

**OLYMPIC PETROLEUM (T) LIMITED**

**BUSINESS PLAN**

**FOR**

**GAS CYLINDER FILLING PLANT PROJECT**

**PREPARED FOR**

**OLYMPIC PETROLEUM (T) LIMITED.**

**Dar es Salaam**

## 1.0. EXECUTIVE SUMMARY.

**OLYMPIC PETROLEUM (T) LIMITED** is a privately owned company incorporated in Tanzania with certificate of incorporation No. 84665 dated 20<sup>th</sup> July 2011. The Company engages in various business including fuel logistics, gas cylinder filling and distribution etc within Tanzania.

The project promoters are well established business in Tanzania and Kenya, the company is owned by three shareholders one being Tanzanian and two Kenyans both of them having more than ten years' experience in working in fuel Logistics , Transportation and the like. Having been in the business for over 10 years the directors are now well prepared for establishment and operating gas cylinder filling plant in Tanzania as they see a very bright future in the LPG gas cylinder filling industry.

This document has been prepared to serve as a business plan for guidance for **OLYMPIC PETROLEUM (T) LIMITED** for the gas cylinder filling plant and distribution

The proposed project on completion is estimated to cost about US\$ **7,505,000**. The US\$**3,505,000** of these will be invested from owners' equity and cash generated from business while the rest of US\$ **4,000,000** will be sought from foreign and local financial institutions.

**OLYMPIC PETROLEUM (T) LIMITED COST STRUCTURE**

Land and Building	500,000
Plant and Machinery	1,500,000
Motor vehicles	800,000
Furniture and Fittings	5,000
Others	20,000
Working capital	4,680,000
<b>Total</b>	<b>7,505,000</b>

## **1.1 THE PROJECT PROMOTERS**

The shareholders of this project are all entrepreneurs with a diverse professional and business backgrounds. The company number of share issues is 200,000 with aggregate nominal

value of Tsh 200,000,000/= The company is owned by 3 shareholders, namely: -

Name	Shares %	Nationality	Date of Birth
Ally Mohamud Adon Plot No. 234,Block U, Kenyeta Street,Kenyata Road,Nyamagana P. o. Box 33101 MWANZA	60	Tanzanian	25 <sup>th</sup> September 1979
Jabril Mohamud Omar Jabavu Road, Kiliman, Nairobi, Kenya	20	Kenyan	1 <sup>st</sup> January 1973
Ibrahim Mohamud Odon Jabavu Road, Kiliman, Nairobi, Kenya	20	Kenyan	1 <sup>st</sup> January 1982

## 1.2 Location.

The project head office will be located at Plot No. 1002, Tuangoma, Kigamboni, Dar es Salaam, Tanzania .

## 2.0 LGP Over view

Liquefied petroleum gas, or LP gas is one of the most common alternative fuels used in the world today. Intact, in many places, it isn't an alternative fuel at all. LP gas is the main stay for cooking in certain areas of Tanzania particularly in urban

LPG is a mixture of commercial butane and commercial propane having saturated and unsaturated hydrocarbons. LPG is gaseous at normal atmospheric pressure, but may be condensed to the liquid state at normal temperature, by the application of moderate pressures. Liquefied petroleum gas {LPG} is a flammable mixture of hydrocarbon gases used as a fuel in heating appliances and vehicle. LPG is synthesized by refining petroleum or "wet" natural gas, and is almost derived entirely from fossil fuel.

