

YUANDA INVESTMENT AND TRADING COMPANY LIMITED

**BUSINESS PLAN
FOR
AUTOMOBILE ASSEMBLING AND SPARE PARTS FABRICATION FACILITIES**

1.0 EXECUTIVE SUMMARY

YUANDA INVESTMENT AND TRADING COMPANY LIMITED

referred as a company locally registered with a Certificate of Incorporation No.159253325 dated 11st December, 2022. The directors to this company are two Chinese with vast international business experiences in automobile assembling projects.

Through the years of research and innovation, the company shareholders have obviously created an advantage in the market network, product, technology and cost and established a unique enterprise culture. Having operated in China for many years the shareholders are ready to establish physical presence in Tanzania by establishing automobile assembling plant.

Shareholders have registered a new company in Tanzania and will work together with another very successful Chinese company in automobile industry in China

1.1 The Project

YUANDA INVESTMENT AND TRADING COMPANY LIMITED sets out a proposal for Investment in the establishment of a automobile assembling plant in Tanzania to be located at **Plot No. 4, Block A, Tumbi, Kibaha town Council Coast Region** . The company will import Machinery, Equipments and other facilities form China to facilitate establishment of the proposed project in the country. Depending on the market consumption rate, Initial assembling capacity is proposed to be total units 100 per month; this capacity will increase gradually reaching **200** units per month in the six year.

This project will make available quality products that will be used for transportation of goods and agricultural implements

The macro-objectives of establishing the project is to support economic, social and administrative activities in Tanzania and neighboring countries. Also,

1.2 The Project Promoters

The project is being promoted **YUANDA INVESTMENT AND TRADING COMPANY LIMITED**, a newly registered company in Tanzania whose shareholders are as follows:

Name Of Shareholders	Percentage Of Ownership	Nationality
Li Changsong	62.5	CHINESE
Gao Shubin	37.5	CHINESE

1.3 The Market

The Economic reforms which were undertaken in the economy from the mid 1980s increased the demand for transportation facilities for domestic and transit cargo. The following are some of the factors that contributed to such an increase in demand for these services in the country.

- Increased transit trade between Tanzania and its neighbors especially Uganda, Rwanda, Malawi, Burundi, and the Democratic Republic of Congo.
- Increased level of rehabilitation and expansion of urban and truck roads by the Government and International assistance agencies which have subsequently resulted in increased kilometers of passable roads by small and heavy-duty vehicles.

- Rise in people's standard of living and change in people's consumption patterns;
- General improvement in the national economy, especially the balance of payment which has made it possible for the Government to achieve greater capability to import critical products into the country;
- Increase general level of investments in industrial activities which are the major users of industrial inputs;

These factors have led to increased demand for transportation services for products in and outside the country and taking into consideration of Kilimo Kwanza initiative, the need for agricultural implements need not to be emphasized. Furthermore, these factors have created the impetus for increased inflow of investment capital by foreign and local private investors who have in large numbers decided to establish cargo transportation projects.

The reforms, which were introduced in the sector, aimed at influencing the inflow of and increased supply of both capital goods and other industrial products and their distribution in the country and beyond the national border. Tanzania therefore has a potential market for motorcycles. But most of motorcycles are imported from outside the country making them very expensive to be afforded by most Tanzanians. Furthermore, importation has to go through a difficult and bureaucratic clearance procedure at the port. It is on this background that **YUANDA INVESTMENT AND TRADING COMPANY LIMITED** wishes to establish an assembling plant in the country in order to make available cheap, quality and stress free. The company targets both domestic and export markets particularly the East African market.

2.0 THE PROJECT

2.1 Project Description

YUANDA INVESTMENT AND TRADING COMPANY LIMITED sets out a proposal for Investment in the establishment of a SKD assembling plant in Tanzania

Specific requirements for the project include but not limited to;

- Mobilization of financial and Human resources for the project
- Acquisition and or construction of large Industrial premises for automobile assembling processes and a yard for keeping and display the finished products
- Acquisition of complete assembling machinery and Equipment from china
- Procurement of office equipment namely: telephones, facsimile machine, personal computers, air conditioners and installation of local area network at head company's head office
- To import Semi knocked down (SKD) parts from China

2.3 Project Location

The proposed project will be located at **Plot No. 4, Block A, Tumbi, Kibaha town Council Coast Region**. The company has rented a factory premise big enough to accommodate complete assembling machinery and Equipment together with a yard for keeping and display of finished products

2.4 Marketing Strategies

The company target is to be a world well-known truck manufacturer proving customers with cleaner, energy-saving, safer and comforter transportation. In order to realize this, target the company insist on carrying out four strategies namely; Internationalization, technology ahead, high quality and low cost and regionalization to realize the internalization of products, market capital, mechanism, brand and talent and establish an international sustainable company with self-motivation, capability and core competitiveness.

