

MEGA BUILDERS LIMITED
(Affordable Housing Development Scheme)

**Proposed Project for Development
of
Affordable Rural Houses
at
Chalinze & Mihuga Villages, Bagamoyo**

A BUSINESS PLAN REPORT

Prepared by:
Mega Builders Limited
P. O. Box 5767
DAR ES SALAAM
Tanzania

SEPTEMBER 2021

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1.0. EXECUTIVE SUMMARY

1.1. Preamble

M/s Mega Builders Limited of Masasani Ward, Kinondoni P.O. Box 5767 Dar es Salaam is a locally registered company incorporated under Companies Act (2002) under Certificate of Incorporation Number 11668 dated 2^{6th} day of July 2002. The Company has entered into a developing contract with sister company, M/s Kilimo Infrastructure Development Company of Chalinze, Bagamoyo for developing four (4) parcels of land located at Chalinze at Msoga, Msolwa and Lugoba Villages, and at Mihuga Village block comprising of eleven (11) plots of varying sizes situated next to Saadani National Park. All these areas are located within Bagamoyo District. The developers envisages development for sale affordable rural house units ideal for village environment on agreement to share proceeds from sales equally between the landlord and the developer after recovering all investment costs and statutory deductions. The affordable residential housing scheme is designed to provide 1,500 housing units on completion. The project will be developed in a span of 12 years at the rate of 125 units per year. Mega Builders Limited is a well established company and renowned for undertaking various projects in the country including construction, gold processing and farming projects.

The proposed project is estimated to cost a total of US\$ 12,416,175- over an implementation period of 12 years, an average of US\$ 1,034,682- a year which is considered the basis of this project. The project developers have own financial resources to start with, and adequate access to bank funding to undertake the contemplated investment. In the first year of implementation (Phase One), a total of US\$ 1,034,681.25- will be required to develop the first 125 units which developers intend to finance through own funds of TShs 800,000,000/- (equivalent to US\$ 344,827.58 at the current exchange rate of US\$ 1 to TShs 2,320/=) presently sitting at the developer's Fixed Deposit Account (FDR) at CRDB Bank. The balance of US\$ 689,853.67 will be sought from developer's bankers. From second year onwards the project is expected to be in a good financial position to sustain further development after selling the first batch of 125 house units at US\$ 12,000- each, and therefore be self financing by ploughing back all proceeds generated from sale of housing units developed and sold during the previous year, supplemented by the bank term loan of US\$ 689,853.67 which is expected to remain available for the project for the first five (5) years of the project implementation. Thereafter, profits generated by sale of house units should be adequate to sustain continuous implementation of the project on nits own resources until completion of the project by the 12th year on even much earlier.

The objectives of this Business Plan Report are three fold. First is to determine the viability of the proposed project. Second is to enable M/s Mega Builders Limited secure funds in form of a long-term loan facility at the tune of US\$ 689,853.67 from a bank/financial institution in order to supplement initial costs of developing the project in the first five (5) years of implementation. Third is to facilitate the application for Tanzania Investment Centre (TIC) Certificate of Incentives to access exemptions on

duties, VAT deferments and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997) for the Project.

1.2 The Project Promoters

Mega Builders Limited, the project developers, is owned by:

- (i) Mr. Balbir Malik Singh (6,500 shares)
- (ii) M/S Aruna Malik (5,400 shares)
- (iii) Mr. Nitin Malik (6500 shares)
- (iv) M/s Asha Selemani Lindonde (500 shares)

All are residents of Plot No. 1724 Block MSN 17 Makagira Street, Mikoroshoni Area, Msasani Ward, Kinondoni District.

1.3 Site and Location

The project will cover a total of 330.5 ha of village settlement areas in Bagamoyo District, Coast Region comprised of:

- (i) Msoga Village, Chalinze (31.30 ha)
- (ii) Msolwa Village, Chalinze (42.80 ha)
- (iii) Lugoba Village (44.70 ha)
- (iv) Mihuga Village, nest to Saadani National Park (211.20 ha)

Total: 330.50 hectares

1.4 Address of Registered Office

The company's Registered Office is:

Plot No. 1724 Block MSN 17 Makagira Street,
Mikoroshoni Area, Msasani Ward, Kinondoni District
P.O. Box 5767
Dar es Salaam

1.5 Target Markets

Msoga, Msolwa and Lugoba housing scheme mainly targets the recently established Chalinze Local Council with establishment of a fully-fledged Chalinze District in the pipeline. Mihuga scheme strategically targets the nearby Saadani National Park, both staff and Tour Operators based in the National Park. Another group targeted by the two schemes is the wealthy businessmen and women in the project areas as well as well-to-do villagers operating businesses or working in other parts of the country.

