

9/2/2022

V-FILTERS (T)  
COMPANY  
LIMITED

## BUSINESS PLAN FOR ACTIVITY CHANGE



### **Project of Commercial Building**

## **EXECUTIVE SUMMARY**

**V-FILTERS (T) COMPANY LIMITED** is a company registered under the Laws of the United Republic of Tanzania. It is a foreign company owned by Chinese by 100%. The shareholders are Sun Yang (50%) and Lu Gang (50%). The company and the project are located at Plot No. 401 Block No A. Viwandani Street, Kibaha District and Coast Region.

On 23 september 2019 V-FILTERS registered project at TIC. This was a project of manufacturing of filters for vehicles at Kibaha in Pwani. It was given TIC certificate Number 0244445. Unfortunately business environment was not favorable for our product as compared to imported filters. The pandemic COVID 19 caused lockdowns in China and adversely impacted our business.

Having conducted enough study we have come up with a request for changing of our business to commercial building. As such we apply for changing of our activity so that we can proceed doing the business of leasing. In terms of jobs, we expect to employ 42 locals and 10 foreigners. Also, more jobs will be created by our tenants.

The objective of this business plan is to present the business idea so that the TIC can accept our request and amend our certificate accordingly. We are optimistic that this is a financially, socially and fiscally rational project. Socio-economically this project will create employment and develop locals' skills. Also, it will contribute to industrial development as it will provide space for manufacturers to operate.

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## **1.0 INTRODUCTION**

### **1.1 Company Details**

**V-FILTERS (T) COMPANY LIMITED** is a company registered under the Laws of the United Republic of Tanzania. It is a foreign company owned by Chinese by 100%. The shareholding is as follows:-

1. Sun Yang (Chinese) 50%
2. Lu Gang (Chinese) 50%

The company is located at Plot No. 401 Block No A. Viwandani Street, Kibaha District and Coast Region.

On 23 september 2019 V-FILTERS registered project at TIC. This was a project of manufacturing of filters for vehicles at Kibaha in Pwani. It was given TIC certificate Number 0244445.

### **1.2 The Registered Project**

The company registered this project for manufacturing of filters for vehicles in Kibaha. It employed 40-plus employees. Expectation of capital was 1,223,000 dollars. Until now we have invested 1,155,500 dollars which is near to our plan. We invested in the land, building, vehicles, machineries and furniture etc.

This business plan has the objective to apply for changing of our project activity due to several factors.

## **2.0 PROJECT SYNOPSIS**

### **2.1 The Original Project**

The first project was located on Plot No. 401 Block No A. Viwandani Street, Kibaha District and Coast Region. Its activity was manufacturing of oil filters for vehicles. Until now we have invested 1,155,500 dollars in the project. For the premises we have invested 805,722 dollars.

Operations of the project have not been able to produce economically. We have experienced challenges including COVID-19 which slowed down our operations. This is because of lockdowns in China. Also locally most of filter users preferred more imported filters than local filters. The

management tried to develop strategy that could make our product powerful to compete with imported filters but it has not been easy. Imported oil filters are more competitive. Due to this situation we have thought of changing our activity to commercial building so we can lease our premises to other companies. This business plan focuses on the proposed activity.

## 2.2 Investment Plan

The total investment already done for this project is 1,155,500 dollars. Details of projections to full swing are given in the table below:-

**Table - Invested Capital**

<b>ITEMS</b>	<b>FINANCING IN USD</b>
Land & Buildings	625,000.00
Plant	325,000.00
Vehicles	95,000.00
Furniture & Fittings	23,000.00
Pre Expenses	22,000.00
Others	15,500.00
Working Capital	50,000.00
<b>TOTAL</b>	<b>1,155,500.00</b>
FIXED CAPITAL	1,105,500.00
WORKING CAPITAL	50,000.00

## 2.3 Employment Plan

Currently the project employs 52 people for the upkeep, management and other functions in the premises. The table below gives details of the direct jobs:-

**Table – Job Creation**

<b>CATEGORY</b>	<b>MALE</b>	<b>FEMALE</b>	<b>TOTAL</b>
Local	20	22	<b>42</b>
Foreign	8	2	<b>10</b>
<b>TOTAL</b>	<b>28</b>	<b>24</b>	<b>52</b>

Of all the direct employees of the project, the project hires 10 foreigners amounting to **19.23%** while locals amount to **80.77%**.

#### **2.4 Supplies Plan**

The company sources its supplies of services and utilities from within Tanzania. Some Chinese expertise is also employed in the project.

