

TANZANIA YUNCHENG CYLINDER MANUFACTURING LIMITED

BUSINESS PLAN

FOR

MACHINES FABRICATION AND MOULDING

1.0. EXECUTIVE SUMMARY

1.1 Project Concept

TANZANIA YUNCHENG CYLINDER MANUFACTURING LIMITED is a company incorporated in Tanzania with Certificate of Incorporation No. 185298868 dated 26th My, 2025, the company was formed on the basis of providing quality machine tools for selected industries. The owners had worked in this field for several years and had established multiple business contacts which will help the company pick up major business accounts

The project promoters are confident of mobilizing financial resources through owners' equity by US\$500,000 and the remaining US \$500,000 will be sourced from local financial institutions.

1.2 Location

The project will be located at Plot **Plot No.34, Block B, Geza Ulole Road ,Somangila Ward, Kigamboni, Dar es Salaam**

1.3 The Sponsors

TANZANIA YUNCHENG CYLINDER MANUFACTURING LIMITED will be sponsoring this project. The Company is jointly owned by three shareholders

Name of shareholders	% Ownership	Nationality
LU GENWANG P.O. Box 19088-DAR ES SALAAM	51	CHINA
CHEN HONGFEI P.O. Box 19088-DAR ES SALAAM	49	CHINA

1.4 The Company Objectives

The company main business objective is fabrication of various machines and machine components

1.5 Objective of Study

The purpose of this study is to work out the project viability technically and financially of a project for fabrication of various machines and machine components.

1.6 Mission

The company's mission is to be successful by effectively utilizing the philosophies of high quality, advanced techniques, and customer service.

1.7 Keys to Success

It is important that the company continues to provide superb customer service and fast delivery. At the same time, the company's further success will depend on securing new customers in the served market niches.

2.0 Project Management and Manpower requirements

The project will under management of **YUNCHENG CYLINDER MANUFACTURING LIMITED** management who have more than twenty-five in the field assisted by 15 employees.

YUNCHENG CYLINDER MANUFACTURING LIMITED has a management team with direct knowledge of the industry, extensive research experience, and unique administrative skills. The company's management team consists of people with broad backgrounds in manufacturing, automation, and finance.

2.1 Project description

Significant measures have been taken to liberalize the Tanzania economy so that to encourage private sector to take a lead in Tanzania economic growth; The Government of Tanzania embarked on adjustment program to give the private sector the leading role.

It is in view of the above; **YUNCHENG CYLINDER MANUFACTURING LIMITED** came up with a proposal to develop a project for fabrication of machines and component parts for machines, tools, or appliances.

To compliment this, the board of directors have developed strong working relationships with our customers and plan to further this area by continuing to offer customers value-added improvements and vertically-integrate the business to support these improvements.

It is expected that the project will be completed within one years' time and the company will apply to be exempted from paying import duty and VAT on Capital good and deemed capital good.

3.0 The General Over Manufacturing in Tanzania

The manufacturing sector in Tanzania has demonstrated substantial growth in recent years. The latest data reveals: In 2019, the manufacturing output was \$5.19 billion, marking a 12.73% increase from 2018. In 2020, the output rose to \$5.31 billion, a 2.28% increase from 2019. The year 2021 saw a further increase to \$5.67 billion, a 6.85% increase from 2020. In 2022, the manufacturing output reached \$6.20 billion, a 9.32% increase from 2021. In 2022, Tanzania's manufacturing sector emerged as the most significant component of its industrial landscape, contributing 23.2% to the nation's GDP.

This sector primarily focuses on light manufacturing industries, including textiles, garments, and food processing. Additionally, Tanzania is witnessing an expansion in its heavy manufacturing sector, encompassing areas like cement production, steel manufacturing, and pharmaceuticals.

The main manufacturing goods in Tanzania include: Textiles and Apparel: A major export sector, contributing significantly to employment and foreign exchange earnings. Processed Food and Beverages: This sector has seen growth due to increased domestic demand and export potential. Cement: With the construction boom, cement production has increased, making Tanzania one of the largest cement producers in East Africa. Iron and Steel Products: Essential for the construction and automotive industries, this sector is growing in response to local and regional demand.

