

Business Plan

1.0 INTRODUCTION

Mining is the center of development in Tanzania, for true development to be achieved we should look to maximize and modernize utilization its resources to go hand in hand with technological advancements and the know-how of the modern world. The mining industry is the bridge and get way to rapid national development and growth.

EA STAY AFRICA LIMITED will require an investment of US\$710,000 for setting up gemological training center and trading of minerals. A market opportunity of this size has attracted the company to open a business in Tanzania to curb the demand for a high-quality gemological practical training requirement from customers.

Our company is very diverse, offering top notch gemological training that will benefit society. EA STAY AFRICA LIMITED has considerable capabilities and areas of expertise including design, engineering, and fabrication and mentoring, and the ability to produce high end gemological knowledge that will spur further growth in the mining sector.

EA STAY AFRICA LIMITED will have its niche markets and as well as services that will help it become more successful in accessing markets in

a new country. The shareholders are operating various business in Italy and will facilitate the implementation of the project in Tanzania.

EA STAY AFRICA LIMITED is focused on ushering a new education that will spur sustainable growth in the mining industry by adding value to the minerals extracted in Tanzania versus sending the minerals to other countries for the value adding process to take place.

1.2 LOCATION

The project is located at Plot No; 43/52, 7th Floor, NHC House, Samora Avenue, Dar es salaam Tanzania.

1.3 MISSION

The mission of **EA STAY AFRICA LIMITED** is to provide quality and practical gemological services at competitive rates in Tanzania.

1.4 THE PROJECT PROMOTERS

The project is being promoted by **EA STAY AFRICA LIMITED**, a private company registered under the Companies Act 2002, the company is owned by three shareholders.

Name Subscribers	% Shares subscribed	Nationality
ANNA PETER MRIO P. O. Box 78286, DAR ES SALAAM	25	Tanzanian

TANZANIA, DAR ES SALAAM REGION, ILALA DISTRICT, KINYEREZI WARD, KIFURU STREET, KIFURU ROAD, PLOT NUMBER 28, BLOCK NUMBER B, HOUSE NUMBER 28		
ERION RAKAJ erion1980@hotmail.it ITALY, GUIDIZZOLO, VIA BRUNO RODELLA, 25/10-46040	45	Italian
PIER LUIGI PETRELLA pierluigipetrella@gmail.com ITALY, SAN LORENZO VIA DEL PAESE VECHIO, 41-01020	35	Italian

1.5 PROJECT MANAGEMENT

EA STAY AFRICA LIMITED will be under the competent Management to be employed by the board of director, the board of director will be involved on policy issues and general guidance of the company vision, the Managing Director will take care all matters related to Financing and Administration, the company intend to employ 19 employees among of them 5 will be

foreigners with special knowledge and experience in providing gemological trainings.

Under this management, **EA STAY AFRICA LIMITED** is expected to grow steadily from small gemological services center serving local and foreign markets.

Employment	Foreign Skilled	Local Skilled	Local Unskilled	Total
Women	1	2	5	8
Men	4	2	5	11
TOTAL	5	4	10	19

1.6 LEGAL STRUCTURE

EA STAY AFRICA LIMITED is a company duly registered under the Business Registration and Licensing Authority Agency of Tanzania (BRELA) bearing incorporation number 156320021

1.7 OBJECTIVE OF STUDY

The purpose of this study is to work out the technical and commercial details and financial viability of a gemological services center project

2.0 TANZANIA OVERVIEW

The mining sector in Tanzania has witnessed a number of important achievements in recent years evidenced by its large contribution to Tanzania's Gross Domestic Product (GDP) growth in 2021 by contributing 10.2 percent of the GDP equivalent to 1,473,804 million TZS.

To put this in perspective, in 2018, the Gross Domestic Product (GDP) in Tanzania was worth 57.44 billion US dollars an equivalent to 0.09 percent of the world economy.

Tanzania exemplifies the developing world's struggle to achieve 'High-middle-income' country status while confronting widespread poverty and substantial challenges in maximizing due to low exploitation of resources caused by lack of access to finance, exploitation from middle men, lack of enhanced machinery and technology in the value adding process.

These issues are exacerbated by underlying lack of gemological expertise and skill. This is a result of a multitude of factors, the major one being the lack of modern gemological machinery and technology. The end result of this is lack full exploitation of the opportunities that come hand in hand with mineral extraction and mineral trading.

The lack of modern gemological facilities & services and technological practices has created a venue for entrepreneurs to explore the opportunity and set up the gemological facilities to fill the gap and cater for increasing local demand in regards to skill and top notch polished and refined minerals to the neighboring countries. Instead of selling unrefined or crude minerals to other countries the company will set a gemological institute and processing center to cater for the current demand in the region for local and export markets.

2.1 BUSINESS OVERVIEW

Tanzania's mining sector is one of the largest in Sub-Saharan Africa and the world at large. Among the major mineral products in the region include Tanzanite which despite only being found in Tanzania is highly traded in South Africa and Kenya due to lack proper gemological facilities and expertise to add value to the minerals, other minerals include gold, diamond, ruby, silver and many others.

