

# **BUSINESS PLAN FOR STONE QUARYY PROJECT**

**PREPARED FOR:**

**MUMANGI CONSTRUCTION COMPANY LIMITED,**

**P.O.BOX 420**

**BUNDA**

**Email:mumangiconstructioncoltd@yahoo.com**

**Tel: +255 784 558 008**

**PREPARED BY:**



**Business Winners Consultancy LTD**

*Dealers in: Management training and consultancy services*

*P.O.BOX 10556,CCM building, Kenyatta road*

*5<sup>th</sup> floor room 107, Mwanza.*

*E-mail: bwcons2005@gmail.com*

*Tel: +255 756145121,*

*+255 784 581446*

**February, 2022**

## Table of contents

EXECUTIVE SUMMARY .....	4
1.0 INTRODUCTION .....	6
1.1 The Company .....	6
1.2 Business information and contacts .....	6
1.3 Director's information.....	6
1.4 Company Overview .....	7
1.5 Project Objective.....	7
1.6 Present Conditions and Future Plans.....	8
1.7 THE VISION, MISSION, CORE VALUE AND GOALS .....	8
1.8 Location .....	9
1.9 Our Business Structure.....	9
1.10 ORGANIZATION STRUCTURE.....	11
2.0 DESCRIPTION OF GRADED AGGREGATES .....	12
2.1 The Grade.....	12
2.2 WORKING ARRANGEMENT.....	12
Environment Sustainability.....	12
2.4 Economic Sustainability .....	13
2.5 SOCIO-ECONOMIC BENEFIT.....	13
2.6 Competitive advantage.....	14
3.0 SWOT Analysis.....	14
3.1 Strength: .....	14
3.2 Weakness:.....	15
3.3 Opportunities:.....	15
3.4 Threats .....	15
4.0 MARKET ANALYSIS .....	15
4.1 Market Trends.....	15
4.2 LIST OF BUYERS .....	16

5.0	SALES AND MARKETING STRATEGY .....	16
5.1	Sources of Income.....	17
5.2	Sales Forecast.....	17
5.3	Our Pricing Strategy .....	17
5.4	PROJECTED PRODUCTION.....	18
7.0	TECHNICAL ASPECTS.....	18
7.1	Existing Assets (Investment) .....	18
7.2	Additional Required Investment (Machinery/Equipment).....	19
7.3	Sources of Finance .....	19
7.3	PROJECT IMPLEMENTATION AND COMPLETION SCHEDULE.....	19
8.0	INVESTMENT REQUIREMENT, PROJECTIONS, FINANCING & EXPECTED RETURNS.	20
9.0	USE OF TAX EXEMPTION PLAN .....	21
10.0	FINANCIAL EVALUATION.....	22
10.1	Profitability .....	22
10.2	Break-even Analysis .....	22
10.3	Pay-Back Period.....	22
10.4	Internal Rate of Return and Net Present Value.....	22
11.0	PROJECTED FINANCIAL STATEMENTS .....	23
12.0	Risks & Mitigation measures.....	23
13.0	BANK RELATIONSHIP .....	24
14.0	CONCLUSION AND RECOMMENDATION.....	24

## **EXECUTIVE SUMMARY**

Mumangi Construction Company Limited of P.O Box 420, Mwanza is a registered company and incorporated under the company Act, 2002. The company is limited with certificate of incorporation number 61049. This is a privately owned medium size company engaged in Construction activities and engaged in other (non Construction) business.

The ownership structure is under three shareholders that form the Board of Directors. These are Mr Nyangureta Daved Mumangi (Two hundred shares), Mr James Mbogo Mumangi (Five hundred shares) and Mr Mumangi Nyangureli Mumangi (Three hundred shares). The company is managed by two directors namely Mr. Nyangureta Daved Mumangi (the Managing Director) and Mumangi Nyangureli Mumangi who oversees the daily activities of the company.

The management team has enough experience in Construction activities with concentration on civil works on construction of roads, culverts, bridges and houses. The company's primary objective is to maintain the highest level of customer satisfaction by provision of quality products and services.