Tanzania Agribusiness Currently, the majority of crops in Tanzania are marketed in their raw forms, while value-addition to agricultural products is mostly on a small-scale secondary level. Still, the Tanzanian agriculture value-added net output increased by 46% during the period 2012–2017, from USD 10.5 billion to USD 15.3 billion. Currently, value-added products in Tanzania include cotton yarn, manufactured coffee and tobacco, sisal products (yarn and twine), and wheat flour. In line with the 2025 Vision of the Ministry of Agriculture, Food and Cooperatives of Tanzania, there should be at least two new products developed from each of the staple crops, horticultural crops, livestock, and fisheries by that year. Industrialization of Tanzania

The Government of Tanzania focuses on industrialization as the main catalyst to transform the economy, generate sustainable growth, and reduce poverty. The

Government of Tanzania introduced its Sustainable Industrial Development Policy (SIDP) in 1996 to phase itself out of investing directly in productive activities and let the private sector take that role. The main purpose of the Government's SIDP is to design a plan for industrializing Tanzania so that the country becomes semi-industrialized by 2025. In order for Tanzania to become a semi-industrialized country, the contribution of manufacturing to the national economy must reach a minimum of 40% of the GDP by 2025. Foreign Direct Investments (FDIs) are expected to provide the capital for the desired industrial development

4.0 Target Market Segment Strategy

YUNCHENG CYLINDER MANUFACTURING LIMITED will focus our market offerings on major customer groups:

- Automobile industry
- Components for mining and construction machines and equipment
- Machines components
- Manufactures of complete product lines.

Our market research shows that these customer segments are the most demanding in terms of the engineering, technical service support, and automated design. YUNCHENG CYLINDER MANUFACTURING LIMITED is particularly strong in these areas and will utilize our capacities to serve these clients. The company will seek customers who require production of components used in upper-end product lines. This will provide a further possibility for YUNCHENG CYLINDER MANUFACTURING LIMITED to offer our value-added engineering services.

4.1 Industry Participants

Competitive threats come from machine shops who perform similar types of machining, as well as design firms that have established relationships with a large customer base. Their machinery, tooling, fixturing, and inspection equipment is tailored to accommodate specific customer products. Their weaknesses, however, are lack of engineering ability, process control, expertise to develop and combine processes, to synchronously combine operations, and an inability to design and build automatic load and unload systems for internal use.

4.2 Competition and Buying Patterns

YUNCHENG CYLINDER MANUFACTURING LIMITED believes that our customers choose our products based on the following criteria:

- Price.
- Performance.
- Customer service and support.

4.3 Value Proposition

YUNCHENG CYLINDER MANUFACTURING LIMITED's products and services offer the following advantages to customers.

- Delivery. We provide on-time delivery, thereby reducing customer inventory and providing them with overall cost reduction.
- Quality. The products we supply are of high quality and have attributes that enable customers to carry out their business functions.
- Price. Our products competitively priced, thus helping customers control their own bottom line.

4.4 Competitive Edge

YUNCHENG CYLINDER MANUFACTURING LIMITED has several highly significant competitive advantages:

- Engineering and technical support service.
- Automated system design and build.
- Customer service and support.
- Engineering and technical skills.
- Cross-functional teams encourage creativity.
- Quality systems are in place.

4.5 Market Needs

Each of the served segment's market needs are shaped by the desire to procure quality products at reasonable prices. YUNCHENG CYLINDER MANUFACTURING LIMITED is in the position to offer just that to our clientele, and we understand that our products must help our clients to better add value to their own end customers.

4.6 Market Strategy

According to expert, personal selling is the most effective method for marketing. The project will use all types of media and publicity will support and enhance personal selling. The project will use internet and print media for advertising.

The market strategy is to capitalize on our expertise by positioning the company to acquire strategic companies within the industry. We plan to leverage our expertise to acquire companies with product lines that complement our manufacturing operations. The company's goal in the next

year is to secure more contract manufacturing positions. The company's goal in the next five years is to continue with our "value added" scheme and embark on an acquisition program that will see the company take over key industry players.

