

AUTO SPARE PARTS MANUFACTURING BUSINESS

PROPOSAL

BY

M/S YUNTAO INTERNATIONAL COMPANY LIMITED

FOR

APPLICATION FOR A CERTIFICATE OF INCENTIVE

SUBMITTED TO THE TANZANIA INVESTMENT CENTRE



PREPARED BY:

JL Consulting

Plot No. 2222/129 APT 006 Nkrumah Street

P.O. Box 23086

Dar es Salaam, Tanzania.

Mob: +255 (0) 766507137

+255 (0) 713 234322

Email: lawrencelimbe@gmail.com

Table of Contents

1. GENERAL.....	3
1.1 MISSION AND VISION STATEMENT	4
2 PRODUCT DESCRIPTIONS.....	4
2.1 MANUFACTURING TECHNIQUES.....	5
2.1.1 Replacement parts	5
2.1.2 Aftermarket parts.....	6
2.1.3 Economic Impact of Auto Parts Manufacturing.....	6
3 MANAGEMENT STRUCTURE.....	6
Company Management and Organisation.....	6
4. AUTO SPARE PARTS MARKET.....	7
3.2 Competition	8
5. PROJECT INVESTMENT.....	9
Investment Costs.....	9
6. FINANCING PLAN	10
6.1 REVENUE PROJECTIONS	10
7.1 Operating Expenses	11
7.1.1 Salaries and Wages.....	11
7.1.2 Re-investment Expenditure:	11
7.1.3 Corporate income	12
7.2 Financial Highlights.....	12
8. Project Liquidity	13
9. Internal Rate of Return.....	14
10. Economic and Social Benefits.....	15
11. Conclusions and Recommendations.....	16

SECTION 1.0 EXECUTIVE SUMMARY

1. GENERAL

This project document gives details on an investment proposal by *Yuntao International Company Limited* for establishment of an auto spare parts production factory at Madafu, Visiga ward on a land of 2 acres that the company has purchased, in Kibaha District, Pwani Region. The company intends to bring into the country from China the machinery and equipment to produce auto spare parts which most of the production is expected to be sold locally in Tanzania to serve the existing demand for the auto spare parts in the transportation industry and the remaining to be sold to needy neighboring countries like, South Sudan and D.R. Congo.

Yuntao International Company limited is therefore applying for a Certificate of Incentives from the Tanzania Investment Centre (TIC) under Section 17 of the Tanzania Investment Act and Part IV of the Investment Regulations 2002 to fulfill its ambition.

Yuntao International Company Limited is particularly applying for a certificate of incentive which is to be used to finance the purchase of the following machinery and equipment from China:

New Equipment

- 1) Complete range of auto spare parts Making Machine and equipment
- 2) Required Raw materials
- 3) Furniture & Fittings
- 4) Office Equipment and
- 5) Some building materials that will be used for the construction of the workshop and offices

The above is to be financed through equity and a foreign term loan facility all together amounting to USD 615,681 or Tshs 1,446,850,000 out of which

USD 144681 or Tshs 1,106,850,000 is a term loan which is to be repaid over a period of 6 years inclusive of a grace period of one (1) year for construction; installation and commissioning of the auto spare parts production plant. It is proposed that the term loan will attract an interest rate not exceeding 7% in USD terms per annum.

1.1 MISSION AND VISION STATEMENT

Yuntao International Company Limited will strive to use advanced technology on an ongoing basis and provide consumers with the required auto spare parts made with the highest level of quality and customer satisfaction in Tanzania.

As a manufacturing company we will aim at continuously promoting harmony between the environment and our people for their prosperity.

We will look to the future of auto spare parts manufacturing in Tanzania by thinking globally while acting locally and aim to foster a vibrant, progressive company."

Our values consider customer satisfaction as the first priority, and will work constantly to produce first-class quality products and services.

We shall emphasize our commitment to being environmentally responsible, and also established an environmental policy that will make our business activities, and services to be environmentally friendly to the society by protecting the environment for the future.

2 PRODUCT DESCRIPTIONS

The company products will be automobile spare parts. It is said that a single car or motor cycle has about several parts, counting every part down to the smallest screws."

Of late an estimated total of over 500 million vehicles are registered per day in Tanzania and each of these vehicles requires a vast number of parts to function and operate. With over 30,000 parts found in a single car, motor

vehicle manufacturers rely on key suppliers to assist in bringing these parts to the market and to manufacturing assembly lines. Yuntao International Company Limited has been supplying spare parts to Tanzania for some years now and now the company has decided to establish an auto spare parts factory in Madafu, Visiga ward in Kibaha District where motorcycle and vehicle components will be engineered, manufactured, and assembled and therefore bring the parts to manufacturing assembly lines with the desired performance, aesthetics, and cost.

The key components that the company will deal with will include the following:

Chassis, chain, sprockets, cables etc, where else motor vehicle spares include, airfilter, diesel and petrol filters, engine/ gear box mounting, suspension, tire rod ends, brake pads and shoes, ball joints, piston rings, crank shaft valves, engine oil cooler, front axles hub etc.

2.1 MANUFACTURING TECHNIQUES

The automotive parts manufacturing industry includes those companies primarily engaged in manufacturing motor vehicle parts. In developed countries spare parts manufacturing is the largest sector of the entire automotive industry while in Tanzania the sector is still at its infancy.

