

**KITULWE COMPANY LIMITED**

**BUSINESS PLAN FOR A PLANT FOR STONE**

**AGGREGATES PRODUCTION**

## **BRIEF SUMMARY PROJECT**

COMPANY: KITULWE COMPANY LIMITED

LOCATION: KWASEMGAYA VILLAGE, MUHEZA DISTRICT, TANGA  
REGION

OBJECTIVE: TO ESTABLISH PLANT FOR STONE  
AGGREGATES PRODUCTION

FINANCING: INVESTORS' EQUITY USD 481,000 AND (LONG-TERM  
LOAN OF USD 500,000

BENEFITS: AVAILABILITY OF CONSTRUCTION MATERIALS,  
TECHNOLOGY TRANSFER, JOBS CREATION,  
GOVERNMENT INCOME,

IMPLEMENTATION PERIOD: 3 YEARS

CAPACITY: 200 TONS OF AGGREGATES PER DAY

### **1.0. EXECUTIVE SUMMARY.**

KITULWE COMPANY LIMITED is registered in Tanzania under Companies Act 2002 with Certificate of Incorporation No.142137984 issued on 15<sup>th</sup> July 2020.

The project promoters are well established business in Tanzania carrying out various businesses. Having been in the business in for 10 years decided to invest in Tanzania, the directors are now well prepared to venture into production of stone aggregates to be used for construction of roads and buildings.

The business plan has been prepared for **KITULWE COMPANY LIMITED** for production of building materials (stones aggregates). The implementation of this project will include the following activities:

- Registration of project to TIC
- Obtaining various permit and license
- Construction of industrial building
- Ordering machines
- Recruiting
- The purchase of 4 Single Cabins Pick Up
- Purchasing 6 light trucks
- Purchasing of machines and equipments
- Equipping the company with relevant facilities

The proposed project is estimated to cost about US\$ 981,000.00. The project is sponsored by shareholders equity US\$ 555,000 and the remaining will be secured from financial institutions about US\$ 800,000

#### 1.1 THE PROJECT PROMOTERS

The shareholders of this project are all entrepreneurs with a diverse professional and business backgrounds. The company is owned by 2 shareholders, namely: -

Name	No. of Shares	Nationality
Athuman Ramadhani Mandia P. O. Box 3366`, Dar es Salaam	400	Tanzania

Gerald Msafiri Msuya P. O. Box 3366`, Dar es Salaam	300	Tanzania
Rashidi Hiza Rajabu P. O. Box 3366`, Dar es Salaam	100	Tanzania
Ibrahim Said Mwaimu P. O. Box 3366`, Dar es Salaam	100	Tanzania
Albert Abraham Shembilu P. O. Box 3366`, Dar es Salaam	100	Tanzania

## 1.2 LOCATION.

The project head office will be located at **Kwasemgaya Village, Muheza District, Tanga Region**

## 1.3 Management and work force

The company plan to recruit 22 employees

Gender	Foreign Skilled	Local Skilled	Local Unskilled	Total
Women	0	2	4	6
Men	2	4	10	16
<b>TOTAL</b>	<b>2</b>	<b>6</b>	<b>14</b>	<b>22</b>

## 1.4 OBJECTIVE OF STUDY

The main objective of this study is to work out the technical and commercial feasibility of the project.

## 2.0 MARKET POTENTIAL

Tanzania is among of producers of dimension stones, while Italy is the world leader in marble, granite and stone industry. Italy export over 38% of finished materials and importing 18% of the world trade. Tanzania' s production is not yet advanced even though there are some companies who have invested on dimension stones but many of them have invested in stone aggregates production. China is the biggest importer of raw and finished marble slabs and tiles (nearly double that of USA) in the world. The internal markets for dimension stone are growing due to booming of construction sector taking place in the country.

Aggregates products demand in the local market is huge due to rapid growth of construction sector in Tanzania

The booming construction sector last year attracted investments whose total value almost exceeded a quarter of the government's 2010/2011 national budget of over 11 trillion/-, with industry analysts describing the outstanding performance of the sector as sign of vibrant and healthy economy.

Data from the Contractors Registration Board (CRB), which registers and regulates contractors, indicate that construction projects with total value of 2.8 trillion/- were registered in 2010, with building works accounting for half of the total value of the projects.

The value of registered building works totaled 1.44 trillion, while that of civil works, specialist electrical and electrical works reached 884bn/-, 231bn/- and 187bn/-. Other projects involved mechanical works, specialist civil, specialist building and specialist mechanical.

