

Company Name: F.E.C EAST AFRICA LIMITED

Project Sector: Service Sector

Project Sub Sector: Lifts, Elevators and Escalators

Project Objectives: Supply, Installation and Servicing of Lifts, Elevators and Escalators

Project Investment Financing

Foreign Equity-USD 350,000

Foreign Loan-USD 550,000

Total Investment: USD 900,000

Investment Breakdown

Land and Building: USD 300,000

Plant & Equipment: USD 500,000

Vehicles: USD 100,000

Total Investment: USD 900,000

Employment Details

Foreign Employment 10

Local Employment 90

Total Employment 100

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1.0 Executive Summary

F.E.C (EA) Limited plans to become a leading provider of supply, installation and services Lifts, Elevators and Escalators in Tanzania. The company's overall strategy will be based on a continuing improvement process of setting objectives, measuring results, and providing feedback to facilitate further growth and progress.

F.E.C is a company, with principal offices located in the Plot No 198 Msasani Dar es Salaam. The company's management is highly experienced and qualified: the shareholders who will lead the management team have each accumulated over twenty five years of experience in the construction industry specifically Lift, elevators and escalators.

Products/Services

Through their years of experience, F.E.C's owners have developed sophisticated bidding, scheduling and materials solutions for some of the most complex construction projects being done today. The company will use versatile and completely adaptable Lift, elevators and escalators for a variety of building configurations.

Owners, developers, construction managers, general contractors, and sub-contractors are expected to realize substantial savings in labor and material costs by using the company's Lift, elevators and escalators systems. Applications include commercial and residential structures.

The Market

The housing industry in Tanzania and in East Africa has been growing at a fast pace for several years. All-time record where new-site single families home were sold. Although there was a slight drop in the number from 2016, this makes for an excellent opportunity for future expansion of the industry.

F.E.C plans to rapidly develop marketing alliances with industry leaders and pursue new sales of its lifts, elevators and escalators product and services to residential and commercial builders. The marketing strategy will focus on securing city, District, government contracts.

F.E.C plans to use a direct sales force, relationship selling, and sub-contractors to reach its target markets. These channels are most appropriate because of time to market, reduced capital requirements, and fast access to established distribution channels.

Financial Considerations

We expect to pass the break-even point in the second half of the first year. Despite initial large outlays in cash to promote sales, the company's cash account is expected to remain healthy. The company expects approximately \$7,720,000 in sales revenue and reasonable net profits by Year 3.

1.1 Mission

Our mission is to be the best partner for our customers, suppliers and employees in the area of supply, installation and servicing of the lifts, elevators and escalators. To realize our vision, we will strive for profitable growth, operational excellence, customer satisfaction and strong brand positioning.

1.2 Objectives

1. To have up to three major construction projects with our lifts, elevators or escalators established within the first year.
2. To have two lifts, elevators or escalators building sites renovation projects in progress by the end of the first year.
3. To locate and purchase our first office building/apartment by the end of the first year.
4. To achieve at least 7% profit by the second year.

1.3 Keys to Success

We believe our keys to success will be:

- Using the most updated lifts, elevators or escalators to assure quality construction projects for ourselves and our customers.
- Educating the customers and providing valuable advice during the construction planning stages in relation to lifts, elevators or escalators.
- Helping to confirm customer's research about targeting markets and specific sectors.
- Assigning the actual work to an experienced and qualified third-party contractors and sub-contractors.

2.0 Company Summary

The company will invest a total of \$900,000 combined (\$550,000 and \$350,000) in the start-up of the company.

2.1 Start-up Summary

The following table describes our start-up requirements. One of our biggest start-up expenses involves the creation of a website. Ongoing maintenance expenses for the website are included in our Profit and Loss expenses section.