2.5 SKD Assembling Process

- Set the two main assembly lines, an interior assembly, final assembly and installation assembly line; interior by plate transmission line assembly, chassis and final assembly line preceding use of land towline conveyor, later adopted tow-plate conveyor.
- With advanced technology and by function modular assembly principles set production line, using dashboards, doors, bumper, engine and front suspension, rear suspension first-packing, then the cable to reduce the main line of labor, there will be mainline working hours drop to a minimum to make use of the mainline working digits
- After the painting, the truck is pushed back to the ground manpower vehicle body lines by hanging lifting; interior body assembled to end with their own lifting equipment hoist assembly area

- Packed boxes by hanging hoisting installation
- Brake fluid, air-conditioning hoisting installation
- Brake fluid, air –conditioning fluid filling the vacuum cycle using quantitative methods

3.0 Tanzania Automotive Market, Size, Share, Outlook and Growth Opportunities 2020-2026

Amid strong demand for automotive vehicles, several domestic and foreign OEM manufacturers are planning to expand their production bases in Tanzania. The government of Tanzania also prioritizes the automotive segment as a key revenue generator and is encouraging the flow of FDI in the automotive industry.

Tanzania is one of the most promising and fastest-growing automobile markets in the region. Tanzania automobile industry is supported by multiple factors such as labor availability, R&D efforts, geographic advantage, and government support. With a positive outlook for the economy and greater household purchasing power, automobile sales in the country are set to witness a strong surge in sales to 2026.

New players continue to foray into the market, in particular in low price vehicle segments with the number of sales increasing at robust growth rates. Passenger cars and light commercial vehicles are also witnessing a steady increase in demand.

Cost-effective models tend to witness strong success as the majority of car buyers segment includes the middle class. Further, strong customer support and availability of cheap spare parts gain high priority for purchases in cars segment

The Tanzania Automotive Market research identifies that the competition continues to intensify year-on-year with the introduction of new models and brand availability. This report covers the 2019 scenario and growth prospects of the Tanzania Automotive market for 2016-2026. To calculate the market size, revenue from the market sales of Passenger cars, light commercial vehicles, and heavy commercial vehicles are considered.

The global Automotive market is poised to register strong growth with light vehicle sales increased from around 95 million to over 106 million between 2019 and 2025. The ongoing trend towards modernization of Automotives such as electric and hybrid cars, growth from emerging economies- compensating decline from mature markets, the focus is on the user, increasing penetration of autonomous vehicles, and others are supporting countries worldwide to strengthen their Automotive markets. However, increased risk of new disruptive business models, falling margins and rising investment., long-term market volatilities, vehicle retreats from globalization pose significant challenges to growth.

The Tanzania Automotive Market, Size, Share, Outlook and Growth Opportunities 2020-2026 presents a comprehensive analysis of the country's automotive market. Key trends and critical insights into Tanzania Automotive markets along with key drivers, restraints, and growth opportunities are presented in the report.

Tanzania passenger car markets and Tanzania commercial vehicle markets are analyzed and forecast to 2026. Further, Tanzania vehicle production is forecast from 2016 to 2026. Demand for all these vehicle types is also forecast during the period.

Tanzania Automotive market is compared against five of its competitive markets in the region to analyze the role of Tanzania on the regional front and benchmark its operations.

Global Automotive, Asia Pacific, Europe, Middle East Africa, North America, and Latin America Automotive market outlook is also presented in the report to provide a global perspective of the industry.

Tanzania population and economic outlook are also presented in the report to provide insights and forecasts of macroeconomic factors shaping the future of Tanzania Automotive markets.

Tanzania Auto Market Strategy Analysis and Forecast

Tanzania maintained steady, high growth over the last period around 6%–7% per annum. The inflation rate is under control of around 5 percent and poverty rate declined.

