**BIODIESEL LIMITED (BL)**

# EXECUTIVE SUMMARY

**Company:** Biodiesel Limited

**Location:** Dar es Salaam, Tanzania

**Business/Product:** BL collects used cooking oil from local hotels, restaurants, and street cart vendors to convert to biodiesel.

**Product:** Biodiesel is a renewable substitute for petroleum diesel, and can be used in any existing diesel engine without modification.

**Current Status:** BL is producing at only 20% of its capacity (2,000 liters per week) because of limited feedstock. BL’s system for collecting used cooking oil is also inefficient enough to collect all of the available cooking oil.

**Future Plans:** BL aims to increase biodiesel production to its full capacity of 10,000 liters per week by increasing its feedstock supply.

BL will also purchase new trucks to increase used cooking oil collections and will begin using crude palm oil as an additional feedstock.

**Market:** BL is the first and only company to enter the renewable fuels market in all of East Africa. Even if competitors enter the market, the Company has a significant head start in installing its technology and unmatched real-world experience producing and selling biofuels in a third-world county.

**Biodiesel’s Ask:** BL is seeking equity and/or debt financing of US$175,000.

# PROFILE OF THE COMPANY

## Current Status

**What BL Does:** BL owns and operates a biodiesel refinery. The refinery has installed production capacity to produce 520,000 liters of biodiesel per year (or, 10,000 liters per week). The Company is currently producing approximately 2,000 litres per week, just 20% of its capacity.

**Raw Material:** Used cooking oil is used as feedstock for biodiesel production.

**Source of Raw Material:** BL collects used cooking oil from local hotels, restaurants, and street cart vendors producing produces one liter of biodiesel from each liter of feedstock.

**Other Products:** BL produces and sells crude liquid soap made from raw glycerin, a byproduct of biodiesel production. This earns BL a secondary revenue stream while efficiently and safely disposing of its waste stream.

## Short History

The co-founders of BL, Mr. Michael, and Mr. Anthony, met in New York and worked together at the same law firm for many years. They decided to start a renewable energy business together, and in May 2008, Mr. Michael moved back to his homeland, Tanzania.

In June 2008, Biodiesel Limited was duly formed under the laws of Tanzania and received its tax authorization and industrial license.

In January 2009, after submitting its biodiesel for laboratory testing, BL obtained authorization from the Ministry of Health and Social Welfare to produce and sell biodiesel.

During the spring and summer of 2009, BL began producing and selling its biodiesel on a small scale. BL slowly established its relationships with the hotels, restaurants, and street cart vendors in and around Dar es Salaam, and began developing its customer list.

BL reached profitability in September 2009.

## Management and Ownership

1. **Mr. Anthony:** Co-founder, majority shareholder, and Chief Executive of BL. He is an attorney educated in the United States and is currently practicing law in New York.

Duties:

* In charge of all management and financial aspects of BL.
* Personally designed the refinery, and makes all decisions relating to technical and safety matters.

1. **Mr. Michael:** Co-founder, and General Manager responsible for day-to-day operations of BL. He holds a diploma in Business Administration, with a Marketing Management Option, from the Dar es Salaam College of Business Education.

Michael has a wide array of successful entrepreneurial experiences, including establishing and operating an exporting company in Dar es Salaam (exported over 20 tons of grapes to a Kenyan wine-making company) and supervising mobile merchandising sales kiosks across the United States (over US$2,000,000 per year gross sales).

In 1998, Mr. Michael also wrote, financed, and self-published a biography of the first Tanzanian president, titled "Tanzania Tutakukumbuka Milele - Baba Wa Taifa."

1. **Mr. Song:** Graduate student pursuing his Master’s in Business Administration at the Kellogg School of Management, Northwestern University. He is experienced in international investment banking, consulting, and venture capital.
2. **Mr. Massimo:** Consultant at McKinsey & Company, focusing on the East Africa region. He has broad international experience and has spent 5 months in Dar es Salaam evaluating the Company.
3. **Mr. Stefano:** He has broad international experience, and has spent 4 months in Dar es Salaam evaluating the Company.
4. **Ms. Christine:** Chief Executive Officer and Director of Africa Biofuel and Emissions Reduction (Tanzania) Ltd., a company focusing on the development of the Croton nut as a renewable fuel source. She has extensive experience in both corporate and startup turnarounds, mergers, acquisitions, and business development. Ms. Christine holds Master’s degrees from Columbia University, Boston University, and Framingham State College in Corporate Finance, Strategic Planning, and Biochemistry, respectively.

## Market and Client Base

Tanzania heavily relies on diesel fuel, consuming over 2,000,000 liters daily, with businesses using it for both vehicles and stationary power generation. Despite increasing prices, Tanzania depends entirely on petroleum product imports for its diesel supply.

In Dar es Salaam, over 100 commercial buildings consume around 500,000 liters of diesel per week for standby power.

BL, a biodiesel company, aims to replace 2% of Dar es Salaam's diesel market by offering renewable biodiesel at 20% below petroleum diesel's price. Existing customers have already switched entirely to biodiesel, and demand from both current and potential customers exceeds the company's maximum production capacity of 10,000 liters per week.

## Competition:

BL is the sole biodiesel producer in East Africa, facing competition only from imported petroleum-based diesel, which is 20% more expensive than their biodiesel. There are no other domestic biofuel producers in Tanzania, giving BL a significant advantage in the market.

## Suppliers and Other Relevant Stakeholders

BL produces biodiesel from locally collected used cooking oil. Suppliers include luxury hotels, restaurants, and street cart vendors, all located in or near Dar es Salaam.