4.7 **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
- Achieving profitability and liquidity financial performance goals
- The average price is US\$ 150

4.8 **Monitoring and Evaluation**

The Management has full commitment to ensuring good use of the resources and sustainable environment. Thus, the management philosophy is through business process, the company will strive to ensure compliance to standards and safety.

4.9 **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. The growing of tourism sector and economic activities in Dar es Salaam City gives them assurance of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

4.10 Projected Risks

This is a manufacturing industry investment; 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.

5.0 Project Investment Cost

The estimated capital investment cost of the project is US \$1,011,000 as shown in the schedule below:

YUNCHENG CYLINDER MANUFACTURING LIMITED PROJECTED INVESTMENT COST US\$

Land and Buildings	250,000
Machinery & Equipment	600,000
Motor Vehicles	50,000
Furniture & Fixtures	2,000
Pre exp	4,000
Others	5,000
Working Capital	100,000
TOTAL	1,011,000

5.1 Financing Pattern

The project will be financed by equity by US\$511,000 and the remaining US\$ 500,000 to be sourced from financial institutions

5.2 Projected Project Operating Costs

In order to realize its intended objective, the project will have to meet the operating costs which is estimated to be 60% of the total annual revenue.

5.3 **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 to be 10% annual depreciation.

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.

5.4 **Projected Profit and Loss Statement**

The Income and Expenditure Statement shows the projected income for the 10 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. US \$ **219,600** in first year to **US \$ 1,948,412** in the 5th year, refer appendix II

5.5 **Projected Cash Flows**

This is shown in the Projected Cash Flows Statement in appendix II. They indicate that the project will meet its entire financial obligation, the Accumulated cash flow in the first year **US\$ 265,860** and grow up to **US\$ 2,119,472** in 5th year, refer appendix III

5.5 **Projected Balance Sheet**

The projected Balance Sheet of the projected is shown in the financial statements under appendix IV total owners' equity of the project increases from **US\$ 511,000** at the end of first year of operation to **US \$ 2,459,412** at the end

of in 5th year. Therefore; balance sheets depict a healthy financial, refer appendix IV

5.6 **Projected payback period**

Total investment is **US \$ 1,011,000** cash accumulation in year 4 is **US\$ 1,497,578** which is more than the initial investment costs, the project payback Period is within 4 years, refer appendix V

6.0. **Economic Aspects**

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

- The project is an ideal option for utilization of the existing market
- The project will significantly contribute in increase of machines and machine components available in Tanzania
- The project will create direct employment for 15 people on permanent contract basis leave alone temporary employees.
- It will create more business opportunities to local suppliers, which will also have a trickledown effect in the Tanzania economy as whole.
- It will generate substantial revenue to the government in the form of corporate tax paid, value-added tax and pay as you earn etc.
- The project will have transfer of knowledge and skills as far as manufacturing sector

8.0 **Implementation Schedule**

Project implementation is expected to be relatively very short once project has been approved it is estimated that construction of serviced furnished apartment will be completed within two years: -

YUNCHENG CYLINDER MANUFACTURING LIMITED PROJECT IMPLEMENTATION

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	June 2025
2	Construction	October 2025- October 2028
3	Procurement furniture and other facilities	December 2028
4	Recruitment	January 2030
5	Testing business and in house training	January – April 2030
6	Commercial operations	May 2030

9.0 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, 2022.