Chart: Start-up

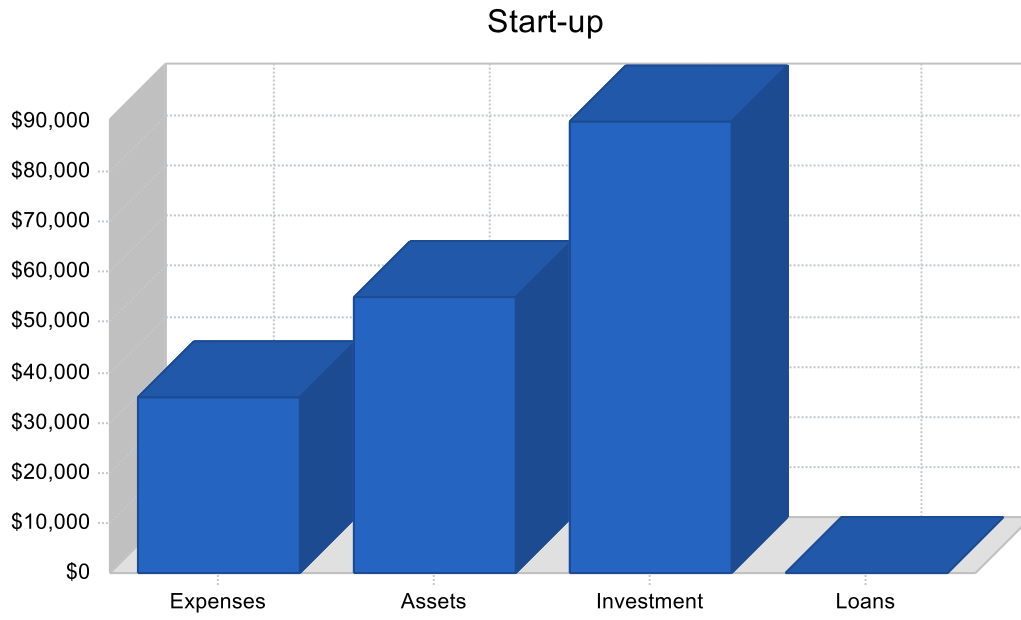


Table: Start-up Funding

<i>Start-up Funding</i>	USD
Start-up Expenses to Fund	350,000
Start-up Assets to Fund	550,000
Total Funding Required	900,000
Assets	
Non-cash Assets from Start-up	50,000
Cash Requirements from Start-up	500,000
Additional Cash Raised	-
Cash Balance on Starting Date	500,000
Total Assets	550,000
Liabilities and Capital	
Liabilities	
Current Borrowing	-
Long-term Liabilities	-
Accounts Payable (Outstanding Bills)	-
Other Current Liabilities (interest-free)	-
Total Liabilities	-
Capital	
Planned Investment	

Owner 1	550,000
Owner 2	350,000
Other	-
Additional Investment Requirement	-
Total Planned Investment	900,000
Loss at Start-up (Start-up Expenses)	350,000
Total Capital	550,000
Total Capital and Liabilities	550,000
Total Funding	900,000

Table: Start-up

<i>Start-up</i>	USD
Requirements	
Start-up Expenses	
Legal	20,000
Stationery etc.	1,000
Brochures	5,000
Consultants	20,000
Insurance	100,000
Rent (Deposit and 1st Month)	30,000
Work Equipment	60,000
Website Development	100,000
Other	14,000
Total Start-up Expenses	350,000
Start-up Assets	
Cash Required	500,000
Other Current Assets	50,000
Long-term Assets	-
Total Assets	550,000
Total Requirements	900,000

3.0 Products and Services

F.E.C will sell its lifts, elevators or escalators services to clients in the area of commercial construction and renovation. The company's staff will design specialized lifts, elevators or escalators construction drawings that outline the schedule, work sequence and the materials needed for building and renovation construction projects. Owners, developers and general contractors will realize substantial savings in labor and material costs by using F.E.C's customized lifts, elevators or escalators performance methods. F.E.C's methods will offer complete adaptability at cost-effective prices. The drawings that the company will furnish to the contractor will specify the order of assembly and erection, including the location of the strongbacks and joists, the location and actual loading of the ties, location of accessories and advice clients of the maximum allowable rate of concrete placement.

A longer-term service will be commercial building rental management. This will include the purchase of commercial lifts, elevators or escalators sites or existing buildings that need renovation, coordinating the construction/renovation, and then managing the rental of the property. The company will also be looking for existing property owners whose properties need lifts, elevators or escalators renovation or new installation to update and increase its income potential

To enter the market with minimum overhead costs, F.E.C plans to utilize in the first year of operation mainly sub-contractors and independent experts for its lifts, elevators or escalators in building and renovation projects.

Accident prevention will be the cornerstone of F.E.C's safety commitment. The company will strive to eliminate foreseeable hazards which could result in personal injury or illness; at F.E.C, health and safety will not be compromised.