Demand for auto parts in Tanzania is therefore driven by the following factors:

2.1.1 Replacement parts

Replacement parts are made by the same manufacturer as the new car parts. As the overall quality and reliability of automobiles have increased, the demand for parts only grows larger. This is still the trend where suppliers source from the original motor vehicle and cycle manufacturers and bring them into the market.

2.1.2 Aftermarket parts

Any parts of the vehicle not sourced from the original car manufacturer are aftermarket parts. Aftermarket consumers rely heavily on parts suppliers, which is what the company has been dealing with. It now wants to go into aftermarket parts provision by manufacturing the products in Tanzania for the benefit of the country.

2.1.3 Economic Impact of Auto Parts Manufacturing

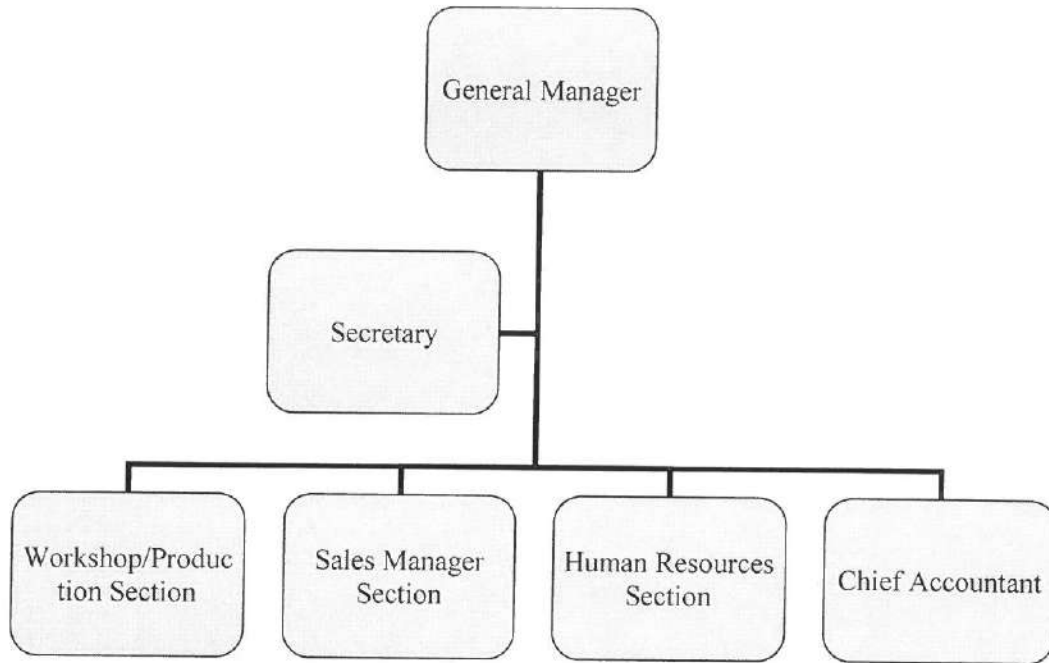
The automotive parts industry is a key contributor to a country's economy. Virtually all automotive manufacturers produce their own parts. However, over the years, manufacturers have been turning to first-tier suppliers for the production of just-in-time components. For this reason, many parts suppliers are now as global as the vehicle manufacturers themselves.

3 MANAGEMENT STRUCTURE

Company Management and Organisation

Yuntao International Company Limited is a privately owned limited liability company lawfully registered in Tanzania. It was established and incorporated on the 04th February 2019 and issued with a Certificate of Incorporation No. **138769313**. The company registration with the Tanzania Revenue Authority is on process. The company's factory place of business is at Madafu Visiga ward in Kibaha district with its offices at 8A Blue Lagoon Plot No 1509 Msasani Peninsula P.O. Box 22333 Dar es Salaam. The authorised share capital of the *company is as per the enclosed memorandum and articles of association of the company.*

Below is the organogram of the company.



The management team will be modest comprising of people who will set the strategy and run the operations of the factory together with its top leader as the General Manager as shown above. The management team will meet anywhere from weekly to monthly or quarterly depending on the team setup

4. AUTO SPARE PARTS MARKET

Dar es Salaam city is fast emerging as a national hub for sourcing auto parts. There are several aspects that impact the growth of the national auto parts manufacturing market. Factors such as rising demand for auto parts, growing inclination towards technologically advanced products, and collaboration among manufacturers to increase market reach, increasing motor vehicle and cycles importation, increasing demand for spare parts and rising automotive importation and vehicle parts are boosting the growth of the auto parts in the country. The company has bought a well-placed building in Kariakoo where the company will establish its spare

parts manufactured in Kibaha to the market in Dar es Salaam. The Tanzanian auto-components industry has experienced healthy growth over the last few years. Some of the factors attributable to this include: a buoyant end-user market, improved consumer sentiment and return of adequate liquidity in the financial system. The revenue growth will be also be supported by steady increase in commodity prices and consequent impact on realization.