YUNCHENG CYLINDER MANUFACTURING LIMITED COST STRUCTURE

Land and Buildings	1,500,000
Machinery & Equipment	500,000
Motor Vehicles	200,000
Furniture & Fixtures	1,000,000
Pre exp	20,000
Others	410,000
Working Capital	200,000
TOTAL	3,830,000

YUNCHENG CYLINDER MANUFACTURING LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

	1	2	3	4	5
Revenue (Food & drinks)	900,000	1,125,000	1,406,250	1,757,813	2,197,266
Operating Expenses:	540,000	675,000	843,750	1,054,688	1,318,359
Profit before Depreciation & Interest	360,000	450,000	562,500	703,125	878,906
Interest	30,000	24,000	18,000	12,000	6,000
Depreciation	16,200	16,200	16,200	16,200	16,200
Gross Profit	313,800	409,800	528,300	674,925	856,706
Tax (30%)	94,140	122,940	158,490	202,478	257,012
Profit After Tax	219,660	286,860	369,810	472,448	599,694
Accumulated Profit	219,600	506,460	876,270	1,348,718	1,948,412

YUNCHENG CYLINDER MANUFACTURING LIMITED PROJECTED CASH FLOW US\$

SOURCES:		1	2	3	4	5
Profit before interest and depreciation	-	360,000	450,000	562,500	703,125	878,906
Equity	511,000					
Loan	500,000					
Total Sources	1,011,000	360,000	450,000	562,500	703,125	878,906
Applications:						
Capital expenditure	902,000	-	-	-	-	-
working Capital &Others	109,000					
Cash	-	265,860	327,060	404,010	500,648	621,894
Tax	-	94,140	122,940	158,490	202,478	257,012
Sub total	1,011,000	360,000	450,000	562,500	703,125	878,906
Total applications	1,011,000	360,000	450,000	562,500	703,125	878,906
Accumulated cash		265,860	592,920	996,930	1,497,578	2,119,472

YUNCHENG CYLINDER MANUFACTURING LIMITED PROJECTED BALANCE SHEET US \$

Fixed Assets	-	1	2	3	4	5
Opening balance	-	902,000	885,800	869,600	853,400	837,200
Total Long-term Assets	-	902,000	885,800	869,600	853,400	837,200
Less depreciation	-	16,200	16,200	16,200	16,200	16,200
Closing balance	-	885,800	869,600	853,400	837,200	821,000
Working capital	109,000	109,000	109,000	109,000	109,000	109,000
Accumulated cash	-	265,860	592,920	996,930	1,497,578	2,119,472
Total assets	109,000	1,260,660	1,571,520	1,959,330	2,443,778	3,049,472
Financed by						
Equity	511,000	511,000	511,000	511,000	511,000	511,000
Accumulated profit	-	219,600	506,460	876,270	1,348,718	1,948,412
Total equity	511,000	730,600	1,017,460	1,387,270	1,859,718	2,459,412
Long term loan	500,000	400,000	300,000	200,000	100,000	-
Total debts	500,000	400,000	300,000	200,000	100,000	-
Total equity and debts	1,011,000	1,130,600	1,317,460	1,587,270	1,959,718	2,459,412

YUNCHENG CYLINDER MANUFACTURING LIMITED PROJECTED LONG TERM LOAN REPAYMENT

Year	Principle	Loan Interest (6%)	Total Amount Paid	Loan Balance
1	100,000.00	30,000.00	130,000.00	500,000.00
2	100,000.00	24,000.00	124,000.00	400,000.00
3	100,000.00	18,000.00	118,000.00	300,000.00
4	100,000.00	12,000.00	112,000.00	200,000.00
5	100,000.00	6,000.00	106,000.00	100,000.00

YUNCHENG CYLINDER MANUFACTURING LIMITED PROJECTED FIXED ASSETS US\$

NAME OF ASSETS	1	2	3	4	5
Land And Buildings	250,000	245,000	240,000	235,000	230,000
Machinery, Tools & Equipment	600,000	594,000	588,000	582,000	576,000
Motor Vehicles	50,000	45,000	40,000	35,000	30,000
Furniture & Fixtures	2,000	1,800	1,600	1,400	1,200
Total	902,000	885,800	869,600	853,400	837,200
DEPRECIATION	1	2	3	4	5
Land and buildings	5,000	5,000	5,000	5,000	5,000
Machinery tools & Equipment	6,000	6,000	6,000	6,000	6,000
Motor Vehicles	5,000	5,000	5,000	5,000	5,000
Furniture & Fixtures	200	200	200	200	200
ANNUAL DEPRECIATION	16,200	16,200	16,200	16,200	16,200