4.0 Market Analysis Summary

Construction offers more opportunities than most other industries for individuals who want to own and run their own business. The 1.6 million self-employed and unpaid family workers in 2002 performed work directly for property owners or acted as contractors on small jobs, such as additions, remodeling, and maintenance projects. The rate of self-employment varies greatly

Tanzania is booming at this time, with many development projects running both by public and by private sources. Overall business growth over the past seven years has averaged approximately 7% and is expected to continue for at least the next several years. This constitutes an attractive market for F.E.C. The company will be concentrating on office

building lifts, elevators or escalators services. This is the fastest growing segment of all the commercial clients requiring our services. The other categories to serve will include building renovation along with a segment it calls the general category, to serve other potential commercial clients.

One longer-term field of operation for the company addition to lifts, elevators or escalators will be the selling of building material and components to contractors. By slowly establishing itself as a first-rate material provider, the company expects to broaden and strengthen its stance in the local building industry. Initially it will focus on purchasing supplies for its own construction and renovation projects, then use those completed projects as marketing examples to showcase the quality of materials used and the customized approach used to design and construct them.

The company plans to develop marketing alliances with industry leaders and pursue new lifts, elevators or escalators sales of its services to commercial builders. The market strategy is to capitalize on the company's future alliances by securing city, county, and state government contracts.

F.E.C also plans to use a direct sales force, relationship selling, and sub-contractors to reach its markets. These channels are most appropriate because of time to market, reduced capital requirements, and fast access to established distribution channels.

4.1 Market Segmentation

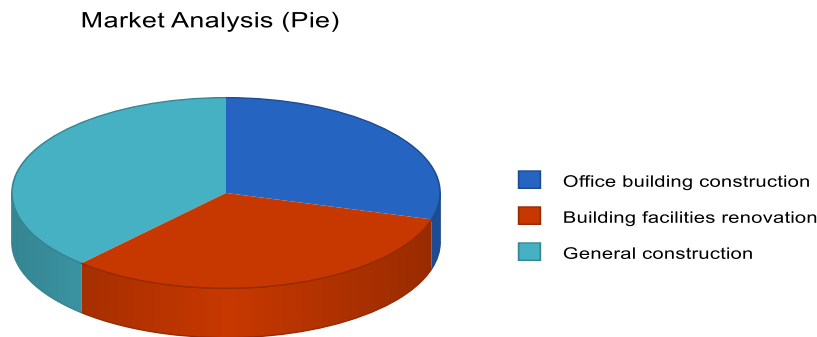
For the purpose of this paper we shall segment our initial lifts, elevators and escalators targeted market as follows:

- Office Building Construction
- Building Facilities Renovation
- General Construction

Table: Market Analysis

<i>Market Analysis</i>							
		Year 1	Year 2	Year 3	Year 4	Year 5	
Potential Customers	Growth						CAGR
Office building construction	6%	2,517	4,027	4,268	4,524	4,795	17.48%
Building facilities renovation	3%	2,750	2,833	2,917	3,005	3,095	3.00%
General construction	3%	3,264	3,362	3,462	3,567	3,674	3.00%
Total	7.90%	8,531	10,222	10,647	11,096	11,564	7.90%

Chart: Market Analysis (Pie)



4.2 Service Business Analysis

The construction industry is divided into three major segments. Construction of buildings contractors, or *general contractors*, who build residential, industrial, commercial, and other buildings. Heavy and civil engineering construction contractors who build sewers, roads, highways, bridges, tunnels, and other projects. Specialty trade contractors who are engaged in specialized activities such as carpentry, painting, plumbing, and electrical work.

Construction usually is done or coordinated by general contractors, who specialize in one type of construction, such as residential or commercial building. They take full responsibility for the complete job, except for specified portions of the work including lifts, elevators or escalators that may be omitted from the general contract. Although general contractors may do a portion of the work with their own crews, they often sub-contract most of the lifts, elevators or escalators work to heavy construction or specialty trade contractors.

Specialty trade contractors usually do the work of only one trade, such as lifts, elevators or escalators painting, carpentry, or electrical work, or of two or more closely-related trades, such as plumbing and heating. Beyond fitting their work to that of the other trades, specialty trade contractors have no responsibility for the structure as a whole. They obtain orders for their work from general contractors, architects, or property owners. Repair work is almost always done on direct order from owners, occupants, architects, or rental agents.

