

MAC GROUP LIMITED

BUSINESS PLAN FOR CONSTRUCTION

OF

INDUSTRIAL PARK

AT PLOT No. 3 KINGOLWIRE, MOROGORO REGIN

1.0. SUMMARY

1.1 Project Concept

This project document presents a proposal by **MAC GROUP LIMITED**, a locally registered company with Certificate of Incorporation No. 10009 Dated 10/02/1984 intending to construct industrial park for industrial premises and warehouse. The project promoters are confident of mobilizing financial resources through equity financing and long-term loan.

The objective of this study is to assess the commercial and operational feasibility of the project undertaken by **MAC GROUP LIMITED**. This study will be used as guiding tool and will be presented to TIC for obtaining certificate of incentives to facilitate smooth implementation of the project.

1.2 Location

The project will be located at Plot No.3 Kingolwira, Morogoro Region.

1.3 The Sponsors

MAC GROUP LIMITED will be sponsoring this project. The company is locally registered and is jointly owned by Tanzanians and Indian investors. The following are the shareholders:

Name of Subscribers	%Shareholding	Nationality
YOGESH MAGANLAL KANJI MANEK, Email: operations@mactz.com, Mob No: 255222600000, P. O. Box 2552, Dar es Salaam	99.77	Tanzania
PRADIP MAGANLAL MANEK, Email: operations@mactz.com, Mob No: 255222600000, P. O. Box 2552, Dar es Salaam	0.22	Tanzania
GEETHA SIVAKUMAR Email: operations@mactz.com, Mob No: 255222600000, P. O. Box 2552, Dar es Salaam	0.01	India

1.4 Project Management and Manpower requirements

MAC GROUP LIMITED is under the Chief Executive Officer with no less than 38 years in managing industrial park and experience managing various businesses. The CEO will be assisted by properly trained managers in areas of specialty, who will together comprise the management team. Total of **10** staff will be directly employed who includes 1 Property Manager, 2 Maintenance Technicians

(Plumber and Electrical), 3 Security Guards and 4 supporting staff.

1.5 **Project description**

MAC GROUP LIMITED plan to construct an industrial park with the size 12,000 of square meters and remaining use 13,000 square meters will be used for other uses such parking space, assembling area etc.

The industrial park is planned for the purpose of industrial development and the company will put all basic infrastructure needed and it will be leased for investors who are interested to set up various factories and warehouse, the Park's including the "One Station" Center for integrated investor services and more than 10 tenants.

It is in view of the above that **MAC GROUP LIMITED** came up with a proposal to construct industrial park and warehouse facilities for commercial uses. The project will involve among others acquiring necessary building materials, trucks, and pick up, the company plan to inject capital of US \$3,643,545.

It is expected that the construction of a modern industrial park and warehouse will be completed within a

year time and the company will apply to be exempted from paying import duty and VAT on Capital good and deemed capital good, the project will aid and contribute significantly toward the construction sector and manufacturing sector.

1.6 Definition of an industrial park

An industrial park (also known as industrial estate, trading estate) is an area zoned and planned for the purpose of industrial development. An industrial park can be thought of as a more "heavyweight" version of a business park or office park, which has offices and light industry, rather than heavy industry. Industrial parks are notable for being relatively simple to build; they often feature speedily erected single-space steel sheds, occasionally in bright colours.

This idea of setting land aside through this type of zoning has several purposes:

- By concentrating dedicated infrastructure in a delimited area, to reduce the per-business cost of that infrastructure. Such infrastructure includes roadways, railroad sidings, ports, high-power electric supplies (often including three-phase

electric power), high-end communications cables, large-volume water supplies, and high-volume gas lines.

- To attract new business by providing an integrated infrastructure in one location.
- Eligibility of Industrial Parks for benefits.
- To set apart industrial uses from urban areas to try to reduce the environmental and social impact of the industrial uses.
- To provide for localized environmental controls that are specific to the needs of an industrial area.

1.7 Price for leasing

MAC GROUP LIMITED has estimated the cost for leasing to be amounting to US \$5.8 per square meter per month

1.8 Operating cost

The operating cost has been budgeted to be 10% of the total annual revenue

2.0 **Project Investment Cost**

The estimated capital investment cost for the all project is estimated to cost US\$3,643,545.

