

EMPORIO TILES TANZANIA LIMITED

**Business Plan
for
Tiles manufacturing**

**Prepared by:
EMPORIO TILES TANZANIA LIMITED
Dar es Salaam**

1.0. EXECUTIVE SUMMARY

EMPORIO TILES TANZANIA LIMITED is a standard tiles manufacturing company that will be located in Dar es Salaam. The company have been able to lease a facility that is big enough to fit into the kind of standard tiles manufacturing company that we intend launching.

EMPORIO TILES TANZANIA LIMITED will be involved in manufacturing different sizes and shapes of tiles. We are set to service a wide range of clientele in and outside Dar es Salaam.

We are aware that there are several tiles manufacturing companies and imported tiles in the market, which is why we spent time and resources to conduct a thorough feasibility studies and market survey so as to be well positioned to favorably compete with all our competitors.

EMPORIO TILES TANZANIA LIMITED will at all times demonstrate her commitment to sustainability, both individually and as a firm, by actively participating in our communities and integrating sustainable business practices wherever possible. We will ensure that we hold ourselves accountable to the highest standards by meeting our customers' needs precisely and completely whenever they patronize our products.

EMPORIO TILES TANZANIA LIMITED will ensure that all our customers are given first class treatment whenever they visit our factory. We have a CRM software that will enable us manage a one-on-one relationship with our customers (wholesale distributors) no matter how large their numbers may grow to. We will ensure that we get our customers involved when making some business decisions that will directly or indirectly affect them.

1.1 **COMPANY PRODUCTS AND SERVICES**

EMPORIO TILES TANZANIA LIMITED is in the Tiles Manufacturing industry to service a wide range of clients, which is why we will go all the way to give our clients options. Our product offerings are listed below;

- Ceramic Tile
- Porcelain Tile
- Glass Tile
- Cement Tile
- Marble Tile
- Granite Tile
- Limestone Tile
- Travertine Tile
- Quarry Tile

1.2 **VISION STATEMENT**

The company vision is to become the leading brand in the Tiles Manufacturing industry in Tanzania.

1.3 **MISSION STATEMENT**

The company mission is to establish a world – class tiles manufacturing business whose products will not only be retailed in Tanzania but also be exported to other East African countries.

We want to become the number one choice for building material retailers and construction giants.

1.4 OBJECTIVE OF THE STUDY

This study will be used as guiding tool and will be presented to TIC for obtaining certificate of incentives to facilitate smooth implementation of the project.

1.5 PROJECT LOCATION

The project will be located at **Tloma Kati, Ghnako Ward, Karatu District, Manyara Region**

1.1 THE SPONSORS

EMPORIO TILES TANZANIA LIMITED will be sponsoring this project.

The Company is currently jointly owned by five shareholders

Share Holders	% of Share	Nationality
Mohammed Shareef Pazhayillath P. O. Box 77943, Dar es Salaam	15	India
Dharanidhar Reddy P. O. Box77943, Dar es Salaam	1	India
Mohammad Shaheen P. O. Box77943, Dar es Salaam	0.5	India
Mohammad Rijaz P. O. Box77943, Dar es Salaam	1	India

ABC Mercantile FZOO	32.5	UAE
Unallotted shares	50	Tanzania

1.4 EMPORIO TILES TANZANIA LIMITED

EMPORIO TILES TANZANIA LIMITED is a company incorporated in Tanzania with Certificate of Incorporation No.134545 issued on 11th April 2017, the company main business objective is manufacturing of tiles

2.0 REAL ESTATE OVER VIEW

2.1 Tanzania's property market continues to flourish

Tanzania's property market is set to grow sharply in coming years, supported by strong, uninterrupted economic growth. Tanzania's economy grew by 7% in 2018, following an average real GDP growth rate 6.5% from 2000 to 2017, primarily driven by its booming construction sector. Since taking office in November 2015, President John Magufuli has embarked on an ambitious program of industrialization, investing billions of dollars in infrastructure and various housing projects.

