

BUSINESS PLAN

FOR

**THE ESTABLISHMENT OF WORKSHOP FOR
CONSTRUCTING LIGHT CARGO TRUCKS.**

HANSOM TANZANIA LIMITED

2021

1.0 Executive summary

1.1 Background and Objectives

HANSOM TANZANIA LIMITED was incorporated on 28th April 2014. Its principal activity is to construct light cargo trucks. HANSOM TANZANIA LIMITED is intending to construct light cargo trucks to meet a demand for high quality trucks to the transport industry in Tanzania.

1.2 Keys to success

HANSOM TANZANIA LIMITED Key to success was

- A high level of quality in its products delivery.
- Staying ahead of changes in the construction of light cargo trucks.
- Expanding carefully its client base.
- Maintain good relationship with customers.

2.1 Company Ownership

The Company is still managed by its two directors, from China.

2.2 Company Location and Facilities

The company's principal trading address is at plots no 71-74, 77-84 block B Boko Dovy Kinondoni Dar es salaam. The project intends to carry its activities in the above mentioned plots .The Company incorporated and registered in Tanzania, will able to extend the trading activities of this company and creation of employment in Tanzania, as all manufacturing will be done in Tanzania, once the company has established itself.

2.4 Employment

HANSOM TANZANIA LIMITED when operational will employ 55 personnel on full time basis.

In which:

- **Foreign 10**
- **Local 45**

2.0 PROJECT COSTS AND FINANCING

Project Costs

The project capital costs are detailed and summarized below as follow:-

Item	US\$
Civil Works	3,350,000
Plant Machinery	800,000
Furniture & fittings	500,000
Vehicles	200,000
Pre-operational expenses	30,000
Working Capital	100,000
TOTAL INITIAL INVESTMENT	5,000,000

Buildings

Building costs have been based on current contracting rates obtained from the National Construction Council.

Machinery and Equipment

A detailed list of plant and equipment will be made available and the total machines is estimated at us\$ 0.8m

Vehicles

The budget for vehicles including three ten-ton trucks, one saloon car and two small 1-ton pick-up. The vehicles are estimated to cost US\$. 200,000.

Furniture and Fittings

The budgeted costs include expenses for office furniture, telecommunication and firefighting equipment. Expenses for installation of water, electricity systems and computer are also included in this budget.

Pre-Operational Expenses

The pre-operational budget includes costs for the company Registration and Feasibility study preparation, traveling expenses, training and recruitment expenses and legal and consulting fees.

Project Financing

The project's fixed capital cost to the tune of US\$ 5.0 m is financed by equity contribution .The details of

Financing Plan is given below:

	Total costs
Equity	5,000,000
TOTAL	5,000,000

3.0 MARKETING STRATEGY

Strategy

The marketing strategy will base on three principles; creating an East African hub in Tanzania using network of importers and standardizing the vehicle specifications. By continuing using the existing of importers and dealers the various markets can easily be penetrated.

Regional hub in Tanzania

By establishing a regional hub some major advantages could be achieved. The project will achieve economies of scale and reducing tied up capital sales and marketing activities for the region could be coordinated close to the market rather than from head office.

Capital of the project

The base for HANSOM TANZANIA LIMITED constructing light cargo trucks operations will always be the domestic market. For the project capital cost of US \$ 5.0m. The project volume is expected to reach 180 trucks and the workshop will be built in 8000 sq meters per year. The main condition for achieving this will be a successful implementation of the outlined marketing strategy.

Market Analysis

Sector Background

The trucks industry is a relatively stable sector and has created Opportunities for companies that keep at the forefront of developments and capitalize from opportunities arising. The main competitive advantage the company has is the directors' knowledge of the market. The directors of the company have previous experience of the construction and transport industry in Tanzania, where they were responsible for running their own business and have established source of client contacts. Should the funding that has been injected deliver the growth forecast, it will enable the company to build on activity levels and achieve the anticipated level of trading in the first period of trading.

Market Logistics

Competition

The company has been able to establish a huge market in Tanzania. The company aims to be a leading manufacturer and to distinguish itself from its competitors by offering the consumers quality trucks '. The company will focus in this particular segment of the market and attempt to gain a share of the market in neighboring countries as well.