MAC GROUP LIMITED COST STRUCTURE US\$

PARTICULAR	
Land and Buildings	2,800,000.00
Machinery & Equipment	500,000.00
Motor Vehicles	100,000.00
Furniture & Fixtures	5,000.00
Pre exp	100,000.00
Others	15,000.00
Working Capital	123,545.00
TOTAL	3,643,545.00

3.0 Financing Pattern

The project will be financed by equity US\$ 2,143,545, loan US\$ 1,500,000

4.0 Aspect of Project Sustainability

The project sponsors having studied market conditions, the infrastructure in Tanzania and being in commercial buildings business for more than 10 years is convinced that the project will be able to operate undisturbed. The growing of manufacturing sector and economic activities in Morogoro and proximity to the SGR Railway line gives them assurance of a steady market. The peace and

tranquility that exist in Tanzania is another aspect of assured business sustainability.

5.0 Monitoring and Evaluation

The monitoring and evaluation tools will be applied in running this project as well, the project sponsors are determined to cooperate fully with the government and other stakeholders for smooth business running.

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.

7.2 Financial Statements:

7.3 Projected Rental Revenue

For projection purposes, it is assumed that the economic life of the project is 8 years, and that revenue from apartment business commence from the first year of operation.

7.4 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. Since the project will be implemented in phases, accumulated profit grow from US\$ 357,826 in the first year to US\$ **3,740,711.91** in 8th year refer appendix (I)

7.5 Projected Cash Flows

This is shown in the Projected Cash Flows Statement in appendix (II). They indicate that the project will meet its entire financial obligation, the cash flow in the first year US\$ 598,326 and grow up to US\$ **5,574,711** in 8th year.

7.5 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under **appendix (III)** shareholders equity increases from US\$ 2,143,545 in the first year to US\$ 5,884,256 in 8th year

7.6 Projected payback period

Initial investment cost projected to be US\$ 3,643,545 and total accumulated cash on 6th year is US\$ 3,697,577.28 which is bigger than initial investment cost by US\$ 54,032, the payback period is within 6 years.

7.7 Projected Risks

This is a real estate investment; no major risks have been identified for this kind of project so far. Unless a change in the country's political and economic stability occurs, the project is more likely to prosper very fast for a very long period

8.0. Economic Aspects

Implementation of this project will have the following social and economic values

- The project will significantly contribute in increase of quality good industrial park in Morogoro region
- The project will create direct employment for **10** people on permanent contract basis leave alone temporary employees.
- It will create more business opportunities to local suppliers, which will also have a trickledown effect in the Tanzania economy as whole.
- It will generate substantial revenue to the government in the form of corporate tax paid for 9 years, value added tax and pay as you earn etc.
- The project will have transfer of knowledge and skills as far as managing of industrial park

9.0 Implementation Schedule

Project implementation is expected to be implemented in phases; the company will develop industrial park and warehouses facilities. Once project has been approved it is estimated that construction and equipping them with full facility the all project will take 1 year

11.0 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, 1997.

APPENDIX I

MAC GROUP LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT "US \$"

	1	2	3	4	5	6	7	8
-								
Revenue	835,200.00	876,960.00	920,808.00	966,848.40	1,015,190.82	1,065,950.36	1,119,247.88	1,175,210.27
Operating Expenses:	83,520.00	87,696.00	92,080.80	96,684.84	101,519.08	106,595.04	111,924.79	117,521.03
Gross Profit Before Interest and Depreciation	751,680.00	789,264.00	828,727.20	870,163.56	913,671.74	959,355.32	1,007,323.09	1,057,689.25
Interest	90,000.00	90,000.00	90,000.00	90,000.00	90,000.00	90,000.00	90,000.00	-
Depreciation	150,500.00	150,500.00	150,500.00	150,500.00	150,500.00	150,500.00	150,500.00	150,500.00
Gross Profit	511,180.00	548,764.00	588,227.20	629,663.56	673,171.74	718,855.32	766,823.09	907,189.25
Tax (30%)	153,354.00	164,629.20	176,468.16	188,899.07	201,951.52	215,656.60	230,046.93	272,156.77
Profit After Tax	357,826.00	384,134.80	411,759.04	440,764.49	471,220.22	503,198.73	536,776.16	635,032.47
Accumulated Profit	357,826.00	741,960.80	1,153,719.84	1,594,484.33	2,065,704.55	2,568,903.28	3,105,679.44	3,740,711.91