F.E.C (East Africa) Ltd will concentrate its activity in the following areas:

- Commercial Building Construction
- Commercial Building Renovation
- Buildings Management and Rental
- Building Materials Supplies

5.0 Strategy and Implementation Summary

F.E.C plans to use a direct sales force, relationship selling, and sub-contractors to reach its target markets. These channels are most appropriate because of time to market, reduced capital requirements, and fast access to established distribution channels. The owners of F.E.C want to emphasize to their potential customers that they are more than general contractors, they are complete construction coordinators.

F.E.C plans to advertise in magazines, newspapers, and radio. Initially a website with information on the company owners, their construction background, and contact information will be available online. References to the website will be mentioned in all other forms of advertising. Channels used to reach market segments include: sales associates, the Internet and direct mail.

In addition, the table and chart below outline the company's sales forecast for FY2021-2026. In our sales forecasts, the cost of sales includes only direct labor costs.

5.1 Competitive Edge

The company plans to become a leading provider of lifts, elevators or escalators services in Tanzania and East Africa. To achieve this, F.E.C will invest in many ways that will pay off in competitive advantages for its customers, for example:

- Pre-job conferencing upon request
- Assist in lifts, elevators or escalators technical or conceptual design
- Assist in lifts, elevators or escalators supervision when other contractors are employed
- Organize project supervision facilities and staff
- Organize delivery of purchased lifts, elevators or escalators
- Furnishing after-market products

5.2 Marketing Strategy

Our marketing strategy is the key to our success:

1. Emphasize our name and unique services through advertising, including a Web page of contact information. An amount of \$10,000 for the design of the website has been included in the Start-up expenses with ongoing maintenance costs estimated monthly.
2. Focus on commercial building and renovation projects as our initial and primary target markets.
3. Use completed projects to showcase our customized construction project management to prospective clients.

5.3 Sales Strategy

Sales success requires planning. The company will formulate its sales strategy and tactics to achieve sales success by following these steps:

Step 1 - Analyzing The Company's Potential: Step through a structured process to help us develop a sales strategy.

Step 2 - Strategize Around Strengths: The description of lifts, elevators or escalators sales activity will be analyzed to produce a report on factors impacting sales potential and ways to strengthen this potential.

Step 3 - Develop Tactics: Receive guidance to develop a comprehensive tactical plan to achieve success.

Step 4 - Measure Our Past Success: Develop key measurements that mark the progress of financial estimates that guide our growth.

Final Step - Employ An Action Plan for Success: Provide sales force with a tactical plan that is aligned with management's strategic objectives.

5.3.1 Sales Forecast

The company will start its operation in the first year by focusing on two areas:

1. Installation of lifts, elevators or escalators to Direct construction work
2. Renovation of lifts, elevators or escalators in the existing buildings

Starting later in the second year and continuing into the third year the following areas of operation will be added:

- Buying of Industrial and office Spaces
- Sale of components and other building materials and components

The following table details the forecasts.

Table: Sales Forecast

<i>Sales Forecast</i>	<i>USD</i>				
	Year 1	Year 2	Year 3	Year 4	Year 5
Sales					
Lifts, elevators and escalators-Direct Construction Projects	1,350,000	2,025,000	3,037,500	4,556,250	6,834,375
Lifts, elevators and escalators-Building Renovations	1,230,000	1,845,000	2,767,500	4,151,250	6,226,875
Building Rentals	-	-	-	-	-
Lifts, elevators and escalators-Sale of Components and Goods	-	-	-	-	-
Other	90,000	135,000	202,500	303,750	455,625
Total Sales	2,670,000	4,005,000	6,007,500	9,011,250	13,516,875
Direct Cost of Sales	Year 1	Year 2	Year 3	Year 4	Year 5
All construction work	540,000	648,000	777,600	933,120	1,119,744
Renovations	492,000	590,400	708,480	850,176	1,020,211
Rentals	-	-	-	-	-
Sale of Components and Goods	-	-	-	-	-
Other	90,000	108,000	129,600	155,520	186,624
Subtotal Direct Cost of Sales	1,122,000	1,346,400	1,615,680	1,938,816	2,326,579