The company has leased a land of approximately 17 hectares at Ikengele area Magu district, in Mwanza region from ministry of energy and minerals. The stone quarry site is about 2 km from Mwanza to Musoma high way. It is about 29 km from Magu Township and 35 km from Mwanza city.

Mumangi stone quarry site is well placed for producing graded aggregates and sands due to number of construction sites existing in Lake Victoria zone regions. It is well mechanized with crushing and transportation facilities such as heavy trucks, crushers, convey belts and drilling equipments that ensure reliable source of stone aggregates throughout the year. The company has enough reserve of stones measuring millions of cubic meters. In order to address the current limitations of the supply to our sites and outside customers the company is applying for a Project registration facility from Tanzania Investment centre (TIC) for purchase of equipments and facilities worthy Tshs 14,284,000,000 (Fourteen Billion two hundred eighty four Million) that will help it to expand the capacity for three times of the current production and profitability as the company. Funds for purchasing have been sought from CRDB Bank in form of Term loan. Upon acquiring of the proposed equipments number of staff in the quarry site will increase from

the current number of 52 employees to more than 100 hundred. Increase will be contributed by the drivers, driller operators and quality amd safety assurance supervisors.

The expansion plan will take in three years time from 2022-2025 as implementation schedule attached shows.

## 1.0 INTRODUCTION

### 1.1 The Company

Mumangi construction company ltd of P.O Box 420, Bunda is a Tanzanian owned company based in Mwanza region operating activities in civil and mechanical construction activities. It is registered with Contractors registration Board (CRB) contractor class II. The company's offices are located in Mwanza city Nyamhongolo industrial area. In construction industry stone aggregates and stone sand is an important raw material in every stage. The company has leased from ministry of natural resources and tourism a stone quarry site measuring more than 17 hectares located at Ikengele area, Magu district, Mwanza region. The stone quarry site is about 2 km from Mwanza to Musoma highway. It is about 29 km from Magu Township and 35 km from Mwanza city.

### 1.2 Business information and contacts

- i. **Business Name:** Mumangi Construction Company Limited
- ii. **Business Address:** P. O. Box 420, Bunda
- iii. **Email:** [mumangiconstructioncoltd@yahoo.com](mailto:mumangiconstructioncoltd@yahoo.com)
- iv. **Tel:** +255 784 558 008

### 1.3 Director's information

- i. Mr Nyangureta Mumangi– Founder and Managing Director
- ii. Mr Mumangi Nyangureli Mumangi– Director of operations

Managing Director Nyangureta Mumangi aged 50 years is an experienced business person who has been in different sectors for past 25 years. The company is registered with Contractors registration Board as contractors class II which is big achievement. He has vast experience in sectors of transportation logistics, petroleum products and construction sites management.

Before official registration of current company of Mumangi construction in 2017 he was managing Mumangi trans and construction company dealing with transportation logistics and construction throughout Tanzania and neighboring countries. Also he has subsidiary company of Nyangureta Mumangi Service station for supply of fuel to its trucks and other customers based in Bunda town.

## **1.4 Company Overview**

Mumangi Construction Company Ltd is a registered Company with its stone quarry activities based at Ikengele area, Magu district, in Mwanza region. The Company was registered (incorporated on 22<sup>nd</sup> August 2017, with certificate of incorporation number **61049** to take over the stone quarry site business interests that had been in the past run by mumangi trans and construction co as well as individual founding directors. The company has leased land measuring 17 hectares from ministry of natural resources and tourism that is used for commercial production of graded aggregates and stone sand for company sites and external customers.

## **1.5 Project Objective**

Mumangi Construction Company Ltd is a brainchild of Nyangureta Mumangi (Managing Director) recognizing the potential of Construction sector to transform the lives urban and rural communities and contribute to sustainable socio-economic development in Tanzania. He decided to team up with his co-directors to start and later on incorporate the company with a view to scaling up its activities to other parts of the country. Within the period of its existence, the company has been able to command a large support both from the local communities, local government authorities, financial institutions as well as other stakeholders within and outside the country.