TRUCKS INDUSTRY IN TANZANIA

The sector in Tanzania is faced with importation for readymade trucks which are very expensive. HANSOM TANZANIA LIMITED has decided to establish its business of constructing light cargo trucks of various size to reduce costs of this items if were imported. The HANSOM TANZANIA LIMITED when completed it will able to satisfy large part of the market in Tanzania and neighboring countries.

Advantages of having a local plant

There are several advantages of having a plant in Tanzania. Besides offering job opportunities for several hundred people it will also support the ancillary industry. In terms of creating new job opportunities and stimulating economic development the ancillary industry could contribute even more than HANSOM TANZANIA LIMITED itself.

It is also an opportunity for technology transfer both to HANSOM TANZANIA LIMITED and the sub-suppliers. Furthermore the factory will generate export earnings to the country.

Proposed Government Action

We propose that the government take the following actions to support the establishment of the constructing light cargo trucks facilities at HANSOM TANZANIA LIMITED in order to benefit from the positive effects this feasibility study has pointed out:

- To give sufficient incentives
- Assuring that the incentives are stable and remain unchanged for at least five years. This will allow necessary investment decisions to be taken.
- Work for obtaining duty preferences for trucks to be imported in the country within the framework of SADC, EAC etc. This is expected to give positive effects on the export possibilities to neighboring countries.

Other Actions to Promote the Transport Sector

In order to stimulate the total market for constructing the light cargo trucks is also important to offer the customers the same or better terms than in the neighboring countries. Otherwise the important cross-border risks to be done through other countries. Kenya offers a good alternative for many of the landlocked countries and South Africa and Mozambique also offer a much stiffer competition today than ever before.

Some possible areas of improvements are:

- **Improving the road network:** Severe road conditions not only make road transports slower and less reliable, it also increases the costs of wear and tear of the vehicles.

5.0 PROJECT IMPLEMENTATION AND MANAGEMENT

Implementation Schedule

The project sponsors are ready and prepared to implement the project as soon as the Tanzania Investment Centre approves the project. The project is expected to be implemented within three months from November. Important activities identified for implementation of the project are: -

Obtain TIC approval
Funds mobilization
Civil Works Construction
Ordering equipment
Receiving equipment
Installation
Trial runs
Commercial production

The sponsors are ready to start implementation of the project immediately with equity funds from both local and foreign collaborators. The sponsors are prepared to finance the project

costs as equity contribution and no funds will be sought from local financial institutions.

Machinery suppliers are able and prepared to deliver the plant and machinery within a period of the one month. With the assembly line already in place what remains is to import the components and start assembling.

Organization and Management

The overall management of the company is vested to the Board of Directors who will be responsible for the formation of policies guidelines. The directors are supported by management staff in the technical transport, Administration and Finance. The management is competent to operate the company successfully.

6.0 FINANCIAL ANALYSIS

6.1 Basic Assumptions

In the financial analysis the following major assumptions have been taken into consideration.

1. Capital foreign costs have been based on an exchange rate of Tshs. 2000 per one USA Dollars.
2. Component prices have been based on quotations current prices.
3. The number of working days has been taken to be 300 day working on a single shift per day.
4. The prices have been based on past experience in sales and are Ex-factory.
5. Taxation is 30% of taxable profit.
6. Salaries and wages have been based on the current scale in the country.
7. The fixed assets of the Company are depreciated on a straight-line method.
8. Operating costs have been taken as 70% of the total.

The prices of the trucks have been maintained at the same level throughout the project period of this study.

Project Profit and Loss Statements

The project will start making a net profit after tax the first year of operation.

Projected Cash flow

The projected cash flow show very good cash generation throughout the project period. The forecasts show a very healthy cash position and therefore there is no doubt that the project will be able to meet all its financial obligations including overdraft repayment and interest without any strains.

7.0 ECONOMIC EVALUATION

7.1 Transfer of Technology

The project involves transfer of technology from various European/Chinese countries to Tanzania for the construction of trucks and construction equipments

7.2 Employment Effects

The project will create jobs. The Expatriates Production Manager will train semi-skilled operators on the job.

