

DEDNOOL COMPANY LIMITED

FEASIBILITY STUDY

**FOR INTEGRATED BUILDING MATERIALS
PROJECT**

FEBRUARY, 2020

1.0 INTRODUCTION

The Business Plan gives details for investment in production of building materials covering brick and brick products, colored tiles, roofing panels, aggregates, gypsum and variety of blocks. The total project cost is US\$. 2.1M.

The Business Plan is to be presented to relevant Government authorities to obtain the necessary permits and investment incentives.

2.0 The Company

Dednool Company Limited is a new venture which the firm wishes to venture into the production of building materials for the up market residential housing commercial and industrial complexes and all sorts of construction materials.

3.0 BACKGROUND

Tanzania is a political stable and economic growing country with GDP in last 5 years around 7.8%. infrastructure, housing and urbanization are few of the main drivers of economy growth. The pace of investment has increased in the recent years and this is explained by the enabling environment conducive to investment, economic stability, boosting up investor confidence, and investment incentives.

While the economy is relatively diversified a number of opportunities remain untapped. The stakeholders in the construction industry are being called upon to support the government in exploiting this sleeping giant. It is on this strength that the company wishes to embark on the production of building materials for the up market for the residential commercial and industrial complexes.

4.0 PROJECT SPONSORS

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

1.	Salum Ahmad Fido	Tanzanian	40%
2.	Abdullahi Ahmed Mahamud	Kenyan	40%
3.	Unallotted shares	-	20%

5.0 LOCATION

The project will be located at Plot No: 11 Buza Area, Temeke, Dar-es-salaam.

6.0 PROJECT DESCRIPTION

Integrated building materials project will be actively being involved in Production of gypsum, brick and brick products, Manufacture of Colored Roofing Tiles and Roofing Panels, manufacture of round wire nails and Bricks Production. All the plants for the various activities will be sourced from Abroad. It is anticipated that the production will annually grow by 15% and

stabilize in the fourth year as indicated below. Production will strictly adhere to quality standards.

7.0 MARKET AND MARKET POTENTIAL

8.1 Market Potential

Tanzania private sector has been entrusted to drive the economy. The Government duty is to boost on investors' confidence and package of investment incentive. Production of standard quality building materials for the opening up market for residential, commercial and industrial housing remains untapped sleeping giant.

8.2 Market Demand

The demand for standard building material which are in accordance with the engineering structural specification is enormous. There are few players, who can't meet this potential demand. The firm targets its building materials production to the up market residential housing and industrial and commercial high rise complexes. Real estate developers and builders for residential and self - serviced apartments will also be targeted by the company in order to boost sales. The company sales force will be calling on architects and engineers to push building materials sales and strengthen market specially the residential and Municipal markets. The company targets colored tiles and gypsum to up market of individual and real estate

developers / builders of residential houses. The company aims to at a later stage to stage export to neighboring countries Zambia, Mozambique, Rwanda and Burundi.

9. PROJECT COST AND FINANCING

The total initial investment is US\$ 2,100,000 broken down as follows:

ITEM	Project Cost	TOTAL
Land and Building	900,000	900,000
Machinery and plant	866,595	866,595
Vehicles	205,390	205,390
Furniture & Fittings	7,415	7,415
Pre - Operating	10,600	10,600
Expenses	10,000	10,000
Working capital	100,000	100,000
TOTAL	2,100,000	2,100,000

9.1 Land and Development

The project will be situated on the plot that will require development in terms of soft and hard land scarping and erection of Godown estimated at US\$. 900,000 and the investor has set the funds aside for their purpose.

9.2 Plant and Machinery cost is estimated US\$.866,595 and vehicles cost estimated is US\$ 205,390.

9.3 Furniture and fittings cost estimated is US\$ 7,415

9.4 Pre-Operational Expenses estimate is US\$ 10,600.

9.5 Operating Expense

It is anticipated that the operating expenses will be 60% of the total revenue annually.

Labour

The project will employ 30 people.

Utilities

These include electricity and water which constitute part of the operation costs.

Advertisement:

The firm will undertake aggressive advertising and promotion to create public product awareness in pushing sales which is also part of operating costs.

Depreciation

The details of depreciation charges are shown in appendix "D" and the provision have been calculated on straight – line basis.

a) Land and building	3%
b) Machinery / plant	10%
c) Vehicles	20%
d) Furniture & Fittings	10%
e) Pre – operation Expenses	20%

9.6 Corporate Tax

The project will pay corporate Tax 30% starting from first year US\$. 0492m increasing to US\$0.468m in year ten, as a result of project explosive profitability.

10.0 FINANCIAL ANALYSIS

Revenue Assumptions

The operation costs are estimated to be 60% of the total revenue.

Sales Revenue

Sales will be generated from the following products as follows:

Gypsum, Bricks Products, Roofing panels, Colored Tiles and wire nails.