3.0 PRODUCTS AND SERVICES

EA STAY AFRICA LIMITED will supply the Tanzanian market with the following products and services.

- Gemological services and facilities

- Mineral trading center

3.2 LONG TERM AIM OF THE BUSINESS

EA STAY AFRICA LIMITED aims at reducing the exportation of minerals to neighboring countries to add value before reaching to the final buyer of the minerals and in the alternative to create a sufficient production chain that includes a value adding process done here in Tanzania and sell the minerals from Tanzania rather than export to sell. We intend to make enough profit to generate a significant return for our investment and to finance continued growth and continued development in quality gemology services. We will also maintain a friendly, fair, and creative work environment, which respects diversity, new ideas and hard work.

In the near future we plan to promote the growth of the local people & boost the economy in the Tanzania market. We plan to invest with our partners in the following industries:

- Gemological services
- Banking and financial services industry
- Manufacture and exportation of porcelain and ceramics
- Mining and smelting of minerals

Our investment will promote business and employment for the local Tanzania citizens which shall in turn promote the economy in Tanzania.

Initially we intend to employ Twenty (14) local employees and then in a span of a year we will grow to 20+ local employees. Growth of the local people & the growth of Tanzania economy is EA STAY AFRICA LIMITED's success.

4.0 **ANALYSIS**

We have assessed the market for strengths, weaknesses, opportunities and threats, both for EA STAY AFRICA LIMITED as well as other institutions and for the industry as a whole in Tanzania. While most institutions did identify their own situation, fewer firms provided an opinion on the industry as a whole or provided identical answers to those for their own institutions.

In the lists below, items are arranged in order from most frequently mentioned to the least mentioned.

4.1 **STRENGTHS**

Strengths of EA STAY AFRICA LIMITED were identified both in terms of business capabilities and in terms of specific products. This entails

capability to offer a variety of services, and a flexibility in terms of meeting customers' requirements.

- Top notch expertise and experience in the gemological industry
- State of the art machinery design
- Quality: ISO certified products
- Employees - skilled workers
- Fabrication and manufacturing: top of the line machineries
gemological machines from China

4.2 **WEAKNESSES**

We have identified the following weaknesses:

Our competitors have expressed the lack of skilled workers and also the lack of technology and machinery, supplies of good quality services as major weaknesses. We have the ability to erase these problems using our offices in Italy to find experienced workers who are able to train the local workforce.

4.3 **OPPORTUNITIES**

The growing economy of Tanzania will give us great opportunities to cater for the shortage of gemological expertise, knowledge and skill in the country. The government has made numerous efforts to make sure

Tanzania is recognized for the minerals mined and extracted in the country to no avail due to lack of value added in the production that is due to lack of gemological expertise, machinery and technology. We forecast the need of these skills and machinery to grow over the years to come due to the never ending discovery of mineral ores in Tanzania. Which will give our company new opportunities.

4.4 THREATS

As we have mentioned on the weakness section the threat will also fall back on lack and shortage of skilled labor and experts. Appropriate training is required and also to make sure trained personnel do not leave their jobs by providing competitive salary. Another threat would be price undercutting by competitors. We have to fight this problem by identifying our quality workmanship as well as the great quality product we offer to our customers.

5.0 COMPETITIVE EDGE

EA STAY AFRICA LIMITED competitive edge rests with its proximity to its target markets, as well as the industry knowledge, reputation and contacts of its senior management. The many years of direct experience have led them to identify this unique opportunity and put together the

technology and sources to take advantage of it. Their reputation in the specific market segment will result in the achievement of long-term commitments for our services.

6.0 EXPORT SALES DIVISION

The vision and core aim of the promoters of this project is to boost the top notch mineral export and at the same reduce export for the purpose adding value to the final buyer/consumer in neighboring country while bridging the gap of modern gemological knowledge and expertise. We also plan to give trainings and seminars to introduce our services.

6.1 SALES STRATEGY

Because of the unique extensive experience and reputation of our management team we plan to hire the Company's chosen industry segment, we are able to identify all of the potential clients of our services and customers of our gemological end products we will produce in our facility.

6.2 PROMOTION

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

6.3 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 gemological expertise gives assurance of a steady market.

6.4 QUALITY CONTROL SYSTEM

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

6.5 ENVIRONMENT PROTECTION

The company intends to make environment friendly; the company will observe the country's environment laws and global environmental guidelines in general.

7.0 Project Investment Cost

The estimated capital investment cost of the project is **US\$710,000.00**,

EA STAY AFRICA LIMITED COST STRUCTURE

	US\$
PARTICULAR	
Machinery & Equipment	200,000.00
Motor Vehicles	150,000.00

Furniture & Fixtures	10,000.00
Pre exp	20,000.00
Others	30,000.00
Working Capital	300,000.00
TOTAL	710,000.00

For the project to be a reality a total investment amounting to **US\$710,000.00** is needed

(i) Machinery and Other equipment: US\$ 200,000

Some US \$ 200,000 is anticipated to be spent on the purchase of various machines, equipment and other tools which will accommodate new technology

(ii) 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.