In 2016 Mumangi Construction Company Ltd found a need to establish stone aggregate site in order to meet their increasing demand of aggregates in construction sites. Most of contracts undertaken are for roads including bridges. Roads require aggregates as main raw material thus it was necessary to have own quarry site in order to perform the tasks successfully. Extra amount of aggregates are sold to other contractors with similar projects.

Capital equipments to be purchased will enhance capacity of site for more than three times increasing production from current rate of 379 cubic meters per day to 900 cubic meters.

## **1.6 Present Conditions and Future Plans**

As noted above, the company has been able to achieve some important milestones on its way to becoming a leading Construction company with contribution to socio-economic development in Tanzania and beyond. The major obstacles so far include technological limitations, especially lack of modern mining technologies which is forcing the company to utilize only a small portion of its land. This implies that the company is still dependent on outdated mining equipments to conduct its stone quarry site activities with adverse effects to both productivity and profitability. It is the company's hope that these limitations will be addressed and thus enables the company to utilize its entire land.

About 52 employees are employed at the stone quarry site both as part time and permanent employees. With the increase in production and hectare the company hopes to be able to increase the number of employees to 100 and thus contribute to reduction of unemployment and poverty in the communities where it is operating.

The company plan to expand the mining area beyond Ikengele area once receiving the facilities proposed by the business owners. This will help us to meet our goals and objectives and help to put us in a good position in this industry of Construction.

## **1.7 THE VISION, MISSION, CORE VALUE AND GOALS**

### **Vision**

The vision of the company is to become a leading producer, processor and marketer of quality Construction aggregates and sand in the country and beyond.

### **Mission statement**

The Mission of Mumangi Construction Company Ltd is contribute to sustainable socio-economic development in Tanzania and beyond by promoting modern stone quarry mining technologies.

### **Core values**

In conducting our activities we shall always strive to uphold the values of honesty, integrity, and business ethics. We shall treat all people with dignity and respect.

## **Goals**

- i. To scale up the production, processing and marketing of quality Construction aggregates and sands.
- ii. To increase the types of graded aggregates produced and sands so as to enhance the contribution of Construction industry to socio-economic development in Tanzania and beyond.
- iii. To increase the participation and empowerment of small-holder stone quarry sites in the Construction value chain so as to support their livelihood.
- iv. To form a foundation, that will deal with the local community development issues and challenges.

## **1.8 Location**

The stone quarry site is located at Ikengele area Magu district, in Mwanza region, Tanzania Mainland. The stone quarry site has different types of stones ranging from granites to marbles suitable for production of aggregates for different uses.

## **1.9 Our Business Structure**

Mumangi Construction Company Ltd stone quarry site is a commercial graded aggregates and stone sand site that operate at Magu district in Mwanza region. It is planning to transform to advanced technology that uses small amount of stones to produce graded aggregates and less stone sands. Mobile crusher to be purchased will increase the efficiency and save costs of transporting materials to far away sites. It is effective than stationary crusher which can be moved to nearby areas of construction site.