The construction sector grew by more than 17% annually from 2016 to 2018. Despite this, housing demand still far outstrips supply. The country is experiencing rapid population growth of 3.11% annually and an urbanization rate of 5.22%, according to the Centre for Affordable Housing Finance in Africa (CAHF), create strong demand for housing,

especially in the city centre. Demand is increasing by about 200,000 units annually, with the current housing deficit estimated at about 3 million units, according to Tanzania Ministry of Lands, Housing and Human Settlements Development.

The Tanzanian housing sector's fast-growing demand is mainly driven by the strong and sustained economic growth with GDP growth averaging 6-7% over the past decade, the fast-growing Tanzanian population which is estimated to be 55 million and is expected to more than double in 2050 and efforts by the government in partnership with global non-profit institutions and foreign governments to meet the growing demand of affordable housing," said the Bank of Tanzania, the country's central bank.

The expatriate market in Dar es Salaam is relatively small and dominated by employees of donor agencies and other multilateral institutions. Although experiencing rapid economic growth, Tanzania remains one of the poorest countries in the world, with GDP per capita of just US\$1,040 in 2018, according to the International Monetary Fund (IMF).

Non-citizens may only acquire land (leasehold) for investment purposes, subject to the approval of the Tanzania Investment Center (TIC) for the mainland or the Zanzibar Investment Promotion Authority (ZIPA) for Zanzibar. All land in Tanzania is owned by the state, and can only be leased to individuals for five to 99 years.

The most expensive residential properties are in the Oyster Bay and the Msasani Peninsula in Dar es Salaam, and on the Lake Victoria shores of Capri Point in Mwanza.

In **Dar es Salaam**, Tanzania's largest city and the economic capital, a 3-bedroom residential property located near a beach or in a prime location is priced between US\$300,000 to US\$500,000. However in other areas, 3-bedroom houses are priced starting US\$50,000.

2.2 **Rapid urbanization transforming the country**

Tanzania has seen rapid urbanization in the past two decades, amidst unbroken economic growth. Today, at least 32.6% of the country's 55 million population (almost 18 million people) live in urban areas.

Dar es Salaam has seen the fastest urbanization. All government offices are headquartered there and all diplomatic missions and private organizations have a presence in the city.

Not surprisingly, Dar es Salaam has the country's most expensive housing and land. For instance at the PSPF Towers, the tallest building in Tanzania, three-bedroom apartments are priced between US\$350,000 and US\$500,000.

Dodoma, the national capital of Tanzania, is undergoing a construction boom, following the government's decision to move its administrative functions to the capital. Property prices are now rising by double-digit figures annually.

The southern port city of **Mwanza**, Tanzania's second largest city, is also experiencing a strong rise in land prices due to natural resource discoveries and the influx of foreign investors.

“There have been gas finds there so you have got an influx of foreign investors that are going there, [with] no places to stay and in a nutshell that is what is making the whole place interesting,” said Mwijage Bishota of Fusion Capital Tanzania.

2.3 Rapid economic growth

To address burgeoning demand, many housing developments are under construction.

The National Housing Corporation (NHC)'s various housing projects cater to all kinds- high, medium and low income earners. In Dar es Salaam, the NHC's major ongoing projects are the [711 Kawe, Mwongozo Housing Estate, Morocco Square and Victoria Place](#).