APPENDIX II

MAC GROUP LIMITED PROJECTED CASH FLOW US\$

SOURCES:	0	1	2	3	4	5	6		
Profit before interest and depreciation	-	751,680.00	789,264.00	828,727.20	870,163.56	913,671.74	959,355.32	1,007,323.09	1,057,689.25
Equity	2,143,545.00								0.00
Loan	1,500,000.00								0.00
Total Sources	3,643,545.00	751,680.00	789,264.00	828,727.20	870,163.56	913,671.74	959,355.32	1,007,323.09	1,057,689.25

Accumulated profit	-	357,826	741,960.80	1,153,720	1,594,484	2,065,705	2,568,903	3,105,679	3,740,712
Total equity	2,143,545.00	2,501,371.00	2,885,505.80	3,297,264.84	3,738,029.33	4,209,249.55	4,712,448.28	5,249,224.44	5,884,256.91
Bank Loan	1,500,000.00	1,285,714.29	1,071,428.58	857,142.87	642,857.16	428,571.45	214,285.74	-	-
Total equity and debts	3,643,545.00	3,572,799.58	3,956,934.38	4,154,407.71	4,380,886.49	4,637,821.00	4,926,734.02	5,249,224.44	5,884,256.91

APPENDIX IV

MAC GROUP LIMITED PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	357826	150,500.00	508,326.00	734,000.00
2	384,134.80	150,500.00	534,634.80	1,268,634.80
3	411,759.04	150,500.00	562,259.04	1,830,893.84
4	440,764.49	150,500.00	591,264.49	2,422,158.33
5	471220.2166	150,500.00	621,720.22	3,043,878.55
6	503198.7274	150,500.00	653,698.73	3,697,577.28
7	635032.472	150,500.00	785,532.47	4,483,109.75

APPENDIX IV

MAC GROUP LIMITED PAYBACK PERIOD COST STRUCTURE US\$

PARTICULAR	
Land and Buildings	2,800,000.00
Machinery & Equipment	500,000.00
Motor Vehicles	100,000.00
Furniture & Fixtures	5,000.00
Pre exp	100,000.00
Others	15,000.00
Working Capital	123,545.00
TOTAL	3,643,545.00

APPENDIX V

MAC GROUP LIMITED FIXED ASSETS SCHEDULE (US\$)

NAME OF ASSETS	1	2	3	4	5.00	6	7	8
Land And Buildings	2,800,000	2,660,000	2,520,000	2,380,000	2,240,000.00	2,100,000	1,960,000	1,820,000
Machinery, Tools & Equipment	500,000	495,000	490,000	485,000	480,000.00	475,000	470,000	465,000
Motor Vehicles	100,000	95,000	90,000	85,000	80,000.00	75,000	70,000	65,000
Furniture & Fixtures	5,000	4,500	4,000	3,500	3,000.00	2,500	2,000	1,500

Total	3,405,000	3,254,500	3,104,000	2,953,500	2,803,000.00	2,652,500	2,502,000	2,351,500
DEPRECIATION	1	2	3	4	5	6	7	8
Land and buildings	140,000	140,000	140,000	140,000	140,000.00	140,000	140,000	140,000
Machinery tools & Equipment	5,000	5,000	5,000	5,000	5,000.00	5,000	5,000	5,000
Motor Vehicles	5,000	5,000	5,000	5,000	5,000.00	5,000	5,000	5,000
Furniture & Fixtures	500	500	500	500	500.00	500	500	500
ANNUAL DEPRECIATION	150,500	150,500	150,500	150,500	150,500.00	150,500	150,500	150,500

APPENDIX VI

MAC GROUP LIMITED PROJECTED LONG TERM LOAN REPAYMENT

Year	principle	Loan Interest (6%)	Total Amount Paid	Loan Balance
1	214,285.71	90,000.00	304,285.71	1,500,000.00
2	214,285.71	90,000.00	304,285.71	1,285,714.29
3	214,285.71	90,000.00	304,285.71	1,071,428.58
4	214,285.71	90,000.00	304,285.71	857,142.87
5	214,285.71	90,000.00	304,285.71	642,857.16
6	214,285.71	90,000.00	304,285.71	428,571.45

7

214,285.71

90,000.00

304,285.71

214,285.74