Chart: Sales Monthly

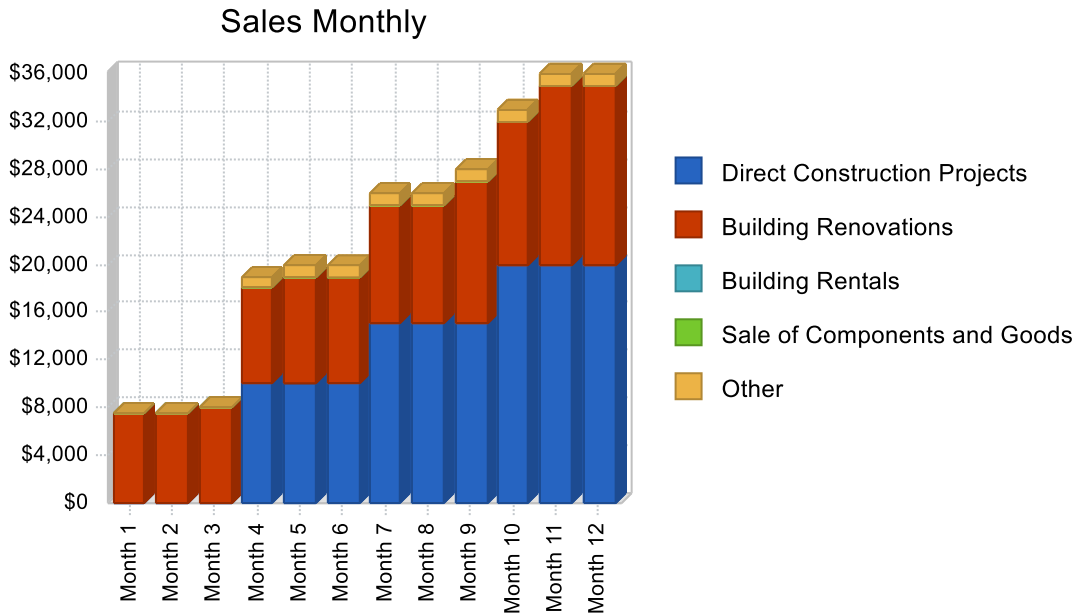
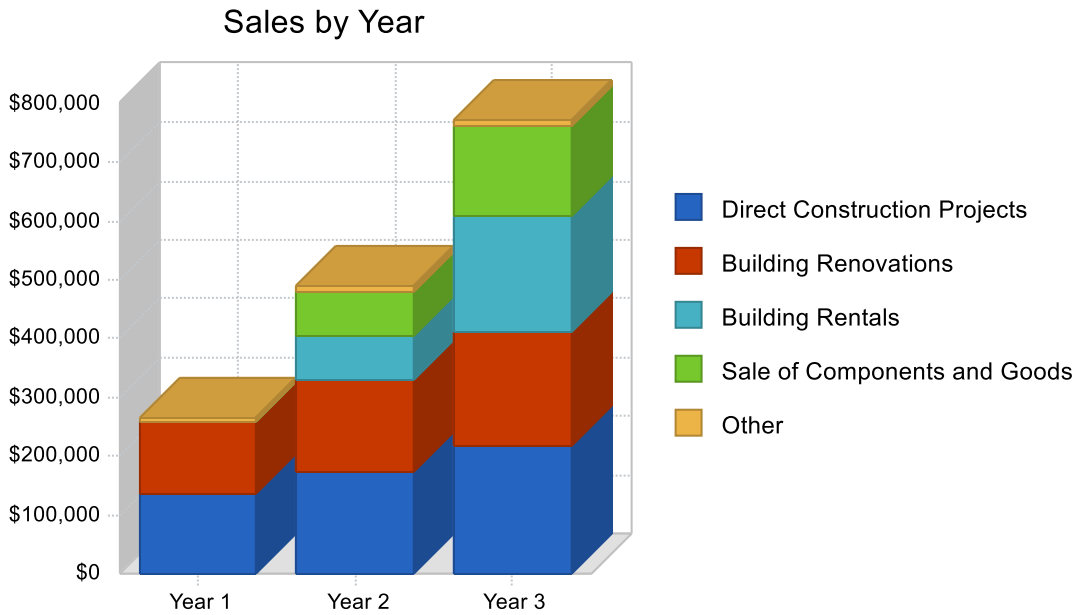