Cash flow Projection.

The cash flow is positive right from the first year, with net cash flow of US\$0.875m and cumulative cash flow of US\$10.8m in tenth year.

11.0 MANPOWER

A manpower requirement has been estimated at 30 employees. 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.

12.0 PROJECT SOCIAL AND ECONOMIC JUSTIFICATION

The investment and development of this building materials manufacturing facility is in line with the Government objective of encouraging proper development of industries in the country.

In addition, it will have a positive impact on the development of the region, in terms of employment creation and poverty reduction in the area as it would generate a number of benefits and more positive impact on the economy of the region.

In the context of the immense useful potential of this project, the management Dednool Co. Ltd. Anticipates that all interest parties in the region / and the Government of Tanzania will give their full support so as to ensure timely implementation of the project and apprehension of successful operation.

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US\$

CAPITAL COST SUMMARY

DEDNOOL COMPANY LIMITED

DEPRECIATION SCHEDULE

US\$

YEAR	Value	Rate	1	2	3	4	5	6	7	8	9	10
Land & building	900,000	4	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000	36,000
Machinery and Equipment	866,595	12.5	103,324	103,324	103,324	103,324	103,324	103,324	103,324	103,324	103,324	103,324
Motor Vehicles	205,390	25	51,348	51,348	51,348	51,348	51,348	51,348	51,348	51,348	51,348	51,348
Furniture & Fixtures	7,415	12.5	927	927	927	927	927	927	927	927	927	927
Operational Expenses	10,600	20	2,120	2,120	2,120	2,120	2,120	2,120	2,120	2,120	2,120	2,120
TOTAL			193,719	193,719	193,719	193,719	193,719	193,719	193,719	193,719	193,719	193,719

DEDNOOL COMPANY LIMITED

PROJECTED SALES REVENUE US \$ 000

YEAR	1	2	3	4	5	6	7	8	9	10
ANNUAL CAPACITY	60%	70%	80%	90%	100%	100%	100%	100%	100%	100%
Sales	4559	5256	5913	6513	6513	6513	6513	6513	6513	6513
Total Sales	4559	5256	5913	6513	6513	6513	6513	6513	6513	6513

DEDNOOL COMPANY LIMITED

PROJECTED PROFIT AND LOSS ACCOUNTS US \$ 000

YEAR	1	2	3	4	5	6	7	8	9	10
Sales Revenue	4,559	5,256	5,913	6,513	6,513	6,513	6,513	6,513	6,513	6,513
Less: Cost of Sales	3,191	3,679	4,139	4,559	4,559	4,559	4,559	4,559	4,559	4,559
Contribution	1,368	1,577	1,774	1,954	1,954	1,954	1,954	1,954	1,954	1,954
Less: fixed Costs	201	201	201	201	201	201	201	201	201	201
Operating Surplus	1,167	1,376	1,573	1,753	1,753	1,753	1,753	1,753	1,753	1,753
Capital Costs	194	194	194	194	194	194	194	194	194	194
Depreciation										
Total capital cost	194	194	194	194	194	194	194	194	194	194
Profit before tax	973	1,182	1,379	1,559	1,559	1,559	1,559	1,559	1,559	1,559
Taxable 30%	292	355	414	468	468	468	468	468	468	468
Net profit	681	827	965	1,091	1,091	1,091	1,091	1,091	1,091	1,091
Revenue Reserves	681	1,508	2,473	3,564	4,655	5,746	6,837	7,928	9,019	10,110

DEDNOOL COMPANY LIMITED

PROJECTED CASHFLOW US \$ 000

YEAR	0	1	2	3	4	5	6	7	8	9	10
Cash Inflow											
Equity	2,100	-	-	-	-	-	-	-	-	-	-
Total Inflow	2,100	-	-	-	-	-	-	-	-	-	-
Operational Inflow											
Profit before Tax	2,100	973	1,182	1,379	1,559	1,559	1,559	1,559	1,559	1,559	1,559
Depreciation		194	194	194	194	194	194	194	194	194	194
Total Operations inflow		1,167	1,376	1,573	1,573	1,573	1,573	1,573	1,573	1,573	1,573
Total cash inflow	2,100	1,167	1,376	1,573	1,573	1,573	1,573	1,573	1,573	1,573	1,573
Cash outflow											
Investment	2,100	-	-	-	-	-	-	-	-	-	-
Outflow											
Taxation		292	355	414	468	468	468	468	468	468	468
Total Cash Outflow		292	355	414	468	468	468	468	468	468	468
Net Cash flows		875	1,021	1,159	1,285	1,285	1,285	1,285	1,285	1,285	1,285

Opening Balance	-	-	875	1,896	3055	4340	5625	6910	8195	9480
Closing Balance	-	875	1,896	3055	4340	5625	6910	8195	9480	10,765