#### **2.5 Sales Plan**

V-Filters (T) has secured prospective investors who will lease the premises. So there are already clients who are prepared to take up the space and pay for it. Details of projected annual sales per annum are portrayed in the table below:-

**Table – Sales Projections**

<b>Details</b>	<b>Years</b>				
	<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>Y4</b>	<b>Y5</b>
Projected Annual Sales	260,000	280,000	300,000	320,000	340,000
<b>Sales Revenue</b>	<b>260,000</b>	<b>280,000</b>	<b>300,000</b>	<b>320,000</b>	<b>340,000</b>

#### **2.6 Project Implementation Plan**

The business is ready for implementation as the premises are ready for use. Construction process is finished. It is just a matter of getting permission to change the activity or business in the TIC Certificate.



### **3.0 MARKET ANALYSIS**

This section reviews the market status for the business. It covers the status-quo of the market and SWOC analysis.

#### **3.1 Status-Quo of the Market**

Tanzania has a growing demand for manufacturing and other businesses space. This implies availability of a good business in the commercial building/ building for lease niche.

#### **3.2 SWOC Analysis**

This sub-section covers an overview of the organizational strengths and weaknesses as well as environmental opportunities and strength. This analysis will give the way forward in the form of strategies for the business.

##### **3.2.1 Strengths**

- i) The shareholders of V-filters have enough muscle to fund the project by their equity. The company's liquidity is assured.
- ii) The company also has staffs who are experienced in the business of commercial building and property management.

- iii) The management is well acquainted with the general Tanzanian market, basing on the failure of the previous project/ activity.

### **3.2.2 Weaknesses**

- i) V-filters is not a giant in the commercial building sector. However, through engagement of business experts it is optimistic that the project will be successful.

### **3.2.3 Opportunities**

- i) There is assurance of the market as we have secured some who are interested.
- ii) There is assurance of power supplies which guarantees less costs of as Tanzania has got relatively lower tariffs and has less power cuts. This attracts manufacturers who are our clients
- iii) In governance Tanzania is characterized by peace and tranquility. This is strength as it provides our business with assurance that we will operate smoothly resting assured that the promoters' property security is guaranteed. With good investment act shareholders of the company are guaranteed of freedom from nationalization of their stake in the company.

### **3.2.4 Challenges**

- i) The procedures in the country are many and relatively complex. The company engages experienced business consultants to overcome this impediment.

From the SWOC analysis conducted of the company and of the operating environment the promoters are confident that the project will be a success. Following the analysis we have developed a market strategy for our product. This is focused on developing a strong and growing high-end clientele by maintaining those clients we have secured.

## **4.0 FINANCIAL ANALYSIS**

This section covers project financing and financial projections. Project financing includes source of funding and financing of items in the project. Financial projections, on the other hand, cover sales projections, income projections, projected retained earnings and projected cash flow.

## 4.1 Project Financing

### 4.1.1 Sources of Funding

The project will be financed by equity by 100%. Total investment so far stands at 1,155,500 dollars as shown in table below.

**Table – Project Financing**

Details	Amount	Percentage
<b>Local</b>		
Equity	-	0.00%
Loan	-	0.00%
<b>Sub-total</b>	-	<b>0.00%</b>
<b>Foreign</b>		
Equity	1,155,500	100.00%
Loan	-	0.00%
<b>Sub-total</b>	<b>1,155,500</b>	<b>100.00%</b>
<b>GRAND TOTAL</b>	<b>1,155,500</b>	
<b>Total Equity</b>	1,155,500	100.00%
<b>Total Loan</b>	-	0.00%

### 4.1.2 Financing of Project Items

The invested capital of 1,155,500 dollars has funded various items in the project. These include land and buildings, vehicles and other items as shown on the table below. Fixed capital is 1,105,500 dollars and working capital 50,000 dollars

**Table - Financing of Items**

ITEMS	FINANCING IN USD
Land & Buildings	625,000
Plant	325,000
Vehicles	95,000
Furniture & Fittings	23,000
Pre Expenses	22,000
Others	15,500
Working Capital	50,000
<b>TOTAL</b>	<b>1,155,500</b>
FIXED CAPITAL	1,105,500
WORKING CAPITAL	50,000

## 4.2 Financial Projections

### 4.2.1 Sales Projections

The company has projections of steadily growing sales over the first five years of operation of the project. From year 1 to year 5 the company expects to attain sales amounting to USD 260,000; 280,000; 300,000; 320,000 and 340,000. The table below gives the details, including those of cost of sales and projected gross profit for the first five years.