“The expansive construction sector is good for the national economy because construction works uncover untapped potentials in other economic sectors and thus stimulating economic growth and improved living standard of the people,”

The construction sector has seen a good number of investments especially in roads, bridges residential and non-residential blocks. The government as major employer of contractors spends about 60 per cent of the development budget to improve the infrastructure.

At present a growing demand for office and residential spaces places. This is a reflection of revamped business activities. The completion of roads projects currently underway especially in the rural areas, transportation costs will definitely decrease, thus calling for decreased costs of doing business.

According to the National Bureau of Statistics (NBS) Gross Domestic Product third quarter report, the construction industry grew at a rate of 11.2 per cent in the third quarter of 2010 compared to a negative growth rate of 5.4 per cent in the third quarter of 2009.

The growth rate was attributed to an increase in the construction of residential and nonresidential buildings, roads and bridges; and land improvement activities. According to Contractors Registration Board (CRB) involvement of both public and private sectors in the construction industry, numerous projects have been accomplished and there is hope for the sector to do even much better.

## **2.1 PRODUCTS**

The main products of the proposed project consist of construction material:

- Stone
- Stone aggregates,
- Capacity to produce 200 ton per day of stone aggregates

## **2.2 MARKETS**

Products are for the local markets. As mentioned above, the promoters are well versed in the business with well-established market contacts.

## **3.3 SUPPLY POSITION**

Apparently, there is still limited production of stone aggregates due to poor technology used in production of aggregates and rapid growth of construction sector, the company will be of producing the high-quality using state of the art technology to be employed will enable the company produce very high-quality products

## **3.4 COMPETITION**

Due to the limited and insufficient supply as aforementioned, no stiff competition is foreseen. However, production of sub-standard products or selling at prohibitive prices will immediately shift customers to substitute products.

## **3.5 PROMOTION**

Appropriate promotion means will be employed after consultations with promotion experts to enable the company properly promote its products

## **4.0 ASPECTS OF PROJECT SUSTAINABILITY**

The project sponsors having studied market conditions are convinced that the project will be able to operate undisturbed. The growing demand for quality stone aggregates materials gives assurance of a steady market.

#### 4.1 **QUALITY CONTROL SYSTEM**

The required quality control system will be employed ensuring that products produced maintain the same standard

#### 4.2 **ENVIRONMENT PROTECTION**

The company intends to make environment friendly; the company will save the country's environment in particular and global environment in general.

#### 4.0 **Project Investment Cost**

The estimated capital investment cost of the project is **US\$ 981,000**,

##### **KITULWE COMPANY LIMITED COST STRUCTURE**

<b>PARTICULAR</b>	<b>US\$</b>
Land and Buildings	120,000.00
Machinery & Equipment	400,000.00
Motor Vehicles	150,000.00
Furniture & Fixtures	2,000.00
Pre exp	4,000.00
Others	5,000.00
Working Capital	300,000.00
<b>TOTAL</b>	<b>981,000.00</b>

For the project to be a reality a total investment amounting to **US\$981,000** is needed

**(i) Land and Building: Us \$120,000**

The Company is planning to construct industrial building and warehouse estimated to cost US\$ 120,000.

**(ii) Machinery and Other equipment: US\$ 400,000**

Some US \$ 400,000 is anticipated to be spent on the purchase of various machines, equipment and other tools which will accommodate new technology for stone aggregates production

**(iii) Motor Vehicles: US\$150,000**

The project will need 4 trucks, 1 double single pick up. These vehicles will be used to facilitate project business.

**(iv) Furniture: US\$2,000**

This investment cost item has been estimated to cost US\$2,000. It will consist of, tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

**(v) Pre-Operational Expenses: US\$ 4,000**

They cover things like company registration, expenses spent in exploring the viability of the project, especially the market/client identification exercise. Also included under this item are issues like consultancy fees, legal fees and recruitment and training costs of personnel.

**(v) Initial Working Capital: US\$300,000 and others US\$ 5,000**

An assumption for working capital requirements has been budgeted at US \$ 300,000 and unplanned expenses US£5,000

#### **4.1 Financing pattern**

The project will be financed by equity US\$ 481,000 and US\$ 500,000 long term loan

#### **5.0 Project operating costs**

In order to realize its intended objective, the project will have to meet production expenses amounting to 70% of total revenue.

