DML HOLDINGS LIMITED

PROPOSAL FOR FOREIGN OPERATIONS IN ARGENTINA

K&K CLASSIC LEATHER BAGS

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Table of Contents

1 DESCRIPTION OF FOREIGN OPERATION

1.1 Background

DML holdings is a company that manufactures Premium Leather Products comprising Ladies Leather Bags, Designer Brown Fine Leather Bag, Leather Wallets, Leather Ladies Wallets, Leather Briefcases, Leather Conference Folders and many others. The leather products manufactured by DML is made from the most exceptional cow skin, buff and sheep leather, and other leather variants. The finished leather products are the perfect blend of quality and longevity. As trendy as the products are, they exhibit excellent resistance to moisture and adapt well to any temperature. Apart from satisfying clients with quality, we also provide them with the desired custom-made solutions. We have modern facilities and a team of experts and thus can efficiently handle large as well as small orders. DML has been operating in Ghana since its incorporation, 20 years ago.

Vision: DML envisions a world where they are the leading manufacturer of leather bags globally by the year 2040. To achieve this vision, the company plans to increase its market size and as such, seeks to expand its operation into foreign countries.

Mission: DML seeks to produce trendy and classic affordable leather bags to all.

There are currently 200 permanent employees of the firm. The business development employees focus on targeting large and small retail supermarkets, malls, and the local market to supply its products. The company engages in much marketing in driving sales, and some of the strategies used are the use of flyers, community campaigns, street adverts, exhibitions, school campaigns and intensive social media advertising as well.

1.2 Goals and Objective

- To be the global manufacturer and distributor of trendy and classic leather bags by the end of 2040.
- To have subsidiaries in at least ten countries in every continent by the end of the year 2045.
- To increase sales by 10% within the next three years of operation.
- To increase global market share by 30% by the end of its five years in operation.

1.3 Target Country

DML Holdings has its primary operations grounded in Ghana. Currently, the firm is seeking to enter a foreign country as a means to achieve its vision. In choosing the target country for this operation, factors that will help reduce the firm's operating cost while manufacturing products that are of high quality and standards to improve operational cashflows were considered. The relevant factors considered included availability of materials for manufacturing, low-cost raw materials, availability of cheap labor, and little or no trade restrictions. After several country considerations, Argentina was found to be a suitable foreign country for this operation. Argentina is in the southern half of South America with Buenos Aires as its capital.

The official language of the country is referred to as Spanish. However, the state also has English as its second language. Argentina Peso is the currency used in Argentina. Argentina is considered an emerging market by the FTSE Global Equity Index (2018) and is one of the G-20 major economies. Alberto Fernández currently rules Argentina (World Report, 2020). Argentina profits from plentiful natural resources, a highly literate populace, an export-oriented agricultural division, a differentiated industrial base, inflated domestic consumer market and cost-effective workforce hence attracting more investors from abroad (Heritage, 2019).

1.4 Nature of Business Operation

The business operation of DML Holdings is broadly viewed as a Job oriented strategy because this process will produce smaller batches of custom products, which can be either made-to-order (MTO) or made-to-stock (MTS). Expenses likely to be incurred in the manufacturing of K&K bags will be quoted in Argentina Peso (ARS); thus, the currency of Argentina. Currently, the ARSGHS exchange rate is GHS0.087/1ARS. Given the current ARSGHS exchange rate, it is evident that less Ghanaian cedis will be required to buy the Argentina peso; hence, incurring expenses in Argentina Peso will be cheaper. Production will take place in Argentina because according to Bloomberg (2009), it is one of the top manufacturers of bags and has excellent access to good leather at lower wholesale prices.

1.5 Target Market

The bags to be produced in Argentina are geared towards the low and high-income earners, specifically the youth and young professionals in Argentina within the ages of 25-34. The selected target market is the primary consumers of leather bags in Argentina (Statista Global Consumer Survey 2020). K&K bags are for people who desire authentic bags coupled with trendy and classic designs at a relatively low or high price, and this target market possesses these traits.

1.6 Reasons for Foreign Operation

As part of the company's goals to be the global manufacturer and distributor of leather bags, DML Holdings will be entering Argentina to increase brand awareness, expand, build a larger brand and the marketing flexibility available. Also, according to the Statista Global Consumer Survey (2020), continuous growth in the demand for bags in Argentina is expected in the next ten years. The increase in the demand for leather bags in Argentina is influenced by the expected number of users of leather bags at the end of 2030. The Statista Global Consumer Survey (2020), indicated that by 2030, users of leather bags in Argentina would increase from 10.01 million to 30 million. The increase in demand and bag usage by consumers in Argentina feeds into a continues growth in revenue by 2030. At the end of 2030, it is expected that revenue from leather bags will increase by 70% (the Statista Global Consumer Survey, 2020).

Over the years, the citizens of Argentina have grown a taste for leather bags as a result of its durability and its multi-purpose function. Hence, leading to a constant increase in its demand. The performance of the leather bag industry in Argentina is expected to remain positive as a result of the desire of the citizens to purchase more bags for different occasions and activities (Euromonitor International, 2016). Hence, Argentina serves as the best country to start a foreign operation. Besides, it is relatively cheaper to manufacture leather bags in Argentina; likewise, the higher returns to be gained from investing into it. The supply of raw materials needed for production is on the rise and at a lower price, likewise the cost of labor, hence a lower cost of operation. The company will have a broader market, and its sales will increase as a result of continuous demand for the product. The leather bags industry in Argentina is thus proven to be profitable for operations.

1.7 Selection and Justification of Entry Strategy

In entering Argentina, the entry strategy that will be adopted is the *investment-based* entry strategy. Foreign direct investment will be the ultimate channel for this entry strategy under the investment-based entry strategy. This entry strategy was chosen to help DML avoid possible trade restrictions. The investment-based approach enables an entity to gain access to trading markets or countries that are closer or limited by either trade barriers or government regulations, and this is precisely what DML needs to enter into foreign operations given that the firm wants to eliminate likely trade barriers to reduce production cost. The entry strategy proposed will enable DML to take advantage of lower operating costs, such as inexpensive labor and cheap raw materials. By choosing foreign direct investments as the ultimate channel for this entry strategy, the firm seeks to attain production efficiency, management and marketing expertise, political safety and economies of scale.

1.8 Establishment and Ownership structure for foreign operation

The international operation of DML Holdings for Argentina will be a limited liability company because it provides members protection from liability. The parent firm in Ghana will have a 70% stake in the business, leaving 30% to be owned by locals in Argentina and employees. Management of the foreign operation will be solely experts in Argentina; this will enable them to have the freedom to work without little or no control.

1.9 Investment Requirements

In running the operations in Argentina, the firm will have to invest in certain assets. These include the acquisition of land to build factories and other buildings, and machinery and equipment needed for making the bags. It also needs to invest in recruiting the right people for the right job overseas.

1.10 Financing Requirements

In financing the foreign operations, the firm will depend on a 70% equity and 30% debt because the parent firm is expanding into a new environment, it is necessary to reduce operational cost by reducing the likely interest to be paid on the debts.

1.11 Exit Strategy

Even though the foreign operation will operate into a foreseeable future, if it is imperative to exit the market, the firm will adopt the Merger and Acquisition as an exit strategy. Because this strategy has the potential of ensuring business continuity since the company in the foreign land will merge with companies whose vision and mission aligns with that of the company.

