

SPEARS INVESTMENT COMPANY LIMITED

**BUSINESS PLAN
FOR
PROPOSED NEW CAR SPARE PARTS PRODUCTION FACTORY
NYAMHONGOLO – IEMELA MUNICIPAL COUNCIL
MWANZA REGION**

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1.0. EXECUTIVE SUMMARY

1.1 Factory Industry Overview:

Industrialization in Tanzania is the most target sector and governmental emphasis to the growth of national economy. It is undeniable fact that manufacturing sector plays key role in growth of any economy and it is from this sector developing countries can catch-up with the rest of the world. While other countries are struggling in upgrading the level of their industrialization to accommodate the concept of sustainability by going for more advanced technology hence increase productivity, others are still on the ground struggling to take off and catch-up with industrialized world, Tanzania being one of them. In spite of various strategies proposed and implemented, the sector contribution has remained low, and currently statistics shows a decline.

From analysis, it is evidently that manufacturing sector remain to be significant for the growth of Tanzania's economy despite her small GDP share relative to other sector like agriculture and service. The stagnant contribution share of sector is linked with; implementation lags on ambitious uncoordinated plans, slow transforming economic structure which is dominated by agriculture, and competition from low priced manufactured import from Asian economies. Thus, the best way to go is for a country to centrally coordinate all development policies to ensure connectivity and progressive monitoring of policies' implementations, and attention should be paid on emphasis for more investment from local citizen.

1.2 The company:

Spears Investment Company Limited is a private company incorporated in Tanzania under the Companies Act, 2002 with registration No. 142316501 on 6th August, 2020. The main objects for which it is established include; to carry on any trade or business whatsoever as General Trading Company including engagement of business of manufacturing, production, importation, sales, supply of any commodities or products. The authorized and paid up share capital of the company is 10,000,000 (Ten million) divided into 1000 (Onethousand) ordinary shares of nominal value Tshs. 100,000 each. It is owned by two Tanzania shareholders namely; Pius Machimu Malifedha who holds 70 shares and Edson Pius Machimu who owns 30 shares.

1.3 The Project Proposal:

Spears Investment Company Limited proposes to construct a spare parts **Factory of Rubber nature** in Nyamhongolo – Ilemela Municipal. The machines and Equipment are to be procured through a Local Dealer. The proposed machines are capable of producing the required quantity with the highest and super quality as compared to another factory available in the local and world market. The project is intended to augment the Rubber nature car spare parts capacity in the country given the government emphasis to increase production and the fact that most of the existing factory owned are aged and of outdated technology and with the up to date technology requires more competition to improve efficiency and quality and adequate existing

products in the market to meet customer's demand for more satisfaction and right time availability and accessibility. The capital investment costs of the project amount to **Tshs. 3.5 billion** which are proposed to be financed through equity financing **Tshs. 1.5 Billion** and Bank borrowing of **Tshs 2 Billion** in term loan for capital investments and **Tshs 1 Billion** for working capital financing from local banks. The term loan is proposed to be repaid over 5 years with interest at 20% per annum and 20% per annum for the OD facility.

1.4 Rationale of the Proposal:

The proposal by **Spears Investment Company Limited** is aimed at increasing the country's investment target given the present government efforts to promote increased investment for both local and foreigners in the country. It is also aimed at filling the gap presently experienced by aged spare parts industries dominated by giant factories and companies who have been the major players in this business for years since the population is high and the demand is of more increase proportionate to the investment need. This will result into improved efficiency and quality in spare parts industry and increased earnings for both, the country in revenue collection, investors in business returns and individuals for employment opportunities.

1.5 Purpose of the Study:

This document has been prepared to serve the following purposes;

- To facilitate the application for Certificate of Incentives from Tanzania Investment Centre (TIC) so as to have access to exemptions of duties, VAT deferments and other benefits and protections as statutory provided for under Tanzania Investment Act (1997) for the Project.
- To determine the viability of the proposed project and serve as a Business plan for the company's development program.
- To utilize the document for possible mobilization of financial credits from local Banks/ Financial Institutions for either term loan financing or overdraft Facility to support smooth implementation of the proposed project.

1.6 The spare parts production factory:

1.6.1 Location:

The factory is to be located at Nyamhongolo in Lemela municipal-Mwanza Region. The company has adequate land covering 10300 square meters to accommodate the project. The location is ideal since is within the industrial areas set by the municipal plan. The road leading to the factory is also accessible throughout the year from either side in Mwanza City, directions to Mara region and Kenya. All the materials to be bought for facilitation of spare parts product will be easily transported to the proposed new factory.

1.6.2 Plant Capacity:

The proposed Plant is of modern and technological machines consisting of required equipment's and machines necessary to produce the Rubber nature spare parts, car seat covers, steering covers and many more accessories production for the car replacing items internal furniture and Rubber nature spare. The plant is brand new equipment and fully automated plant and the production capacity of the project will be 50 tonnes per day.