Chart: Sales by Year

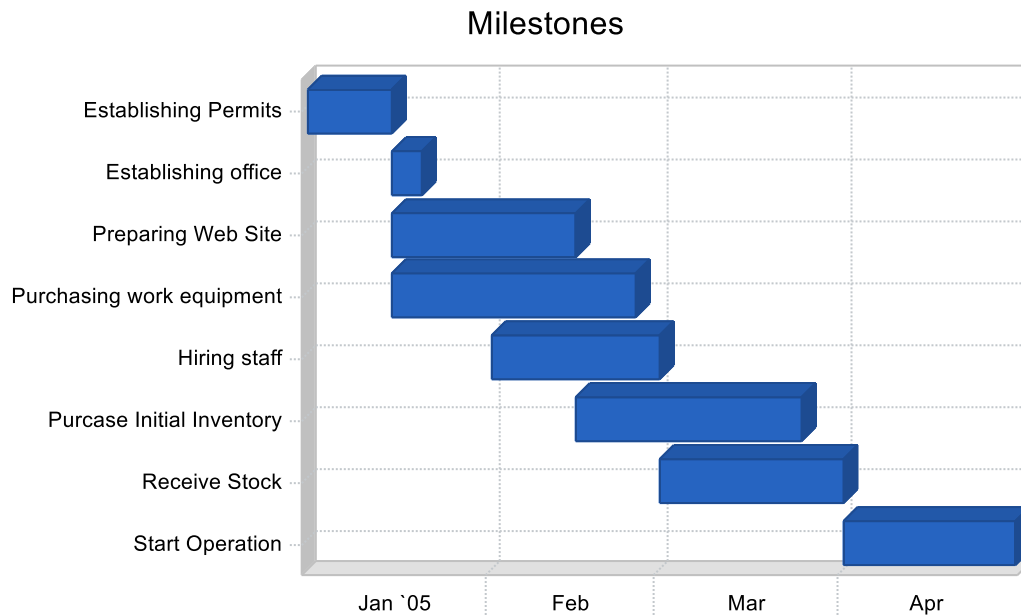


5.4 Milestones

The milestones table describes the steps required for the beginning of operations. Steps might take longer than estimated, however the owners and the staff will do their utmost to adhere to this timetable.

Table: Milestones

Chart: Milestones



6.0 Web Plan Summary

Although F.E.C plans to use traditional advertising methods to reach potential customers, the owners feel that the Internet has become a valuable resource for customers to find out about the company and for the company to promote its services to prospective customers. The construction industry was slower to join the Internet bandwagon compared to other types of businesses. But now, many local contractors and building suppliers have websites.

The cost to create a website has been included in start-up costs, with website maintenance costs included in our ongoing expenses. The initial website will have basic contact information and background about the company owners. Later, it will show information about current projects as well as completed projects as examples of what the company can do. Once the building materials portion of the business is well established, the website will expand to include an online store. At this point in the business plan, there are no estimates for the cost of this expansion and it will need to be researched and planned for more thoroughly at a later point.

It will take time before the initial cost outlay for the website will pay for itself in potential customers, but once established, it will provide a cost-effective way to communicate to new and existing customers.

We will mention our website address as part of our other advertising media.

6.1 Website Marketing Strategy

We hope to be able to secure links to our website from the local city and chamber of commerce websites as well as local construction-related websites that we can affiliate with.

6.2 Development Requirements

We will contract with a Website developer to initially design the look and information provided on the website. Our initial cost for this design also includes the first six months of website maintenance by the website developer. In October, we plan to hire a technician with experience in website maintenance to troubleshoot and maintain the Website internally.

Once the business has progressed, we will either increase this person's hours from temporary to a full-time position, or we will hire a second temporary technical position to assist in the re-design and expansion of the website. Our long-term goal is to have an online store for the sale of building materials and components.

7.0 Management Summary

The company's management philosophy will be based on responsibility and mutual respect. F.E.C East Africa Ltd will maintain an environment and structure that will encourage productivity and respect for customers and fellow employees.

F.E.C will be responsible to its employees and sub-contractors, the men and women who will work with the company throughout the state. At F.E.C everyone will be considered as an individual and the company will respect their dignity and recognize their merit. Employees will be encouraged to have a sense of security and pride in their jobs. Additionally, employees will be free to make suggestions and complaints. The company will afford equal opportunity for employment, development, and advancement for those qualified.