2 REVIEW OF THE BUSINESS ENVIRONMENT OF THE TARGET COMPANY

In reviewing the business environment of Argentina, the PESTEL framework was used to monitor and analyze the macroeconomic aspects that will have an impact on the operations of DML products in Argentina.

2.1 Political Environment

Throughout the years, the Argentinian government has stimulated altitudes of public investments to remove the economy from a state of recession to a booming one. The newly elected President Alberto Fernández pledges to resurrect the economy, even though he has been facing competing demands from far-left wings of his broad coalition to increase social spending, while investors want to see him prioritize debt negotiations. There’s an overall concern among the Argentinian market that Fernández will undo Macri’s pro-market stance. Nonetheless, the projected by the IMF growth rate for 2021 is estimated at 1.4%. (Santander Trade Portal, 2020). The various strategies put in place by the newly elected president seeks to boost the attractiveness of Argentina by expanding market contact for businesses as part of its monetary policy, endorsing employment and investment, engaging in unrestricted trade contracts and business outlines to enlarge international economic linkages and thereby making the political environment suitable for DML to operate in successfully. Transparency International's Corruption Perception Index for 2019 ranked Argentina 66 out of 180 countries (Transparency International, 2019) indicating that the level of corruption in Argentina is subtle for DML's business operations to take place in the country since it paves the way for the country to gain economy buoyancy and less political instability.

2.2 Economic Environment

Argentina is one of the largest economies in Latin America with a Gross Domestic Product (GDP) of approximately US$470 billion. The nation is endowed with enormous natural resources in energy and agriculture as well as gifted with astonishing fertile lands, gas and lithium reserves. Furthermore, it has countless potential for renewable energy while positioning itself as a leading food producer with large-scale agricultural and livestock industries (World Bank, 2020). Argentina has substantial opportunities in some manufacturing subsectors and innovative services in high tech industries. Given that DML is in the manufacturing industry, this provides an opportunity for the firm to obtain its essential resources at ease and a lesser cost. The firm will not have to export any natural resource to influence operation but make do of what is available in the country. The Argentina peso devalued massively in 2019, annual inflation is over 50% and GDP contracted 2.5% in 2018, and another 2.5% in the first half of 2019. The devaluation of the Argentina Peso poses a threat for DML Holdings because it will lead to a higher inflation rate. The high inflation rate in the country is likely to also affect DML business operations because raw materials for production will have higher costs, and this will negatively affect the unit cost of DML's Product.

2.3 Social environment

The population of Argentina is about 69.80 million. The population comprises of approximately 33.9 million males and about 35.9 million females. Genders are undoubtedly segregated in Argentina than in the United States. To a great extent, the United States attempts both legislation and social norms to ignore gender differences in the workplace, while such differences are considerably more emphasized Argentina. Presently, 41.3% of Argentine women work. This shows an increase from just 2010 when less than one Argentine woman in four was economically active. The population of Argentina is good news for DML Holdings because the rise in population is likely to have a positive influence on customer sales since more people will want to purchase a bag for work, school or attend social events. With the vast majority of Argentines constitute the middle class, DML will not have to face the problem of customers complaining that the products are expensive. The target market of DML Holding in Argentina fits perfectly with the societal class of the many Argentines.

2.4 Technological Environment

A noticeable dichotomy exists between the technical infrastructure available in the major urban centers and that existing in the countryside. One may debatably notice a conventionally more ambivalent assessment toward the usage of technology in the country. The technological competencies make it reliable for DML to start digitizing majority of its operations. DML will not only be able to use traditional advertising methods but also digital to enable the firm get access to those customers who are technologically inclined. Also, the road infrastructure in Argentina is erratic. While the road structure between and within the main urban centers is well-developed, there is no significant structure of highways exterior of the developed urban regions, hence making it problematic to travel to various parts of the country. This is likely to limit the distribution needs of the firm. The firm will have to look at opening various branches throughout the country to enable potential customers to access products within their locality without necessarily travelling far distances.

2.5 Environmental Factor

In Argentina, the Public Health and Environment ministry, Sub Secretariat of Environmental Planning in the Transportation and Public Works Ministry, as well as the Sub secretariat of Renewable Natural Resources handles the principal ecological duties. The critical environmental problems in Argentina are pollution and the loss of agricultural lands. Air pollution is problematic because of chemical components from industrial springs. The supply of water is endangered by unrestrained discarding of pesticides, hydrocarbons, and weighty metals. Argentina has 276 cubic km of renewable water supply. In 2012, some 97% of all city dwellers and over 70% of rural dwellers had access to improved water sources. In 2010, about 12.7% of the land area contained forest and woodland. The environment factor of Argentina does not provide a hundred per cent safe place for DML to operate. The polluted environment is likely to pose a health hazard for workers in DML Holdings.

2.6 Legal Environment

The Court System of Argentina comprises of Federal and Provincial court systems. The Supreme Court, 17 courts of appeal, district and territorial courts on the local levels make up the Federal courts. Certain district courts have judges that handle administrative issues. There are three core forms of courts in the rural order - civil, criminal, and labor. Membership in the World Trade Organization (WTO) commits Argentina to the decrease and ultimate elimination of charges, duties, and non-tariff barriers to trade in an agreed-upon timeframe. This will enable DML to operate with fewer trade restrictions. The government grants specific honors to overseas and local companies functioning and shipping from its designated industrial regions. These honors range from reductions in taxation, lowered import duties to the exemption from specific labor laws. The honors provided by the government will enable DML to enjoy low taxes, and this will feed into a higher net income for the firm.

2.7 Ease of doing business

Argentina has enjoyed robust economic growth over the past era while receiving slight foreign direct investment or exposure to the international financial markets. To capitalize on its sturdy essentials, local assistance and previous information of the market is essential. The Argentine Government plays a very active role in the nation's business relations and devises new measures to stabilize the national business environment, which are imposed at a continuous rate. Nonetheless, there is an air of confidence around the country's economic prospects after government figures predicted a growth of 4.4% in 2017 after growing 3.4% in 2016. Argentina was ranked 126 out of 190 economies in the ease of doing business 2019. The country's performance is an improvement over the previous year's performance where they were in the 145th position. Some of the features that led to this improvement include access to credit and ease of paying taxes. One factor, on the other hand, that is still quite a hurdle in terms of doing business in Argentina is the protection of stakeholders. Investor protection certainly isn't Argentina's strong suit, although its results are in line with most countries in Southern America (Capital Business, 2018). From this, one could say that doing business in Argentina is moderately good since companies will enjoy reduced taxes, stakeholder protection, easy access to raw materials and a large number of customers.

2.8 Summary of Entry and Exit Barriers

The entry barriers in Argentina includes import restrictions, high inflation (over 20%), high cost of labor and social costs related to labor, and intense competition from worldwide and national suppliers of goods and services. Also, the country has strict regulations regarding setting up a business. Company registration usually takes several years before incorporation. Given that the foreign operation will be investment-based, the exit barriers include the relocation or selling of machinery and equipment. It will be challenging to determine what to do with the machines that will be acquired for business operations should the firm decide to exit. However, there is a high chance that these machines will be auctioned off in the event of an exit. Cost of exiting the market for this entry strategy is high, hence adding to the exit barriers.