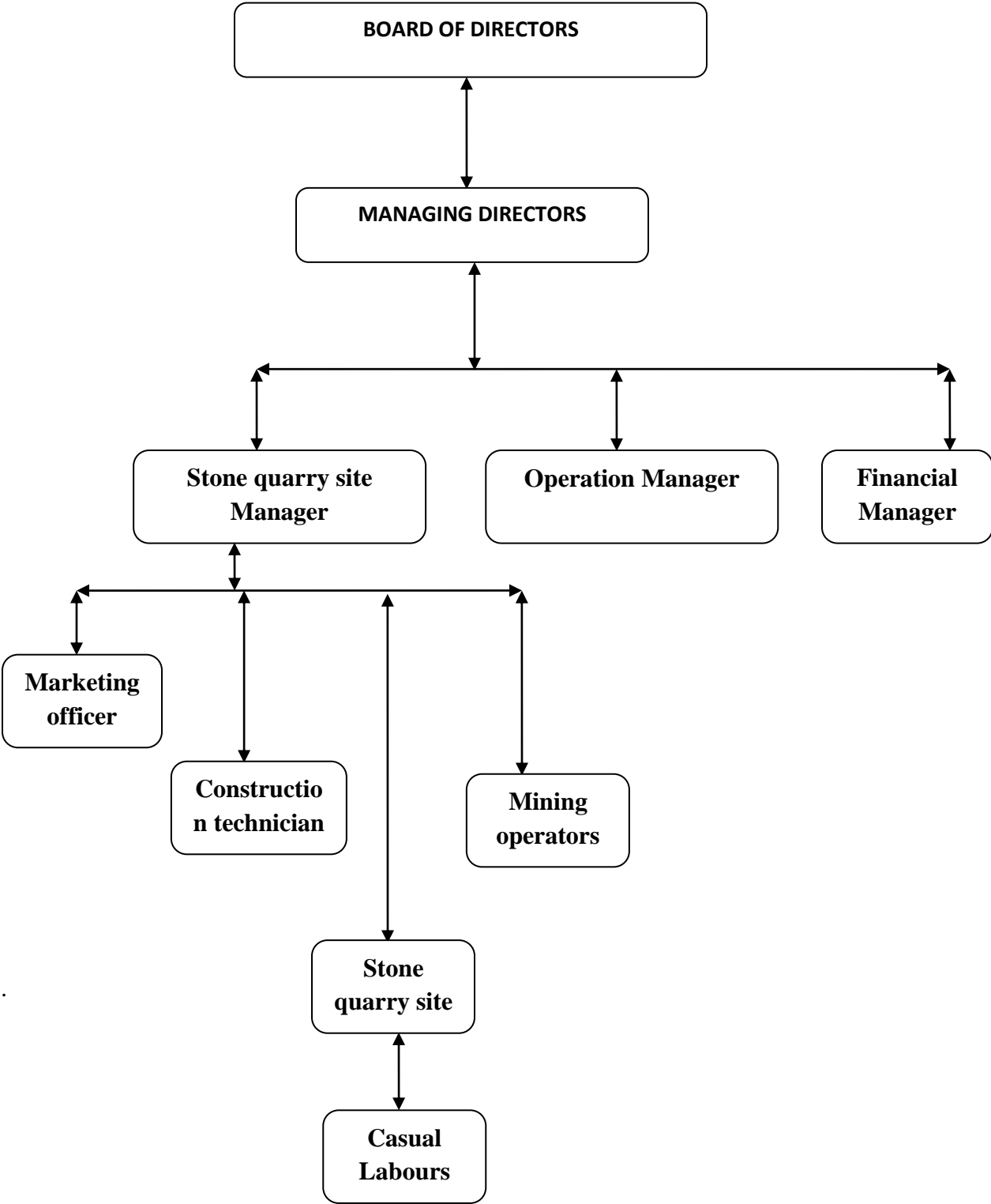
We are aware of the importance of building a solid business structure that can support the picture of the kind of world class business we own. For this reason, we are committed to only hire the best hands in and around the site.

At Mumangi Construction Company Ltd, we hired people that are qualified, hardworking, dedicated, customer centric and ready to work to help us build a prosperous business that will benefit all the stake holders (the owners, workforce, and customers).

In view of the above, Mumangi Construction Company Ltd in its expansion plans has decided to hire qualified and competent hands to occupy the following positions;

- i. Site Manager (1)
- ii. Construction aggregates technician (1)
- iii. Site safety manager (1)
- iv. Stone quarry site Attendants (2)
- v. Security Guards (2)
- vi. Drivers (12)
- vii. Mining machine operators (4)

**1.10 ORGANIZATION STRUCTURE**



## **2.0 DESCRIPTION OF GRADED AGGREGATES**

### **2.1 The Grade**

Aggregate grading is measure of how well distributed the sizes of the particles in an aggregate are. A well graded aggregate have a good range of particle sizes and fair representation from every size of particle. Aggregate is the major component of all materials used in roads construction. The most common types of aggregate that at used in construction are crushed stones, gravel, sand and fill. They are used in different stages of roads and buildings from foundation.

At Mumangi construction quarry site most aggregates produced range from coarse aggregates more than 4.75mm to fine or crushed gravel with size of 4-8 mm.

Mumangi Construction Company Ltd aspires to be a world class stone quarry site that is committed to fulfilling the gap of supplying quality aggregates to contractors in Tanzania. We are in business to produce final products like road paving and raw materials for other contractors.