- **Kawe project** – a US\$2 billion satellite city will include 500 buildings and host about 50,000 people, making it Dar es Salaam's busiest centre when built. Scheduled for completion by 2020, it will have housing, shopping malls, hotels, restaurants, entertainment facilities, plus a helipad and landing stages adjacent to the Indian Ocean's coast.
- **Mwongozo Housing Estate** –in Gezaulole Kibamboni, with 221 two- and three-bedroom houses, was completed in 2018.
- **Morocco Square** – launched in October 2015, the Morocco Square is the biggest project in East and Central Africa, with a 24,924 sq. m. residential tower, a hotel tower and two office towers. One of the office towers will house the country's stock exchange.
- **Victoria Place** – a mixed-use development in the Victoria area along the new Bagamoyo road. It offers 88 three- and four-bedroom duplex apartments and commercial space. It also includes a swimming pool, gymnasium, clubhouse, kids playing area and other recreational facilities.
- **Mateves satellite city** – located at Mateves on the southwestern outskirts of Arusha, the 559.4-ha project will offer 300 housing units to low, middle and high income earners.
- **Iyumbu Sattelite Centre** – located in Iyumbu area in the capital city of Dodoma, this NHC mega-project was launched in December 2016, in line with the government's decision to move its administrative functions into the capital. The first phase of the project, which commenced in December 2016, offers 300 three-bedroom stand alone houses and other facilities. The units were priced at TZS 57.67 million (US\$ 25,109), TZS 62 million (US\$ 26,994), and TZS 83.95 million (US\$ 36,551). The project targets both middle and low income households.

- **Medeli Housing project** – the project offers 90 residential units for public servants who relocate to the new city.

Moreover, the Watumishi Housing Company (WHC), a government-owned property developer established in 2013 with the mandate of providing homes for public servants, remains committed in the continuous implementation of the **Public Servants Housing Scheme**, where [50,000 affordable housing units](#) are scheduled to be constructed in five phases. A total of 736 units were constructed under phase 1.

Also, WHC Watumishi Njedengwe Housing Estate was launched in August 2017 to construct 338 housing units in Njedengwe, Dodoma. Phase 1 was completed last year, and includes 39 stand-alone units. In the Coast Region, WHC is planning a satellite city in Kibaha consisting of 1,000 housing units and other related commercial infrastructure.

The private sector is also busy. For instance, Avic International is currently completing the construction of the Avic Town project in Kigamboni. The first phase includes 130 three- to four-bedroom villas and other amenities such as a gym, swimming pool, supermarket and a tennis court. The houses are priced from US\$150,000 to US\$500,000.

Tanzania has experienced strong economic growth in recent years, with an average real GDP growth rate of 6.5% from 2000 to 2017. In 2018, growth was a spectacular 7%, according to the [International Monetary Fund \(IMF\)](#).

The Tanzanian government expects growth of 7.1% this year, though the IMF has released a more conservative projection of 5.2% growth this year and 5.7% in 2020.

President John Magufuli has embarked on an ambitious program of industrialization after coming to power in November 2015, investing billions of dollars in infrastructure, including the development of a major hydropower plant, the construction of a new rail line and the improvement of the national airline Air Tanzania Company Limited (ATCL).

In October 2019, the overall inflation rate was 3.6%, up from 3.2% a year earlier but still within the country's medium-term target of 5%, according to the NBS. Inflation slowed to 3.5% last year, from an annual average of 6% in 2013-17 and 10.4% in 2006-12.

The current account deficit fell sharply to US\$108.8 billion in Q3 2019, from US\$435.7 billion a year ago, according to the Bank of Tanzania. The country's current account deficit stood at 3.7% of GDP last year.

country's budget deficit was equivalent to 2% of GDP both in 2017 and 2018, the lowest level since 1998.

Tanzania's external debt reached US\$22.17 billion in Q3 2019, up by 7.8% from the previous year, mainly due to loans contracted for development projects. Despite the increase, the central bank noted that the debt remains sustainable as evidenced by the external debt service to exports ratio of 19.4% - still well within the 23% threshold.

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3.0 Project Management and Manpower requirements

EMPORIO TILES TANZANIA LIMITED will be under the Management with vast experience in managing various tiles manufacturing and selling, the overall in charge regarding policy and business strategy will be responsible with board of directors. Managing Director will be assisted by properly trained managers in areas of Sales and Marketing, Finance, Administration and Operations, who will together comprise the management team. 21 staff will be directly employed.