2.9 State of Argentina's economy

Argentina's economic growth slumped in the third quarter of 2019 after flatlining in annual terms in the second quarter. Another massive contraction in domestic demand and softer support from the external sector was behind the downturn. In 2020, the economy of the country looks set to decline. Although the pace of retrenchment should reduce, high inflation rates will weigh on investment and spending, while the new levies will hamper export growth. According to the Statistical Institute (INDEC, 2019), the Gross Domestic Product of Argentina in the third quarter of 2019 slumped 1.7% year-on-year, following the flat result recorded in the second quarter. Another good-sized contraction in domestic demand and somewhat softer support from the external sector were behind the gloomy performance. On a quarter-on-quarter seasonally adjusted basis, the economy rebounded 0.9% in the third quarter, contrasting the 0.7% drop observed in the second quarter. The third quarter's recession echoed another sharp contraction in the domestic economy. The country's GDP is set to experience a massive decline in 2020 if relevant strategies are not put in place.

Argentina's inflation rose by 2.3% in January 2019, coming in below December 2018's 3.7% rise and market expectations of a 3.5% increase. In terms of sub-components of the index, the categories of clothing and footwear, housing and utilities, transport and communication recorded especially marked decelerations in price increases, while prices for health and home equipment swung from notable gains to ample drops. On the other hand, a high price rises for food and non-alcoholic beverages and alcoholic beverages and tobacco was recorded. In terms of Argentina's balance of payment, the country's current account recorded a surplus of USD 900 million in the third quarter of 2019. The outcome was inferior to the USD 3.2 excess registered in the next quarter and was also short of an amount of USD 3.7 billion extra recorded in the third quarter of 2018. The deterioration of the third quarter of 2018 compared to the second quarter of 2019 was primarily driven by a contracting trade balance, which reduced from a USD 6.0 billion excess in the second quarter to an amount of USD 3.7 billion surpluses in the third. That said, the revenue balance stayed broadly unaffected compared to the previous quarter, which marked a USD 2.5 billion shortage. Meanwhile, the transfer balance worsened, reducing from a USD 65 million shortfalls to a USD 81 million shortage. Irrevocably, while the services balance remained in deficit region, it improved tremendously compared to the preceding quarter, recording a USD 281 million shortage, which was up from the USD 320 million discrepancies documented in the second quarter. Despite the optimistic quarterly reading, the moving annual current account fell from a USD 7.8 billion extra in the second quarter to a USD 5.1 billion surplus.

3 RISK ASSESSMENT AND MANAGEMENT

3.1 Financial Risk

The financial System Risk of Argentina is relatively high. The Superintendence of Insurance is accountable for insurance administration in Argentina. Liquidity is relatively stable, but a sizeable fiscal deficit relic an alarm. The country's government is set to close a deal with the IMF to shrink the country's deficit as its economy returns to growth in the future. Foreign direct investment is volatile, despite the government's attempt to increase it. Argentina scored 55 out of 100 in the ranking of the country's investment freedom. Even though this does not present a favorable condition for DML Holdings since it wants to use the investment based entry strategy, the IMF assistance and actions taken by the government to increase the investment freedom is worth relying upon to start operations in the country. Furthermore, the nation's GDP fell a second year in a row in 2019, as high inflation and exorbitant interest rates associated with the monetary crisis triggered in April 2018 were still present. The steeply rise in inflation in the country is not likely to ease soon and, thus, will linger to erode real income (causing knock-on effects on household consumption). Private consumption deteriorated after falling for four straight quarters, while the investment grew for the first time since the fourth quarter in 2017. The stagnation of private consumption is likely to have a toll on DML Holdings because consumption of the company's product will be on the low.

3.2 Political Risks

Argentina's political risk is relatively moderate. On October 28, 2019, the Argentines voted Alberto Fernandez into office. Alberto Fernandez is a political ally of the contentious past President, Cristina Fernandez de Kirchner. The political ally was made to substitute Mauricio Macri, a business-friendly centrist, in the nation's executive office. The election marked a return to power for Argentina's left and an uncertain path as the country still faces several long-term challenges. The election of President Fernadez is likely to increase the political risk of the country because the new president will have to toil to appeal new investment while antagonizing Argentina's debt problem. Also, he will need to tackle the issues of high inflation, poverty, and corruption. The likely political instability of the country is expected to have a toll on the registration of DML Holdings in the country provided the business registration team do not politicize operations. In Argentina, the economic and political narratives intertwined. The recent election worsened market pressures, in turn making it harder for the outgone president rebuild support. The corruption level of Argentina is relatively moderate as compared to other countries. The country ranked 66 in the world corruption rankings. The corruption level of the country is acceptable to operate since there is a moderately high degree of transparency in the country.

3.3 Economic Risk

The economic risk in Argentina is relatively very high. Argentina's economy entered into a recession in 2018, and this is expected to continue through 2019 down to 2020. The stagnation of the country's economy can be drawn to high borrowing costs, high inflation, currency volatility, decreasing consumer and business sentiment, and a decline in domestic demand. However, research from COFACE (2020) reveals that with agreed support from IMF, the country is expected to recover from the recession into a boom in 2021. This provides DML Holding an assurance that the economic risk of the country will not affect business operations, given that the operation in Argentina will start in the year 2021. Argentina prides itself in being the leading food producer with large-scale agricultural and livestock industries (World Bank, 2020). This provides DML Holdings with an opportunity to have their raw materials (leather from animals) at a low price and on a regular supply with no interruption. The country benefits from significant natural resources, infrastructure that compares favorably with its neighbors, a flat rate of crime, and a well-educated workforce. The country is noted to have well educated unemployed graduates. Given this, DML can be rest assured that it can tap into the unemployed graduates available in the country to get cheap labor for its operations.

3.4 Legislative Risks

The legal risk in Argentina is relatively low. Secured interests in real property are recognized and adhered. The government has engaged substantial steps to advance the protection of intellectual property rights, but insufficiencies persevere within the patent and regulatory data protection administrations. This works towards increasing the rule of law and asset protection in Argentina. (Department of Commerce, 2020). With this, DML Holdings is rest assured that its assets will be protected against all the odds. The president has allotted executive orders to improve judicial transparency, but the opposition-controlled Congress has blocked his comprehensive reforms to strengthen bureaucracy and reduce corruption. In terms of the regulatory environment of the country, the government has trailed a range of measures to improve the efficiency of business regulation. The government is removing price controls on fuel, oil, and natural gas and plans to cut energy and transportation subsidies to lower the fiscal deficit. The removal of price controls on the selected products will enable the firm to acquire energy at a lower cost.

3.5 Taxation Risk

The tax risk for investors in Argentina is relatively low. Corporate institutions are taxed at a rate of 25% - 30%. Other taxes comprise value-added, wealth, and financial transactions taxes. The overall tax burden equals 30.8 per cent of profit. With this, DML Holdings will be enjoying tax reliefs, and this will increase the firm's net income. As a bid to make investment favorable for investors and to increase investment in the country, the government is working with the IMF to provide incentives to foreign investors. The incentive will go in a long way of promoting investment in the country amidst all the economic hardship and hence making the entry strategy (investment entry mode) chosen by the firm a good option.

3.6 Operating Risk

The operating environment of Argentina remains a challenge. Argentina ranks 119th out of 190 countries in the World Bank's Ease of Doing Business survey. From this, one could say the operation risk of Argentina is relatively moderate. Argentina's operating environment experienced a drastic change by the previous administration, led by the former president and a pro-business, Mauricio Macri. The changes implemented by the Macri administration allow foreign investors more significant openings to benefit from Argentina's developed economy, with a broad industrial base, provincially low crime rates, satisfactory transport connections to crucial capitals and ports, and a trained workforce. However, the nonexistence of long-term planning in government policymaking over the past decade has weakened the operating environment, raising numerous barriers to do businesses in the country. These barriers comprise underinvestment in logistics structure, poorly executed education modifications and domineering economic strategies that pose obstacles to international trade and overseas investment. It takes approximately 40 days to start a business in Argentina as compared to the world average of 34 days. Research shows that a potential company takes average days of 120 to obtain a license in Argentina, implying that DML Holdings will not spend long days in setting up in Argentina.