We are in this line of business to make profits, as well as to ensure that we do all that is allowed by the law of the United Republic of Tanzania to achieve our business goals and objectives.

### **2.2 WORKING ARRANGEMENT**

In order to contribute to the Tanzania government goal of transforming small quarry miners from subsistence to commercial stone quarry, Mumangi Construction Company Ltd has developed a good mechanism for promoting and supporting small quarry miners around the site by empowering them to form formal groups and associations that will enable them to access support services such as training, credit services and technical support. This will help small quarry miners to increase production and productivity and thus increase their income and improve their livelihoods.

### **2.3 Environment Sustainability**

The project will transfer sustainable technologies of mining and modern stone quarry techniques as well as improved drilling facilities to get maximum products. The improved designs of stone

aggregates will help to reduce the amount of dust blown in the air and conserve environment for the benefit of the staff working in the site as well as community around.

## **2.4 Economic Sustainability**

The company plans to give the community a proper scientific basis for planning future interventions. It will also save the community from making wrong investments; economic gains from effectively planned interventions will give impetus to the community to continue the same activities in future. The environment conservation measures will help to improve the quality of products and reserve water sources around the site. It will also unleash the scope of alternative income. Introduction of modern mining practices and integrated stone quarry system will help to reduce the cost of Construction and increase the total stone quarry site production. The extension of stone quarry site will increase the employment opportunity and thereby the income of marginalized families. The introduction of appropriate technologies will also give the advantage to communities through sustainable mining approach for future generations

## **2.5 SOCIO-ECONOMIC BENEFIT**

Given the major goals and future plans of Mumangi Construction Company Ltd, building the local community socio-economic development capacity is one of the company's corporate social responsibilities. The company aims to support small scale quarry miners around Ikengele area and here below are some of the benefits:

### **Community organization and Education programs**

Lack of formal and legal stone quarry mine groups is one of the major obstacles for small scale miners to access financial and other support services in order to improve their practices and thus increase productivity and profitability. To address this, Mumangi Construction Company Ltd will design and implement a mobilization and education programme for the purpose of enabling small quarry miners to form and register small groups in order to help them access support services. We plan to establish small groups with maximum of ten members for the first year of operations that will help to strengthen our company and build a good image. This means about 20 formal groups will be formed and empowered to run successful small scale quarry mining and

some of their products will be sold to our company, thus they will have ability to access various support services including credit services.

## **2.6 Competitive advantage**

The first determinant consists of the production factors necessary for an industry. Porter favors a detailed classification, including human resources, physical resources, knowledge resources, capital resources and infrastructure. Competitive advantage stems from possessing low-cost or high-quality factors, which are efficiently and effectively deployed.

Competitive advantage can also be gained by selective factor disadvantages. Faced with a disadvantage in particular factors, industries are forced to innovate in order to improve their competitive position. In the process, new technologies and new ways to use or circumvent specific factors, emerge, which often provide the industry with a more sustainable advantage.

## **3.0 SWOT Analysis**

A proper SWOT analysis is necessary in order to position the business to maximize our strength, leverage on the opportunities that will be available to us, mitigate our risks and be equipped to confront our threats. In order to achieve this, Mumangi Construction Company Ltd employed the service of an expert Human Resource and Business Analyst with bias in the construction industry to help us conduct a thorough SWOT analysis and to help us create a business model that will help us achieve our business goals and objectives.

Here below is a summary from the result of the SWOT analysis that was conducted on behalf of Mumangi Construction Company Ltd:

### **3.1 Strength:**

Our strength as a commercial stone quarry site is in the fact that we have healthy relationships with loads of major players (Construction companies who buy graded aggregates and sands) within and outside of the Lake Zone.

We have some of the latest stone quarry machinery, tools and graded aggregates processing equipment that will help us produce graded aggregates in commercial quantities and qualities with less stress.

We have one of the biggest sites in the region (17 hectares) that enables us to produce varieties of graded aggregates and stone sand in big quantities.

Our location in Mwanza region gives us a strategic access to the great lakes region market as well as the East Africa market.