#### **Tanzania over view**

Global Liquefied Petroleum Gas (LPG) market is projected to witness enormous growth due to wide adoption of LPG as a cooking gas from residential sector replacing other cooking fuels. Further, favorable government initiatives in promoting use of LPG as the cooking fuel with the focus to substitute conventional cooking fuels such as coal, kerosene and wood is anticipated to drive the demand for Liquefied petroleum gas (LPG) during the forecast period. Further, low greenhouse

gases emission characteristics of LPG influencing governments to promote the adoption of LPG as auto fuel. This in turn is projected to drive the demand for LPG over the forecast period. However, volatile crude oil and natural gas price is expected to remain the key challenge for the global liquefied petroleum gas (LPG) market

### **LPG Cylinder**

LPG Cylinder is an essential item for filling liquefied petroleum gas used for cooling purpose. The body of LPG cylinder is deep drawn in two pieces then these are welded together to make a compact unit without any leak and defect etc. LPG cylinders will be available in the following capacities:

- 3 Kg.,
- 6 Kg.,
- 12.5 Kg.
- 38Kg

LPG is primarily used as a thermal fuel and is consumed by industrial, commercial and household consumers. It burns cleanly, releasing very few sulphur emissions, and posing no ground or water pollution hazards. There are over a thousand applications of LPG particularly in commercial and industrial businesses.

Total of **500,000** gas cylinder will be imported and branded with company logo; the cylinder will be installed with gauge metre for monitoring daily use and safety.

The company intended to have plant with the capacity of filling of **2,000,000kg** equivalent to **1,968 Tons (t)** per year

### **1.3 Targeted Markets.**

The targeted markets of the project are summarizing below:

- Industrial customers: for heating purposes where a readily controlled temperature is needed, i.e. motor vehicle paint shops or as fuel for fork lift trucks within warehouses etc.

- Commercial: This includes, for example, a shopping centre with a number of restaurants which may have one bulk tank with LPG reticulated to individual restaurants/stores.
- Households: LPG is mainly used by households for cooking.

## **2.0 THE PROJECT**

LPG bottling plant is a plant where LPG is filled into bottles (cylinders) for storage and distribution among various LPG distributors. The plant has the facility to receive bulk LPG by Tank trucks (of various capacities e.g. 10MT, 20MT etc.) or pipeline from a reliable source e.g. Refinery or any other LPG Bottling Plant. After receipt of Bulk LPG, filling of LPG into cylinders is done.

A key factor influencing the type and size of filling plant will be where the demand for LPG is in the country. In emerging markets this may be difficult to assess and that might

influence the choice to look at temporary facilities such as containerized filling. These can be used to sustain a growing market until such time that a more permanent facility can be justified.

The following are main equipment needed by the project:

- Filling equipments
- LPG Storage Tank
- Fuel Storage Tank
- Compressed Air System

### **3.0 Market-Growth, Future Prospects and Competitive Analysis,**

In terms of end-use, the segments into which the global LPG market is divided are petrochemical and refinery, transportation, residential and commercial, industrial, and others. Of them, the segment of residential and commercial led in 2018 with a share of over 80% in the market. LPG is

majorly used as a cooking fuel and also for lighting and eating in the residential and commercial segment.

### **3.1 PROJECT CAPACITY**

- Total of **500,000** gas cylinder will be imported and branded with company logo; the cylinder will be installed with gauge metre for monitoring daily use and safety.
- The company intended to have plant with the capacity of filling of **2,000,000kg** equivalent to **1,968 Tons (t)** per year
- Estimated cost per kg is **US\$ 1.5**

### **4.0 INVESTMENT AND FINANCING**

For the project to be a reality a total investment amounting to US\$ **7,505,000** is needed to finance the project.

The project will be financed partially by shareholders equity amounting to US\$**3,505,000** and loan US\$ **4,000,000**

a) **Initial Working Capital**

Calculations been made on working capital requirements US\$  
**4,700,000**

**5.0 FINANCING PATTERN**

The financing pattern being considered is that involving the purchase of **500,000** of gas cylinders and **2,000,000kg equivalent to 1,968 Tons (t)**. The project will be financed both by equity equivalent to **US\$3,505,000** and loan **US\$4,000,000**.

The loan will be negotiated and acquired from financial institutions. The project sponsors expect to procure this loan on the following terms and conditions: -

Loan Amount	:	US\$ 4,000,000
Interest Rate	:	6 % annually
Repayment period	:	Six years

## **6.0 IMPLEMENTATION**

Project implementation is expected to be relatively very short once TIC approval is received. Currently, the supplier of the trucks has already been identified and supply is awaiting word from the project promoters.