3.7 Security Risk

Foreign workers and companies in Argentina face a lesser risk of crime and violence than in several Latin American states. With the danger of terrorism and interstate conflict particularly low, the country's appeal is portrayed as an investment purpose in the region. Crime remains a vital concern for companies, and widespread rioting has happened in current years, triggering damage to commercial property. The security actions required to protect property and workers, therefore, augment the costs of doing business in Argentina, and companies also face losses due to cyberattacks, financial crime and progressively active criminal gangs, which are fueling growth in the black market.

3.8 IHS Six Factor Model

In determining the country risk for Argentina, the different category of risks were taken into consideration. The various risk elements were rated based on its relevance to the company. Political uncertainty was relatively moderate, so it was given a score of 2.7 out of 5. Economic risk being relatively high was given a rating of 3.5. Legislative, tax and security risks were low, so they were rated 1.5, 1.7 and 2.0, respectively. Given that operational risk in Argentina is challenging thus high, it was rated 3.7. Using the HIS six-factor model, the country risk of Argentina was estimated to be Medium (See table 1 in appendix). This risk rate for Argentina is relatively acceptable for DML Holdings to begin operations in the country.

3.9 Summary of Country Risk Rating

Coface (2020) rated Argentina to have a "C" country risk rating indicating that the risk level of Argentina is medium and manageable. This rating is equally an acceptable risk. According to Coface, Argentina has a very uncertain political and economic outlook and a business environment with many troublesome weaknesses. This may have a significant impact on corporate payment behavior. The corporate default probability is high. The business environment is mediocre, and the availability, as well as the reliability of corporate financial information, vary widely. Debt collection can sometimes be delicate, and the institutional framework has limited limitations. Intercompany transactions operate under an appreciable risk in the unstable, largely inefficient environments.

3.10 Risk Management Strategies

From the risk analysis conducted, it is evident that DML Holdings will have to strategize its operations to meet the financial, operational, and economic risk, which are likely to occur in Argentina. Given that DML can not eliminate these risks, they can equally control it. For financial risks, DML can insure its assets against risks with a reputable and reliable insurance company. Also, the firm can undertake hedging options such as future and forward contracts to protect itself against exchange rate risks. Furthermore, the firm can devise strategic marketing, sales and business tactics that will assist in freeing the company from potential operational risks.

4 OPERATIONAL, HUMAN RESOURCE AND MARKETING STRATEGY

4.1 Operational Strategies

DML Holdings will invest in land, buildings in Argentina to start operations as well as machinery and labors to begin manufacturing the bags. Most of the raw materials needed for production is situated in the country's capital. Due to this, DML will set up in the capital town of Argentina to allow the firm to get access to raw materials with ease and at a lesser cost. Given that the nature of DML's operation is more capital intensive, electricity is a crucial element for the firm. Argentina's capital is noted to have undisrupted electricity supply hence an excellent place to start business operations. The manufacturing process will not wholly be labor intensive nor capital intensive. The product development will vary from customer to customer based on the quality requirement. DML Holdings will utilize equipment at 80% capacity, and the labor is skilled. The manufacturing of the leather bags will be done in consignments, and the over-all sizes will be completed at a constant scale if there are no customized bags ordered to be mass-produced. The company will have only one 12 hours shift each day, and if there are orders to be finished then, only the employees responsible will engage in overtime. The team leads present at the production site will be responsible for the quality and consistency of the bags. The team leads will ensure that every ten bags produced is for any defects before they are moved to the packaging stage. Bags with errors will be mended and moved to the packaging stage for dispatch to consumers. The firm will use hour clocks to keep employees on their toes and remind them of their work. Sensors to notify the management of the number of bags to keep at a moment and when to restock to prevent the shortage of bags will be provided—furthermore, a display board at each working area to show process specification and working procedure. Colour coding will be used to aid in the identification of products for dispatch.

4.2 Human Resource Strategies

In the operations of a firm, it is essential to have a function that manages labor and design jobs so that employees will be effectively and efficiently utilized. The human resource function of DML Holdings is responsible for this responsibility. The strategy of the human resource involves three decisions areas - labor planning, job design and labor standards. Hence, to ensure effective and efficient management of labor, these decisions must be followed. DML Holdings in Argentina will be spearheaded by the country manager who will provide strategic leadership for the company by working with the firm's boards of directors. The firm will be employing the holding employment constant policy. This policy holds employment levels at constant levels while maintaining a trained workforce. We chose this policy because as a manufacturing firm, we need to produce to meet a specific standard hence there is a need to have qualified personnel who will work to get the standards achieved and ensure consistency in the production of our products. For our work schedules, we will be employing a 12-hour fixed shift system during weekdays. We chose this schedule because most of our activities involve processes, and it will not suit our production needs if workers operating time have fluctuations. Employees will be placed according to the unique skills set they possess to help speed up the production process and reduce the labor costs of multiskilled artisans. Despite the adoption of labor specialization in the firm, job expansions will be carried out across all departments on an annual basis for workers to learn new skills and improve upon their level of knowledge to help reduce employee boredom. Various incentive schemes will be adopted by the firm to ensure that employees are motivated to produce to meet our daily organizational goals. These incentives include but not limited to, performance-based bonuses and a knowledge-based pay system. Workers will be provided with regular feedback on how they are progressing on the deliverance of their daily tasks and improve upon them if the need be. Also, they will be encouraged to see themselves as part owners of the firm. This will enable them to deliver their task with due diligence since if the firm is successful, they are successful too.

4.3 Marketing Strategies

DML Holdings will be targeting the low and high-income earners, specifically the youth and young professionals in Argentina within the ages of 25-34. The firm will position the products as eco-friendly in nature, and this will help promote the brand image since Argentines are environmentally conscious citizens. The firm will also adopt personal selling as its key marketing strategy. With this, our sales representatives will contact potential clients and explain the product and service, hence getting the orders. Also, social media marketing will contribute significantly to the firm's marketing strategy since majority of the target customers are on various social media platforms. The base of our manufactured bags will be more substantial compared to other prevailing goods as well as produce in different sizes based on customer needs. By doing this, we aim to set the firm apart from competitors. DML Holdings will use the price penetration strategy to penetrate Argentina. This strategy is suitable because we are entering Argentina for the first time and pricing products at a low rate will enable us to draw more customers as well as get a junk of the already existing market share. Prices will be quoted in the Argentina Peso and priced at an 80% rate of what competitors are pricing. Delivery of products will be order based. However, customers can walk in to purchase bags as well. In the preliminary stage, the firm will be using print media like newspaper, posters and fliers as advertising platforms. Personal selling will also be adapted to help us connect well with our customers. Direct Marketing tools such as interactive customer websites, catalogue distribution will be useful to the firm.