1.6.3 Electricity and water:

The electricity for the project site will be provided by TANESCO through the National Power System. However, a standby generator of 350 KVA will be used during power outbreak has also been provided for.

1.6.4 Buildings:

Buildings under consideration for the project will include;

- Plant Building
- Storage ware house
- Residential houses
- Office building
- Canteen
- Toilet block
- Fencing Works

The factory building will be Pre-Engineered structures to be imported from machinery suppliers in India.

1.6.5 Project Investment and Financing:

The total investments costs of the project are estimated at Tshs. 3.5 Billion. The investment is proposed to be financed through owner's equity and loan facility of Term loan and Overdraft products from local commercial Banks. The term loan is proposed to be repaid over 5 years with the interest at 20% per annum and OD facility is to carry interest of 20% per annum.

1.7 Management:

The project after its full construction will be managed by Spears Investment Company Limited. The company Directors will ensure that qualified and experienced personnel are engaged in the management of the entire sections of the factory. The Managing Directors of the Company is local investors with vast experience in business management.

1.8 Plant Production Plan:

The plant is planned to go into commercial operations starting 2021 coming year. During the first year the company plans to produce and market her products for more profit maximization above current plan of procuring and resale to the market. The total business revenue for the year is estimated at Tshs15 Billion and expected to rise on commercial percentage of estimate 25% to 30% where the Gross profit margin to be 25% to 35% basing on economic and market forces for profit determinant.

1.9 Market Aspect:

1.9.1 The Market for car spare parts:

The major market for the company product will initially be local market starting with Lake Zone regions including Mwanza region, Mara, Shinyanga, Kagera, Tabora and Kigoma. On the other hand, upon expansion the company will expand their distribution to other regions like west zone regions and other zones together with neighboring countries like Kenya and Uganda which are closely to production center.

1.10 FINANCIAL EVALUATION:

The financial evaluation carried out on proposal indicates that the project proposal by Spears Investment Company Limited to construct and operate the proposed car spare parts factory is technically feasible, financially viable and economically sound. The results are as summarized below;

1.10.1 Project Investment and Financing: -

The total investment costs of the project are estimated at Tshs.3.5 Billion which are proposed to be financed through owner' equity contribution by the sponsor of Tshs. 1.5 Billion and loan financing of Tshs. 2 Billion from local banks. The business will however also need an estimated Tshs. 1 Billion as working Capital to finance the planned purchase of production materials. The requirement has been assumed to be mobilized in Over Draft facility from local commercial Banks.

1.10.2 Profitability:

Based on assumptions and considerations used in evaluation of the project, the business is projected to make net profit of Tshs. 500 Million for the first year. Profits are projected to increase to Tshs. 1 Billion by the 3rd year to Tshs. 1.6 Billion by the 5th year due to projected increase in production of car spare parts which would result into increased capacity utilization from 52% in the first year, to 63% by the 3rd year and to 77% by the 5th year.

1.10.3 Projected Cash Flow:

The projected net annual cash flow for the first year is estimated at Tshs. 675 Million increasing to Tshs. 2.7 Billion by the 3rd year and to Tshs. 6.6 Billion by the 5th year due to projected increase in production. The projected monthly cash flow for the first year also indicates a sound cash movement closing with positive balance of Tshs. 675 Million by the end of the year. The cash flow has taken into account repayment of the term loans and retirement of Tshs. 1 Billion in overdraft facility for working capital financing.

1.10.4 Financial Rate Return:

The financial rate of return for the estimated investments works out to 31% as compared to assumed cost of capital investment. The proposed project is therefore commercially viable.

1.11 SECURITY COVER:

The proposed term loan financing from local banks has been assumed to be secured by company Mortgage over landed properties of the company including all machinery and equipment at the project site.

1.12 CONCLUSION AND RECOMMENDATIONS:

Based on considerations and assumptions given above, it is concluded that the proposal by **Spears Investment Company Limited** to construct a New car spare parts factory of Rubber nature and internal car furniture's, seat covers , steering cover etc.in Nyamhongolo – Ilemela municipal is technically viable. It is therefore recommended for the project promoters to proceed and invest in the car spare parts factory at company site in Nyamhongolo – Ilemela municipal.

3.0. TECHNICAL ANALYSIS:

3.1 Location:

The project is to be located at Nyamhongolo – Ilemela municipal. The area is linked to Mwanza and Musoma through a Tarmac road. This is a strategic location, which is easily accessible by road for transportation of facilitation materials and its products. The location is also connected to the national Power Grid System.

3.2 Building and Civil Works:

Building under consideration for the project will include;

1. Storage ware houses
2. Plant Building
3. Residential House
4. Office Building

5. Workshop Building
6. Canteen and fencing works

The factory buildings will be Pre-Engineered structures to be imported from the machinery suppliers in India.