## **7.0 MANPOWER AND ORGANIZATION STRUCTURE**

The project will be managed by a Board of Directors of **OLYMPIC PETROLEUM (T) LIMITED**. The Board, like all other boards is responsible for the formulation and supervision of company policies and guidelines. The project's day to day operations will be under the supervision of Managing Director

The project's employee requirement is estimated to be 50 people in number, as shown below: -

Employees Distribution Summary

Employment	Foreign Skilled	Local Skilled	Local Unskilled	Total
Women	1	7	5	13
Men	4	23	10	37
<b>TOTAL</b>	<b>5</b>	<b>30</b>	<b>15</b>	<b>50</b>

To ensure timely delivery of consignments, provision of goods service to customers, Management will provide on the job training in the field of motor vehicle maintenance and will provide bonus and other incentives as a means of instilling and boosting employee work morale.

## 8.0 SWOT Analysis

### Strengths

- The zeal, strong commitment, passion of the young directors and vast experience in same field.
- Highly educated with entrepreneurial & leadership skills.

- The required knowledge in harvesting the new areas and expanding the customer base
- Willingness to serve the fellow businessmen across the Africa for affordable prices
- Interested to increase the employment opportunities.

### **Weaknesses**

- Lack of Capital investment for this huge project
- High-rate of interest on bank loans
- Labour Turnover

### **Opportunities**

- Increasing the use of LPD gas in Tanzania
- Recent market surveys reveal the fact of the need for more LPG gas

### **Threats**

- The usage of other means of energy such as rail electricity, charcoal, coal etc.
- Cut throat competition among LPG companies
- Threat of possible high inflation rat

## 9.0 PROJECT OPERATING COSTS

The company has estimated cost of sales to be 75% of total revenue.

## 10.0 FINANCIAL ASPECTS FOR THE PROJECT

### (i) Projected Profit and Loss Statement

The attached Appendix I shows the projected income for the 11years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. **US\$ 847,525** in the 1<sup>st</sup> year to **US\$ 10,983,950** in the 9<sup>th</sup> year,

### (ii) Projected Cash Flows

The project's cash flows are shown in Appendix II. They depict a good liquid position right from the first year. Cash accumulation builds up from **US\$ 1,136,775** in the first year to **US\$ 12,227,202** at the end of 9<sup>th</sup> years,

**(iii) Projected Balance Sheet**

The project's assets cash flows are shown in Appendix III. Owners' equity grow from US\$ **3,505,000** in the first year to **US\$ 5,284,457** at the end of 9th years of the project's operations,

**(iv) Payback Period**

Total investment is **US\$ 7,505,000** cash accumulation in 8<sup>th</sup> year **US\$ 8,199,191** which is more than the initial investment by **US\$694,191** the project payback Period is exactly 8 years.

## **12.0 ECONOMIC ASPECTS OF THE PROJECTS**

Besides the financial/monetary returns to the owners, there are other benefits to be derived for the whole country viz.

**(i) Employment Opportunities**

Employment and poverty reduction are among the major concern of the Central and the Local Government authorities. It is gratifying to note that **OLYMPIC**

**PETROLEUM (T) LIMITED** is going to provide additional employment to **50** people all of whom will be nationals. This is a significant contribution coming from foreign investors.

**(ii) Revenue to the Government**

The Project is expected to pay a substantial annual amount in the form of corporation tax and other taxes

**(iii) Environment protection**

Since the project's will encourage and promote the use of LPG gas as alternative source of energy for households and commercial

**13.0 CONCLUSION**

- (i) The project is profitable and contributes to government revenue by way of taxes.
- (ii) The project provides employment to **50** people all of whom are national Tanzanians.
- (iii) The project is an encouraging sign to prove that we have foreign investors who have confidence in

their country. Tanzania so much so that they are ready to invest such large sums of investment despite the odds of the sector in question.