Tanzania's economy with its ever-growing middle class is powering a growing and impactful Regional Auto industry. New products, OEM strategy, Assembly units and an old manufacturer returning, are reshaping Tanzania's Auto Industry. An East African market is having huge potential for Auto Industry. Tanzania is one of the key markets in East Africa region.

In 2016 the Passenger vehicle segment showed 19 percent degrowth and even the Truck segment showed de-growth. However, the bus segment registered some positive growth.

The market is divided into New, Refurbished and Used vehicle. To increase the market share of new vehicle sales, OEMs are looking into options to assemble vehicle parts locally or import from Assembly in

Kenya and another neighboring country. This step also avoids the import duty on a new vehicle.

Pick up segment is the largest segment in Tanzania with more than 60 percent market share, followed by SUV with more than 30 percent. Car and Van make up 2 and 1 percent respectively of Tanzania's Auto Industry.

Hatchback, Saloon and Station wagons are major body type vehicles in Tanzania. B and C type vehicles are more popular segment since it is price sensitive market.

In SUV segment, Toyota, Land Rover, and Nissan are major players. In SUV segment, C and D body types are dominating vehicles. Van's market is stagnant and Maruti is the market leader.

The price of the one of the refurbished SUV model is around 12,000 US\$ and brand-new vehicle price is 24,000 US\$. We have covered prices of all key models of all segment in our detail report.

The Chinese OEMs are also trying to crack SUV segment fast, to have a significant presence in East Africa.

In Pickup segment, Toyota, Ford, and Nissan are major players. Toyota Hilux is the market leader in this segment.

The standard warranty on these vehicles is 3 years or 100,000 Kms whichever occurs first.

Investment in Infrastructure development and steady growth in agriculture and transportation are the main key drivers of the Cargo Vehicle segment. Road transport is the major transport segment

because rail network is inefficient. For all major goods, transportation Cargo vehicle (CV) is mainly used.

Heavy Duty Truck is the largest segment in Commercial Vehicle segment. Chinese OEMs are dominating the market due to its price positioning and cordial ties in Afro-Chinese Political & Economic relationships. There is a quantum difference between the market prices of Chinese and any another foreign brand.

Chinese automobile brands improved their brand positioning in the last couple of years. Sino Truk, Foton, and Dongfeng are few major Chinese brands in this segment. Most of the Chinese brands offer customized vehicles which suit the market dynamics of the country of Tanzania. For example, they install heavy engines and bigger fuel tanks which suit long distance movement of vehicles. Their new Chinese vehicle price is almost half compared to the new vehicle price.

Volvo and Scania are popular brands in the refurbished Truck segment. Scania buses are also popular in luxury bus segment.

Tata is the market leader in Medium Duty Truck segment while Mitsubishi is the market leader in Light Duty Truck segment.

Eicher, Kinglong, and Tata are major players in Bus Segment.

The important buying criteria for Truck purchase are the mileage it offers, Low maintenance cost, and its resale value.

For marketing and brand awareness the most effective promotional media are Bill Board ads, Auto magazine, and Trade Fairs.

4.0 **MANAGEMENT AND ORGANIZATION STRUCTURE**

4.1 Management

The company policy is to have adequate manpower to manage its operations efficiently.

YUANDA INVESTMENT AND TRADING COMPANY LIMITED believes in keeping on board only the very essential manpower strength, to develop them into highly motivated and sincere company team for the best and efficient operations of the company.

The company will have a team of qualified and experienced functional staffs in the areas of Operations, Marketing, and Finance & Administration.

4.2 Management Policy

The day-to-day operations will be managed by the General Manger, to be assisted by production Engineers who will be in charge of truck assembling operations. The Company will employ other professionally in the areas of marketing, Finance, Human Resources, logistics and supplies and others for smooth Implementation of the project

The General Manager will manage the company under the policy guidance of the Board of Directors

4.3 **Organizational Structure**

It is proposed that the company's operations be headed by the General Manger under who will assist the Production Engineer and other professional in the areas of Marketing, Finance, Human Resources, Logistics and Supplies, The General Manager will be functionally responsible for achieving the Business plan prepared every after five

year. He will also be responsible for the entire function for the company subject to policy guidance set. The Marketing officers will be responsible for both the domestic and export sales and marketing. The job responsibilities will include market planning and development, sales promotion and sales co-ordination.