3.3 Plant Capacity & Technology:

The proposed Plant is of modern and technological machines consisting of required equipment's and machines necessary to produce the Rubber nature spare parts, car seat covers, steering covers and many more accessories production for the car replacing items internal furniture and Rubber nature spare. The machines will have a capacity of producing 50 tonnes per day of rubber nature spare parts, car seat cover, seat cover and other accessories.

It is proposed to purchase and install from Wenzhou Huabo Plastic Packaging Machinery Co. Ltd in China and NIPHA in India, the machines and other associated equipment's are of the finest and quality having the highest production and superior quality as compared to other machines available in the world market. The machinery and equipment from suppliers are from the exclusive names in India, China and are one of the world leaders in the field of design, manufacture and supply of wide range of equipment. They also have very long experience of working in Tanzania.

3.5 Capital Costs:

The project total capital costs are estimated as Tshs. 3.5 Billion excluding the working component estimated at Tshs. 1 Billion. The capital costs outlay is summarized as below:

	Figures in Tshs.'000'
Investment	Total costs
Land & Buildings	1,348,325
Machinery & Equipment	1,080,000
Motor Vehicles	906,000
Office Furniture & Equipment	52,000
Pre-Operational Costs	113,675
Total Capital Investment	<u>3,500,000</u>
Working Capital	1,000,000
TOTAL	<u>4,500,000</u>

The breakdown of the investment into foreign and local costs is as indicated under;

			'000'
S/No	Investment	Local (TSHS)	Foreign (\$)
1	Land & Buildings	1,348,325	583.69
2	Machinery & Equipment	1,080,000	467.53
3	Office Furniture & Equipment	52,000	22.51
4	Motor Vehicles	906,000	392.21
5	Pre-Operational Costs	113,675	216.45
	Total	<u>3,500,000</u>	<u>1,682.39</u>

3.6 Source of Financing

The project sponsor would contribute equity funds to the tune of Tshs. 1.5 Billion and the balance of Tshs. 2 Billion would be term loan from local Banks as per summary given under:

1	Equity Tshs	1,500,000,000
2	Bank loan Tshs	2,000,000,000
	Sub Total	<u>3,500,000,000</u>
3	Bank Overdraft (WC) Tshs	1,000,000,000
	Total Tshs	<u>4,500,000,000</u>

3.7 Implementation Schedule:

The project is expected to be implemented over 6 months period starting from the date of fund approval. Implementation involves;

- Construction of Machinery Hall
- Construction of stores/ warehouse
- Procurement and installation of machinery and equipment
- Electrical installations
- Trial runs
- Commercial operations.

Assuming that the required funding is fully mobilized by May, 1st 2021 the project should be ready for commercial operations by August.

3.8 Environmental Aspects:

The most pertinent environmental and health considerations in this project include dust emission and employees exposure to noise and fire. The project sponsors have addressed these possible hazards adequately in the project plan. Factory workers will be provided with breathing masks and earplugs. Fire extinguishers and hydrants will also be in place.

4.0 MARKETS AND MARKETING:

4.1 Business Strategic Framework

4.1.1. (A) Vision

To become a leading in car spare parts seller business regional and Zonal wide.

4.1.2. (B) Mission

To provide high quality service through quality and modern service delivery systems managed by motivated staff, operating with, manufacturing, government institutions, non-governmental organizations and others.

4.1.3. (B) Goal

- a) To have a sustainable working capital base that will enable the business to flourish.
- b) Increase annual sales turnover
- c) Increase gross profitability
- d) Increase market share

4.1.4. (D) Core values

- a) Consistent High Product Quality Standards
- b) Reliability in partnership with customers
- c) Social responsibility
- d) Financial transparency and accountability
- e) Eco-friendly services

4.2.0. Business Objectives

4.2.1. Operational objectives

- a) To increase and sustain the business market share around the lake Zone Regions.

4.2.2. Financial objectives

- a) To ensure that the business liquidity position remains sound so as to be able to meet its financial obligations without any distress.

- b) To ensure that the business operates profitably and generates reasonable returns to its owners.

4.2.3. Business Strategies

- a) To engage and motivates sales force to increase efficiency in the sales activity.
- b) To undertake aggressive, but targeted advertisement, promotion and publicity programs.
- c) To establish and continue to improve the contact and source of reliable suppliers of items we sell at the premises.
- d) To extend market penetration into the rest of region through agency arrangements and using economy packs.
- e) To seek other sources of funds to raise the initial capital so as to expand the business.

4.3. Business Situational Analysis

4.3.1. (a) Strengths, Weaknesses, Opportunities and Threats

4.3.2. Strengths(S)

- a) Good administration and leadership
- b) Good customers reputation
- c) Knowledge of the local market
- d) Favourable access to distribution networks
- e) Cost advantages from customary know-how
- f) Established customer base and contacts

4.3.3. Weakness (W)

- a) Inadequate business capital that hinders the business capability to place larger orders and enjoy economies of scale.
- b) Competitor activity in a price sensitive market
- c) Concocted reputation among some of the customers and competitions.