Growing demand for vehicles in the country can be attributed to increasing population base and rising purchasing power of the people. Moreover, Dar es Salaam is a prominent exit of automobiles to various land locked countries in the EAC and SADC regions. As a result of rising demand for automobiles from domestic as well as international markets, demand for automotive components in Dar es Salaam is expected to grow during the forecast period.

4.2 Competition

Major importers of auto spare parts in the country, will be the main competitors for the project, include many among others from China.

5. PROJECT INVESTMENT

Investment Costs

The new investment cost for the proposed project plus the purchase of the auto parts manufacturing machines, light duty distribution vehicles is estimated at *USD 615,681 or Tshs 1,446,850,000 distributed* as presented in *Appendix 1* and as summarised below:

ITEM			USD	TZS
Applied Exchange Rate	USD/TZS	2,350		
Land 2 Acres at Visiga in Kibaha Pwani region			17,021	40,000,000
Building on Plot no AR/ILA/KAR/1402 Kariakoo			127,660	300,000,000
New Assets				
Complete range of various Auto spare parts Making machinery			240,000	564,000,000
Raw materials			120,000	282,000,000
Distribution vehicles			50,000	117,500,000
Preoperational expenses			36,500	85,775,000
Furniture & Fittings			17,000	39,950,000
Office Equipment			7,500	17,625,000
TOTAL NEW INVESTMENT			615,681	1,446,850,000

6. FINANCING PLAN

The financing of the new investment which include the listed items in the investment costs table above whose total cost is estimated at USD 615,681 or Tshs 1,446,850,000 is proposed to be in the form of a foreign term loan. The term loan is to be repaid over a period of 7 years inclusive of a grace period of one (1) year for construction, installation and commissioning of production lines. It is proposed that the term loan will attract an interest rate not exceeding 7% per annum as indicated in *Appendix 3*.

6.1 REVENUE PROJECTIONS

Revenue projections are based on the following assumptions:

- The auto spare parts plant has a production capacity of 200 oil filters, 300 motor cycle chains and 120 crank case per day to start with.
- The auto spare parts plant will operate for 24 days per month, for a period of 12 months per annum, other days being reserved for maintenance purposes and holidays.
- The auto spare parts production plant will operate on a capacity utilization of 80% during the first year of its operation, increasing to 90% during the second year and 95% from the third year onwards.
- The quantities of auto spare parts sold each year are projected to increase from 80% of the total quantities produced during the first year of operations to 90% during the second year and 95% from the third year onwards.
- Selling prices are projected at TZS 5,000 per oil filter
- Selling prices are projected at TZS,000 per motor cycle chain
- Selling prices are projected at TZS 50,000 per crank case,

Prices are kept constant throughout the projected period of seven (7) years.

- Applied Exchange Rate is USD 2,350 per 1 USD.

Combined Revenue from *auto mobile parts* is projected to increase from TZS 3,038,400,000 in the first year, to TZS 3,349,836,000 in the second year, Tshs 3,693,194,190 in the third year, Tshs 4,071,746,594 in the fourth year, Tshs 4,489,100,620 in the fifth year and Tshs 4,949,233,434 in the six year as indicated in *Appendix 5*.

7.1 Operating Expenses

The main operating expenses include Raw material procurement pegged at 40% of turnover, Clearing and forwarding estimated at 3.00%, Port charges estimated at 1.00% turnover, Distribution charges 1,5 % of turnover, Plant Fuel consumption estimated at 0.50% of turnover, Electricity costs are estimated at 5.5% of turnover, Plant Fuel consumption (Standby Generator) estimated at 1,50% of Turnover and water costs are estimated at 1.50% of turnover as well as environmental costs associated with auto spare parts production as indicated in *Appendix 6*; most of the raw materials for auto spare parts manufacture will be imported from outside the country, mainly China.

Administrative costs for the project insurance costs are presented as indicated in *Appendix 7*.

7.1.1 Salaries and Wages

Salaries, wages and 30% social security benefits for 26 workers are also indicated in *Appendix 7*.

7.1.2 Re-investment Expenditure:

Re-investment will be carried out in years 5 for vehicles.

7.1.3 Corporate income

Tax rate of 30% is assumed is to remain unchanged over the projected period of six (6) years.

7.2 Financial Highlights

Financial forecasts over a six-year period for the project have been worked out. Investment Costs are presented in *Appendix 1*, whereas the assets depreciation schedule is presented in *Appendix 2*. Loan repayment schedule is presented in *Appendix 3*. *Appendix 4 A* shows the auto spare parts production plan, *Appendix 4 B* shows production costs for auto spare parts, *Appendix 4 C* shows the production plan for gypsum board and powder and *Appendix 4 D* shows the production plan for white auto spare parts. *Appendix 5* presents the income statement from the three different products manufactured by the plant. *Appendix 6* presents production costs for the three products. Administrative costs including manpower requirements are presented in *Appendix 7*. The projected income statement for the whole project is then presented in *Appendix 8*. Cashflow projections are presented in *Appendix 9* and the payback period is presented in *Appendix 10*. Break-even analysis is presented in *Appendix 11* and discounted cashflow projections in *Appendix 12*.