#### **6.0 Financial Analysis**

##### **6.1 Considerations and Assumptions:**

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

Revenues have been conservatively estimated based on experience of the promoters and trends in the stone aggregate production industry.

The company is expecting to produce 200 tons of stone aggregates per day. and selling price is estimated to be US\$ 20 per ton

## 6.2 **Financial Statements:**

### 6.3 **Projected Revenue**

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

**KITULWE COMPANY LIMITED PROJECTED REVENUE LTD**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Revenue	1,200,000	1,296,000	1,399,680	1,511,654	1,632,586

### 6.4 **Projected Profit and Loss Statement**

The Income and Expenditure Statement shows the projected income for the 5 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. **US\$293,930 in** first year to **US \$321,773 in** the 5 year, **Refer appendix III**

### 6.5 **Projected Cash Flows**

This is shown in the financial statements. The project has a positive end of year cash flow from year 1st, i.e., **US\$ 317,390 of** operation to the 5th year i.e., **US\$ 2,311,529, Refer appendix IV**

### 6.6 **Projected Balance Sheet**

The projected Balance Sheet of the projected is shown in the financial statements under same heading. Total equity of the project increases from **US\$ 481,000** in the first year of operation to **US \$ 802,773 in** the 5<sup>th</sup> year.

**Refer appendix V**

### 6.7 **Projected payback period**

Total investment is **US \$ 981,000** cash accumulation third year is **US\$ 1,245,575.** which is more than the initial investment by **US\$ US\$ 264,575** the project payback Period is within 3 years,

The project has a relatively short payback period. It is remarkably. **Refer appendix VI**

## 7.0 Economic Aspects

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

- The project is an ideal option for utilization business opportunity available in Tanzania market
- The project will create employment for 22 people on permanent contract basis as well as on temporary basis.
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.
- The project will have transfer of knowledge and skills as far as manufacturing sector is concerned

## 8.0 Implementation

Project implementation is expected to be relatively very short once project has been approved, it is estimated that implementation of the projected will be as following: -

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	Feb 2021
2	Site clearance and constructing industrial premises	April-November 2021
3	Machines ordering	March-June 2021
5	Installation of machines	June- Oct 2021
6	Testing operations	Nov -Jan 2022
7	Commercial Operations	Feb 2022

## 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, 1997.

**APPENDIX (I)**

**KITULWE COMPANY LIMITED COST STRUCTURE**

<b>PARTICULAR</b>	<b>US\$</b>
Land and Buildings	120,000.00
Machinery & Equipment	400,000.00
Motor Vehicles	150,000.00
Furniture & Fixtures	2,000.00
Pre exp	4,000.00
Others	5,000.00
Working Capital	300,000.00

TOTAL	981,000.00
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**APPENDIX (II)**

**KITULWE COMPANY LIMITED PROJECTED REVEN**

	1	2	3	4	5
Revenue	1,200,000.00	1,296,000.00	1,399,680.00	1,511,654.40	1,632,586.75

**APPENDIX (III)**

**KITULWE COMPANY LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT US\$**

	1	2	3	4	5
Revenue	1,200,000.00	1,296,000.00	1,399,680.00	1,511,654.40	1,632,586.75
<b>Operating Expenses</b>	720,000.00	907,200.00	979,776.00	1,058,158.08	1,142,810.73
<b>Profit before Depreciation &amp; Interest</b>	<b>480,000.00</b>	<b>388,800.00</b>	<b>419,904.00</b>	<b>453,496.32</b>	<b>489,776.03</b>
<b>Interest</b>	30,000.00	22,500.00	15,000.00	7,500.00	-
<b>Depreciation</b>	30,100.00	30,100.00	30,100.00	30,100.00	30,100.00
<b>Gross Profit</b>	<b>419,900.00</b>	<b>336,200.00</b>	<b>374,804.00</b>	<b>415,896.32</b>	<b>459,676.03</b>

Tax (30%)	125,970.00	100,860.00	112,441.20	124,768.90	137,902.81
<b>Profit After Tax</b>	<b>293,930.00</b>	<b>235,340.00</b>	<b>262,362.80</b>	<b>291,127.42</b>	<b>321,773.22</b>
Accumulated Profit	<b>293,930.00</b>	529,270.00	791,632.80	1,082,760.22	1,404,533.44