**Table – Gross Profit Projections**

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Sales	260,000	280,000	300,000	320,000	340,000
Cost of Sales	68,000	74,800	82,280	90,508	99,559
<b>Gross Profit/ (Loss)</b>	<b>192,000</b>	<b>205,200</b>	<b>217,720</b>	<b>229,492</b>	<b>240,441</b>

The project promises to yield gross profit throughout the first five years of operation. In Year 1 the profit is expected to be the lowest as it is the year of much investment – including investment in promotion campaigns - which implies much spending while the brand is relatively newer in the market and thus sales are picking up the pace.

### 4.2.2 Income Projections

Through the first five years of operation the project is expected to be making profits. In year 1 the profits will be the lowest because of the heavy spending in investment in this year of operation. The projected profits, as shown on **Table 8**, are USD 2,590,494; 6,004,982; 9,517,556; 13,190,245 and 17,004,616 for the first respective five years.

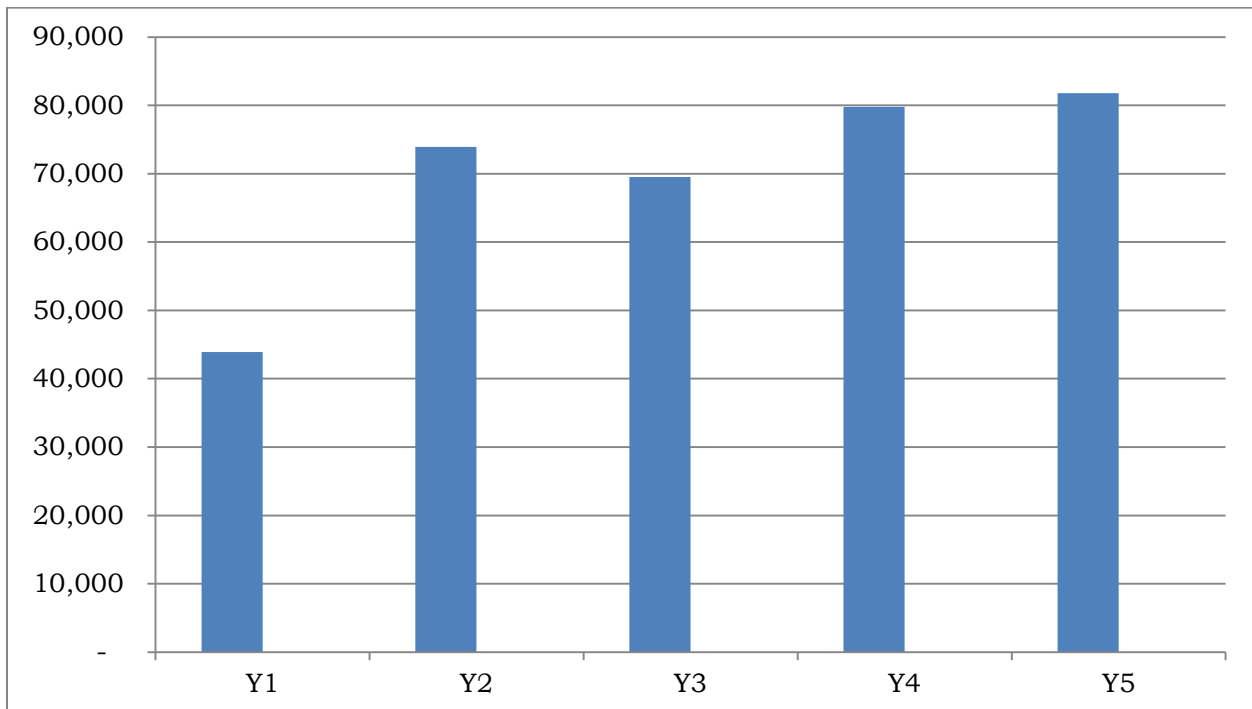
**Table 8: Projected Income Statement**

Details	Years				
	Y1	Y2	Y3	Y4	Y5

Total Sales	260,000	280,000	300,000	320,000	340,000
Less: Cost of Sales	68,000	74,800	82,280	90,508	99,559
Gross Profit	192,000	205,200	217,720	229,492	240,441
Less: Operating Expenses	113,600	73,200	93,600	87,000	94,400
EBIT	78,400	132,000	124,120	142,492	146,041
Less: Loan Interest	-	-	-	-	-
EBT	78,400	132,000	124,120	142,492	146,041
Less :Taxes (30%)	23,520	39,600	37,236	42,748	43,812
Net Profit/(Loss)	54,880	92,400	86,884	99,744	102,229
Dividend (20%)	10,976	18,480	17,377	19,949	20,446
<b>Retained Earnings</b>	<b>43,904</b>	<b>73,920</b>	<b>69,507</b>	<b>79,796</b>	<b>81,783</b>

#### 4.2.3 Projected Retained Earnings

Retained earnings projections show a positive trend for the project. This will give the company an edge in the market as it can re-adjust the price mix in order to keep more competitive. **Figure 4** gives the picture.