5 SUMMARY OF FINANCIALS

5.1 Disclosure of underlying assumptions

- Manufacture 8,553, 63,550, 472,185, 3,508,375 and 26,067,517 leather bags in its first, second, third, fourth and fifth year. Production increases by 30% every month
- Closing stock will be 10% of manufactured bags
- Price of each leather bag will be at ARS 2,500
- Cost of sales involves operating cost, and it is assumed to be 55% of sales
- Employ 65 employees to work in the factory and four employees to work as a sales representative, IT technician, accountant and operation manager
- Factory employees will be paid ARS 10,000 per month while the administrative employees will be paid within the range of ARS 12,000 – ARS 15,000
- Selling Expenses will increase by 10% each year while administrative expensive remain fixed for each year

- Corporate Tax is estimated to be 30% while interest expense is estimated at 10%
- Depreciation is estimated at 10% using the straight-line method
- All net income will be retained with no dividend payments for the next five years
- Property, plant and equipment grows at a rate of 10% for the next three years but 50% the years after
- Account receivables and payables were estimated to be 40% and 15% of sales respectively

5.2 Investment Requirement

The needed initial investments for this project will be approximately ARS 401,467,486, which is equivalent to USD 6,008,227.61. These needs include registration, installation cost, property plant and equipment, licensing and so on. *Kindly see table 4 in the appendix for a graphic image of the investment requirement.*

5.3 Financing strategy

The initial investment needs will be financed by funds received from the parent company (in the form of equity) and debts. The debt to equity ratio of the firm will be 30% debt and 70% equity. This ratio was chosen to enable the firm to attain an appropriate cost of capital for the company. The cost of debt was rated at 15%. The estimated cost of debt is the average cost likely to be incurred for borrowing funds in Argentina. Using the return on equity as a measure, the cost of equity was estimated to be 10.5%. The weighted average cost of capital for DML Holdings was estimated to be 10.07%. *Kindly see table 5 in the appendix for a graphic image of the financing strategy.*

5.4 Forecasted Profits and Financial Position

The financial statements were projected for five years in both Ghanaian (GHS) and Argentina (ARS) currency using forecasted exchange rates. The income statement predicted the estimated profits and loss of the company. With prices being at a fixed rate, the firm's revenue was projected to grow as the number of units produced increased. Majority of the firm's operating expenses such as the administrative expenses were estimated to be recurring every year at a fixed rate for the next five years. This assumption was made to aid the firm in achieving economies of scale as when many of a company's costs are fixed it can make more profit per unit as it produces more units. Fixed costs are spread out over the number of units manufactured, making production more efficient as production rises by reducing the average per-unit cost of manufacturing. At the end of the projections, the firm will make a loss of ARS 21,211,594.68 in the first year but the profit of ARS 6,054,547,053.76 in the fifth year of operation. *Kindly see table 7 in the appendix for a graphic image of the income statement.*

The balance sheet shows the financial position of a firm at a period. It also shows the relationship between a firm's asset, liabilities and capital. At the end of the projections, the firm's total asset amounted to ARS 527,267,447.93 and ARS 629,438,083,865.410 in the first and fifth year, respectively. The firm's total liabilities amounted to ARS 80,424,967.76 and ARS 101,113,687,708.32 respectively. The projections showed that DML Holdings would need external financing to support its operation for the next five years. The external financing will be raised using debt to equity ratio of 15% to 85%. Additional shares will be issued to the public to raise funds while 5-year loan will be borrowed from the bank to meet the external financing needs. The balance sheet showed an estimated figure of ARS 446,842,480.17 and ARS 528,324,396,157.09 as total equity for the first and fifth years of operation, respectively. *Kindly see table 8 in the appendix for a graphic image of the balance sheet.*

5.5 Break-Even Analysis Results and Interpretation

The break-even analysis visualizes the point at which total cost equals total revenue. To break even in the first year, DML Holdings will have to sell 16,395.56 leather bags to earn an income of ARS 40,988,905.93.

However, projections show that the firm will not break even in the first year of operation but the years after. The reason being that in the first year the number of products produced and sold was below the break-even point, thereby leading to lower revenue and a loss in the first year of operation. For DML to break even for the entire five years of operation, the firm will have to produce and sell 43,000.84 leather bags to gain ARS 107,502,089.37 as revenue. *Kindly see table 13 in the appendix for a graphic image of the break-even results.*

5.6 Forecasted Net Cash Flows

In projecting the net cash flows for this project, the incremental cash flow method was used. This method aided in showing the relationship between the cash inflows and outflows of the firm's business operation. Based on the projections, DML Holdings will record a negative net operating cashflow of ARS 43,613.97 in the first year of operation and ARS 56,168,693,709.22 in the fifth year of operations. Cashflows were noticed to increase every year throughout the five years of operation. The increase in cash flow indicates that the firm will encounter a higher amount of inflows than outflows of cash during business operation. *Kindly see table 9 in the appendix for a graphic image of the forecasted net cash flows.*

5.7 Forecasted Foreign Exchange Rate

The current spot rate of the GHSARS paired currency is ARS 11.51/GHS. The current spot rate was forecasted over the five years using the international fisher equation. At the end of the forecast, the exchange rates were GHSARS 14.94, GHSARS 25.18, GHSARS 55.07, GHSARS 156.36 and GHSARS 576.33. The forecasted exchange rates were used in the conversion of revenue and the preparation of the proforma financial statements in both GHS and ARS. *Kindly see table 2 in the appendix for a graphic image of the forecasted foreign exchange rates.*

5.8 Financial Appraisal Results and Interpretations

The financial appraisal of DML limited in respect to this foreign operation is evaluated using the net present value, profitability index and the modified internal rate of return.

5.8.1 Net Present Value

The net present value is the difference between initial investment of a project and the present value of cash flows from the project. It is one way to assess the profitability of the projects. From the analysis, the net present value of DML Holdings for the next five years was ARS… Given that the net present value was positive, it is evident that the project is viable or profitable to be carried out in Argentina. *Kindly see table 10 in the appendix for a graphic image of the net present value.*

5.8.2 Profitability Index

The profitability index of a project measures how profitable the project is as compared to other projects. The profitability index of the project in Argentina was 97.99. This index is far higher than the preferred standard index, which is 1. This shows that the project is very profitable and yields a higher percentage of its initial investment. *Kindly see table 11 in the appendix for a graphic image of the profitability index results.*

5.8.3 Modified Internal Rate of Return

Modified Internal Rate of return deals with the internal rate of return of an investment that is adjusted to account for the difference between reinvestments rates and investments return. The modified internal rate of return assumes that positive cash flows are reinvested at the reinvestment rate, and the negative cash outflows are discounted at the financing cost. At the end of the appraisal, the modified internal rate of return for the project in Argentina was 217%. The MIRR is higher than the firm's cost of capital, indicating that the project is viable. *Kindly see table 12 in the appendix for a graphic image of the MIRR results.*

6 CRITICAL SUCCESS FACTORS AND CONCLUDING REMARKS

6.1 Critical Success Factors

The key critical risk factors the firm is likely to face for this foreign project include fierce competition, interest rate and currency risks. Given that DML Holdings in Argentina will be transporting some of its products to nearby countries for sales, the firm's sales amount in foreign currencies, selling cost in foreign currencies, and other items, are likely to be influenced if exchange rates change significantly. Also, transferring proceeds from the firm in Argentina to the parent company for preparation of group financial statements is likely to be influenced if exchange rates fluctuate significantly. Furthermore, since the firm's debts are associated with interest rates and hence has a significant influence on business operation, the firm's performance and financial condition stand to be adversely influenced by these interest rate fluctuations. In addition, there is a fierce market competition in Argentina subjecting the products of the firm to be sold at a reduced price. If competition continues to be intense, the firm's sale is likely to be affected, thereby reducing the firm's net income.