# PLAN FOR THE FUTURE

1. Increase biodiesel production to its full capacity of 10,000 liters per week by increasing its feedstock supply.
2. Purchase new trucks to increase used cooking oil collections and begin using crude palm oil as an additional feedstock.

BL plans to purchase its own trucks to enhance the efficiency of its used oil collection system. Currently relying on rented trucks and temporary drivers causes delays due to traffic, poor roads, and unreliable drivers. With their own trucks, BL can establish a more efficient collection schedule, reaching more used cooking oil suppliers in less time.

BL plans to diversify its feedstock by using crude palm oil in addition to used cooking oil. They have identified local crude palm oil suppliers capable of providing over 8,000 liters per week. While their refinery can produce 10,000 liters of biodiesel weekly, they need to purchase additional support equipment to reach full production capacity due to limitations in the surrounding equipment (storage tanks, transfer pipes, and pumps, etc.), suited for production of only 3,000-4,000 liters per week.

## Feasibility

In 2009, BL engaged a consulting team, Mr. Massimo and Mr. Stefano (the "Consultants"), to evaluate the Company's growth potential. The Consultants spent a combined 8 months working side-by-side with Mr. Michael, observing the day-to-day operations, and also actively researching growth opportunities.

The Consultants concluded that BL’s best opportunity for growth is to expand its feedstock from just used cooking oil to crude palm oil, as well. The Consultants located several local crude palm oil suppliers and negotiated all terms (price, delivery, etc.).

The Consultants have in place agreements for the delivery of 8,000 litres per week of crude palm oil, enough feedstock to increase BL’s production fivefold to 10,000 liters per week, or full operating capacity.

## Marketing and Distribution

The Consultants have concluded that there is sufficient customer demand to absorb the increased production. During their time in Dar es Salaam, they confirmed that BL’s biodiesel is in very high demand.

## Management Team

In addition to the existing management team described in Section 1.3, BL will hire a manager specifically to oversee the expansion project (the "Expansion Manager"). Mr. Michael will generally assist the Expansion Manager, but Mr. Michael’s primary responsibility will be to continue day-to-day operations, production, and sales. The Expansion Manager will be responsible for purchasing, importing, and installing the new equipment and raw materials, as well as hiring and training new staff.

The Consultants have already met with suitable applicants for this position, and have prepared a list of candidates.

## Milestones

The Company's performance is measured by the biodiesel produced per week. BL’s refinery equipment is designed to produce up to 10,000 liters of biodiesel per week. Currently, the Company is producing 2,000 liters per week or just 20% of capacity. The Company should increase production to 5,000 liters per week, or 50% of capacity, within one year from the date of funding. BL should increase production to 10,000 liters per week, or full capacity, within two years from the date of funding.

## Investment Plan

1. **What is already invested in the company?**

|  |  |  |  |
| --- | --- | --- | --- |
| **Name of Organization/ Individual** | **Type of Finance** | | **USD** |
| Mr. Anthony | Own Contribution | | $ 136,500 |
| Mr. Michael | Own Contribution | | $ 13,500 |
| Mr. Massimo | Loan | | $ 11,500 |
| Mr. Stefano | Loan | | $ 11,500 |
| **TOTAL INVESTMENT ALREADY DONE** | | | **$ 173,000** | |

1. **Finance Needed**

|  |  |
| --- | --- |
| **Fixed Assets** | **Amount (USD)** |
| Trucks | $ 40,000 |
| Support Equipment | $ 20,000 |
|  |  |
| **Working Capital** | **Amount(USD)** |
| Expansion Manager | $ 75,000 |
| Training | $ 25,000 |
| Raw Materials | $ 15,000 |
|  |  |
| **Total Investment Needed** | **$ 175,000** |

1. **How do you plan to acquire this capital?**

|  |  |  |  |
| --- | --- | --- | --- |
| **Name of Organization/ Individual (If known)** | **Type of Finance** | | **Amount(USD)** |
| Unknown | Equity/Loan | | $ 175,000 |
| **TOTAL INVESTMENT STILL NEEDED** | | **$ 175,000** | |

## Future Expansion

BL’s small-scale, high-efficiency biodiesel business model can be repeated throughout the African continent. The Company has already begun preliminary research in neighboring areas, including Kenya and Uganda.

# THE DEVELOPMENT IMPACT

## Local Economic Impact of the Business

BL directly employs 3-4 persons per year. With the requested funding, the Company would eventually employ a total of 8 persons per year.

BL has created an estimated 2-3 indirect jobs. This includes per diem drivers and laborers. Under our proposed expansion plan, the Company would create an estimated total of 5-6 indirect jobs.

Local building owners can save US$1,000 per week by purchasing BL’s lower-cost biodiesel.

## Local Social Impact of the business’s Products or services

Biodiesel produces significantly less carbon dioxide, carbon monoxide, sulfur, and particulate matter emissions than petroleum diesel.

# CASE STUDY INSTRUCTIONS

1. Complete a brief SWOT analysis of Biodiesel Limited. (Maximum 1 slide)
2. Identify key issues that a potential equity investor would focus on when evaluating a potential investment in the business either during an introductory management meeting, due diligence, term sheet discussions, etc. (Maximum 2 slides)
3. Address the company’s ability to access debt from a bank or other lender. Are there actions or measures management could consider to increase the company’s ability to access debt? (Maximum 2 slides)
4. If you were to be approached by this company to advise on its growth, what would be your considerations in prioritizing this potential project in the context of many other businesses you might support? In the event you decide to support them, what practical advice would you offer the management of the business, and what would the work plan you suggest entail? (Maximum 2 slides)
5. Free form – provide any other critical analysis or feedback. (Maximum 1 slide)