4.3.4. (A) Internal Factor Analysis Summary (IFAS)

From the analysis of the strengths and weaknesses above, it can be observed the business strengths weigh more as compared to its weaknesses. Therefore we conclude that the business is viable. I.e. $S > W$

4.3.5. Opportunities:

- a) Country's political stability which creates a conducive environment for investment and operations of the business.
- b) Availability and accessibility of funds from financial institutions.
- c) A good infrastructure system that facilitates operation of business.
- d) The business location favours easy purchases and supply of the goods.

- e) An unfulfilled customer demands.
- f) Improved technology

4.3.6 Threats

- a) Presence of competitors in the market with the same goods and services and others with close substitutes.
- b) Unpredictable change in weather and climate conditions which distort demand and supply trends.

4.3.7 (A) External Factor Analysis Summary (EFAS)

From the analysis above we have observed that the opportunities of the business are more as compared to its Threats. Therefore we conclude that the business is viable. I.e. O>T

4.3.8. Political, Environmental, Social and Technical Analysis

(a) Political

The business does not face any serious political threat as the country is in peace and the company is paying all of the required taxes on time hence the company has a good relationship with the tax and city authorities.

(b) Environment

The business has no negative impact on the environment and has better procedures for waste disposal.

(c) Social

The business offers employment to the surrounding community and facilitates the availability of services through payment of Tax to the government via Tanzania Revenue Authority (TRA).

(d) Technical

Technically the business is well equipped with modern facilities like, Telephone, etc. to facilitate business transactions.

5.0 PROFILE OF THE TARGET MARKETS

5.1 Market Segments

The business currently operates into one market segment which is domestic market. The opening of the factory is for expansion of the business through improving and maximizing production that will enhance and manages to operate another market like regional and international market segments.

5.2 The Business differential advantages over others

- a) Commitments to customers
- b) Team working spirit
- c) Quality product and services

5.3 Market analysis

- a) The market is of moderate competitions.

5.4 Entry strategy

The company employs the following strategies to enter into the market

- a) Emphasizing quality services and reliable to reduce customers price sensitivity.
- b) Simple advertisement and promotional strategy will also be employed.
- c) Customer satisfactions will be taken as a core value of the business together with selling of high quality products.

5.5 Competitive Analysis

The business intention is to become the leading seller of car spare parts to the local market. The market is surely one of the most competitive within the Lake Zone. The currently existing competitors of the company are;

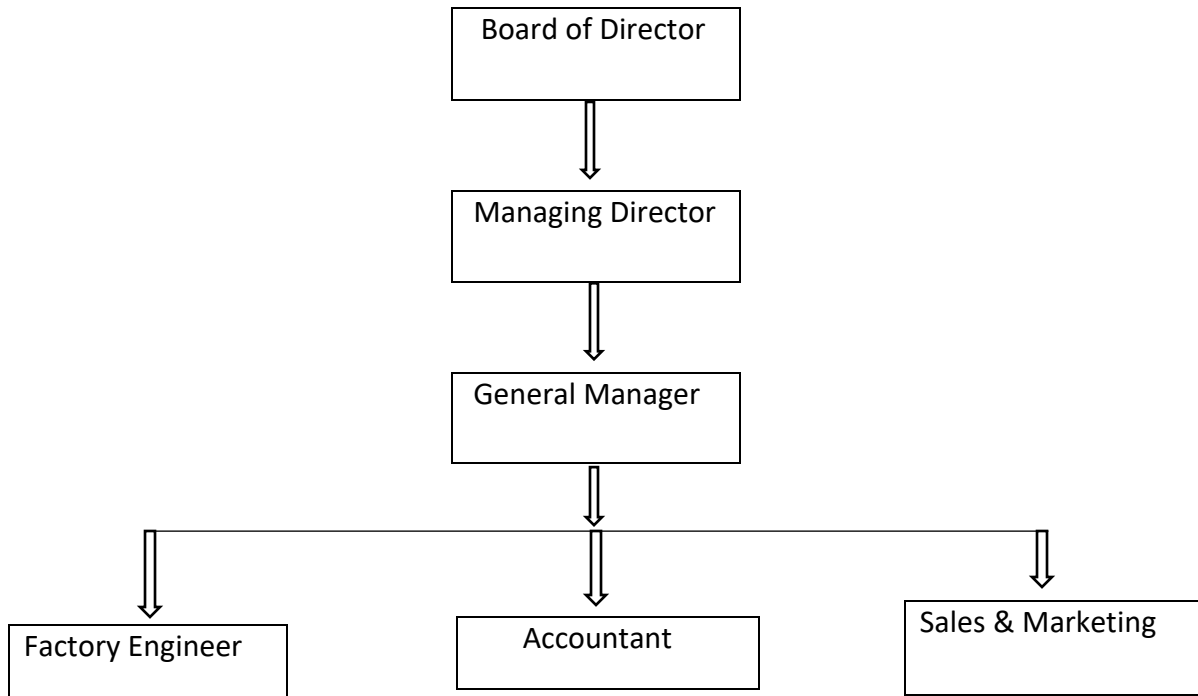
- a) Company with similar and close substitute services
- b) Retailers with the same line of business
- c) Other agent
- d) A hawker who tends to sell the products at lower prices.