**APPENDIX (IV)**

**KITULWE COMPANY LIMITED PROJECTED CASH FLOW US\$**

	0	1	2	3	4	5
<b>SOURCES:</b>						
Profit before interest and depreciation	0	<b>443,360.00</b>	<b>491,388.00</b>	<b>559,238.00</b>	<b>626,839.00</b>	<b>701,785.00</b>
Equity	481,000.00					
Loan	500,000.00					
<b>Total Sources</b>	<b>981,000.00</b>	<b>443,360.00</b>	<b>491,388.00</b>	<b>559,238.00</b>	<b>626,839.00</b>	<b>701,785.00</b>
<b>Applications:</b>						
Capital expenditure	672,000.00	-	-	-	-	-
working Capital &Others	309,000.00	-	-	-	-	-
Cash	0	317,390.00	481,388.00	446,797.00	502,071.00	563,883.00
Tax	-	125,970.00	100,860.00	112,441.20	124,768.90	137,902.81
<b>Sub total</b>	<b>981,000.00</b>	<b>443,360.00</b>	<b>582,248.00</b>	<b>559,238.20</b>	<b>626,839.90</b>	<b>701,785.81</b>
<b>Total applications</b>	<b>981,000.00</b>	<b>443,360.00</b>	<b>582,248.00</b>	<b>559,238.20</b>	<b>626,839.90</b>	<b>701,785.81</b>
Accumulated cash		317,390.00	798,778.00	1,245,575.00	1,747,646.00	2,311,529.00

## APPENDIX (V)

## KITULWE COMPANY LIMITED PROJECTED BALANCE SHEET US \$

<b>Fixed Assets</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Opening balance	-	672,000	641,900	611,800	581,700	551,600
<b>Total Long-term Assets</b>	-	<b>672,000.00</b>	<b>641,900.00</b>	<b>611,800.00</b>	<b>581,700.00</b>	<b>551,600.00</b>
<b>Less depreciation</b>	-	30,100.00	30,100.00	30,100.00	30,100.00	30,100.00
<b>Closing balance</b>	-	<b>641,900.00</b>	<b>611,800.00</b>	<b>581,700.00</b>	<b>551,600.00</b>	<b>521,500.00</b>
Working capital	309,000.00	309,000.00	309,000.00	309,000.00	309,000.00	309,000.00
Accumulated cash	-	317,390.00	798,778.00	1,245,575.00	1,747,646.00	2,311,529.00
<b>Total assets</b>	<b>309,000.00</b>	<b>1,268,290.00</b>	<b>1,719,578.00</b>	<b>2,136,275.00</b>	<b>2,608,246.00</b>	<b>3,142,029.00</b>
Financed by						
Equity	481,000.00	481,000.00	481,000.00	481,000.00	481,000.00	481,000.00
Net profit	-	293,930.00	235,340.00	262,362.80	291,127.42	321,773.22
Total equity	481,000.00	774,930.00	716,340.00	743,362.80	772,127.42	802,773.22
Long term loan	500,000	375,000	250,000	125,000	0	0
<b>Total debts</b>	<b>500,000.00</b>	<b>375,000.00</b>	<b>250,000.00</b>	<b>125,000.00</b>	-	-
<b>Total equity and debts</b>	<b>981,000.00</b>	<b>1,149,930.00</b>	<b>966,340.00</b>	<b>868,362.80</b>	<b>772,127.42</b>	<b>802,773.22</b>

**APPENDIX (VII)**

**PROJECTED LONG TERM LOAN REPAYMENT**

<b>Year</b>	<b>principle</b>	<b>Loan Interest (6%)</b>	<b>Total Amount Paid</b>	<b>Loan Balance</b>
<b>0</b>				
1	125,000	30000	155,000	<b>500,000</b>
2	125,000	22500	147,500	375,000
3	125,000	15000	140,000	250,000
4	125,000	7500	132,500	125,000

**APPENDIX (VIII)**

**PROJECTED PAYBACK PERIOD**

<b>Year</b>	<b>Profit After Tax</b>	<b>Depreciation</b>	<b>Total Cash Flow</b>	<b>Accumulated Cash Flow</b>
1	<b>293,930.00</b>	30,100.00	324,030.00	324,030.00
2	<b>235,340.00</b>	30,100.00	265,440.00	589,470.00
3	<b>262,362.80</b>	30,100.00	292,462.80	881,932.80
4	<b>291,127.42</b>	30,100.00	321,227.42	1,203,160.22
5	<b>321,773.22</b>	30,100.00	351,873.22	1,555,033.44