4.4 Manpower Requirement and Emoluments

The estimated manpower requirement for the project is **100** people including **15** Chinese Engineers/Technician as shown below;

5.0 Project Investment Cost

The estimated capital investment cost of the project is **US\$ 4,085,000**

YUANDA INVESTMENT AND TRADING COMPANY LIMITED COST STRUCTURE

Land and Buildings	350,000.00
Machinery & Equipment	1,000,000.00
Motor Vehicles	150,000.00
Furniture & Fixtures	50,000.00
Pre exp	20,000.00
Others	15,000.00
Working Capital	2,500,000.00
TOTAL	4,085,000.00

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, it is assumed to be 5% annual depreciation.

It is assumed that the major building raw material will be procured from local market and other will be imported. Revenues have been conservatively estimated based on experience of the promoters and trends in the automobile industry.

6 years financial projections have been worked out

6.2 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 8 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. US \$ **2,217,250** in first year to US \$ **15,992,686** in the 6 year, refer appendix (I)

6.3 Projected Cash Flows

The project's cash flows depict a good liquid position right from the first year. Cash accumulation builds up from US \$ **2,530,850.00** in the first year to US \$ 16,933,786.39 at the end of 6 years of the project's operations, refer appendix (II)

6.4 Projected Balance Sheet

Project total assets increase from US \$ **4,085,000.00** at the end of first year to US \$ 17,077,686.39 at the end of 6th year which is significance increase as you can see, refer appendix (III)

7.0 Implementation Schedule

Project implementation is expected to be relatively very short once project has been approved it is estimated that construction of industrial building to be completed with six months: -

Project Implementation

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	December 2022
2	Processing Exemptions	Jan-March 2023
3	Mobilizing Fund	February –October 2023
3	Renovation of building	Jan -June 2023
4	Ordering Machines and other equipment	Feb -October 2023
5	Testing business and in house training	October –Jan 2024
6	Commercial operations	Feb 2023

The proposed project will result into the following social and economic impacts:

- Make available affordable, quality and tress free trucks
- Increase the provision of high-quality services in transportation sector
- Increased availability of quality distribution and marketing products along side competitive prices of these products will result in increased healthy competition among all trading and manufacturing companies

- The project will result in direct employment creation of 100 people many more indirectly
- The Government and other agencies will benefit from various taxes, fees and commissions that will be paid by the company

8.0 **Conclusion**

YUANDA INVESTMENT AND TRADING COMPANY LIMITED set out a proposal to Invest in the establishment of automobile assembling project to be located in Kibaha.

The Executive Summary highlights indicate that the proposed project will be financial and economically viable, the project will generate significantly to the social and economic progress by way of increasing the provision of quality transportation services in the country. It is recommended that the project be accorded the required institutional support to pave the way for its expeditious establishment and development.

In that regard; we strongly 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 Tanzania Investment Act, 1997 to enable smooth implementation

9.0 **Recommendations**

The project is technically feasible, financially viable, and economically sound, provided the sponsors will manage it efficiently.

It is recommended that the project be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 1997.

YUANDA INVESTMENT AND TRADING COMPANY LIMITED
PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

I

-	1	2	3	4	5	6
Revenue	35,000,000.00	36,750,000.00	38,587,500.00	40,516,875.00	42,542,718.75	44,669,854.69
Operating Expenses:	31,500,000.00	33,075,000.00	34,728,750.00	36,465,187.50	38,288,446.88	40,202,869.22
Gross Profit Before Interest and Depreciation	3,500,000.00	3,675,000.00	3,858,750.00	4,051,687.50	4,254,271.88	4,466,985.47
Interest	240,000.00	192,000.00	144,000.00	96,000.00	48,000.00	-
Depreciation	29,500.00	29,500.00	29,500.00	29,500.00	29,500.00	29,500.00
Gross Profit	3,230,500.00	3,453,500.00	3,685,250.00	3,926,187.50	4,176,771.88	4,437,485.47
Tax (30%)	969,150.00	1,036,050.00	1,105,575.00	1,177,856.25	1,253,031.56	1,331,245.64
Profit After Tax	2,261,350.00	2,417,450.00	2,579,675.00	2,748,331.25	2,923,740.31	3,106,239.83
Accumulated Profit	2,217,250.00	4,634,700.00	7,214,375.00	9,962,706.25	12,886,446.56	15,992,686.39