F.E.C employees will be committed to:

- Providing a safe work environment to protect employees, the employees of customers and sub-contractors, and the public.
- Supplying safe Lifts, escalators and elevators products for customers.
- Continuously improving the company's safety program to reduce the risk of accidents and occupational illness in a changing work environment.
- Encouraging employees to participate in accident prevention programs and take personal responsibility for their own and their co-workers' health and safety.
- Regulatory compliance and contribution to high safety standards for our industry.

- Monitoring workplaces, enforcing safe work practices, and communicating the company's safety performance to employees and other stakeholders.
- Making safety a value-added service that the company provides to its customers.

The company is planning to expand its personnel to add more job superintendents as soon as the number of projects increases. These superintendents will have the following duties:

Direct supervision of all work at the job sites:

- Lifts, escalators and elevators Quality Control
- Scheduling sub-contractors and material deliveries of Lifts, escalators and elevators
- Verifying and insuring that all Lifts, escalators and elevators work is done in accordance with plans
- Insuring that all work is performed in accordance with all OSHA guidelines

7.1 Personnel Plan

The personnel plan is based on the two owners to guide and oversee the operations that will be managed by themselves. Having been in business for over 25 years, they have agreed to draw very low salaries for the first two years to offset some of the initial expenses in starting the business.

For the first year, the company will hire temporary and part-time employees and sub-contract with consultants and construction professionals to perform the variety of tasks needed. Also, our contracted construction personnel expenses are reflected in our Sales Forecast as cost of sales, not part of our personnel table, since they will not be regular employees of the business.

Table: Personnel

7.2 Safety

F.E.C will be committed to conducting business in a manner that protects the health and safety of all employees, customers, and persons living in the community where it operates. To accomplish this, the company will ensure that it complies with current Health Administration and Occupational Health and Safety laws and will maintain its operations, procedures, technologies, and policies accordingly.

Each employee will have the responsibility to fully comply with established safety rules and to perform work in such a manner as to prevent injuries to themselves and others. F.E.C will be very concerned about job-site safety and plans to set up a comprehensive safety program.

8.0 Financial Plan

The shareholders have long-term experience in the local construction industry. They are willing to invest heavily in this new company and their accumulated experience will insure success for the new venture. It will be important to watch closely the salaries and regular expenses to assure that the company will not suffer from lack of sufficient cash to fund its operations.

1. We assume a conservative entrance and steady growth in the market.
2. We assume a slow financial progress based on initially conservative sales against highest expenses.
3. We assume there will not be an economic crash that would greatly hinder our target market's access to their personal luxury finds.

The following sections describe the financials for F.E.C:

8.1 Projected Profit and Loss

F.E.C East Africa Ltd is in the early stage of development, thus initial projections have only been made based on the sales projections and efficient cost control measures in place. Our first year monthly net profits will become positive by October, but we will still close the year with negative profit. This is primarily because of personnel expenses, which include salaries and the cost of sales for sub-contractors.

Table: Profit and Loss

	Year 1	Year 2	Year 3	Year 4	Year 5
Sales	\$ 2,670,000	\$ 4,005,000	\$ 6,007,500	\$ 9,011,250	\$ 13,516,875
Direct Cost of Sales	\$ 1,122,000	\$ 1,346,400	\$ 1,615,680	\$ 1,938,816	\$ 2,326,579
Other	\$ 90,000	\$ 135,000	\$ 202,500	\$ 303,750	\$ 455,625
Total Cost of Sales	\$ 1,122,000	\$ 1,346,400	\$ 1,615,680	\$ 1,938,816	\$ 2,326,579
Gross Margin	\$ 1,638,000	\$ 2,793,600	\$ 4,594,320	\$ 7,376,184	\$ 11,645,921
Expenses					
Payroll	\$ 838,500	\$ 922,350	\$ 1,014,585	\$ 1,116,044	\$ 1,227,648
Sales and Marketing and Other Expenses	\$ 75,000	\$ 82,500	\$ 90,750	\$ 99,825	\$ 109,808
Depreciation	\$ -	\$ -	\$ -	\$ -	\$ -
Gasoline and oil	\$ 36,000	\$ 39,600	\$ 43,560	\$ 47,916	\$ 52,708
Telephone	\$ 5,000	\$ 5,500	\$ 6,050	\$ 6,655	\$ 7,321
Utilities	\$ 48,000	\$ 52,800	\$ 58,080	\$ 63,888	\$ 70,277
Insurance	\$ 9,000	\$ 9,900	\$ 10,890	\$ 11,979	\$ 13,177
Rent	\$ 7,478	\$ 8,226	\$ 9,048	\$ 9,953	\$ 10,949
Payroll Taxes	\$ 65,220	\$ 71,742	\$ 78,916	\$ 86,808	\$ 95,489
Website Maintenance & Support	\$ 4,200	\$ 4,620	\$ 5,082	\$ 5,590	\$ 6,149