6.0 ORGANIZATION AND MANAGEMENT:

6.1 Company Organization Structure:

The project Organization Structure will consist of three (3) departments' i.e. Factory / Production Departments, Accounts Department and the Sales and Marketing Department. Each department shall be led by a manager with respective section heads. A broad outline of the organization structure is as indicated under;

ORGANIZATIONAL STRUCTURE:



6.2 Management:

The project management will be under the supervision of the Board of Directors of Spears Investments Company Limited under its principal shareholder and Managing Director Mr. Pius Machimu Malifedha. The General Manager shall be appointed by the Board of directors and would head the Factory Management. Three heads of departments namely; Finance and Administrative Manager, Production and the Operations Manager would assist the General Manager. A supporting staff of over 60 permanent employees will be employed. The company Managing Director has accumulated vast experience in the business management and marketing industry. This experience would enable him not only utilize his technical and business management experience in this area, but would also enable the project to charting out a proper business strategy, identification, and recruitment of technical and management personnel required for efficient management of the ginnery.

6.3. Profile of Company Directors

NAME: PIUS MACHIMU MALIFEDHA

POSITION: Managing Director

NATIONALITY:Tanzanian

GENDER MARITAL STATUS:Married

PERMANENT RESIDENCE:Mwanza Region

OCCUPATION :Businessman

BUSINESS EXPERIENCE

He is the Chairman and Managing Director of the company. He has also been running various businesses which include; spare parts business. He has all time traded as proprietor for over 20 years and has proved capable of leading the business to a successful future as evidenced by the audited financial statements annexed document.

NAME:EDSON PIUS MACHIMU

POSITION:Director

NATIONALITY:Tanzanian

GENDER : Male

PERMANENT RESIDENCE: Mwanza Region

OCCUPATION :Businessman

7.0 FINANCIAL EVALUATION:

The project after full implementation and commencement of commercial operation is a going concern. It has therefore been assumed that it will continue to operate profitably and successfully for subsequent years. The business is projected to run smoothly and generate adequate profits to be able to meet its financial commitment without problems. The financial evaluation carried out on this report indicates that the project proposal is technically feasible, financially and economically sound. The results are summarized below;

7.1 Project Investments and Financing:

The total project investments are estimated at Tshs. 3.5Billion Which have been assumed to be financed through term loan financing of Tshs.2Billion, Equity financing by the company of 1.5Billion. Additional investments in fixed assets have been assumed upon expansion Over the 5 years projected period.

7.2 Working capital:

It has also been estimated that the project would need an estimated Tshs. 1Billion to finance the business working capital for the first year. The requirement has been assumed to be provided by local commercial bank with interest at 20% per annum.

7.3 Projected Income Statement:

Based on assumptions and considerations used in this evaluation, the business is projected to make net profit after tax of Tshs 500 million for the first year increasing to Tshs. 1 Billion By the 3rd year and to Tshs. 1.6 Billion By the 5th year as per details given in schedule IV of this report.

7.4 Projected Cash Flow:

The annual net cash movement for the first year is estimated at Tshs. 675 Million Increasing to Tshs. 2.776 Billion By the third year and to Tshs. 6.619 Billion By the 5th year. The monthly cash flow for first year also indicates a sound trend opening with negative net cash movement of Tshs. 1 Billion for the first month closing with positive net cash balance of Tshs. 675 Million by the end of the 12 month. The cash flow has taken into account all operating costs and repayment of the term loan and overdraft facility of Tshs. 1 Billion by the end of the season as per details given in schedules V of this report.

7.5 Projected Balance Sheet:

These projections indicate that, the company's liabilities would be adequately Covered by net fixed assets throughout the period under review. Details are as given in schedule XI of this report.

7.6 Financial Rate of Return (IRR):

The project's internal rate of return works at over 31% which is a key factor in project viability assessment. Assuming the cost of capital of 15% per annum, this is yet another confirmation that the project is commercially viable. Details are as in schedule VI.

7.7 Pay Back Period:

The project payback period works out to three years and about two months only. This confirms to the investors that the project would be able to recoup their investments over only a short period of three years.