(iii) Furniture: US\$10,000

This investment cost item has been estimated to cost US\$10,000. It will consist of, tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

(iv) Pre-Operational Expenses: US\$ 20,000

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\$ 30,000**

An assumption for working capital requirements has been budgeted at US \$ 300,000 and unplanned expenses US\$30,000

4.1 Financing pattern

The project will be financed by a total of **US\$ 710,000.00, US\$ 650,000** as equity and **US\$ 65,000** as long term loans

5.0 Project operating costs

In order to realize its intended objective, the project will have to meet service and trading 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 industry.

The company is expecting to buy 12-30 kilograms of precious metals per year and sell at approximately US\$ 60,000 to 85,000 per kilogram depending on the rarity and demand of the metal

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.

EA STAY AFRICA LIMITED PROJECTED REVENUE LTD

	1	2	3	4	5
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 years, **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 5th year. **Refer appendix V**

6.7 Projected payback period

Total investment is **US \$ 710,000** cash accumulation third year is **US\$ 1,245,575**. which is more than the initial investment by **US\$ 535,575** 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 and foreign market
- The project will create employment for 19 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 gemological trainings 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	June 2022
2	Moving of funds from Italy to Tanzania	July 2022

3	Machines ordering	June - Nov 2022
5	Installation of machines	November- December 2022
6	Testing operations	Jan 2023
7	Commercial Operations	Feb 2023

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, 1999.

APPENDIX (I)**EA STAY AFRICA LIMITED COST STRUCTURE**

PARTICULAR	US\$
Machinery & Equipment	200,000.00
Motor Vehicles	150,000.00
Furniture & Fixtures	10,000.00
Pre exp	20,000.00
Others	30,000.00
Working Capital	300,000.00
TOTAL	710,000.00

APPENDIX (II)**EA STAY AFRICA LIMITED PROJECTED REVENUE**

	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

EA STAY AFRICA LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT US\$

	1	2	3	4	5
Revenue	1,200,000	1,296,000	1,399,680	1,511,654.40	1,632,586.75
Operating Expenses	720,000.00	907,200.00	979,776.00	1,058,158.08	1,142,810.73
Profit before Depreciation & Interest	480,000.00	388,800.00	419,904.00	453,496.32	489,776.03
Interest	30,000.00	22,500.00	15,000.00	7,500.00	-
Depreciation	30,100.00	30,100.00	30,100.00	30,100.00	30,100.00
Gross Profit	419,900.00	336,200.00	374,804.00	415,896.32	459,676.03
Tax (30%)	125,970.00	100,860.00	112,441.20	124,768.90	137,902.81
Profit After Tax	293,930.00	235,340.00	262,362.80	291,127.42	321,773.22
Accumulated Profit	293,930.00	529,270.00	791,632.80	1,082,760.22	1,404,533.44

APPENDIX (IV)

EA STAY AFRICA LIMITED PROJECTED CASH FLOW US\$

	0	1	2	3	4	5
SOURCES:						
Profit before interest and depreciation	0	443,360.00	491,388.00	559,238.00	626,839.00	701,785.00
Equity	481,000.00					
Loan	500,000.00					
Total Sources	981,000.00	443,360.00	491,388.00	559,238.00	626,839.00	701,785.00
Applications:						
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
Sub total	981,000.00	443,360.00	582,248.00	559,238.20	626,839.90	701,785.81
Total applications	981,000.00	443,360.00	582,248.00	559,238.20	626,839.90	701,785.81
Accumulated cash		317,390.00	798,778.00	1,245,575.00	1,747,646.00	2,311,529.00

EA STAY AFRICA LIMITED PROJECTED BALANCE SHEET US \$

Fixed Assets		1	2	3	4	5
Opening balance	<u>0</u>	672,000	641,900	611,800	581,700	551,600
Total Long-term Assets	-	672,000.00	641,900.00	611,800.00	581,700.00	551,600.
Less depreciation	-	30,100.00	30,100.00	30,100.00	30,100.00	30,100.00
Closing balance	-	641,900.00	611,800.00	581,700.00	551,600.00	521,500.
Working capital	309,000.0	309,000.00	309,000.00	309,000.00	309,000.00	309,000.
Accumulated cash	-	317,390.00	798,778.00	1,245,575	1,747,646	2,311,529
Total assets	309,000	1,268,290.	1,719,578.	2,136,275.	2,608,246.	3,142,029
Financed by						
Equity	481,000.0 0	481,000.00	481,000.00	481,000.00	481,000.00	481,000.0 0
Net profit	-	293,930.00	235,340.00	262,362.80	291,127.42	321,773.2 2
Total equity	481,000.	774,930.00	716,340.00	743,362.80	772,127.42	802,773.2 2
Long term loan	500,000	375,000	250,000	125,000	0	0
Total debts	500,000	375,000.00	250,000.00	125,000.00	-	-
Total equity and debts	981,000.	1,149,930	966,340.00	868,362.80	772,127.42	802,773.2 2

APPENDIX (VIII)**EA STAY AFRICA LIMITED PROJECTED PAYBACK PERIOD**

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