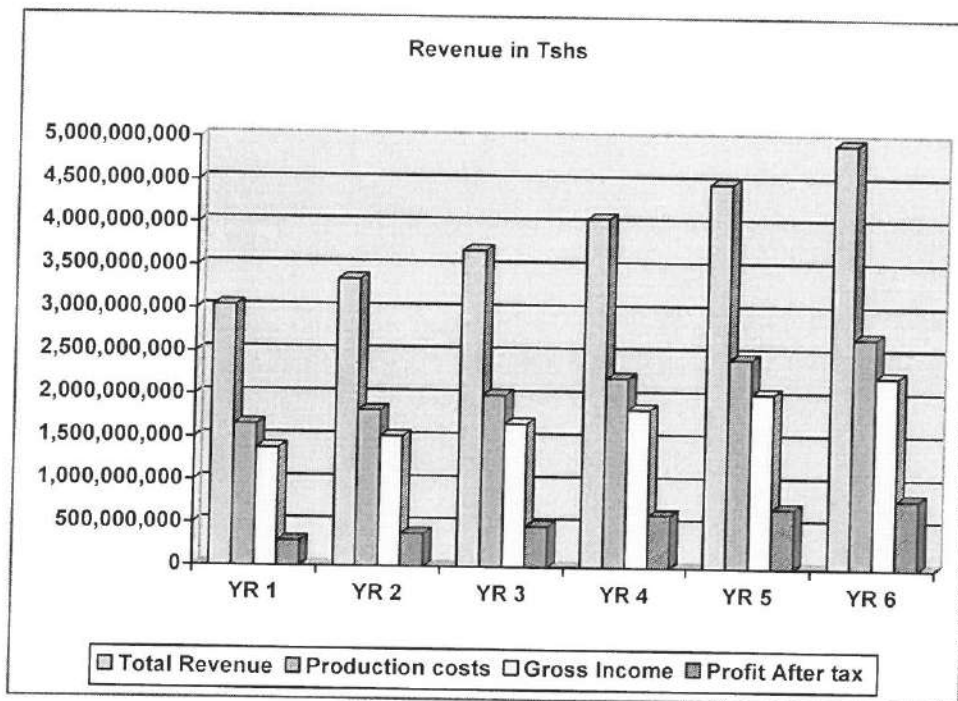
Gross operating income is projected to increase from TZS 1,382,472,000 in the first year, to TZS 1,524,175,380 in the second year, Tshs 1,680,403,356 in the third year, Tshs 1,852,644,700 in the fourth year, Tshs 2,042,540,782 in the fifth year and Tshs 2,251,901,212 in the six year.

Gross operating profit is projected to increase from TZS 756,748,800 in the first year, to TZS 875,717,352 in the second year, TZS 952,592,181 from the third year, TZS 1,097,199,199 from the fourth year, TZS 1,194,197,237 from the fifth year and TZS 1,298,172,092 in the sixth year.

Profits after taxation are projected to start from TZS 419,688,925 in the first year, to TZS 552,344,586 in the second year, TZS 688,174,901 from the third year, TZS 888,269,356 from the fourth year, TZS 1,007,145,426 from the fifth year and TZS 1,169,336,405 from the sixth year

Accumulated retained earnings are projected to increase from TZS 293,782,248 in the first year to TZS 3,307,471,719 in the six year as shown in *Appendix 8*.

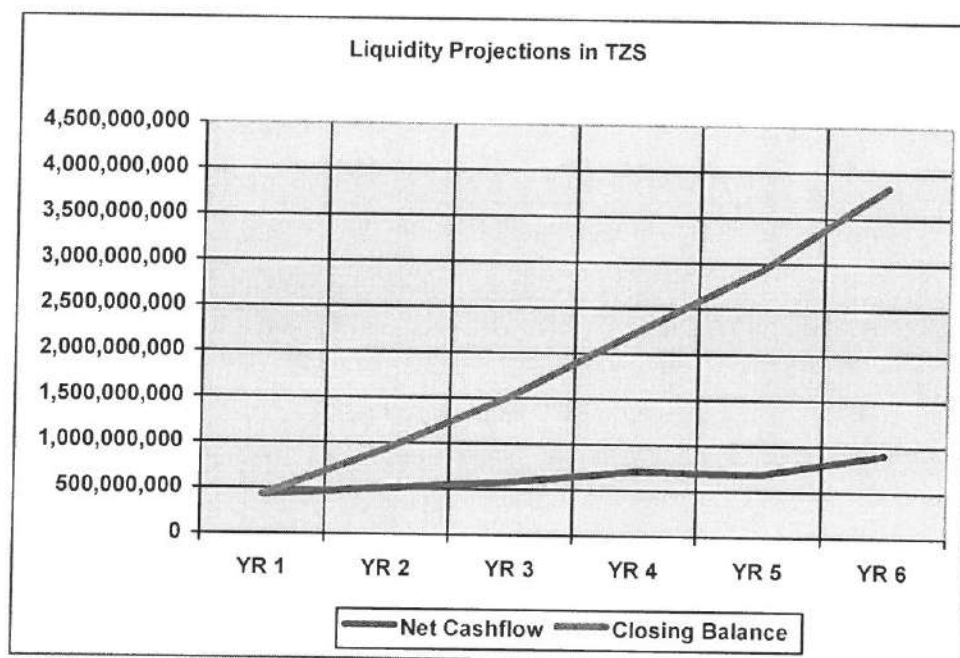
Figure 2: Revenue from different project sources in TZS



8. Project Liquidity

The proposed project is very profitable. It generates positive net cashflows from the first year of operations with net cashflow of TZS 431,609,123. Positive net cashflows are recorded in each year of operation.