8.0 ECONOMIC BENEFITS:

The business under consideration has the following economic benefits:

- It contributes towards increased capacity in production of cars spare parts of Rubber nature.
- The business increases regional trade and industrial development among EAC member states considering the fact that part of the company products would be exported to Ugandan and Kenyan as final products.
- The business also contributes towards increased government revenue through taxes and duties.

- The business generates over 100 direct jobs every year and a number of indirect jobs.

9.0. ENVIRONMENTAL AND SAFETY ASPECTS:

The factory does not involve production of any hazardous materials with exception of rubber materials. No major environmental impact is therefore expected as a result of the operations of the plant. However, necessary protection gears are provided to the workers to protect the workers. Any waste materials produced by the plant are also properly handled and disposed through existing system established by the company.

10.0 RISK ANALYSIS:

There is a slightly degree of competition from traders from interior but their low capital ability ought to weigh them from competition.

The main market risks which associate with the business is price fluctuation due to oversupply and under supply. During over supply, the price becomes low to both buyers and sellers and vice versa.

To stabilize the situation; the company will buy raw materials for production in large quantity when the price is at minimum and uses them for production to earn immediate return, and when the price is maximum the company will operate its supply in a better way to cover the market fluctuation and make more profit from the use of low purchased raw materials for production.

There is very minimal control over these factors hence the project will need to adjust its business expectations and respective financial obligations with its creditors to cope with the actual situation.

11.0 SECURITY COVER FOR BANK BORROWING:

Spears Investments Company Limited will provide Legal Mortgage over the company's landed properties located at Plant Sites at Nyamhongolo in Ilemela municipal including all plant and equipment.

12.0 CONCLUSIONS AND RECOMMENDATION.

Based on considerations and assumptions used in the evaluation of this project, it is concluded that the proposal by **Spears Investment Company Limited** to invest in the construction of the New factory for car spare parts production of Rubber nature and other internal furniture's including seat covers, steering covers at Nyamhongolo – Ilemela municipal for the project is technically feasible and financially viable. It is therefore recommended for the project promoters to proceed and invest in the proposed factory at company Site in Nyamhongolo – Ilemela municipal.

FINANANCIAL BASIC ASSAMPTIONS

SCHEDULE I

**SPEARS INVESTMENT COMPANY LIMITED
PROPOSED NEW CAR SPARE PARTS FACTORY
NYAMHONGOLO - ILEMELA MUNICIPAL
FINANCIAL BASIC ASSUMPTIONS**

**SCHEDULE I
TSHS."000"**

INVESTMENT AND FINANCING PLAN

Capital Investment	
Equity	1,500,000
Loans	2,000,000
Total	3,500,000
Financial Gearing(Capital Investment)	
Equity	43%
Loans	57%
Total	100%
Working Capital	1,000,000
TOTAL INVESTMENTS	4,500,000
Equity	1,500,000.00
Loans	3,000,000.00
Total	4,500,000.00
Total Financial Gearing:	
Equity	33%
Loans	67%
Total	100%

PROJECTED INVESTMENTS COSTS

SCHEDULE IIA

**SPEARS INVESTMENT COMPANY LIMITED
PROPOSED NEW CAR SPARE PARTS FACTORY
NYAMHONGOLO - ILEMELA MUNICIPAL
PROJECTED INVESTMENTS COSTS**

**SCHEDULE IIA
Tshs."000"**

S/NO	INVESTMENTS	
A	Land and Building	
1	Land Value	204,000
2	Sub Total	204,000
3	Factory Building(Pre engineered structures)	195,000
4	Godowns	420,000
5	Office Blocks	65,000
6	Residential Blocks	164,534
7	Canteen Blocks	54,500
8	Toilet Blocks	67,890
9	Fencing	162,401
10	Misclenious Provisions	15,000
11	Sub Total	1,144,325
12	Total Land & Building costs	1,348,325
B	Machinery and EQUIPMENT	
1	Complete Machinery & Equipment	994,000
2	Installation & Electrical Costs	86,000
3	Sub Total	1,080,000
C	Motor Vehicles:	
1	Motor Trucks	624,750
2	Generator (350 KVA)	281,250
	Sub Total	906,000
D	Office Furniture and Equipment:	
1	Office Equipment	34,500
2	Office Furnitures	17,500
	Sub Total	52,000
E	Pre Operational Costs	113,675
1	Sub Total	113,675
	TOTAL CAPITAL INVESTMENT	3,500,000
	Working CAPITAL	1,000,000
	TOTAL INVESTMENT	4,500,000

INVESTMENT PLAN AND FINANCIAL PLAN

SCHEDULE IIB

**SPEARS INVESTMENT COMPANY LIMITED
PROPOSED NEW CAR SPARE PARTS FACTORY
NYAMHONGOLO - ILEMELA MUNICIPAL
INVESTMENT PLAN AND FINANCIAL PLAN**