The summary of employees is as following

Employment	Foreign Skilled	Local Skilled	Local Unskilled	Total
Women	2	4	3	9
Men	2	5	5	12
TOTAL	4	9	8	21

4.0 Targeted Markets.

The targeted markets of the project are real estate developers, houses construction companies, individuals etc.

4.1 Supply and Competition

The proposed project will compete with local tiles manufacturers and imported tiles

4.2 Market Strategy

According to expert, personal selling is the most effective method for marketing packaging accommodation, training and conference services because the customers and institutions. In order to reduce sunk costs, the project will use marketing agents who will be paid commissions on successful deals. Marketing in all types of media and publicity will support and enhance personal selling

The project will use internet for advertising to potential customers in the world.

4.3 Pricing

The pricing policy for the project will be based on the service cost and competition levels considering various variables namely:

- Service positioning
- Gain market share from competitors
- Stimulating and increasing demand and
- Achieving profitability and liquidity financial performance goals
- The average price is US\$ 15 per carton

4.4 Production Capacity

The average annual production is 80,000 cartons

4.5 Monitoring and Evaluation

The Management has full commitment to ensuring good use of the resourced and sustainable environment and well being of the community with which they do business. Thus, the management philosophy is through business process, managers will strive to ensure compliance to standards and safety of products and customers they serve.

5.0 Project Investment Cost

The estimated capital investment cost of the project is US \$169,000.

**EMPORIO TILES TANZANIA LIMITED COST
STRUCTURE US \$**

Land and Building	15,000
Plant and Machinery	200,000
Motor vehicles	70,000
Furniture and Fittings	5,000
Others	20,000
Working capital	200,000
Total	510,000

5.1 Financing pattern

The project will be financed by equity US\$ 510,000

5.2 Project operating costs

In order to realize its intended objective, the project will have to meet the operating costs which have been budgeted to be 80% of total revenue to cover expenses such as Salaries and Wages, Utilities Motor vehicle running Expenses, Insurance Marketing cost, Depreciation cost, Pension, Communication, Administrative cost, Maintenance cost, Loan interest, Donation etc.

6.0 Aspect of Project Sustainability

The project sponsors having studied market conditions and the infrastructure in Tanzania are convinced that the project will be able to operate undisturbed.

7.0 Monitoring and Evaluation

The monitoring and evaluation tools will be applied in running this project as well, the project sponsors are determined to cooperate fully with the government and other stakeholders for smooth business running.

8.0 Financial Analysis

8.1 Considerations and Assumptions:

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are exempted from custom duty and Value Added Tax. The straight-line method to depreciate the project's capital items has been applied.

It is assumed that the major building raw material will be procured from local market and other will be imported. Revenues have been conservatively estimated based on experience of the promoters and trends in the industry.

8.2 Financial Statements:

8.3 Projected Hotel Revenue

For projection purposes, it is assumed that the economic life of the project is five years, and that revenue from lodge business commence from the first year of operation.

SUMMARY OF REVENUE "US\$"

	1	2	3	4	5
Revenue	1,200,000	1,296,000	1,303,680	1,304,294	1,304,344

8.4 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 5 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. **US \$164,465** in first year to **US \$ 882,640** in the 5 year

EMPORIO TILES TANZANIA LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

	1	2	3	4	5
Revenue	1,200,000	1,296,000	1,303,680	1,304,294	1,304,344
Operating cost	960,000	1,036,800	1,042,944	1,043,436	1,043,475
Profit before Depreciation & Interest	240,000	259,200	260,736	260,859	260,869
Depreciation	5,050	2,800	2,800	5,050	5,050
Net Profit before Tax	234,950	256,400	257,936	255,809	255,819
Tax (30%)	70,485	76,920	77,381	76,743	76,746
Profit After Tax	164,465	179,480	180,555	179,066	179,073
Accumulated Profit	164,465	343,945	524,500	703,566	882,640