Consequently, due to its sound liquidity, the project will be capable of comfortably repaying its term loan liabilities (principal repayment) starting from the first year of operations onwards and still retain adequate funds each year for its operations. Cashflow projections are presented in *Appendix 9*.



The project is able to achieve an attractive payback period of 3 years and 10 months as indicated in *Appendix 10*. That is to say the whole investment cost of USD 615,681 will fully be recouped in that period. Break-even revenue is projected at USD 2,794,648,317 with a break-even production capacity utilization of 91.98% as shown in *Appendix 11*.

9. Internal Rate of Return

Through the Discounted Cash Flow (DCF) method (*Appendix 12*) the project realizes an attractive Internal Rate of Return (*IRR*) of 32.18% which is very much above the cost of capital in the economy. This indicates that the project is very financially viable.

10. Economic and Social Benefits

The successful operation of the auto spare parts production project to be operated by *Yuntao International Company Limited* will have significant economic and social benefits to the country as a whole. In summary, some of the benefits which will be realized include:

- (i) Creation of permanent employment opportunities for over 22 Tanzania employees.
- (ii) The project will be an import substitution venture in the sense that less auto spare parts, will be imported from outside the country.
- (iii) The neighbourhood of the project will benefit domestic lighting from the electrification of the factory.
- (iv) Feeder roads leading to the factory from the auto spare parts sites will be frequently repaired by the project hence affording easy transportation of goods and people around the project.
- (v) Provision of income to employees and other service providers (individual entrepreneurs) thus contributing to Government efforts in improving citizens' living standards.
- (vi) Provision of a new market for food products and other goods required at the auto spare parts manufacturing factory, thus generating an economic multiplier effect to the project area and surrounding areas.
- (vii) Provision of revenue to the Government through corporate tax. It is projected that the project will contribute a total of TZS 1,417,487,880 to the Treasury in the form of corporate tax over a period of six years, which implies an annual average of TZS 236,247,980.

11. IMPLEMENTATION PLAN

No 1	Activity	Time frame
1	Business Plan preparation	August 2021
2	Submission of TIC filled form to TIC	August 2021
3	Machinery and equipment importation from China	September 2021
4	Construction of the factory	September - October
5	Machinery installation	October -November
6	Trial runs	December 2021
7	Full-fledged production and sales	January 2022 - Onwards

12. CONCLUSIONS AND RECOMMENDATIONS

This project document has provided descriptions of a detailed investment proposal by *Yuntao International Company Limited* for establishment and operation of a auto spare parts production plant at Madafu, Visiga ward on a 2 acres land in Kibaha District, Pwani Region.

The company is therefore seeking for a Certificate of Incentives from the Tanzania Investment Centre (TIC) under Section 17 of the Tanzania Investment Act and Part IV of the Investment Regulations 2002, for the importation of the auto spare parts production machinery and equipment of the proposed auto spare parts factory and other items as elaborated in this business plan.

Through the various parameters, which have been considered in the study, it has been established that the proposed project is technically feasible, financially viable, economically and socially beneficial.

It is therefore recommended that the Tanzania Investment Centre (TIC) provide the necessary support to the company by approving this application for Certificate of Incentives.

YUNTAO INTERNATIONAL (TANZANIA) CO LTD
BUSINESS PROPOSAL FOR AUTO SPARE PARTS MANUFACTURING AT MADAFU VISIGA WARD, KIBAHA MUNICIPALITY IN PWANI REGION

PROJECT INVESTMENT

ITEM	USD/TZS	USD	TZS
Applied Exchange Rate	2,350	17,021	40,000,000
Land 2 Acres at Visiga in Kibaha Pwani region		127,860	300,000,000
Building on Plot no ARILA/KAR/7402 Kariakoo			
New Assets			
Complete range of various Auto spare parts Making machinery		240,000	564,000,000
Raw materials		120,000	282,000,000
Distribution vehicles		50,000	117,500,000
Preoperational expenses		36,500	85,775,000
Furniture & Fittings		17,000	39,850,000
Office Equipment		7,500	17,625,000
TOTAL NEW INVESTMENT		615,681	1,446,850,000