**SCHEDULE
IIB
TSHS."000"**

Investment Plan:

S/NO	Assets	Existing Investment	Additional Investments	Investments
1	Land Value	204,000	-	204,000
2	Buildings	-	1,144,325	1,144,325
3	Office Furniture & Equipment	-	52,000	52,000
4	Plant and Machinery		1,080,000	1,080,000
5	Motor Vehicles & Generator		906,000	906,000
6	Pre Operational Costs	50,000	63,675	113,675
7	TOTAL CAPITAL COSTS	254,000	3,246,000	3,500,000
8	Working Capital	-	1,000,000	1,000,000
9	TOTAL INVESTMENT	254,000	4,246,000	4,500,000

Financing Plan: s/no	Assets	Existing Structure			New Structure		
		Equity	Bank Loan	TOTAL	Equity	Bank Loans	Total
1	Land Value	204,000	-	204,000	204,000	-	204,000
2	Buildings	-	-	-	482,325	662,000	1,144,325
3	Office Furniture & Equipment	-	-	-	52,000	-	52,000
4	Plant and Machinery	-	-	-	648,000	432,000	1,080,000
5	Motor Vehicle & Generator	-	-	-	-	906,000	906,000
6	Pre Operational Cost	50,000	-	50,000	113,675	-	113,675
7	TOTAL CAPITAL COSTS	254,000	-	254,000	1,500,000	2,000,000.00	3,500,000
8	Financing Gearing (%)	100%	0%	100%	43%	57%	100%
9	Working Capital/Overdraft	-	-	-	-	1,000,000	1,000,000
10	TOTAL FINANCING PLAN	254,000	-	254,000	1,500,000	3,000,000.00	4,500,000
11	Financing Gearing (%)	100%	0%	100%	33%	67%	

TERM LOAN REPAYMENT SCHEDULE

SCHEDULE IIIA

**SPEARS INVESTMENT COMPANY LIMITED
PROPOSED NEW CAR SPARE PARTS FACTORY
NYAMHONGOLO - ILEMELA MUNICIPAL
TERM LOAN REPAYMENT SCHEDULE**

SCHEDULE IIIA, Tshs. "000"

Bank Term Loan		2,000,000			
Interest Rate		20%			
Year	Year	Opening Balance	Principal Repayment	Interest	Closing Balance
1	2021	2,000,000	400,000	80,000	1,600,000
2	2022	1,600,000	400,000	80,000	1,200,000
3	2023	1,200,000	400,000	80,000	800,000
4	2024	800,000	400,000	80,000	400,000
5	2025	400,000	400,000	80,000	-
6	TOTAL		2,000,000	400,000	

Bank OD Facility		1,000,000			SCHEDULE IIIB, Tshs. "000"	
Interest Rate		20%				
Month	Month	Opening Balance	OVERDRAFT Retirement	Interest	Closing Balance	
1		1,000,000	-	16,667	1,000,000	
2		1,000,000	-	16,667	1,000,000	
3		1,000,000	-	16,667	1,000,000	
4		1,000,000	-	16,667	1,000,000	
5		1,000,000	-	16,667	1,000,000	
6		1,000,000	-	16,667	1,000,000	
7		1,000,000	-	16,667	1,000,000	
8		1,000,000	-	16,667	1,000,000	
9		1,000,000	-	16,667	1,000,000	
10		1,000,000	1,000,000	16,667	-	
11		-	-	-	-	
12		-	-	-	-	
			1,000,000	166,670		

PROJECTED INCOME STATEMENT

SCHEDULE IV

**SPEARS INVESTMENT COMPANY LIMITED
PROPOSED NEW CAR SPARE PARTS FACTORY
NYAMHONGOLO - ILEMELA MUNICIPAL
PROJECTED INCOME STATEMENT**

SCHEDULE IV, Tshs."000"

	2021 TSHS	2022 TSHS	2023 TSHS	2024 TSHS	2025 TSHS
Revenue	15,567,800.00	20,238,140.00	24,109,582.00	28,342,456.60	31,845,193.58
Cost of Sale	11,375,850.00	14,166,698.00	15,671,228.30	18,422,596.79	20,444,614.28
Gross profit/loss	4,191,950.00	6,071,442.00	8,438,353.70	9,919,859.81	11,400,579.30
Gross Profit Margin (%)	27%	30%	35%	35%	36%
Less: Operational Expenses	2,335,170.00	3,845,246.60	5,882,738.01	7,085,614.15	7,961,298.40
Operating Surplus	1,856,780.00	2,226,195.40	2,555,615.69	2,834,245.66	3,439,280.91
Capital Charges					
Depreciation	573,450.40	619,120.40	540,214.40	274,434.40	540,223.40
Interest on OD Facility	166,670.00	166,670.00	166,670.00	166,670.00	166,670.00
Interest on Bank Term Loan	400,000.00	400,000.00	400,000.00	400,000.00	400,000.00
Total Capital Charges	1,140,120.40	1,185,790.40	1,106,884.40	841,104.40	1,106,893.40
Profit Before Tax	716,659.60	1,040,405.00	1,448,731.29	1,993,141.26	2,332,387.51
Tax Provision	214,997.88	312,121.50	434,619.39	597,942.38	699,716.25
Net Profit After Tax	501,661.72	728,283.50	1,014,111.90	1,395,198.88	1,632,671.25
Retained Earnings	501,661.72	1,229,945.22	2,244,057.12	3,639,256.01	5,271,927.26