### **3.2 Weakness:**

Our weakness could be that upon receiving the incentive from TIC we could expand too fast and exceed the demand of our sites and suppliers in Tanzania, and perhaps the fact that we decided to diversify our stone quarry activities could count against us initially. However, we are aware of this and from our projections we will overcome this weakness with time and turn it to a major advantage for the business.

### **3.3 Opportunities:**

The opportunities that are available to us cannot be quantified; we know that there are loads of individuals who consume graded aggregates in different forms both in Lake Zone and other parts in Tanzania. The government policies of empowering local builders and their small companies will enable us achieve this goal.

### **3.4 Threats**

Some of the threats and challenges that we are likely going to face when we expand our commercial graded aggregates project are global economic downturn that can impact negatively on government spending on construction projects and environment effects. To mitigate the impacts of such threats the company will put in place strategies such as collaborating with private investors and strengthening relations with local contractors and brick makers for pavements and stone sand.

## **4.0 MARKET ANALYSIS**

### **4.1 Market Trends**

One of the common trends in the stone quarry line of business is that most players in the industry are no longer concentrating only on quality of the product. They now find it easier to produce

low quality products that do not meet the standards of the market. It is fact that despite that high quality graded aggregates are expensive, their sale is on the increase and it is indeed profitable.

Despite the fact that stone quarry mining has been in existence since time immemorial, this does not in any way make the industry to be over saturated; engineers and geologists are exploring new technology to continue to improve the mining practices. The fact that there is always a ready market for products makes the business highly profitable.

## **4.2 LIST OF BUYERS**

It is a known fact that the target markets of those who are the end consumers of graded aggregate in any form and who benefit from the business value chain of stone quarry is all encompassing.

Our proposed buyers consume graded aggregates and stone sand in different forms. In essence producers of the product should be able to sell product to as many people as possible including contractors, local builders and brick makers. All these groups make use of graded aggregates as raw materials.

We will ensure that we position our business to attract consumers of graded aggregates not just in Lake Zone alone but also other parts of the United Republic of Tanzania and East Africa.

## **5.0 SALES AND MARKETING STRATEGY**

We are quite aware that the reason why some commercial stone quarry sites hardly make good profit is their inability to sell off their products as and when due.

Our sales and marketing team will be recruited based on their vast experience in the industry and they will be trained on a regular basis so as to be well equipped to meet their targets and the overall goal of the organization. We want to produce a standard and world class graded aggregates site that will leverage on word of mouth advertisement from satisfied clients (both individuals and businesses).

Over and above, we have perfected our sales and marketing strategies first by networking with construction companies and builders that rely on aggregates as their major raw materials. In summary, Mumangi Construction Company Ltd will adopt the following strategies in marketing our stone quarry site products;

- i. Introduce our business by sending introductory letters alongside our brochure to stakeholders in the Construction industry that rely on supply of graded aggregate as raw materials.
- ii. Attend related Construction and builders expos, seminars, and business fairs
- iii. Leverage on the internet to promote our business
- iv. Engage in direct marketing
- v. Encourage the use of word of mouth marketing (referrals)

## **5.1 Sources of Income**

Mumangi Construction Company Ltd stone quarry business for the purpose of contributing to the transformation of construction industry from subsistence to commercial and empowering small-scale quarry miners. In order to achieve this, it is very important that the company has diverse and reliable sources of income. Here below is a list of the main sources of income that will be used to generate revenue to our Company:

- i. Sales of graded aggregates
- ii. Sales of stone sand
- iii. Sale of by products made from sand stone like bricks and paving.
- iv. Hiring of company equipment and machinery such as mobile crusher and trucks.

## **5.2 Sales Forecast**

We conducted a thorough market survey and feasibility studies and we were able to discover that the sales generated by a stone quarry site depends on the size and quality of the aggregates produced.

We will perfected our sales and marketing strategies and we are quite optimistic that we will meet or even surpass our set sales target of generating enough income/profits from the first year of operation and build the business from survival to sustainability.