6.2 Conclusion and Recommendation

Argentina has an average rate of doing business in the country. Even though this rate is not of a top-notch, the country promises to be a platform where DML Holdings can enhance its physical presence while increasing its global market share. Despite the country's high economic, political, operational and financial risks, the Argentine Government is working assiduously to provide a safer and lucrative environment for investors and foreign operations to thrive. The measure adopted by the government includes reduction of business registration fees and processes, lifting off specific trade barriers and tax rebates. From the financial projections, the production of K&K leather bags in Argentina is profitable and promises to increase the profitability of the parent company, DML Holdings given the higher amount of income and profit to be realized from the operation. The project has a positive net present value indicating that it is viable, a profitability index higher than one indicating that the business will churn out massive profits for the parent company, and a MIRR higher than the firm's average cost of capital stating that the firm will gain intensely from undertaking the project in Argentina.

With the outlined reasons above, I strongly recommend that management accept this proposal with immediate effect since it will churn out massive profit to the company.

6.3 Acknowledgement of Limitation

Undertaking this project in Argentina is very profitable and viable. However, certain limitations are bound to affect the smooth running of the firm's operation. A significant limitation lies in the country's rules with regards to exportation. The country has strict rules surrounding exporting of goods to other countries and given that products produced in Argentina will be sold outside the country, this proves to be a limit to business operations. Also, the number of days needed to register a business in Argentina pose as a limitation. It takes an average of 205 days to register a company in Argentina. This implies that the DML Holdings will have to wait for a year to start operations legally in Argentina.

In managing these limitations, employees located in Argentina will be employed to handle business operation because they will be able to communicate better with officials in charge to ensure that everything is set for business to start.

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APPENDIX

Table 1 - IHS Country Risk Rating for Argentina

IHS COUNTRY RISK RATING OF ARGENTINA				
RISKS	**RISK RATINGS (Out of 5)**	**RISK SCORE**	**WEIGHTINGS**	**RISK SCORE * WEIGHTINGS**
Political risk	2.7	7.29	0.25	1.8225
Economic Risk	3.5	12.25	0.25	3.0625
Legal risk	1.5	2.25	0.15	0.3375
Tax Risk	1.7	2.89	0.15	0.4335
Operational risk	3	9	0.1	0.9
Security Risk	2	4	0.1	0.4
Overall Risk Rating				6.956
Square Root of Sum				2.637422985
Overall Risk description				**MEDIUM**

Overall Risk rating	
Rate	**Risk Description**
1.0 - 1.24	Insignificant
1.25 - 1.74	Negligible
1.75 - 1.99	Low
2.0 - 2.49	Moderate
2.50 - 2.99	Medium
3.0 - 3.49	Significant
3.50 - 3.99	High
4.0 - 4.49	Very High
4.5 - 5.0	Extreme

Table 2 - Five years Exchange rate forecast

Five year forecast exchange rate		
		Exchange rate
S_0	**GHSARS**	**11.51**
S_1	**GHSARS**	**14.94**
S_2	**GHSARS**	**25.18**
S_3	**GHSARS**	**55.07**
S_4	**GHSARS**	**156.36**
S_5	**GHSARS**	**576.33**

Inflation Rate in April 2019	
Ghana	9.16%
Argentina	41.70%

Table 3 - Calculation of WACC

Effective tax rate (used as proxy for Tc)	30%	from projections
After-tax Cost of Debt		
Cost of debt, k_d	15.00%	
Corporate tax rate, T_c	0.30	<--- Effective tax rate
After-tax cost of debt, $k_d(1-T_c)$	10.50%	
Calculating the WACC for PBC		
Cost of equity, ke	11.00%	from projections
After-tax cost of debt, kdt	10.50%	from calculated cost of debt
Equity value, E	446,842,480.17	from projections
Debt value, D	77,324,459.74	from projections
Total capital, V	524,166,939.92	from projections
Percentage of equity, E/V	85.25%	
Percentage of debt, D/V	14.75%	
Using cost of equity:		
WACC	**10.93%**	**<--- =E/V*ke + D/V*kdt**

Table 4 - Investment Needs

Property, Plant & Equipment		
Items	**GHS**	**ARG Peso**
Currency Exchange Rate		**11.51**
Furniture, Fixtures and Fittings	10,000,000.00	115,100,000.00
Building	20,000,000.00	230,200,000.00
Factory Equipments	4,200,000.00	48,342,000.00
Appliances	386,000.00	4,442,860.00
Vehicles	170,000.00	1,956,700.00
Office Equipments	72,000.00	828,720.00
Total	34,828,000.00	400,870,280.00

Initial Cash Outflow			
Assets	**Quantity**	**GHS**	**ARS**
Factory Equipments	60	4,200,000	48,342,000
Office Equipment	20	386,000	828,720
Vehicles	3	170,000	1,956,700
Appliances	6	72,000	4,442,860
Building		20,000,000	230,200,000
Furniture, Fixture and Fittings		34,828,000	115,100,000
Total		**59,656,000**	**400,870,280**
Other Costs			
Registration		29,886	343,986.08
Miscellaneous		16,000	184,160.00
Total		**45,886**	**528,146**
Involving Capital Expenditure			
Transporation		5,000	57,550.00
Installation		1,000	11,510.00
Total		**6,000**	**69,060**
Initial Project Investment Cost		**59,707,886**	**401,467,486**

Table 5 - Financing Strategy

FINANCING			
	ARS	GHS	WEIGHT
EQUITY	446,842,480.17	29,906,996.98	0.85
DEBT	77,324,459.74	5,175,296.63	0.15
TOTAL INVESTMENT	524,166,939.92	35,082,293.61	

Table 6 - Production Strategy

PRODUCTION ASSUMPTIONS SUMMARY					
	YEAR 1	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**
UNITS PRODUCED	8,553	63,550	472,185	3,508,375	26,067,517
UNITS SOLD	8,268	61,432	456,446	3,391,429	25,198,600
CLOSING STOCK	1,711	12,710	94,437	701,675	5,213,503
PRICE (ARS)	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00
PRICE (GHS)	167.32	99.30	45.40	15.99	4.34