## **15.0 RECOMMENDATION**

After the foregoing economic and financial evaluation of the project, we strongly recommend that this project be implemented and be given all the support required by all the concerned Government Ministries and Agencies, including the Tanzania Revenue Authority, TRA and the Tanzania Investment Centre – (TIC). The project deserves this support because of its viability, since it is technically feasible, economically viable and socially acceptable.

## APPENDIX I

## OLYMPIC PETROLEUM (T) LIMITED PROJECTED PROFIT AND LOSS STATEMENT US\$

	1	2	3	4	5	6	7	8	9
Revenue (Gas)	3,000,000	3,300,000	3,630,000	3,993,000	4,392,300	4,831,530	5,314,683	5,846,151	6,430,766
Revenue (Empty gas cylinder)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Total Revenue	6,000,000	6,300,000	6,630,000	6,993,000	7,392,300	7,831,530	8,314,683	8,846,151	9,430,766
Cost of sales	4,500,000	4,725,000	4,972,500	5,244,750	5,544,225	5,873,648	6,236,012	6,634,613	7,073,075
Operating cost	180,000	63,000	66,300	69,930	73,923	78,315	83,147	88,462	94,308
<b>Profit before Depreciation &amp; Interest</b>	<b>1,500,000</b>	<b>1,575,000</b>	<b>1,657,500</b>	<b>1,748,250</b>	<b>1,848,075</b>	<b>1,957,883</b>	<b>2,078,671</b>	<b>2,211,538</b>	<b>2,357,692</b>
Interest	240,000	200,000	160,000	120,000	80,000	0	0	0	0
Depreciation	49,250	49,250	49,250	49,250	49,250	49,250	49,250	49,250	49,250
<b>Net Profit before Tax</b>	<b>1,210,750</b>	<b>1,325,750</b>	<b>1,448,250</b>	<b>1,579,000</b>	<b>1,718,825</b>	<b>1,908,633</b>	<b>2,029,421</b>	<b>2,162,288</b>	<b>2,308,442</b>
Tax (30%)	363,225	397,725	434,475	473,700	515,648	572,590	608,826	648,686	692,532
<b>Profit After Tax</b>	<b>847,525</b>	<b>928,025</b>	<b>1,013,775</b>	<b>1,105,300</b>	<b>1,203,178</b>	<b>1,336,043</b>	<b>1,420,595</b>	<b>1,513,601</b>	<b>1,615,909</b>
<b>Accumulated Profit</b>	<b>847,525</b>	<b>1,775,550</b>	<b>2,789,325</b>	<b>3,894,625</b>	<b>5,097,803</b>	<b>6,433,845</b>	<b>7,854,440</b>	<b>9,368,041</b>	<b>10,983,950</b>

## APPENDIX II

## OLYMPIC PETROLEUM (T) LIMITED PROJECTED CASH FLOWS US\$

	-	1	2	3	4	5	6	7	8	9
<b>SOURCES:</b>										
Profit before interest and depreciation	-	1,500,000	1,575,000	1,657,500	1,748,250	1,848,075	1,957,883	2,078,671	2,211,538	2,357,692
Equity	3,505,000									
Loan	4,000,000	-	-	-	-	-				
<b>Total Sources</b>	<b>7,505,000</b>	<b>1,500,000</b>	<b>1,575,000</b>	<b>1,657,500</b>	<b>1,748,250</b>	<b>1,848,075</b>	<b>1,957,883</b>	<b>2,078,671</b>	<b>2,211,538</b>	<b>2,357,692</b>
<b>Applications:</b>										
Capital expenditure	2,805,000	-	-	-	-	-				
working Capital &Others	4,700,000	-	-	-	-	-				
Cash	-	1,136,775	1,177,275	1,223,025	1,274,550	1,332,427	1,385,293	1,469,845	1,562,852	1,665,160
Tax	-	363,225	397,725	434,475	473,700	515,648	572,590	608,826	648,686	692,532
<b>Sub total</b>	<b>7,505,000</b>	<b>1,500,000</b>	<b>1,575,000</b>	<b>1,657,500</b>	<b>1,748,250</b>	<b>1,848,075</b>	<b>1,957,883</b>	<b>2,078,671</b>	<b>2,211,538</b>	<b>2,357,692</b>
<b>Total applications</b>	<b>7,505,000</b>	<b>1,500,000</b>	<b>1,575,000</b>	<b>1,657,500</b>	<b>1,748,250</b>	<b>1,848,075</b>	<b>1,957,883</b>	<b>2,078,671</b>	<b>2,211,538</b>	<b>2,357,692</b>
Accumulated cash		1,136,775	2,314,050	3,537,075	4,811,625	6,144,052	7,529,345	8,999,190	10,562,042	12,227,202