## **5.3 Our Pricing Strategy**

If you want to get the right pricing for your stone quarry site produce, then you should ensure that you choose a good location for your business, cut the cost of running to the barest minimum

and of course try as much as possible to attract buyers to your site as against taking your to the market to source for buyers; with this, you would have successfully eliminated the cost of transporting your product to the market and other logistics.

We are quite aware that one of the easiest means of penetrating the market and acquiring loads of customers for all our graded aggregates and stone sands is to sell them at competitive prices hence we will do all we can to ensure that the price of our product are going to be what customers would look towards beating.

## **5.4 PROJECTED PRODUCTION**

Based on our production forecast, the project will produce and supply an average of 228,000 cubic meters of graded aggregate per year during the first year. Average price of graded aggregates per cubic meter is TShs 55,000. The site will produce other valuable materials for sale including stone dust and stone bricks

- i. First financial Year-: **TZS 17,105,300**
- ii. Second financial Year-: **TZS 18,815,830**
- iii. Third financial Year-: **TZS 20,697,413.**

**N.B:** This projection is done based on what is obtainable in the industry and with the assumption that there won't be any major economic meltdown that can impact negatively on government policies. Please note that the above projection might be lower and at the same time it might be higher.

## **7.0 TECHNICAL ASPECTS**

### **7.1 Existing Assets (Investment)**

#### **Existing Stone quarry site Machinery and Accessories Include;**

- i. Two motor vehicles
- ii. Two Excavators
- iii. Two Wheel loader
- iv. Two compressors

## 7.2 Additional Required Investment (Machinery/Equipment)

- i. Howo 6x4 Dump Truck (30)
- ii. Howo 6x4 Tractor Trucks (10)
- iii. Mobile Crushing Plant (1)
- iv. Stationary Crushing plant (1)
- v. Caterpillar Diesel Generator (5)
- vi. Sinotruck Howo 6x4 Tractor (10)
- vii. Howo Tipper 6x4 (30)
- viii. Used Scania Truck (10)
- ix. Landcruiser Station Wagon VXR (1)
- x. Hilux Double Cabin 2.8L 4WD (5)
- xi. Hilux Single Cabin 2.4L 4WD (5)
- xii. Air Compressor (10)
- xiii. Concrete Block machine (1)
- xiv. Aggregate sorting equipments

## 7.3 Sources of Finance

Above listed equipments will cost TShs 14,283,845,000 in period of three years. They will be purchased in phases depending on availability of funds. Funds have been sought from CRDB Bank in form of term loan to be repaid in three years. Loan agreement is attached.

## 7.3 PROJECT IMPLEMENTATION AND COMPLETION SCHEDULE

Project will be implemented in period of three years as follows

s/n	Item	2022	2023	2024
1	Dump trucks	✓		
2	Stationary Crushing plant	✓		

3	Mobile crusher			✓
3	Generators		✓	
4	Air compressor	✓		
5	Tractors	✓		
6	Excavator	✓		
7	Wheel loader		✓	
8	Compressors	✓	✓	
9	Hilux Double cabin		✓	
10	Land cruiser S/W VXR			✓
11	Scania trucks		✓	✓

## 8.0 INVESTMENT REQUIREMENT, PROJECTIONS, FINANCING & EXPECTED RETURNS.

### Investment & Financing Pattern

The company has invested in the project to the tune of estimated Tshs1.45 billion. The cost includes Excavators, Motor vehicles, wheel loaders and compressors.

ESTIMATED PROJECT COSTS (“000” TZS)				
Items	Existing	Proposed/Additional		Total
		Foreign	Local	
Motor vehicles	325,696	-	-	325,696
Scania Trucks			1,600,000	1,600,000

Sinotruck Brand HOWO 6*4 Tractor		1,330,950		1,330,950
Sinotruck HOWO Tipper 6*4		1,797,950		1,797,950
Howo 6*4 Dump Truck 30 Units		3,684,630		3,684,630
Howo 6*4 Tractor Truck 10 units		1,004,050		1,004,050
Mobile Crushing Plant		1,076,691		1,076,691
Stationary Crushing plant		554,095		554,095
Hilux Double cabin			666,567	666,567
Hilux Single cabin			461,815	461,815
Landcruiser S/Wagon VXR Automatic			881,356	881,356
Excavator	865,575	-	-	865,575
Compressor	27,625	-	771,484	799,109
Wheel loader	234,615	-	-	234,615
Generators 5 Units			335,139	335,139
Concrete Block machine		65,380		
Aggregate accessories		131,694		
<b>Total Fixed Assets</b>	<b>1,453,511</b>	<b>9,645,440</b>	<b>4,716,361</b>	<b>15,815,312</b>