F.E.C (East Africa) Limited

Consultants	\$ 6,000	\$ 6,600	\$ 7,260	\$ 7,986	\$ 8,785
Advertising	\$ 60,000	\$ 66,000	\$ 72,600	\$ 79,860	\$ 87,846
Misc. Other Expenses	\$ 18,000	\$ 19,800	\$ 21,780	\$ 23,958	\$ 26,354
Total Operating Expenses	\$ 1,172,398	\$ 1,289,638	\$ 1,418,602	\$ 1,560,462	\$ 1,716,508
Profit Before Interest and Taxes	\$ -	\$ 50,398	\$ 197,078	\$ 378,354	\$ 610,071
EBITDA	\$ 50,398	\$ 56,762	\$ 197,078	\$ 378,354	\$ 610,071
Interest Expense	\$ 625	\$ 7,500	\$ 11,250	\$ 10,125	\$ 9,113
Gross Profit	\$ 51,023	\$ 49,262	\$ 185,828	\$ 368,229	\$ 600,959
Taxes Incurred	\$ -	\$ 14,779	\$ 55,749	\$ 110,469	\$ 180,288
Net Profit	\$ 51,023	\$ 34,484	\$ 130,080	\$ 257,760	\$ 420,671

8.2 Break-even Analysis

During the first year of operations, the break-even monthly sales volume is estimated as shown below. Our average percent variable reflects our cost of sales which covers contracted construction payroll costs.

Chart: Break-even Analysis

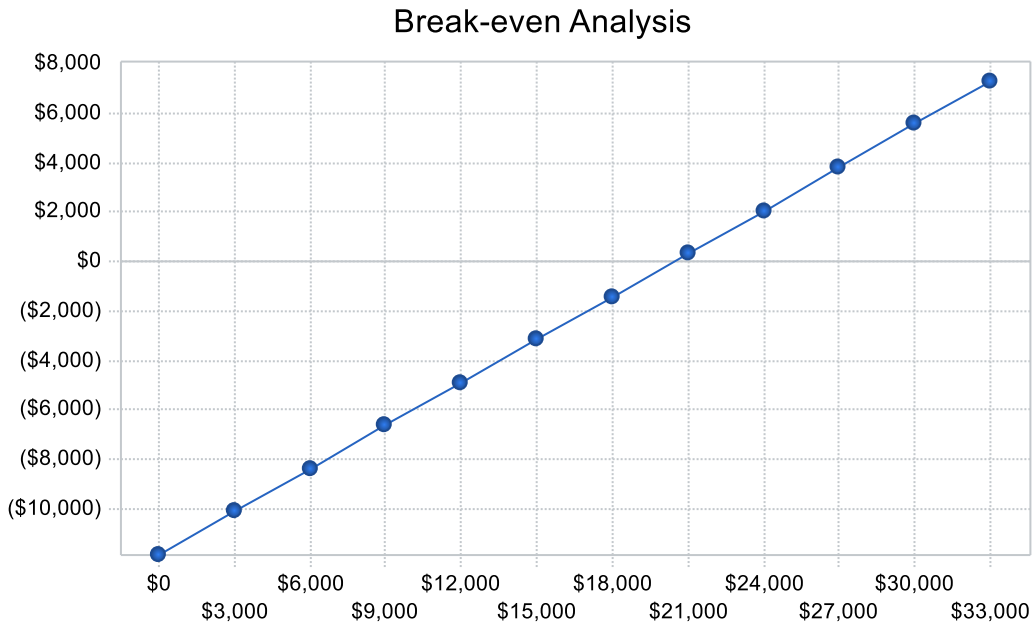


Table: Break-even Analysis

<i>Break-even Analysis</i>	
Monthly Revenue Break-even	\$20,446
Assumptions:	
Average Percent Variable Cost	42%
Estimated Monthly Fixed Cost	\$11,854