OLYMPIC PETROLEUM (T) LIMITED PROJECTED BALANCE SHEET US\$

APPENDIX III

	-	1	2	3	4	5	6	7	8	9
<b>Fixed Assets</b>	-									
Opening balance	-	2,805,000	2,755,750	2,706,500	2,657,250	2,608,000	2,558,750	2,509,500	2,460,250	2,411,000
<b>Total Long-term Assets</b>	-	2,805,000	2,755,750	2,706,500	2,657,250	2,608,000	2,558,750	2,509,500	2,460,250	2,411,000
<b>Less depreciation</b>	-	49,250	49,250	49,250	49,250	49,250	49,250	49,250	49,250	49,250
<b>Closing balance</b>	-	2,755,750	2,706,500	2,657,250	2,608,000	2,558,750	2,509,500	2,460,250	2,411,000	2,361,750
Working capital	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000	4,700,000
Accumulated cash	-	1,136,775	2,314,050	3,537,075	4,811,625	6,144,052	7,529,345	8,999,190	10,562,042	12,227,202
<b>Total assets</b>	4,700,000	8,592,525	9,720,550	10,894,325	12,119,625	13,402,802	14,738,845	16,159,440	17,673,042	19,288,952
Financed by										
Equity	3,505,000	3,505,000	3,505,000	3,505,000	3,505,000	3,505,000	3,505,000	3,505,000	3,505,000	3,505,000
Net profit	-	579,565	490,525	649,495	819,476	1,001,569	1,196,986	1,407,058	1,584,391	1,779,457
Total equity	3,505,000	4,084,565	3,995,525	4,154,495	4,324,476	4,506,569	4,701,986	4,912,058	5,089,391	5,284,457
<b>Total equity and debts</b>	3,505,000	4,084,565	3,995,525	4,154,495	4,324,476	4,506,569	4,701,986	4,912,058	5,089,391	5,284,457

## OLYMPIC PETROLEUM (T) LIMITED PAYBACK PERIOD OLYMPIC PETROLEUM (T) LIMITED

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	847,525	49,250.00	896,775.00	896,775.00
2	928,025	49,250.00	977,275.00	1,874,050.00
3	1,013,775	49,250.00	1,063,025.00	2,937,075.00
4	1,105,300	49,250.00	1,154,550.00	4,091,625.00
5	1,203,178	49,250.00	1,252,428.00	5,344,053.00
6	1,336,043	49,250.00	1,385,293.00	6,729,346.00
7	1,420,595	49,250.00	1,469,845.00	8,199,191.00
8	1,615,909	49,250.00	1,665,159.00	9,864,350.00

APPENDIX V

OLYMPIC PETROLEUM (T) LIMITED PROJECTED LONG TERM LOAN REPAYMENT

Year	Principle	Loan Interest (6%)	Total Amount Paid	Loan Balance
0				4,000,000
1	666,666	240,000	906,666	3,333,334
2	666,666	200,000	866,666	2,666,668
3	666,666	160,000	826,666	2,000,002
4	666,666	120,000	786,666	1,333,336
5	666,666	80,000	746,666	666,670
6	666,666	40,000	706,666	4
TOTAL	3,999,996	840,001	4,839,997	