2.0 THE PROJECT

2.1 Brief Description and Rationale behind the Project

2.1.1 Description

M/s Mega Builders Limited of Masasani Ward, Kinondoni P.O. Box 5767 Dar es Salaam (hereinafter referred to as the developer) has entered into a property development contract with sister company, M/s Kilimo Infrastructure Development Company (the landlord) of Chalinze, Bagamoyo for developing four (4) parcels of land located at Chalinze at Msoga, Msolwa and Lugoba Villages, and at Mihuga Village block comprising of eleven (11) plots of varying sizes situated next to Saadani National Park. All these areas are located within Bagamoyo District. The developer envisages development for sale, affordable rural house units ideal for village environment on agreement to share proceeds from sales equally between the landlord and the developer upon recovery of all investment costs and statutory deductions. The affordable residential housing scheme is designed to provide 1,500 housing units on completion. The project will be developed in a span of 12 years at the rate of 125 units per year. Mega Builders Limited is a well established company and renowned for undertaking various projects in the country including construction, gold processing and farming projects.

For simplicity of computations, the capital expenditure in the first year has been considered to represent the whole project cost.

2.1.2 Rationale Behind the Project

Msoga, Msolwa and Lugoba housing scheme mainly targets the recently established Chalinze Local Council with establishment of a fully-fledged Chalinze District in the pipeline. Mihuga scheme strategically targets the nearby Saadani National Park, both staff and Tour Operators based in the National Park. Another group targeted by the two schemes is the wealthy businessmen and women in the project areas as well as well-to-do villagers operating businesses or working in other parts of the country. Both the new Local Authority Council and the anticipated District Authority, together with recently upgraded National Park will create a very high demand in the respective areas as most of workers are drawn from different parts of the country given that the said areas at present do not have much excess modern accommodation facilities.

2.2 The Company Vision, Mission and Values

2.2.1 Vision

Our vision is to grow and become a reputable accommodation provider that is permanent at a local and national level, known for both the high quality of our work and the excellence of our people.

2.2.2 Mission

Our mission is to build superior quality, affordable rural residential accommodation that creates an environment of contentment. Our aim

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is to create an ambience to help our customers find comfort, happiness, relaxation and well-being.

2.2.3 Values

Our values are to be based on creating a corporate personality with the accompanying standards:

2.3 The Promoters

The table below shows current shareholders and shareholding structure:

S/NO	Name and Address of Shareholders	Nationality	Number of Shares	% Shareholding
1.	Balbir Singh P.O. Box 5767 Dar es Salaam	Indian	6500	3.25
2.	M/s Aruna Malik P.O. Box 5767 Dar es Salaam	Indian	5400	2.70
3.	Asha Selemani Lindonde P.O. Box 5767 Dar es Salaam	Tanzanian	500	0.25
4.	Nitin Malik P.O. Box 5767 Dar es Salaam	Indian	6500	3.25
5.	Unalloted Shares	Indian	181100	90.55
	TOTAL		200000	100

Company Directors:

- (i) Mr. Balbir Malik Singh
- (ii) M/s Aruna Malik
- (iii) M/s Asha Selemani Lindonde
- (iv) Nitin Malik

All the directors are high net-worth businessmen carrying out a number of businesses, including construction works, gold processing and commercial farming activities.