APPENDIX 1

DEPRECIATION SCHEDULE in TZS

ITEM	RATE	APPENDIX 2					
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Land and Buildings							
Opening Balance		340,000,000	326,400,000	313,344,000	300,810,240	288,777,830	277,226,717
Additions		-	-	-	-	-	-
Annual Depreciation	4% DV	-	-	-	-	-	-
Closing Balance		340,000,000	326,400,000	313,344,000	300,810,240	288,777,830	277,226,717
Motor Vehicles							
Opening Balance	25% SL	117,500,000	117,500,000	88,125,000	66,093,750	49,570,313	33,052,984
Additions		-	-	-	-	-	-
Annual Depreciation		-	-	-	-	-	-
Closing Balance	25.0%	117,500,000	117,500,000	88,125,000	66,093,750	49,570,313	33,052,984
Machinery and Equipment							
Opening Balance	12.5% DV	584,000,000	493,500,000	431,812,500	377,835,938	330,606,445	289,280,640
Additions		-	-	-	-	-	-
Annual Depreciation		-	-	-	-	-	-
Closing Balance	12.5%	584,000,000	493,500,000	431,812,500	377,835,938	330,606,445	289,280,640
Office Equipment, Furniture and Fittings							
Opening Balance	12.5% DV	70,500,000	61,687,500	53,976,563	47,229,492	41,325,806	36,160,080
Additions		-	-	-	-	-	-
Annual Depreciation		-	-	-	-	-	-
Closing Balance	12.5%	70,500,000	61,687,500	53,976,563	47,229,492	41,325,806	36,160,080
Preoperational expenses							
Opening Balance		50,378,125	44,090,859	38,570,752	33,749,408	29,530,732	25,830,390
Additions		-	-	-	-	-	-
Annual Depreciation	12.5%	-	-	-	-	-	-
Closing Balance		50,378,125	44,090,859	38,570,752	33,749,408	29,530,732	25,830,390
TOTAL DEPRECIATION							
Opening Balance		85,775,000	68,620,000	54,996,000	43,916,800	35,133,440	28,106,752
Additions		-	-	-	-	-	-
Annual Depreciation		-	-	-	-	-	-
Closing Balance	20.0%	85,775,000	68,620,000	54,996,000	43,916,800	35,133,440	28,106,752
Total Depreciation		137,826,875	124,138,768	105,030,800	89,390,043	70,256,688	56,213,360

Applied Exchange Rate	USD/TZS	USD	TZS
Total Investment		2,350	
Equity Contribution		615,681	1,446,850,000
Loan		144,881	340,000,000
Interest Rate per Annum		77%	1,106,850,000
Annual Installments		7.0%	18.0%
Grace Period (Years)			5
Loan Duration (years)			1
YEAR 1	Principal	Balance	Interest
YEAR 2	221,370,000	1,106,850,000	199,233,000
YEAR 3	221,370,000	885,480,000	199,233,000
YEAR 4	221,370,000	664,110,000	159,386,400
YEAR 5	221,370,000	442,740,000	119,539,800
YEAR 6	221,370,000	221,370,000	79,683,200
TOTAL	1,106,850,000		796,932,000
			1,903,782,000

SCENARIO 1: THE BASE CASE

SCENARIO 1: THE BASE CASE

Income Statement in TZS	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Sales from oil filters						
Capacity utilization/efficiency	80%	85%	90%	95%	95%	95%
Quantity of oil filters Produced (pcs) per day	200	210	221	232	243	255
Quantity of oil filters Produced (pcs) per month	6,000	6,300	6,615	6,946	7,293	7,659
No of months	12	12	12	12	12	12
Quantity of oil filters Produced (pcs) per annum	72,000	75,600	79,380	83,349	87,516	91,892
Selling Price per piece in TZS	5000	5,250	5,513	5,788	6,078	6,381
Sales from fuel filters in TZS	360,000,000	396,900,000	437,562,250	482,434,431	531,883,960	586,402,066
Production Costs for oil filters						
Raw material procurement	144,000,000	156,760,000	175,032,000	192,973,772	212,753,584	234,560,836
Cleaning and forwarding	3,000	3,000	3,000	3,000	3,000	3,000
Port charges	10,800,000	11,900,000	13,127,468	14,473,033	15,956,519	17,592,062
Distribution charges	3,600,000	3,960,000	4,375,823	4,824,344	5,318,940	5,864,021
Plant Fuel consumption	5,400,000	5,953,500	6,563,734	7,236,516	7,978,259	8,796,031
Electricity costs	0.50%	1,800,000	2,187,911	2,412,172	2,659,420	2,932,010
Plant Fuel consumption (Standby Generator)	5.5%	19,800,000	24,067,024	26,533,894	29,253,618	32,252,114
Water costs	1.50%	5,400,000	5,953,500	6,563,734	7,236,516	7,978,259
Subtotal production costs	1.50%	196,200,000	216,310,000	238,482,326	262,926,785	289,876,756
						319,589,126

APPENDIX 5

APPENDIX 6

APPENDIX 5						
Income Statement in TZS	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Sales motor cycle chains						
Capacity utilization	80%	85%	90%	95%	95%	95%
Quantity of motor cycle chains Produced (pcs) per day	300	315	331	347	365	383
Quantity of motor cycle chains Produced (pcs) per month	7,200	7,560	7,938	8,335	8,752	9,189
No of months	12	12	12	12	12	12
Quantity of motor cycle chains Produced (pcs) per annum	86,400	90,720	95,256	100,019	105,020	110,271
Selling Price per piece in TZS	6,000	6,300	6,015	6,946	7,293	7,656
Sales N 50 batteries in 'TZS	518,400,000	571,536,000	630,118,440	694,705,600	765,312,902	844,418,975