7.3 Other Development Values

- The project will make available vehicles at reasonable and affordable prices.
- The project will substitute import and save foreign exchange and potential to earn foreign exchange through exports to PTA countries. About 25% of the products will be exported.
- The government will earn revenue in terms of taxes and other levies.

7.4 Foreign exchange Effects

The foreign exchange expenditure on the project is repaid fully during the first year and the project is able to meet payment of all its foreign exchange expenditure in terms of components purchased and spares.

8.0 CONCLUSION AND RECOMMENDATIONS

The Financial and economic evaluation of the proposed project shows that: -

1. The project is profitable and contributes to Government revenue by way of Taxes and other levies.
2. The project will generate direct employment. In addition to this direct employment there will be other indirect employments, which will be created by the effects of having the plant in Dar es Salaam.
3. The project is based on proven technology from abroad. The technology is simple and easy to operate.
4. The project will substitute imports and save foreign exchange and has potential to earn foreign exchange through exports to PTA countries.
5. After the economic and technical evaluation of the project we strongly recommend that this project be approved by TIC and granted Certificate of Approved Enterprises. The feasibility study clearly comes out with strong recommendation for the project because it is technically feasible.

HANSOM TANZANIA LIMITED

INVESTMENT COST

ITEM	US \$
CIVIL WORKS	3,350,000
PLANT MACHINERY	800,000
FURINTURE & FITTING	500,000
VEHICLES	200,000
PRE – OPERAATIONAL EXPENSES	30,0000
WORKING CAPITAL	100,000
TOTAL INITIAL INVESTMENT	5,000,000

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PROJECT FINANCING

US\$

DESCRIPTION	FOREIGN	LOCAL	TOTAL US \$
Equity		5,000,000	5,000,000
TOTAL INVESTMENT		5,000,000	5,000,000

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DEPRECIATION SCHEDULE

US\$

	Rate	0	1	2	3	4	5	6	7	8	9-10
Land & Building	4%	3,350,000	134,000	134,000	134,000	134,000	134,000	134,000	134,000	134,000	134,000
Plant & Machinery	12.5%	800,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Furniture & Fitting	12.5%										
Vehicles	25%	200,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Pre operation Expenses	20%	30,000	6000	6000	6000	6000	6000	6000	6000	6000	6000
Total			290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000

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CASH FLOW FORECAST

US\$

	0	1	2	3	4	5	6	7	8	9	10
RECEIPTS	5,000,000	820000	1,180,000	1,360,000	1,540,000	1,540,000	1,540,000	1,540,000	1,540,000	1,540,000	1,540,000
Equity											
Profit before Tax											
Total Receipt		820000	1,180,000	1,360,000	1,540,000	1,540,000	1,540,000	1,540,000	1,540,000	1,540,000	1,540,000
PAYMENTS	5,000,000	246000	354000	408,000	462,000	462,000	462,000	462,000	462,000	462,000	462,000
Investment											
Taxation											
TOTAL PAYMENT	5,000,000	246000	354000	408,000	462,000	462,000	462,000	462,000	462,000	462,000	462,000
NET CASH FLOW	-	574000	826000	952000	1078000	1078000	1078000	1078000	1078000	1078000	940360

HANSOM TANZANIA LIMITED

PROFIT & LOSS FORECAST

US\$

	1	2	3	4	5	6	7	8	9	10
	60%	80%	90%	100%						
TURN OVER Sales of trailers	3,600,000	4,800,000	5,400,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
DIRECT COSTS	2,520,000	3,360,000	3,780,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000
GROSS PROFIT	1,080,000	1,440,000	1,620,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
OTHER COST Depreciation	260,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000	260,000
Profit before tax	820000	1,180,000	1,360,000	1,540,000	1,540,000	1,540,000	1,540,000	1,540,000	1,540,000	1,540,000
OPERATING PROFIT	820000	1,180,000	1,360,000	1,540,000	1,540,000	1,540,000	1,540,000	1,540,000	1,540,000	1,540,000
Taxation 30%	246,000	354,000	408,000	462,000	462,000	462,000	462,000	462,000	462,000	462,000
NET PROFIT	574,000	826,000	952,000	1,078,000	1,078,000	1,078,000	1,078,000	1,078,000	1,078,000	1,078,000