2.4 Location

As mentioned elsewhere, the project will cover a total of 330.5 ha of village settlement areas in Bagamoyo District, Coast Region comprised of:

- (i) Msoga Village, Chalinze (31.30 ha)
- (ii) Msolwa Village, Chalinze (42.80 ha)
- (iii) Lugoba Village (44.70 ha)
- (iv) Mihuga Village, nest to Saadani National Park (211.20 ha)

The company has its registered office at:

Plot No. 1724 Block MSN 17 Makagira Street,
Mikoroshoni Area, Msasani Ward, Kinondoni District
P.O. Box 5767
Dar es Salaam

2.5 Environmental Considerations: Major Issues

Environmental sustainability will be a major concern in designing all elements of this project. Natural attributes must drive the final form and character. Some of these attributes include vegetation type and size, topography, weather conditions, flora, fauna and social and cultural conditions. It is in the developer's interest to ensure that the rural village affordable residential housing scheme is an "environmentally friendly" operation. The energy saving and pollution control strategies make good economic sense, because they are also major marketing asset when promoting the new village housing as an environmentally and socially conscious development project.

There are no major environmental impacts expected from this project. The project will be designed carefully such that very little destruction to the vegetation will take place. The project will cooperate fully with the authorities governing the area and other statutory bodies.

The following are some of the issues that have been taken into consideration in implementing this project:

2.5.1 Garbage Collection and Disposal

Special areas will be allocated for garbage collection. Biodegradable garbage will be separated from non-biodegradable wastes (tins, papers, bottles, etc). The latter will be disposed in the designated dumping areas. However, all processes will be done in accordance with the government laws, regulations and guidance.

2.5.2 Waste Water Treatment

The project will follow the requirement set by the National Environment Management Council (NEMC) and other authorities. It is the intention of the company to install Waste Water Treatment Plant which will be specified by our engineer in respect to our needs.

2.6 Safety Measures

The Village buildings will be surrounded by Fire Hoses to safeguard it from the fire. All measures to deal with accidents and emergencies will be taken, including the provision of first aid kits. All sensitive areas will be provided with fire alarms and fire extinguishers to ensure that the residents and the commodities are without risks. The safety of all parties will further be addressed in consultation with relevant authorities. to everybody's satisfaction

2.7 Design

Mega Builders Limited Intends to build affordable residential house units in the designated villages. The aim is to create a luxurious development in accordance with the statutory requirements and create about of 1,500 residential units offering the best standards available.

The proposed development will adopt the most modern and advanced design yet reflecting traditional values of the existing characteristics. The state of art and the science of superior construction will be reflected in all aspects of the development, including the design layout of services used, with particular attention paid to finishes.

A plot for Chalinze (Msoga, Msolwa and Lugoba) villages is designed to measure 2,500 square metres (a quarter of one hectare) while that of Mihuga Village is designed to measure 5,000 square metres (half a hectare). The aim is to utilise the plots for some other rural activities like growing of vegetables or other valuable crops which in essence do not need large farming areas. The main reason is to make the settlement to reflect the real village atmosphere.

It is obvious the built-up areas will not cover the whole of the project sites with affordable houses. The scheme leaves about 45 hectares untouched for future developments of other economic activities, including establishing small scale industries, trading centres and playing grounds.

3.0 MARKET ANALYSIS AND STRATEGIES

3.1 Introductory Remarks

Construction industry is one of the leading sectors of the economy. Chalinze Centre is expected to grow very fast after the establishment of the new Local Authority Council and even faster on the establishment of Chalinze of a fully-fledged District Authority which is in pipeline. On the other hand, Saadani has recently been upgraded to a full National Park which will likewise mean a huge demand for residential accommodation for both the National Park staff and Tour Operators. Given that that the existing housing facilities at the two areas will not meet the potential demand when Chalinze District Authority is established and Saadani National Park operates at full swing,. The two factors entail that both Chalinze and Mihuga will largely expand, meaning increased demand for residential houses.

3.2 Proposed Marketing Strategies

Mega Builders Limited envisages undertaking a comprehensive and concerted marketing program in order to obtain buyers of its affordable residential house units. The company will reach out to all relevant stake holders, using services of renowned agents with the necessary market knowledge and skills prepared to lend their expertise and resources to Mega Builders Limited. A focused aggressive marketing strategy is envisaged in this plan; this will include outsourcing adequate working capital to back up the marketing effort.

It is envisaged to allocate 1.0% of the project gross income over a period of 5 years towards the marketing and advertising efforts which will be used largely in preparation of promotional and advertising materials, presentations to selected customers especially staff of the two nearby projects.

3.3 Management Contract

Mega Builders Limited proposes to enter into a Management Contract with one of successful real estate's marketing agents to manage marketing activities for proposed residential housing project. .