8.5 Projected Cash Flows

This is shown in the financial statements. The project has a positive end of year cash flow from year 1st, i.e., **US\$ 169,515** of operation to the 5th year i.e., **US \$903,389**

EMPORIO TILES TANZANIA LIMITED PROJECTED CASH FLOW US\$

SOURCES:		1	2	3	4	5
Profit before interest and depreciation	-	240,000	259,200	260,736	260,859	260,869
Owners' Equity	510,000					
Total Sources	510,000	240,000	259,200	260,736	260,859	260,869
Applications:						
Capital expenditure	290,000	-	-	-	-	-
working Capital &Others	220,000	-	-	-	-	-
Cash	-	169,515	182,280	183,355	184,116	184,123
Tax	-	70,485	76,920	77,381	76,743	76,746
Sub total	510,000	240,000	259,200	260,736	260,859	260,869
Total applications	510,000	240,000	259,200	260,736	260,859	260,869
Accumulated cash		169,515	351,795	535,150	719,266	903,389

8.6 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under same heading. Owner equity of the project increases from **US\$510,000** in the first year of operation to **US \$ 1,392,640** in the 5th year

EMPORIO TILES TANZANIA LIMITED PROJECTED BALANCE SHEET US \$

Fixed Assets	-	1	2	3	4	5
Opening balance	-	290,000	284,950	279,900	274,850	269,800
Total Long-term Assets	-	290,000	284,950	279,900	274,850	269,800
Less depreciation	-	5,050	5,050	5,050	5,050	5,050
Closing balance	-	284,950	279,900	274,850	269,800	264,750
Working capital	220,000	220,000	220,000	220,000	220,000	220,000
Accumulated cash	-	169,515	351,795	535,150	719,266	903,389
Total assets	220,000	674,465	851,695	1,030,000	1,209,066	1,388,139
Financed by						
Equity	510,000	510,000	510,000	510,000	510,000	510,000
Accumulated Net profit	-	164,465	343,945	524,500	703,566	882,640
Total equity	510,000	674,465	853,945	1,034,500	1,213,566	1,392,640
Total equity and debts	510,000	674,465	853,945	1,034,500	1,213,566	1,392,640

8.7 Projected payback period

Total investment is **US \$ 510,000**, cash accumulation in year 3 is **US\$ 539,650**. Which is more than the initial investment by **US\$ 29,650**, the project payback Period is exactly 3 year, only

The project has a relatively short payback period.

EMPORIO TILES TANZANIA LIMITED PROJECTED PAY BACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	164,465	5,050.00	169,515.00	169,515.00
2	179,480	5,050.00	184,530.00	354,045.00
3	180,555	5,050.00	185,605.00	539,650.00

4	179,066	5,050.00	184,116.00	723,766.00
5	179,073	5,050.00	184,123.00	907,889.00

8.9 Projected Risks

This is a tourism industry-based investment; COVID 19 and other unpredictable event might affect business otherwise no major risks have been identified for this kind of project so far. Unless a change in the country's political and economic stability occurs, the project is more likely to prosper very fast for a very long period.

9.0 Economic Aspects

Implementation of this project will have the following social and economic values

- The project is an ideal option for utilization of the available domestic market
- The project will increase quality building material available domestically
- The project will create employment for 21 people on permanent contract basis as well as on temporary basis.
- It will create more business opportunities to local suppliers and transporters, which will also have a trickledown effect in the environmental issues.
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.
- The project will have transfer of knowledge and skills

10.0 Implementation

Project implementation is expected to be relatively very short once project has been approved it is estimated that construction of lodge will be completed within one year: -

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	April 2021
2	renovation	April-June 2021
3	Procurement of facilities	June-August 2021
3	Recruitment	September 2021
4	Testing business and in house training	Oct-Dec 2021
6	Commercial operations	Jan 2022

11.0 Conclusion and recommendations

The project is technically feasible, financially viable, and economically sound, provided the sponsors will manage it efficiently.

It is recommended that the project be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 1997.