APPENDIX VI

OLYMPIC PETROLEUM (T) LIMITED FIXED ASSETS US\$

NAME OF ASSETS	1	2	3	4	5	6	7	8	9
Land And Buildings	500,000	490,000	480,000	470,000	460,000	450,000	440,000	430,000	420,000
Machinery, Tools & Equipment	1,500,000	1,481,250	1,462,500	1,443,750	1,425,000	1,406,250	1,387,500	1,368,750	1,350,000
Motor Vehicles	800,000	780,000	760,000	740,000	720,000	700,000	680,000	660,000	640,000
Furniture & Fixtures	5,000	4,500	4,000	3,500	3,000	2,500	2,000	1,500	1,000
<b>Total</b>	<b>2,805,000</b>	<b>2,755,750</b>	<b>2,706,500</b>	<b>2,657,250</b>	<b>2,608,000</b>	<b>2,558,750</b>	<b>2,509,500</b>	<b>2,460,250</b>	<b>2,411,000</b>
DEPRECIATION	1	2	3	4	5	6	7	8	9
Land and buildings	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Machinery tools & Equipment	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750
Motor Vehicles	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Furniture & Fixtures	500	500	500	500	500	500	500	500	500
<b>ANNUAL DEPRECIATION</b>	<b>49,250</b>	<b>49,250</b>	<b>49,250</b>	<b>49,250</b>	<b>49,250</b>	<b>49,250</b>	<b>49,250</b>	<b>49,250</b>	<b>49,250</b>

### PROJECT IMPLEMENTATION SCHEDULE

It is expected that the Project will be take 15 months to implement as shown below:-

	<b>ACTIVITY</b>	<b>PERIOD</b>
1.	Processing TIC Certificate of Incentive	October 2020
2.	Funds Mobilization	Octo – Jan 2021
3.	Ordering of Vehicles	Feb 2021 – May 2024
5.	Arrival of Vehicles	March 2021– June 2024
6.	Trial Operations	March 2021
7.	Commercial Operations	May 2021

**OLYMPIC PETROLEUM (T) LIMITED PROJECTED DEPRECIATION SCHEDULE**

US\$

NAME OF ASSETS	1	2	3	4	5	6	7	8	9	10
Land And Buildings	200,000	196,000	192,000	188,000	184,000	180,000	176,000	172,000	168,000	164,000
Machinery, Tools & Equipment	500,000	493,750	487,500	481,250	475,000	468,750	462,500	456,250	450,000	443,750
Motor Vehicles	20,500,000	19,987,500	19,475,000	18,962,500	18,450,000	17,937,500	17,425,000	16,912,500	16,400,000	15,887,500
Furniture & Fixtures	5,000	4,500	4,000	3,500	3,000	2,500	2,000	1,500	1,000	500
<b>Total</b>	<b>21,205,000</b>	<b>20,681,750</b>	<b>20,158,500</b>	<b>19,635,250</b>	<b>19,112,000</b>	<b>18,588,750</b>	<b>18,065,500</b>	<b>17,542,250</b>	<b>17,019,000</b>	<b>16,495,750</b>
DEPRECIATION	1	2	3	4	5	6	7	8	9	10
Land and buildings	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Machinery tools & Equipment	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250
Motor Vehicles	512,500	512,500	512,500	512,500	512,500	512,500	512,500	512,500	512,500	512,500
Furniture & Fixtures	500	500	500	500	500	500	500	500	500	500
<b>ANNUAL DEPRECIATION</b>	<b>523,250</b>	<b>523,250</b>	<b>523,250</b>	<b>523,250</b>	<b>523,250</b>	<b>523,250</b>	<b>523,250</b>	<b>523,250</b>	<b>523,250</b>	<b>523,250</b>