3.6 Demand/Supply Gap

The demand for decent accommodation facilities in Tanzania in general and at the project sites in particular is quite apparent given the limited number of modern residential houses available. That is, there is high demand for housing units at Chalinze and Mihuga and the existing residential housing units inventory is already in short supply. Furthermore, physical survey made by the consultants shows that the existing properties are below standards. On implementation of this project therefore, Mega Builders Limited will bring fresh supply and demand is to maintain a steady growth to fill additional housing units required.

3.7 Target Markets

As stated elsewhere the objective for establishing the project is to tap into the opportunities for potential housing demand. Msoga, Msolwa and Lugoba housing scheme mainly targets the recently established Chalinze Local Council with establishment of a fully-fledged Chalinze District in the pipeline. Mihuga scheme strategically targets the nearby Saadani National Park, both staff and Tour Operators based in the National Park. Another group targeted by the two schemes is the wealthy businessmen and women in the project areas as well as well-to-do villagers operating businesses or working in other parts of the country. Both the new Local Authority Council and the anticipated District Authority, together with recently upgraded National Park will create a very high demand in the respective areas as most of workers are drawn from different parts of the country given that the said areas at present do not have much excess modern accommodation facilities.

3.8 Pricing

Mega Builders Limited does not pretend to become a market leader. The company's pricing policy is set with the objectives of achieving profitability and growth and achieving a reasonable share of the market without necessarily pricing the company out of competition. The company will maintain a wide set of packages on offer with different terms and prices to suit different interests and pocket sizes.

3.9 Promotion and Advertising

Creative promotion and advertising strategies will be outlined in the comprehensive marketing plan. With the objective of capturing new market segments and to attract faster without stretching the company's human and financial resources too thin, Among these strategies will include securing services of renowned real estate marketing agents.

4.0 TECHNICAL ASPECTS

Under the implementation program, new civil works structures will be constructed and new equipment is envisaged to be acquired in order to establish quality of service. The objective is to create competitive preparedness for the project operations and to enhance the image of M/s Mega Builders Limited as a reliable and professional outfit capable of delivering quality service like rest of the best in the industry.

4.1 Construction Cost

The cost of any project (buildings and infrastructure) depends upon the design standards, specifications and level of service provided for in the design. Cost of the project can virtually be scaled down to levels of financing available e.g. through optimization of these parameters. Using the existing market rates and extensive experience of the consultants, a number of alterations can be done to arrive at the current design standard, specifications and level of service, which is within the current level of financing.

4.1.1 Basis of Costs

Use of local building contractors

In this analysis, it is recommended that the project should contract local construction firms charging competitive rates but delivering good quality works compared with foreign firms. The selection of the main contractor may be made through tendering process.

◆ Imported Building Materials

The project developer plans to source some less costly construction materials from outside which will have the effect of lowering the overall construction costs. With the exception of cement, iron bars, roofing sheets and timber, almost all other materials will be imported. These include heavy floor and wall tiles, toilet fittings, aluminium fixtures and fittings, electrical fittings, security system equipment and fire fighting equipment.

◆ Building Construction Rates

For these single story affordable rural residential houses, construction of the house structure will be in the region of US\$ 60- per m².to US\$100-. In consideration of the above factors, the construction cost for one house structure will be in the region of US\$ 66- per m². Other costs will be development of site works (internal roads, paving, fencing etc) which will account for 10% of main structure cost; installation of water and electricity (also estimated at 10% of main structure cost; and security (2% of the main house structure). Administrative costs are estimated at US\$ 225,45 per unit.

4.1.2 Cost of Construction

Land has already been acquired by the sister company, the landlord. Building Works and related other works and services are estimated to
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cost US\$ 8,277.45 per house unit, including site works, installation of electricity, water etc as well security service and administrative costs. The estimate is based on the building plan on hand.

4.2 Construction Methods

The construction progress assessment will be carried out using the agreed program of works submitted prior to commencement of the project just immediately after site hand over to contractor.

The following sequence of work will be performed at site for smooth execution of the project:

- ◆ Site handing over to the contractor.
- ◆ Mobilization period to be agreed upon including construction services.
- ◆ Building setting out
- ◆ Foundation excavations
- ◆ Construction of the framed building foundations, columns, beams, slabs, and roof structure.
- ◆ Fixtures, fittings, finishes and decorations
- ◆ External works including plumbing, water supply, electricity supply, parking, internal roads and landscaping.