ANNUAL CASH FLOW

SCHEDULE V

**SPEARS INVESTMENT COMPANY LIMITED
PROPOSED NEW CAR SPARE PARTS FACTORY
NYAMHONGOLO - ILEMELA MUNICIPAL
ANNUAL CASH FLOW**

YEAR						SCHEDULE V
	2021	2021/2022	2022/2023	2023/2024	2024/2025	TSHS.'000' 2025/2026
CASH INFLOWS						
Equity Contribution	1,500,000	-	-	-	-	-
Bank Term Loan	2,000,000	-	-	-	-	-
Profit After Tax	-	501,662	728,284	1,014,112	1,395,199	1,632,671
Depreciation	-	573,450	619,120	540,214	274,434	540,223
Total Inflows	3,500,000	1,075,112	1,347,404	1,554,326	1,669,633	2,172,895
CASH OUTFLOWS						
Investment & Reinvestments	3,500,000	-	-	-	-	-
Net Working Capital	-	-	-	-	-	-
Principle Loan Repayment	-	400,000	400,000	400,000	400,000	400,000
Total Outflow	3,500,000	400,000	400,000	400,000	400,000	400,000
NET CASH FLOW	-	675,112	947,404	1,154,326	2,069,633	1,772,895
Opening Cash Balance	-	-	675,112	1,622,516	2,776,842	4,846,476
COMMULATIVE CASH	-	675,112	1,622,516	2,776,842	4,846,476	6,619,370

BALANCE SHEET

SCHEDULE VI

**SPEARS INVESTMENT COMPANY LIMITED
PROPOSED NEW CAR SPARE PARTS FACTORY
NYAMHONGOLO - ILEMELA MUNICIPAL
BALANCE SHEET**

YEAR	SCHEDULE VI				
	2021	2022	2023	2024	Tshs"000" 2025
Fixed Asset at Cost	3,386,325	3,386,325	3,386,325	3,386,325	3,386,325
Less; Accumulated Depreciation	573,450	1,192,571	1,732,785	2,007,220	2,547,443
Net Fixed Assets	2,812,875	2,193,754	1,653,540	1,379,105	838,882
<u>Current Assets</u>					
Cash	675,112	1,622,516	2,776,842	4,846,476	6,619,370
Debtors	357,038	354,209	354,523	41,193	104,892
Stock	713,337	784,671	863,138	467,066	507,554
Total Current Asset	1,745,487	2,761,396	3,994,503	5,354,735	7,231,816
TOTAL ASSET	4,558,362	4,955,150	5,648,043	6,733,840	8,070,698
EQUITY AND LIABLY					
EQUITY	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Retained Earnings	501,662	1,229,945	2,244,057	3,639,256	5,271,927
TOTAL	1,501,662	2,229,945	3,244,057	4,639,256	6,271,927
LIABILITY					
Current Liabilities:					
Trade creditors	456,700	525,205	603,986	694,584	798,771
Bank OD Facility	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Total Current Liabilities	1,456,700	1,525,205	1,603,986	1,694,584	1,798,771
NON CURRENT LIABILITIES:					
Bank Term Loan	1,600,000	1,200,000	800,000	400,000	-
TOTAL LIABILITIES	3,056,700	2,725,205	2,403,986	2,094,584	1,798,771
TOTAL EQUITY & LIABILITIES	4,558,362	4,955,150	5,648,043	6,733,840	8,070,698

PAY BACK PERIOD

SCHEDULE VIII

**SPEARS INVESTMENT COMPANY LIMITED
PROPOSED NEW CAR SPARE PARTS FACTORY
NYAMHONGOLO - ILEMELA MUNICIPAL**

PAY BACK PERIOD

SCHEDULE VIII

Tshs."000"

S/NO	YEAR	OPENING BALANCE	PROFIT AFTER TAX	DEPR	NET CASH FLOW	UNRECOVERED BALANCE
1	2021	4,500,000	716,660	573,450	1,290,110	3,209,890
2	2022	3,209,890	728,284	619,120	1,347,404	1,862,486
3	2023	1,862,486	1,014,112	540,214	1,554,326	308,160
4	2024	308,160	1,395,199	274,434	1,669,633	-
5	2025	-	-	-	-	-
6						

Payback Period :3.2 Years