

**DECOSTONE CONTRACTORS LIMITED**

**FEASIBILITY STUDY**

**FOR**

**INTERGRATED BUILDING MATERIALS**

**Prepared By  
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## **1.0 EXECUTIVE SUMMARY**

### **1.1 Introduction**

Tanzania is a growing economy with high potential. The pace of investment has increased in the recent years and this is explained by the enabling environment conducive to investment which the Government of Tanzania has put in place. The liberalization of Trade and industry and the policy of private sector driven economy have opened the doors to both local and foreign investments. While the economy is relatively diversified a number of opportunities remain untapped.

Tanzania with population of 59.7million people (2020), housing demand is increasing by about 200,000 units annually and the current housing demand is about 3 million units (*Tanzania ministry of health, housing and human settlements Development*). Because of the high demand, the private sector, the construction industry and stakeholders are being called upon to support the government in exploiting this sleeping giant.

### **1.2 The project**

Having seeing this opportunity, Decostone Contractors Limited intends to establish a high quality integrated high tech production of building materials which will cover Paving Blocks, Gypsum & Accessories, Terrazzo and C-Tiles. The total project cost is **USD 730,000**. Investment in plant and machinery is **USD300,000** and working capital of **USD 50,000**. Other facilities will include establishment of factory facilities and procurement of furniture, motor vehicles, generators and computers.

### **1.3 THE COMPANY**

Decostone Contractors Limited is an ongoing concern involved in foreign procurement of several building materials and now it has decided to venture and produce them locally. The firm wishes to venture into the production of building materials for the local residential housing commercial and industrial complexes. Decostone Contractors Limited has been incorporated on 29th May 2015 with certificate of incorporation no 117590.

### **1.4 PROJECT SPONSOR**

The promoters of the project are all Turkish by nationalities.

The names of the promoters along with their shareholdings are as follows:

<b>Names of the shareholders</b>	<b>No of shares</b>	<b>%</b>
Ahmet Yavuz	3350	67%
Resul Colak	1650	33%

### **1.5 MISSION STATEMENT**

To become a premier manufacturer and supplier of quality market lead building materials, which are in accordance with architectural and engineering structural specifications.

The firms intends to meet the requirements of this emerging market and to be an important player providing the Tanzania consumer with world class building materials throughout Tanzania and neighboring countries .

### **1.6 THE COMMERCIAL ASPECT**

Competition is expected from similar manufacturing plants. However, Decostone Contractors Limited will enjoy relative

advantages among others as will provide excellent products, a desirable location outside the town center and easily accessible.

### 1.7 LOCATION

The project will be located at plot no KMC/wz//wz/1274 Tegeta, Namanga, Bagamoyo Road Kinondoni District, Dar-es salaam. The location is well served by all the necessary infrastructure and environment requirements and well suited to the nature of the envisaged project.

### 1.8 PROJECT INVESTMENT COST AND FINANCING PLAN

#### a) Investment Cost

*(US\$)*

Item	Total
Land & Building	100,000
Plant and Machinery	300,000
Vehicles	150,000
Furniture and Fitting	10,000
Pre-operation Expense	20,000
Others	100,000
Work Capital	50,000
<b>Total</b>	<b>730,000</b>

#### b) Financing Plan

**US \$**

<b>Shareholders' Funds</b>	<b>730,000</b>	<b>730,000</b>
<b>TOTAL</b>	<b>730,000</b>	<b>730,000</b>

### c) Profitability and Financial Indicators

The project profitability is summarized below:

**(US\$)**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Total Revenue	260,870	304,348	347,826	391,305	434,783
Profit B.I.T.	6,064	21,282	35,979	51,717	104,434
Profit After Tax	4,245	14,897	25,185	36,202	73,104

The projections indicate that the project will be profitable and will continue to register good margins throughout the projected period.

#### 1.9 PROJECT ECONOMICS

The company will have import substitution effect and also it will contribute revenue to the government. The project will create employment of to employ **70** permanent staff.

#### 1.10 CONCLUSION AND RECOMMENDATIONS

Decostone Contractors Limited will produce buildings materials locally which were once imported and in that respect it will have import substitution effect in the country. The analysis shows that the project is technically feasible, financially and economically viable. It is recommended that the project be granted the certificate of incentives as the investment and development of this undertaking is in line with the Government objective of encouraging import substitution projects to serve foreign exchange.

## **2.0 THE PROJECT**

The Integrated Building materials project actively will be involved in production of building materials covering paving blocks, Gypsum& Accessories, Terrazzo and C-Tiles. The production will ensure quality in the entire production process that the products will have sufficient structural comprehensive strength to meet the building code requirements. Samples will be sent regularly to Tanzania Bureau of Standards (T.B.S), University of Dar es Salaam, for testing and analysis to ensure that the standard are continuously maintained.

### **2.1 THE PRODUCTS**

The company targets to deliver 80% of its products to residential housing and 20% to commercial and industrial projects. The main Raw Materials for the products will be sourced internal and some will be from overseas depending on the type of raw materials needed.

### **2.2 THE COMPANY AND LEGAL FORM**

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### **3.0 MARKET AND MARKET POTENTIAL**

The emerging Tanzania private sector driven economy coupled with boost on investors, investors confidence and package of investment incentives, has opened up the potential window of business opportunities to local and foreign investors in various sector of the economy. Production of standard quality building materials for the opening up market for residential, commercial and industrial housing remains untapped sleeping giant. Tanzania has a population of 59.7million people (2020) people. The provision of housing in urban centers and rural remains in adequate. Demand for housing stands at 3million units (*Tanzania ministry of health, housing and human settlements Development*).