4.3 Costing Details

The quantity surveyor will be doing costing using the standard format of bills of quantities basing on the part of tender document comprising of drawings and specifications.

The tenderers will apply the current market rates for pricing the bill and come up with a competitive tender sum.

4.4 Review of Work Drawings

The consultancy team will be reviewing the drawings to fit the locality, any alterations and any client's need in the course of construction. The contractor will immediately be informed of the review for implementation. In addition, the client will be advised of the cost implication on the effected alterations.

5.0 INVESTMENT AND FINANCING

5.1 Basic Assumptions

- The project involves construction of affordable housing units for sale;
- The project will be developed in phases when 125 units will be developed every year;
- Initial investment will be financed by the developers own funds US\$ 344,827.58- and long term loan of US\$ 689,854.42-;
- All proceeds obtained in selling the housing units will be re-invested in the following year, while the bank term loan financing will be available for the first five (five) years. Thereafter project will be self-financing until completion in the 12th year of continuous development;
- All prices and costs used in this project are based on September 2021 market levels and are kept constant for the entire project life on the assumption that when costs rise, in future it would be possible to increase prices to a level where acceptable profit margin can be maintained;
- The project's life span is assumed to last 12 years when construction of the last batch of 125 houses will have been completed;
- To bring all costs to a conservative level, capital and operating costs estimates have been increased by a contingency allowance;
- The selling rate for the housing units has been estimated at 50%, in the first year and 100% in subsequent years.
- One US\$ is valued at TShs 2,320/=

5.2 SUMMARY OF CAPITAL INVESTMENT

Estimated number of housing units is 1,500. At the construction rate of 125 units per year, attracting annual investment cost of US\$ 1,304,682-- per annum. The total capital investment cost for 12 years is estimated at US\$ 12,416,184- and is itemized as follows:

Cost of constructing one house unit measuring 100m² will be:

Main Building Structure (including labour and all other technical aspects): 100m ² x US\$ 66- per m ²	US\$	6,600.00
Site Works (10% thereof)	US\$	660.00
Water and Electricity Installations (10% thereof)	US\$	660
Security Services (2% thereof)	US\$	132.00
Administrative Costs	US\$	227.45
Total Construction Cost	US\$	8,277.45

Financing Plan

Initially the project will be financed by owners' equity contributions at US\$ 344,827.58 (33.32%) and local bank loans at US\$ 689,854.42 (66.68%), thus:

Owners' Equity Contribution: US\$ 344,827.58 (33.32%)

Bank Term Loan: US\$ 689,854.42 (66.68%)

Thereafter the project will be self-financing by ploughing back all the net profits generated through sales of completed house units, serve for the first five (5) years when it will still be supplemented by the term loan.

Project Implementation Plan

Implementation of the project starts in September 2021, at the rate of 125 units a year and is estimated to proceed in a span of 12 years to completion of building 1,500 house units.

6.0 MANAGEMENT AND STAFF

To perform a professional job in the construction industry a company requires a team of skilled and well-motivated personnel. Under the implementation program Mega Builders Limited has in-house expertise to manage the project as it is a renowned building company with the requisite professional expertise in the field of technical construction management, having managed a number of similar projects in the past 40 years.

A total number of 20 local technical staff will be recruited to undertake the construction works while up to 25 casual labourers will be employed during the construction period,

The total payroll is estimated as follows:

(IN US\$)

Position	Monthly Salary	Positions	Annual Salary Bill
Salaries (Technicians)	250.00	20	60,000.00
Labour Overhead Costs (Technicians)	50.00	20	12,000.00
Sub total			
Wages (Casual Employees)	100.00	25	30,000.00
Labour Overhead Costs (Casual Employees)	20.00	25	6,000.00
TOTAL PAY ROLL			108,000

Mega Builders Limited envisages paying marketing management fee to the designated Marketing and Advertising Agency at the rate of 1% of gross revenue, thus US\$ 17,500 per annum.

