb Ino » Company is 50% equity, which will be the personal funds of the founders and the other 50% will be in a form of long term debt borrowed from BMCE Bank in Morocco at a rate of 6% annually

Yearly Quantity produced of each Volume

Yearly production In Liter	Prices	Quantity 2008	Quantity 2009	Quantity 2010	Quantity 2011	Quantity 2012
FOOD						
0.15 liter	\$17.95	3629	4536	5670	6300	7000
0.25 liter	\$27.95	2592	3240	4050	4500	5000
0.35 liter	\$36.95	2074	2592	3240	3600	4000
0.5 liter	\$49.95	1192	1490	1863	2070	2300
COSMETIC						
1 liter	\$143.95	1078	1348	1685	1872	2080

Sales and profits projections

In USD	2008	2009	2010		2011		2012	
	Local	Local	local	export	local	export	local	export
Gross sales*	378692	473365	355023	268110	394471	297900	438301	331000
COGS	265084	331355	230765	174272	256406	193635	262980	198600
Gross profit	113608	142009	218097		242330		307720	
Operating expenses	119471	122457	125519		128657		131873	
Depreciation Building	2941	2941	2941		2941		2941	
Depreciation machine	882	882	882		882		882	
Depreciation furniture	194	194	194		194		194	
EBIT	-9881	15534	88560		109655		171830	
Interest Expense	2268	2078	1878		1668		1446	
Tax (Exempted)	0.00	0.00	0.00		0.00		0.00	
Net Income	-12149	13456	86682		107988		170383	

- The cost of capital = 6.14%
- The project's NPV is equal to \$ 216016.26, which encourages us to go ahead and start the venture.
- The project's IRR=51.20%

A women can produce 1 liter per 3 days, with the new machine, she can double the production. As a result she can produce up to 87 liters per year. The cooperative consists of 40 women, so at full capacity, Tanmiya can produce approximately 7000 liters. However; we believe that during the first two years, we won't operate at full capacity because we will be still establishing our customers and suppliers network, so we will produce only 3629 liters. It will rapidly grow by 25% in the first two years and it will become 11%.

- Food oil 70% of the annual total production.
- Cosmetic oil 30% of the annual total production.

The venture capitalists

The Venture Capitalist can bring the following benefits to your company:

- common desire for success
- a partner and not a lender
- active Board of Directors participation
- experience
- contacts
- discipline
- credibility
- does not require regular payments

In return we will offer a venture that has a high potential to grow quickly to as significant size, yielding a significant return on the VC's investment in a relatively short period of time.

Success factor:

- Commercially viable product.
- A clearly defined market for the company's product that meets the needs.
- Strong management
- Sustainable competitive advantage.