Table 7 - Projected Income Statement for five years

	Projected Year 1		Projected Year 2		Projected Year 3		Projected Year 4		Projected Year 5	
	GHS	ARS	GHS	ARS	GHS	ARS	GHS	ARS	GHS	ARS
REVENUE	1,383,438.80	20,670,053.44	6,100,157.00	153,580,227.27	20,721,240.40	1,141,113,944.31	54,223,077.49	8,478,572,125.29	109,306,566.63	62,996,500,605.72
COST OF GOODS SOLD	899,235.22	13,435,534.73	3,965,102.05	99,827,147.72	13,468,806.26	741,724,063.80	35,245,000.37	5,511,071,881.44	71,049,268.31	40,947,725,393.72
GROSS PROFIT	**484,203.58**	**7,234,518.70**	**2,135,054.95**	**53,753,079.54**	**7,252,434.14**	**399,389,880.51**	**18,978,077.12**	**2,967,500,243.85**	**38,257,298.32**	**22,048,775,212.00**
SG&A COSTS										
SELLING COST:										
DISTRIBUTION COST	36,000.00	537,878.45	50,400.00	1,268,892.50	70,560.00	3,885,722.98	98,784.00	15,446,324.84	138,297.60	79,704,862.31
PACKAGING COST	24,000.00	358,585.64	33,600.00	845,928.33	47,040.00	2,590,481.98	65,856.00	10,297,549.89	92,198.40	53,136,574.87
ADVERTISING COST	66,000.00	986,110.50	92,400.00	2,326,302.91	129,360.00	7,123,825.46	181,104.00	28,318,262.21	253,545.60	146,125,580.89
SUB TOTAL	**126,000.00**	**1,882,574.59**	**176,400.00**	**4,441,123.74**	**246,960.00**	**13,600,030.41**	**345,744.00**	**54,062,136.94**	**484,041.60**	**278,967,018.07**
ADMINISTRATION COST:										
TELEPHONE BILLS	12,000.00	179,292.82	12,000.00	302,117.26	12,000.00	660,837.24	12,000.00	1,876,375.71	12,000.00	6,915,943.21
SALARY:										
ACCOUNTANT	16,063.11	240,000.00	9,532.72	240,000.00	4,358.11	240,000.00	1,534.87	240,000.00	416.43	240,000.00
IT MANAGER	9,637.87	144,000.00	5,719.63	144,000.00	2,614.86	144,000.00	920.92	144,000.00	249.86	144,000.00
SALES MANAGER	12,047.33	180,000.00	7,149.54	180,000.00	3,268.58	180,000.00	1,151.16	180,000.00	312.32	180,000.00
OPERATIONS MANAGER	10,441.02	156,000.00	6,196.27	156,000.00	2,832.77	156,000.00	997.67	156,000.00	270.68	156,000.00
DEPRECIATION	1,197,826.01	17,896,800.00	710,855.11	17,896,800.00	324,984.11	17,896,800.00	114,455.54	17,896,800.00	31,053.12	17,896,800.00
MAINTENANCE	1,338.59	20,000.00	794.39	20,000.00	363.18	20,000.00	127.91	20,000.00	34.70	20,000.00
OFFICE SUPPLIES	1,003.94	15,000.00	595.80	15,000.00	272.38	15,000.00	95.93	15,000.00	26.03	15,000.00
SUB TOTAL	**1,260,357.87**	**18,831,092.82**	**752,843.47**	**18,953,917.26**	**350,693.99**	**19,312,637.24**	**131,284.00**	**20,528,175.71**	**44,363.13**	**25,567,743.21**
TOTAL SG&A COST	**1,386,357.87**	**20,713,667.41**	**929,243.47**	**23,395,041.01**	**597,653.99**	**32,912,667.66**	**477,028.00**	**74,590,312.65**	**528,404.73**	**304,534,761.28**
PROFIT BEFORE TAX AND INTEREST	(902,154.29)	(13,479,148.70)	1,205,811.48	30,358,038.54	6,654,780.15	366,477,212.85	18,501,049.12	2,892,909,931.20	37,728,893.59	21,744,240,450.72
INTEREST EXPENSE	517,529.66	7,732,445.97	654,677.50	16,447,867.02	1,077,443.84	59,608,298.80	3,271,524.28	518,900,131.28	15,732,357.18	9,166,421,261.75
	(1,419,683.95)	(21,211,594.68)	551,133.98	13,910,171.51	5,577,336.31	306,868,914.05	15,229,524.84	2,374,009,799.92	21,996,536.41	12,577,819,188.97
TAX	-	-	361,743.44	9,107,411.56	1,996,434.05	109,943,163.86	5,550,314.74	867,872,979.36	11,318,668.08	6,523,272,135.22
PROFIT AFTER TAX	(1,419,683.95)	(21,211,594.68)	189,390.54	4,802,759.95	3,580,902.26	196,925,750.19	9,679,210.11	1,506,136,820.56	10,677,868.33	6,054,547,053.76
DIVIDEND	-	-	-	-	-	-	-	-	-	-
RETAINED EARNINGS	(1,419,683.95)	(21,211,594.68)	189,390.54	4,802,759.95	3,580,902.26	196,925,750.19	9,679,210.11	1,506,136,820.56	10,677,868.33	6,054,547,053.76

Table 8 - Projected Balance Sheet for five years

Statement of Financial Position											
		Projected Year 1		Projected Year 2		Projected Year 3		Projected Year 4		Projected Year 5	
	Percentage of sales	GHS	ARS	GHS	ARS	GHS	ARS	GHS	ARS	GHS	ARS
ASSETS											
Non-Current Assets											
Machines and Equipment	25.17	34,828,000.00	520,367,521.77	38,310,800.00	964,529,498.46	42,141,880.00	2,320,743,641.54	63,212,820.00	9,884,249,997.92	94,819,230.00	54,647,034,157.65
Accumulated Depreciation		1,197,826.01	17,896,800.00	1,908,681.12	35,793,600.00	2,233,665.23	53,690,400.00	2,348,120.77	71,587,200.00	2,379,173.89	89,484,000.00
Total Non-Current Assets		33,630,173.99	502,470,721.77	36,402,118.88	928,735,898.46	39,908,214.77	2,267,053,241.54	60,864,699.23	9,812,662,797.92	92,440,056.11	54,557,550,157.65
Current Assets											
Inventory		286,228.72	4,276,562.78	2,126,703.33	53,542,815.56	15,801,583.78	870,189,585.21	117,407,090.17	18,358,317,675.59	872,344,507.72	502,757,089,572.87
Account Receivable	0.40	617,531.42	9,226,579.02	2,722,952.83	68,554,254.45	9,249,427.56	509,363,849.06	24,203,784.03	3,784,616,035.78	48,791,633.63	28,120,013,944.23
Cash at Hand	0.45	617,531.42	9,226,579.02	3,468,105.84	87,314,553.33	12,257,034.36	674,992,063.83	32,367,018.04	5,061,057,203.10	65,420,629.96	37,703,780,130.10
Cash at Bank	0.10	138,343.88	2,067,005.34	610,015.70	15,358,022.73	2,072,124.04	114,111,394.43	5,422,307.75	847,857,212.53	10,930,656.66	6,299,650,060.57
Total Current Assets		1,659,635.44	24,796,726.17	8,927,777.71	224,769,646.07	39,380,169.74	2,168,656,892.54	179,400,199.98	28,051,848,126.99	997,487,427.97	574,880,533,707.76
Total Assets		35,289,809.43	527,267,447.93	45,329,896.59	1,153,505,544.53	79,288,384.51	4,435,710,134.08	240,264,899.22	37,864,510,924.92	1,089,927,484.09	629,438,083,865.41
LIABILITIES											
Current liabilities											
Account Payable	15%	207,515.82	3,100,508.02	915,023.55	23,037,034.09	3,108,186.06	171,167,091.65	8,133,461.62	1,271,785,818.79	16,395,984.99	9,449,475,090.86
Total Current Liabilities		207,515.82	3,100,508.02	915,023.55	23,037,034.09	3,108,186.06	171,167,091.65	8,133,461.62	1,271,785,818.79	16,395,984.99	9,449,475,090.86
Non-Current Liabilities											
5 - Loan		5,175,296.63	77,324,459.74	6,546,774.97	164,478,670.24	10,774,438.44	596,082,988.03	32,715,242.80	5,189,001,312.78	157,323,571.77	91,664,212,617.47
Total Liabilities		5,382,812.45	80,424,967.76	7,461,798.52	187,515,704.33	13,882,624.50	767,250,079.67	40,848,704.42	6,460,787,131.57	173,719,556.76	101,113,687,708.32
EQUITY											
Capital		2,000,000.00	29,882,136.31	2,000,000.00	50,352,876.91	2,000,000.00	110,139,540.12	2,000,000.00	312,729,284.91	2,000,000.00	1,152,657,201.66
Additional Shares Proceeds		29,326,680.93	438,171,938.54	37,098,391.48	932,045,798.01	61,055,151.16	3,377,803,598.82	185,386,375.84	29,404,340,772.40	891,500,240.03	519,430,538,165.64
Retained Earnings		(1,419,683.95)	(21,211,594.68)	(1,230,293.41)	(16,408,834.72)	2,350,608.85	180,516,915.47	12,029,818.96	1,686,653,736.03	22,707,687.29	7,741,200,789.79
Total Equity		29,906,996.98	446,842,480.17	37,868,098.07	965,989,840.20	65,405,760.01	3,668,460,054.41	199,416,194.80	31,403,723,793.35	916,207,927.32	528,324,396,157.09
TOTAL LIABILITIES AND EQUITY		35,289,809.43	527,267,447.93	45,329,896.59	1,153,505,544.53	79,288,384.51	4,435,710,134.08	240,264,899.22	37,864,510,924.92	1,089,927,484.09	629,438,083,865.41