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7.0 SWOT ANALYSIS

7.1 Strengths

The strengths of Mega Builders Limited will be the same as those that have served the developers other construction building activities elsewhere in good stead. These are:

- Sound and credible management and financial policies to be provided by the in-house construction management team;
- All incredible determination and perseverance of the directors against immense odds;
- A fairly well skilled, committed and efficient local labour force
- The establishment of a new Local Government Council and the envisaged upgrading of Chalinze to a full District Authority; and the upgrading of the nearby Mihuga Village Saadani Game Reserve to a fully-fledged National Park ;
- A quality product of the proposed project of modern, yet relatively cheap house affordable to villagers.

7.2 Weaknesses

Of all the shortcomings that might hold the company back from progress, the following rank highest:

- Limited market knowledge of real estate marketing strategies
- Inadequate cutting edge real estate marketing skills

7.3 Opportunities

The company is focused to take optimum possible advantage on the following:

- Investor friendly government policies including :
 - Market liberalization
 - Lucrative investment incentive package
 - Provision of site infrastructure.
- Duty exemption on capital goods
- 50% capital investment allowance with indefinite loss carry over period against future profits
- Unrestricted repatriation of profits
- A stable economic and political environment
- Heavy investments in infrastructural development in roads (all weather), particularly the Bagamoyo-Msata Road, Dar es salaam-Morogoro and Chalinze-Segera highways.

- Telecommunications; the country has one fixed telephone line company and several cellular telephone networks with a very wide coverage of the country.

7.4 Threats

These are many and profound and the most common to the company's well being includes:

- Unfair competitive practices among stakeholders such as negative publicity, skilled manpower draining and agent/client poaching.
- There exists, albeit in small scale a threat of officialdom/bureaucracy and corruption, factors which should not be ignored as it might affect government facilitation particularly among public servants who are supposed to support the private sector.
- The taxation regime is rather intricate; there is still duplicity of taxes although the government is working to eliminate the anomaly, step by step.

8.0 SALES PROJECTIONS AND EXPENSES

Source of revenue will be from one activity only: sale of affordable residential house units development of which is estimated at 125 units per year, each unit generating a revenue of TShs 12,000- per unit at Msoga, Msolwa and Lugoba Villages while the same is US\$ 14,000- at Mihuga Village, which computes to a revenue of US\$ 1,500,000- (Msoga/Msolwa/Lugoba Villages) and US\$ 1,750,000- (Mihuga Village) per annum over a period of 12 years thus, estimated combined revenue of US\$ 20,408,000.00 - for the 12 years of operation.

9.0 FINANCIAL AND ECONOMIC ANALYSIS

Projecting for financial statements is based on the following assumptions:

- The project is evaluated for 12 years based on construction and sell of residential house units;
- The implementation of the project will cost US\$ 1,034,681.25- annually over a span of 12 years;
- Capital expenditure will be spread over a period of 12 years.
- Economic depreciation over assets does not apply as the house units will be sold immediately after construction

.COST ANALYSIS

Costs fall into two main categories.

9.1 Operating costs:

- Construction of a single house unit will cost US\$ 8,277.45- or a total of 11,034,681.25 per annum;

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- Sales of completed house units will generate gross revenue of US\$ 12,000- (Msoga, Msolwa, Lugoba Villages), and Mihuga Village (US\$ 14,000-) or a total of US\$ 1,750,000- per annum from year four onwards;
- Salaries, wages and allowances: estimated at US\$ 108,000- per annum. This include salaries for technical staff and casual labourers, plus 20% thereof Social Benefits;
- Direct Overhead Costs US\$ 28,182- per annum.

9.2 Administrative Costs

- Directors/board fees: US\$ 48,000- per annum
- Marketing and Advertisement: 1% of gross revenue estimated at US\$ 17,500- per annum.
- Miscellaneous Costs: 40% of total administration costs above.

9.2 Financial Statements

Major Assumptions

- The prices of inputs and outputs are assumed to remain constant over the project life i.e. 12 years. However, in case of changes in the costs of inputs, to maintain the desired profit margin, the prices of the outputs will be accordingly adjusted;
- Market growth projections for the demand for housing facilities are accurate;
- National economic conditions, which are favourable to the establishment of Chalinze District and sustainability of Saadani National Park will go on as planned;
- Investment climate will remain favourable for during construction and selling periods;

General Assumptions

9.3.1 Income

The project's annual income at completion of construction of planned 125 annually is estimated to average at US\$ US\$ 1,750,000- per annum as presented in the Income Statement under the Financial Projections.. Net profit US\$ 315,000- (18% of total sales per year) every year

Break-even ratio falls from 76 % in the first year to 65 % by the 12th year of operations.