## **5.0 PROJECT RATIONALE**

This project's rationale can be viewed in monetary, fiscal and social aspects. From the financial analysis conducted this project is worth a green light in the Tanzanian economy. Monetarily it will create income for supplier SMEs, fiscally it will pay taxes (both Income Tax and VAT on sales), and socially it will contribute to social development as detailed under subsequent items. In support of Tanzania's zeal to industrialize the company will provide space for manufacturers to operate.

### **5.1 Monetary Rationale**

The project is expected to incur a total of **USD 876,947** on supplies and operating expenses through its first five years of operation. This money will go to supplier SMEs and other companies that will be supplying to the project. **Annex 1** gives the details.

### **5.2 Fiscal Rationale**

Fiscally the project projects to pay a total of **USD 486,916** as taxes to the government in its first five years of operation. Of this amount income tax is projected to be **USD 186,916** while VAT is projected to total to **USD 300,000**. The VAT projections are for the sales at the company's level only and will multiply as production by the manufacturers creates products that will hange hands. The same applies for the income tax. **Annex 1** gives the details.

### **5.3 Social Rationale**

Socially the project will participate in various engagements as part of its CSR program. Over the first five years it is expected to incur a total amount of **USD 698** on CSR as shown on **Annex 1**. In addition, the project will directly employ a total of at least 42 locals. Other locals amounting to at least 600 will enjoy indirect employment via the project, and via the manufacturers that will operate in the premises.

## **6.0 CONCLUSION**

V-Filters is a company that started a business of manufacturing oil filters for vehicles. Following challenges including shut-downs under COVID 19

the business lost its competitiveness as imported filters had price competitiveness.

After conducting thorough analysis the business has seen a niche in shifting to commercial building. This business plan is for the new activity and the company applies for amendment of TIC certificate to reflect the new activity

The project is owned by foreigners by 100%. The planned capital for this project is USD 1,155,500 all of which is equity.

From our instinctive assessment of our business idea we have come up with this business plan with confidence of success. This project is highly likely to be a success and it is rational socio-economically, fiscally and monetarily.

## 7.0 ANNEXES

### *Annex 1: Project Rationale*

Details	Years					
	Y1	Y2	Y3	Y4	Y5	TOTALS
Total Production Cost	68,000	74,800	82,280	90,508	99,559	<b>415,147</b>
Total Operating Expenses	113,600	73,200	93,600	87,000	94,400	<b>461,800</b>
Income Tax	23,520	39,600	37,236	42,748	43,812	<b>186,916</b>
VAT on Sales	52,000	56,000	60,000	64,000	68,000	<b>300,000</b>
Provision for CSR	88	148	139	160	164	<b>698</b>
<b>TOTALS</b>	<b>257,208</b>	<b>243,748</b>	<b>273,255</b>	<b>284,415</b>	<b>305,935</b>	<b>1,364,561</b>
<b>SUMMARIES</b>						
To the Government	75,520	95,600	97,236	106,748	111,812	<b>486,916</b>
To the Private Sector (SMEs)	181,600	148,000	175,880	177,508	193,959	<b>876,947</b>
To the Society (CSR)	88	148	139	160	164	<b>698</b>
<b>TOTALS</b>	<b>257,208</b>	<b>243,748</b>	<b>273,255</b>	<b>284,415</b>	<b>305,935</b>	<b>1,364,561</b>

### *Annex 2: Projected Operating Expenses*

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Bank Charges	600	600	600	600	600
Insurance	4,000	4,000	4,000	4,000	4,000
Office Expenses	19,000	19,000	19,000	19,000	19,000
Permits and Licenses					

	28,800	20,000	20,000	21,000	20,000
Vehicle Expenses	23,000	23,000	23,000	23,000	23,000
Professionals Fees	32,000	-	20,000	12,000	20,000
Provision for Bad Debts	5,200	5,600	6,000	6,400	6,800
Depreciations					
Miscellaneous Expenses	1,000	1,000	1,000	1,000	1,000
<b>TOTAL OPERATING EXPENSES</b>	<b>113,600</b>	<b>73,200</b>	<b>93,600</b>	<b>87,000</b>	<b>94,400</b>