APPENDIX 6						
Production Costs for motor cycle chains	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Raw material procurement	207,360,000	228,614,400	252,047,376	277,892,232	306,305,161	337,767,590
Clearing and forwarding	15,552,000	17,146,080	18,903,553	20,841,167	22,977,387	25,332,509
Port charges	5,184,000	5,715,360	6,301,784	6,947,056	7,659,129	8,444,190
Distribution charges	7,776,000	8,573,040	9,451,777	10,420,584	11,488,694	12,666,285
Plant Fuel consumption	2,592,000	2,857,680	3,150,892	3,473,528	3,829,565	4,222,065
Electricity costs	28,512,000	31,434,480	34,656,514	38,208,807	42,125,210	46,443,044
Plant Fuel consumption (Standby Generator)	7,776,000	8,573,040	9,451,777	10,420,584	11,488,694	12,666,285
Water costs	7,776,000	8,573,040	9,451,777	10,420,584	11,488,694	12,666,285
Subtotal production costs	282,528,000	311,487,120	343,414,560	378,614,541	417,422,632	460,206,341

APPENDIX 5						
Income Statement in TZS	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Sales from crank cases						
Capacity utilization	80%	85%	90%	95%	95%	95%
Quantity of crank cases Produced (pcs) per day	120	126	132	139	146	153
Quantity of crank cases Produced (pcs) per month	3,600	3,780	3,969	4,167	4,376	4,595
No of months	12	12	12	12	12	12
Quantity of crank cases Produced (pcs) per annum	43,200	45,360	47,628	50,009	52,510	55,135
Selling Price per piece in TZS	50,000	52,500	55,125	57,881	60,775	63,814
Sales of N 90 batteries in 'TZS	2,160,000,000	2,381,400,000	2,625,493,500	2,894,606,584	3,191,303,769	3,519,412,394

APPENDIX 6						
Production Costs for crank case making	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Raw material procurement	864,000,000	952,560,000	1,050,197,400	1,157,842,634	1,276,521,503	1,407,364,858
Clearing and forwarding	64,800,000	71,442,000	78,764,805	86,838,198	95,739,113	105,552,372
Port charges	21,600,000	23,814,000	26,254,935	28,946,066	31,913,038	35,184,124
Distribution charges	32,400,000	35,721,000	39,382,403	43,419,099	47,869,556	52,776,186
Electricity costs	10,800,000	11,907,000	13,127,468	14,473,033	15,965,519	17,592,082
Plant Fuel consumption (Standby Generator)	118,800,000	130,977,000	144,462,143	159,203,262	175,521,707	193,512,682
Water costs	32,400,000	35,721,000	39,382,403	43,419,099	47,869,556	52,776,186
Subtotal production costs	1,177,200,000	1,297,863,000	1,430,893,956	1,577,560,588	1,739,260,546	1,917,634,765
Consolidated income	3,038,400,000	3,349,836,000	3,683,194,190	4,071,746,594	4,489,100,620	4,949,233,434
Consolidated production costs	1,655,928,000	1,925,660,620	2,012,790,834	2,219,101,894	2,446,559,838	2,697,332,222

Gross Income	1,382,472,000	1,524,175,380	1,680,403,356	1,852,644,700	2,042,540,782	2,251,901,212
--------------	---------------	---------------	---------------	---------------	---------------	---------------

SCENARIO 1: THE BASE CASE

Admin Expenses in TZS

APPENDIX 7

Management Salaries & Wages

	Number	TZS per month	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Salaries & Wages								
Managing Director	1	3,500,000	42,000,000	42,000,000	48,300,000	48,300,000	55,545,000	63,876,750
Technical Director	1	2,500,000	30,000,000	30,000,000	34,500,000	34,500,000	39,675,000	45,626,250
Chief Accountant	1	2,000,000	24,000,000	24,000,000	27,600,000	27,600,000	31,740,000	36,501,000
Chief Electrical Engineer	1	2,000,000	24,000,000	24,000,000	27,600,000	27,600,000	31,740,000	36,501,000
Accountants	2	750,000	18,000,000	18,000,000	20,700,000	20,700,000	23,805,000	27,375,750
Marketing Manager	2	700,000	16,800,000	16,800,000	19,320,000	19,320,000	22,218,000	25,550,700
Store Keepers	2	500,000	12,000,000	12,000,000	13,800,000	13,800,000	15,870,000	18,250,500
Human Resource Officer	1	500,000	6,000,000	6,000,000	6,900,000	6,900,000	7,935,000	9,125,250
Secretary	1	700,000	8,400,000	8,400,000	9,660,000	9,660,000	11,109,000	12,775,350
Cashier	1	500,000	6,000,000	6,000,000	6,900,000	6,900,000	7,935,000	9,125,250
Project Engineers	1	500,000	6,000,000	6,000,000	6,900,000	6,900,000	7,935,000	9,125,250
Project Supervisors	1	2,000,000	24,000,000	24,000,000	27,600,000	27,600,000	31,740,000	36,501,000
Drivers	1	1,000,000	12,000,000	12,000,000	13,800,000	13,800,000	15,870,000	18,250,500
Turn boys	1	400,000	4,800,000	4,800,000	5,520,000	5,520,000	6,348,000	7,300,200
Mechanics	1	300,000	3,600,000	3,600,000	4,140,000	4,140,000	4,761,000	5,475,150
Assistant Mechanics	2	700,000	16,800,000	16,800,000	19,320,000	19,320,000	22,218,000	25,550,700
Office Attendant	2	400,000	9,600,000	9,600,000	11,040,000	11,040,000	12,696,000	14,600,400
Security Guards	2	300,000	7,200,000	7,200,000	8,280,000	8,280,000	9,522,000	10,950,300
Add: 30% Social Benefits			83,520,000	83,520,000	96,048,000	96,048,000	110,455,200	127,023,480
Total Salaries & Wages	26		361,920,000	361,920,000	416,208,000	416,208,000	478,639,200	550,435,080