9.3.2 Expenditure

The expenditure items are as indicated in section 9.1 & 9.2 above. They include supplies and all costs items plus financial charges. These are listed under Annual Production Costs under the Financial Projections

9.3.3 Projected Cash Flows

Cash flow projections indicate that the project should be able to repay the term loan and meet all other financial commitments as scheduled. This is shown in the Debt Service Programme under the Financial Projections. The project has a positive net cash flow from year 5th year of operation to the 12th year.

9.3.4 Projected Balance Sheet

The liquidity assessment of the project presents a highly attractive balance sheet throughout the period under review. While the current liabilities will be covered adequately by the current assets, the net worth of the project should grow between US\$ 344,828- to US\$ 6,958,022- over the projected period, a growth considered a highly attractive, confirming the project's self-perpetuation ability.

Details of the projected Balance Sheet are shown under the Financial Projection Schedules.

9.4 Financial Indicators

Financial indicators showing the financial viability of the project are summarized below:

9.4.1 Internal Rate of Return (IRR)

The project's internal rate of return (IRR) after tax as given under Discounted Cash Flow is computed at 27.8 % at the discount rate of 8%. The positive rate is above the average market rates and lending rates of majority commercial banks and financial institutions operating in the country. The rate further confirms the commercial viability of the project. NPV Ratio is highly positive

9.4.2 Payback Period

The payback period is computed at only six (6) years at the assumed discount rate of 8%.

9.5 Risk Analysis

Main predictable risks common to similar projects in Tanzania include the following:

- Heavy initial capital expenditure in terms of building and construction materials

- Extensive marketing and advertising in the real estate industry
- Inability to get clients in time

Since Mega Builders Limited is an experienced construction company in the field, and considering that it will be the one supervising the construction works at the site, it will enter into marketing and advertisement management contract with a reputable real estate marketing agency, it is highly unlikely that the company will unduly incur high marketing and advertising costs prerequisite in such business to threaten the envisaged operations and profitability.

Experience gained by the developers of the project in the construction industry and elsewhere will be valuable in ensuring timely implementation of this relatively smaller outstanding investment.

Support from existing financiers should enable the company raise adequate financial resources without undue delay and should be valuable in mitigating cost overruns.

Directors and shareholders of the company have a sound managerial experience and will be managing the project in a highly organized manner, capable of commissioning, running, marketing and managing the whole project.

Implementation of the project will be undertaken at an opportune time when an enabling environment has been created for investment in Tanzania and construction activities are increasing annually..

9.6 Economic Benefits of the Project

The successful operation of the Project will contribute significant economic benefits to Bagamoyo people and Tanzania as whole. In summary, the benefits that will be realized are as follows:-

- New entrants will bring fresh supply to the hitherto existing short supply and sub standard residential property inventory within the proposed villages in particular and in the country in general
- Employment opportunities for over 20 strong technical team and 25 seasonal employees during construction
- Provision of income to other services providers, thus contributing to the reduction of poverty. The income to be earned will help in improving standard of living of the workers and other people residing in the region.
- The direct income for the workers, combined with other social benefits that the Management of M/s Mega Builders Limited will provide, will help in overall efforts of alleviation of poverty in the Region.
- Provision of a market for goods and services demanded by expanded tax base to the Treasury and local Government authorities and generation of substantial income to the

Government. The Government earns considerable revenue from the construction industry in terms tax collections.

10.0 CONCLUSION AND RECOMMENDATIONS

10.1 Conclusion

The project as analyzed in this report is both economically and technically viable. The project has come at the right time to provide the much needed quality accommodation facilities for the newly establishment of Chalinze Local Government Council and the envisaged establishment of Chalinze District Authority the recently upgraded Saadani National Park next to Mihuga Village..

10.2 Recommendations

A fast implementation of this venture is highly recommended especially at this juncture when the Government in collaboration with donor communities is implementing a programme of boosting investment in the residential housing sector.

Financial Projections