External Financing											
Asset		35,289,809.43	527,267,447.93	45,329,896.59	1,153,505,544.53	79,288,384.51	4,435,710,134.08	240,264,899.22	37,864,510,924.92	1,089,927,484.09	629,438,083,865.41
Liabilities & Capital		787,831.87	11,771,049.65	1,684,730.14	56,981,076.28	7,458,794.91	461,823,547.24	22,163,280.58	3,271,168,839.74	41,103,672.29	18,343,333,082.31
External Financing Needed		34,501,977.56	515,496,398.28	43,645,166.45	1,096,524,468.24	71,829,589.60	3,973,886,586.84	218,101,618.63	34,593,342,085.18	1,048,823,811.80	611,094,750,783.10

Acquistion of external financing	
Debt	15%
Equity	85%

Table 9 - Projected Incremental Cash flows

Free Cash flow Statement										
	Projected Year 1		Projected Year 2		Projected Year 3		Projected Year 4		Projected Year 5	
Operating Cash Flows	GHS	ARS	GHS	ARS	GHS	ARS	GHS	ARS	GHS	ARS
Operating Revenue	1,383,438.80	20,670,053.44	6,100,157.00	153,580,227.27	20,721,240.40	1,141,113,944.31	54,223,077.49	8,478,572,125.29	109,306,566.63	62,996,500,605.72
Operating Expenses	1,386,357.87	20,713,667.41	929,243.47	23,395,041.01	597,653.99	32,912,667.66	477,028.00	74,590,312.65	528,404.73	304,534,761.28
Net Operating Income	(2,919.07)	(43,613.97)	5,170,913.53	130,185,186.26	20,123,586.41	1,108,201,276.65	53,746,049.49	8,403,981,812.64	108,778,161.89	62,691,965,844.44
Capital Allowance	10,448,400.00	156,110,256.53	11,493,240.00	289,358,849.54	12,642,564.00	696,223,092.46	18,963,846.00	2,965,274,999.38	28,445,769.00	16,394,110,247.29
Net Operating Income (before tax)	(10,451,319.07)	(156,153,870.50)	(6,322,326.47)	(159,173,663.28)	7,481,022.41	411,978,184.19	34,782,203.49	5,438,706,813.26	80,332,392.89	46,297,855,597.14
Tax	-	-	361,743.44	9,107,411.56	1,996,434.05	109,943,163.86	5,550,314.74	867,872,979.36	11,318,668.08	6,523,272,135.22
Net Operating Income (after tax)	(10,451,319.07)	(156,153,870.50)	(6,684,069.91)	(168,281,074.84)	5,484,588.37	302,035,020.33	29,231,888.76	4,570,833,833.90	69,013,724.82	39,774,583,461.93
Add Back Capital Allowance	10,448,400.00	156,110,256.53	11,493,240.00	289,358,849.54	12,642,564.00	696,223,092.46	18,963,846.00	2,965,274,999.38	28,445,769.00	16,394,110,247.29
Free cash flows after tax	(2,919.07)	(43,613.97)	4,809,170.09	121,077,774.70	18,127,152.37	998,258,112.80	48,195,734.76	7,536,108,833.28	97,459,493.82	56,168,693,709.22

Table 10 - Net Present Value

Net Present Value

Year	Net Cash Flow		Discount Factor (1/(1+r)^n)	Present Value	
	GHS	ARS	10.93%	GHS	ARS
0	(59,707,885.85)	(401,467,486.08)	1.00	(59,707,885.85)	(401,467,486.08)
1	(2,919.07)	(43,613.97)	0.90	(2,631.54)	(39,317.99)
2	4,809,170.09	121,077,774.70	0.81	3,908,422.89	98,400,168.28
3	18,127,152.37	998,258,112.80	0.73	13,280,875.37	731,374,753.02
4	48,195,734.76	7,536,108,833.28	0.66	31,832,549.79	4,977,485,266.51
5	97,459,493.82	56,168,693,709.22	0.60	58,030,014.39	33,444,356,997.90
			Net Present Value	47,341,345.05	38,850,110,381.65

Table 11 - Calculated Profitability Index

Profitability Index

$$\textbf{Profitability Index} = \frac{\textit{Sum of PV of Future Net Cashflow}}{\textit{Initial Cashoutflow}}$$

	ARS
Sum of PV of Future Net Cashflow	39,251,577,867.73
Initial Cash Outflow	(401,467,486.08)
Profitability Index	97.77

Table 12 - Calculated Modified Internal Rate of Return

Modified Internal Rate of Return				
Year	Net Cash Flow	Reinvestment Rate (1/(1+r)^n)	Financing Rate (1+r)^n	Present Value
	ARS	10.93%	15.00%	ARS
0	(401,467,486.08)	1.00		(401,467,486.08)
1	(43,613.97)	0.90		(39,317.99)
		Present Value of Negative Cash flows		(401,506,804.07)
2	121,077,774.70		1.52	184,144,160.60
3	998,258,112.80		1.32	1,320,196,354.17
4	7,536,108,833.28		1.15	8,666,525,158.27
5	56,168,693,709.22		1.00	56,168,693,709.22
		Future Value of Positive Cash flows		66,339,559,382.26

MIRR **178%**

Table 13 - Break-Even Point Analysis

Break Even Point Analysis						
	Projected Year 1	Projected Year 2	Projected Year 3	Projected Year 4	Projected Year 5	Forecast Summary
	ARS	ARS	ARS	ARS	ARS	ARS
Fixed Cost	18,831,092.82	18,953,917.26	19,312,637.24	20,528,175.71	25,567,743.21	103,193,566.24
Selling Price	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00
Variable Cost	1,351.45	228.88	51.20	18.57	11.15	100.20
Contribution Margin	1,148.55	2,271.12	2,448.80	2,481.43	2,488.85	2,399.80
	Quantity	Quantity	Quantity	Quantity	Quantity	Quantity
Break Even Point (Unit)	16,396	8,346	7,887	8,273	10,273	43,001
Contribution Margin : Selling Price	0.46	0.91	0.98	0.99	1.00	0.96
	GHS	GHS	GHS	GHS	GHS	GHS
Break Even Point Sales	40,988,905.93	20,864,052.25	19,716,409.18	20,681,808.97	25,682,276.51	107,502,089.37