	Turnover	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Other Admin Expenses							
Insurance	1.00%	30,384,000	33,498,360	36,931,942	40,717,466	44,851,006	49,462,334
Distribution Expenses	2.00%	60,768,000	66,996,720	73,863,884	81,434,932	89,702,012	98,924,669
Local Government Levies	0.10%	3,038,400	3,349,836	3,693,194	4,071,747	4,489,101	4,949,233
General Office Expenses	Per Month	42,000,000	42,000,000	42,000,000	42,000,000	42,000,000	42,000,000
Security Expenses	0.05%	1,519,200	1,674,518	1,846,587	2,035,873	2,244,550	2,474,617
Traveling Expenses	0.75%	25,788,000	28,123,770	30,698,956	33,538,099	36,666,255	39,119,251
Meal Allowances	0.25%	7,596,000	8,374,590	9,232,985	10,178,366	11,223,732	12,373,084
Medical Expenses	0.15%	4,557,600	5,024,756	5,530,791	6,107,620	6,733,651	7,423,850
Marketing Expenses	3.00%	91,152,000	100,495,080	110,795,826	122,152,398	134,873,019	148,477,003
Total Other Admin Expenses		283,803,200	286,538,028	311,803,176	339,237,501	369,704,345	403,284,041
Total Administrative Expenses in TZS		625,723,200	648,458,028	727,811,176	755,445,501	848,343,545	953,729,121

SCENARIO 1: THE BASE CASE

PROJECTED INCOME STATEMENT in TZS

	APPENDIX 8					
Revenue	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Direct Expenses	3,038,400,000	3,349,836,000	3,693,194,190	4,071,746,594	4,489,100,620	4,949,233,434
Production Costs (consolidated)						
Total Direct Expenses	1,655,928,000	1,825,860,620	2,012,790,834	2,219,101,894	2,446,550,838	2,697,332,222
Gross Operating Income	1,382,472,000	1,524,175,380	1,680,403,356	1,852,644,700	2,042,540,782	2,251,901,212
Administration Expenses	625,723,200	648,456,028	727,811,175	755,445,501	840,343,545	953,729,121
Gross Operating Profit	756,748,800	875,717,352	952,592,181	1,097,199,199	1,194,197,237	1,298,172,092
Finance & Capital Charges						
Interest Payment (Term Loan Facility)	199,233,000	199,233,000	159,396,400	119,539,800	79,693,200	39,846,600
Depreciation	137,620,875	124,139,766	105,030,880	89,390,043	107,356,611	88,989,087
Total Finance & Capital Charges	337,059,875	323,372,766	264,417,280	208,929,843	187,051,811	128,835,687
Profit before Tax	419,688,925	552,344,586	688,174,901	888,269,356	1,007,145,426	1,169,336,405
Taxation (30%)	125,906,678	165,703,376	206,452,470	266,480,907	302,143,620	350,800,922
Profit after Tax	293,782,248	386,641,210	481,722,430	621,788,449	705,001,798	818,535,484
Accumulated Retained Earnings	293,782,248	680,423,458	1,162,145,888	1,783,934,437	2,488,936,236	3,307,471,719

SCENARIO 1: THE BASE CASE

PROJECTED CASHFLOW STATEMENT in TZS

	APPENDIX 9					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Cashflow from Operations:						
Equity						
Loan	340,000,000	396,641,210	451,722,430	621,788,549	705,001,798	818,535,484
Add non Cash Items:						
Depreciation	1,106,850,000					
Total Inflows	1,446,850,000	396,641,210	451,722,430	621,788,549	705,001,798	818,535,484
Investment	137,829,875	124,139,766	105,030,880	89,390,043	107,356,611	88,989,087
Normal replacement	431,609,123	510,780,976	566,753,310	711,178,592	812,360,409	907,524,570
Loan Repayment						
Total Outflow	569,438,998	634,920,742	671,784,190	800,568,635	919,717,020	996,513,657
Net Cashflow	877,411,002	261,720,468	280,238,240	421,219,914	485,284,778	521,971,827
Opening Balance		221,370,000	221,370,000	221,370,000	221,370,000	221,370,000
Closing balance	221,370,000	483,090,468	763,328,700	1,184,548,614	1,669,833,392	2,191,805,219

SCENARIO 1: THE BASE CASE

PAYBACK PERIOD

	APPENDIX 10		
INVESTMENT PERIOD	Net Cashflow	Cumulative Cashflow	
YEAR 1	TZS	TZS	
YEAR 1	877,411,002	(1,446,850,000)	
YEAR 2	261,720,468	(1,185,129,532)	
YEAR 3	280,238,240	(904,891,292)	
YEAR 4	421,219,914	(483,671,378)	
YEAR 5	485,284,778	(198,386,600)	
YEAR 6	521,971,827	321,585,219	
PAYBACK PERIOD (Years)		3.91	