## 9.0 USE OF TAX EXEMPTION PLAN

The exemption sought from **TIC** is to be used over a period of three years will take place once per every financial year. The applied tax relief will be well utilized to ensure that there is no inherent risk that may arise during the period of operations. The company also established clear policies that will help to guide exemption use to meet our commitment.

## 10.0 FINANCIAL EVALUATION

### 10.1 Profitability

According to the projected income statement, the project will start generating profit in the 1<sup>st</sup> year of operation. Important ratios such as profit to total sales, net profit to equity (Return on equity) and net profit plus interest on total investment (return on total investment) show an increasing trend during the lifetime of the project.

The income statement and the other indicators of profitability show that the project is viable.

### 10.2 Break-even Analysis

The Break-even Analysis show that if the costs stay at the current, or relatively stable, level we will be able to make an increased profit by the second year. Also the break-even point of the project including cost of finance when it starts to operates at full capacity (year 3) is estimated by using income statement projection.

$$\text{BE} = \frac{\text{Fixed Cost}}{\text{Sales} - \text{Variable cost}} = 12\%$$

### 10.3 Pay-Back Period

The investment cost and income statement projection are used to project the pay-back period.

The project's initial investment will be fully recovered within 5 years with a grace period of one year.

### 10.4 Internal Rate of Return and Net Present Value

The business internal rate of return (IRR) has worked out at **27%** as compared to the cost of capital of 11%. The resulting net present value (NPV) over a 10 year period has worked out at **Tshs 11.2 billion**. The results indicate that the business is financially viable.

## **11.0 PROJECTED FINANCIAL STATEMENTS**

The projected financial statements and analysis are found from Appendix III, IV, V and VIII

Noted that:

- i. Sales Revenues relate to the sales obtained through wholesale business of products to our suppliers in need of graded aggregates.
- ii. Inventories, accounts receivable and accounts payable were calculated using the number of days outstanding
- iii. Cash at year-end represents cash that could be used to finance any replacement of defected equipment or additions to equipment.
- iv. The recorded amount under the exemption caption at the end of the each year represents the outstanding amount after the repayment of 12 annuities.
- v. Projected cash flow was calculated over a TEN years basis. We used the indirect method, which adds all non-cash basis items to net income.
- vi. Net Income has been added back those expenses, previously deducted to arrive at Net income that did not require an outlay of cash in that year. These include depreciation which is simply a write-down of the book value of the related assets.
- vii. Investing activities includes the cost of equipment purchased
- viii. Financing activities included cash contribution made by investors, the exemption amount, the reimbursement of the exemption and dividends paid.

## **12.0 Risks & Mitigation measures**

- i. Quarry mining risks include increase of rainfall, hazards from blasting, shortage of fuel, unreliable markets, and infrastructure like power.
- ii. The project has already introduced mining rules and safety regulations around Ikengele village to protect villagers against any risk arising from blasting. Already, a consulting firm has undertaken feasibility study and identified risk areas for staff and villagers.

### **13.0 BANK RELATIONSHIP**

The Mumangi Construction Company Ltd has good relationship with the bank. The Company operates accounts at CRDB and NMB Bank, which is useful for normal operation with maximum discipline which has built our credibility with the bank. Annual turnover with the bank for past twelve months is reasonable based on our minimum level of operation due to lack of working capital.

### **14.0 CONCLUSION AND RECOMMENDATION**

The project in question is viable and profitable hence the facility will be used for requested purposes without any difficulties as the attached cash flow statement indicates it.

The directors will avail all required information and particulars in addition to the financial statements attached herewith, therefore we recommend to the centre to grant exemption to the applicant to facilitate the need of purchasing more capital equipments for their quarry site.