#### **3.1 Market Demand**

The demand for standard Paving Blocks, Gypsum& Accessories, Terrazzo and C-Tiles which are in accordance with the engineering structural specification is enormous. There are few players, who can't meet this potential demand, a sleeping giant awaiting exploitation. The firm targets to sell 80% of its building materials production to the local market residential housing and 20% of produced buildings to the industrial and commercial high rise complexes. The company will target the following markets.

- Real estate developers and builders for residential and self-serviced apartments.
- National Housing Corporation
- Tanzania Building Agency
- National Social Security Fund
- Parastatal Pension Fund

- Private developers
- Donor Funded Projects
- Tanzania People Defense forces Project
- Builders/contractors for commercial and light/heavy industrial complexes.

The company sales force will be calling on architects and engineers to push sales and strengthen the market specially the residential and municipal markets. Also, they will work very closely with municipal planners who regard down town as living room, to expand the down town planned area by developing attractions such as parks, gardens, museums, theatres, zoos, aquariums by installing pavers to unify attractions and sidewalks/walkways. The company aims to at a later stage to stage export to neighboring countries Zambia, Mozambique, Rwanda and Burundi.

## 4.0 PROJECT COST AND FINANCING

The total initial investment is **USD 730,000** broken down as follows

Item	USD Total
Land & Building	100,000
Plant and Machinery	300,000
Vehicles	150,000
Furniture and Fitting	10,000
Pre-operation Expense	20,000
Others	100,000
Work Capital	50,000
<b>Total</b>	<b>730,000</b>

A detail of each cost category is detailed below.

### a) Land and Development

The project will be situated at Tegeta, Namanga, Bagamoyo road Kinondoni District, Dar-es salaam .The plot will require development in terms of soft and hard land scaping and erection of godown estimated at **USD100, 000** and the investor has set the funds aside for their purpose.

**b) Plant and Machinery** cost is estimated **USD 300,000.**

**c) Vehicles cost is** estimated at **USD 150, 000** which will include light trucks, pickups single and pick up double cabins

**d) Furniture and fittings** cost estimated is **USD 10,000** which will be Tables & Chairs,PC Computer and air conditioners

**e) Pre-Operational Expenses** estimate is USD **20,000** which will include Consultancy, Legal fees, Recruitment, and Labor/salaries before operations.

#### 4.2 Proposed Project Financing

US\$

	<b>EQUITY</b>	<b>TOTAL</b>
Equity	730,000	730,000
<b>TOTAL</b>	<b>730,000</b>	<b>730,000</b>

#### 4.3 DEPRECIATION

The details of depreciation charges are as shown below provisions have been calculated on straight-line basis.

Land and building	5%
Machinery/plant	12.5%
Vehicles	25%
Furniture & Fittings	12.5%

#### 4.5 REVENUE ASSUMPTIONS

Sales will be generated from sales of various building materials products .The capacity of the machinery is 150,000sq meter per annum

#### 4.5 OPERATING EXPENSES

The costs constitute 65 % of the annual sales.

#### 4.6 Projected Profit And Loss Accounts

The accounts clearly demonstrate that the project will be very profitable with pre-tax profits of about **USD 0.759M** from year 6 of operation onwards.

#### **4.7 Projected Cash flow**

The strong liquidity position confirms the project's ability to meet all financial obligations.

#### **4.7 Profitability**

The projected profitability levels compare well the profit levels being achieved by other companies of a similar scale. The project's long-term retained earnings are considerably high due to the gains from the current establishment.

## **5.0 MANPOWER**

### **5.1 Management and organization**

Decostone Contractors Limited project promoter will coordinate the project to implementation. Manpower requirement has been estimated at **70** employees.

### **5.2 Training and Requirement**

The company will recruit the key staff and the operators 3 months before the operations start to enable them participate in the trial production. This will be part of their orientation and training programme. On the job training will be a continuous process in production, machinery repairs and maintenance sales and marketing.

### **5.3 PROJECT IMPLEMENTATION**

No.	Activity	Time Scale
1	Submission of Application to TIC	January 2021
2	Mobilizing Equity Funds	February2021
3	Civil/Godowns construction	June2021
4	Procurement of machinery equipment/plant	June2021
5	Installation of machinery	January2022
6	Staff recruitment	January 2022
7	Trial Operations	March2020
8	Partly operation	June2023
9	Full operation	December 2023

The project implementation will involve nine steps. This assumes logical sequence and coordination of the activities, within the time frame.

## **6.0 PROJECT SOCIAL AND ECONOMIC JUSTIFICATION**

- The project will create direct employment to about 70 people. The project will create indirect jobs in the construction Industry
- The project will contribute to poverty alleviation, in the sense that it will ensure constant income to families in meeting the basic needs like food clothing, education fees, homes improvement and development.
- It will at later stage generate forex from exports to the regional markets, SADC and EAC

## **7.0 CONCLUSION AND RECOMMENDATION**

It is evident from the financial and economic analysis contained in this report that the proposed building material project is financially and economically viable.

The project is therefore highly recommended to be given certificate of incentives to speed up the economic and social development of this project.