YUANDA INVESTMENT AND TRADING COMPANY LIMITED PROJECTED CASH FLOWS (US\$) II

	0	1	2	3	4	5	6
SOURCES:							
Profit before interest and depreciation	-	3,500,000.00	3,675,000.00	3,858,750.00	4,051,687.50	4,254,271.88	4,466,985.47
Equity	1,085,000.00						
Loan	3,000,000.00						
Total Sources	4,085,000.00	3,500,000.00	3,675,000.00	3,858,750.00	4,051,687.50	4,254,271.88	4,466,985.47
Applications:							
Capital expenditure	1,550,000.00		-	-	-	-	
working Capital &Others	2,535,000.00						
Cash	0	2,530,850.00	2,638,950.00	2,753,175.00	2,873,831.25	3,001,240.31	3,135,739.83
Tax	-	969,150.00	1,036,050.00	1,105,575.00	1,177,856.25	1,253,031.56	1,331,245.64
Sub total	4,085,000.00	3,500,000.00	3,675,000.00	3,858,750.00	4,051,687.50	4,254,271.88	4,466,985.47
Total applications	4,085,000.00	3,500,000.00	3,675,000.00	3,858,750.00	4,051,687.50	4,254,271.88	4,466,985.47
Accumulated cash		2,530,850.00	5,169,800.00	7,922,975.00	10,796,806.25	13,798,046.56	16,933,786.39

YUANDA INVESTMENT AND TRADING COMPANY LIMITED PROJECTED BALANCE SHEET (US\$) III

Fixed Assets	-						
Opening balance	-	1,550,000.00	1,520,500.00	1,491,000.00	1,461,500.00	1,432,000.00	1,402,500.00
Total Long-term Assets	-	1,550,000.00	1,520,500.00	1,491,000.00	1,461,500.00	1,432,000.00	1,402,500.00
Less depreciation	-	29,500.00	29,500.00	29,500.00	29,500.00	29,500.00	29,500.00
Closing balance	-	1,520,500.00	1,491,000.00	1,461,500.00	1,432,000.00	1,402,500.00	1,373,000.00
Working capital	2,535,000.00	2,535,000.00	2,535,000.00	2,535,000.00	2,535,000.00	2,535,000.00	2,535,000.00
Accumulated cash	-	2,530,850.00	5,169,800.00	7,922,975.00	10,796,806.25	13,798,046.56	16,933,786.39
Total assets	2,535,000.00	6,586,350.00	9,195,800.00	11,919,475.00	14,763,806.25	17,735,546.56	20,841,786.39
Financed by							
Equity	1,085,000.00	1,085,000.00	1,085,000.00	1,085,000.00	1,085,000.00	1,085,000.00	1,085,000.00
Accumulated profit	-	2,217,250	4,634,700.00	7,214,375	9,962,706	12,886,447	15,992,686
Total equity	1,085,000.00	3,302,250.00	5,719,700.00	8,299,375.00	11,047,706.25	13,971,446.56	17,077,686.39
Bank Loan	3,000,000.00	2,400,000.00	1,800,000.00	1,200,000.00	600,000.00	-	-
Total debts	3,000,000.00	1,800,000.00	1,800,000.00	1,200,000.00	600,000.00	-	-

YUANDA INVESTMENT AND TRADING COMPANY LIMITED PROJECTED PAYBACK PERIOD (US\$) IV

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	2,261,350.00	29,500.00	2,290,850.00	734,000.00
2	2,417,450.00	29,500.00	2,446,950.00	3,180,950.00
3	2,579,675.00	29,500.00	2,609,175.00	5,790,125.00
4	2,748,331.25	29,500.00	2,777,831.25	8,567,956.25
5	2,923,740.31	29,500.00	2,953,240.31	11,521,196.56
6	3,106,239.83	29,500.00	3,135,739.83	14,656,936.39

YUANDA INVESTMENT AND TRADING COMPANY LIMITED PROJECTED LONG TERM LOAN REPAYMENT V

Year	principle	Loan Interest (8%)	Total Amount Paid	Loan Balance
1	600,000.00	240,000.00	840,000.00	3,000,000.00
2	600,000.00	192,000.00	792,000.00	2,400,000.00
3	600,000.00	144,000.00	744,000.00	1,800,000.00
4	600,000.00	96,000.00	696,000.00	1,200,000.00
5	600,000.00	48,000.00	648,000.00	600,000.00
	3,000,000.00	600,000,000.00		