

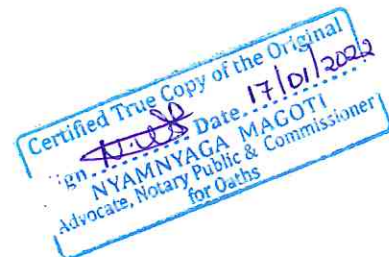
# **MCHENCHI COMPANY LTD (MCCOLT)**

**P.O BOX 201,  
MWANZA, TANZANIA.**

**SECOND HAND BALES, TRANSPORTATION  
AND PETROLEUM PRODUCTS BUSINESS**

## **BUSINESS PLAN**

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**MCCOLT, 2022**

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## 1.0 EXECUTIVE SUMMARY

### Company Background

Mchenchi Company Limited is a going concern business with more than 5 years in operation. Its mission is to supply market and sell second hand bales to all its potential and prospecting customers. The company has its head office located at Mlango Moja Area, Nyamagana District in Mwanza region the company through support from NCBA Bank is constructing a petrol station at Igoma just adjacent to the lake Oil petrol station

The company has been importing second hand bales from various suppliers around the world in order to meet with the product requirements of its potential and prospecting customers, the company through its operations has built a strong customer and supplier base that has enabled the company to grow both in sales volume and accumulation of wealth. The company was started up among other reasons to market and sell second hand bales and now through experience and exposure plans to establish a transportation business. And in this regard plans to add to his current fleet a total of 20 trucks. The trucks shall be used in strengthening his supply chain by transporting bales from Dar-Es-Salaam port to Mwanza and as well transporting fuel from various suppliers in Dar-Es-Salaam to his petrol Station located at Igoma in Mwanza.

Through the start up of the transport business will see the company expand its income sources for the overall growth of the company and sustainability.

The planned transport project will benefit the directors, employed personnel and the community as a whole, some of the community member's shall benefit directly as some of them shall be employed by the petrol station, transport business and others shall indirectly benefit through the operations of the company.

Mchenchi is the managing director of the company and has been at the forefront of its day to day management and supervision of all its activities though the overall management and supervision of the company is vested in the Board of directors which is charged with the task of formulating from time to time its policies and providing general guidelines to top management and its related technical departments in ensuring the smooth centering of all realistic decisions relating to social, economic and manpower development

The overall objective of the company is to maximize returns through; the sale of second hand bales, sale of petroleum products and transportation business to all her customers as well as promoting both social and economic development of a Tanzanian community through participating in these business ventures.

The directors have already acquired finances from NCBA bank amounting to Tzs 500 Million for the construction of the petrol station at Igoma and further plan to invest Tzs 1.5bn to purchase 20 trucks that shall be used in the transportation business.

The financial analysis projection shows that the project is viable and bankable, since it's able to repay the loan and interest and is able to remain with positive net cash flows that can be reinvested for business expansion and growth.

It is expected that with all the conditions that call for the success of the business being constant, then the business will be growing at a very high rate hence ensuring continued supply and provision of second hand bales, petroleum products and transportation and at the same time ensuring profitability growth and overall business sustainability.

## **1.1 Industry and Business Overview**

### **1.1.1 a) Petroleum Industry Overview**

Tanzania is endowed with diverse energy resources including biomass, natural gas, hydro, coal, geothermal, solar and wind, uranium, much of which is untapped. Wood-fuel accounts for up to 90% of total national energy consumption, with about 2% from electricity and 8% from petroleum products.

Whereas Tanzania has plentiful natural gas, coal, hydropower, solar and biomass resource potential, it has one of the world's lowest levels of electricity consumption per capita. Considerable scope exists for accelerating electrification to meet the growing demand especially in the rural areas through off-grid solutions. Investment opportunities exist for developing hydropower dams, solar photovoltaic systems, biomass based co-generation in sugar, wood, and tea factories to provide electricity.

#### **i. Energy Consumption**

Energy consumption in Tanzania exhibits a pattern observed in most developing countries whereby biomass energy dominates. Consumption pattern is as follows:

- Biomass based fuels [mainly wood fuel and charcoal] accounts for about 90% of the total national energy consumption
- Commercial energy accounts for 10% of which:-petroleum: 8%-electricity 2% [from hydro, natural gas, diesel, solar, biomass etc.]-coal: negligible

## ii. Petroleum Downstream

Petroleum downstream was liberalized in, 2000 to allow oil marketing companies operating in the country to import and supply petroleum products as well as set prices in accordance with the market forces. The petroleum downstream sub-sector is still undergoing reforms, the Government's role remains that of putting in place appropriate policies and institutional and legal framework attract private sector investments, taxation and monitoring of petroleum distribution operations and supplies. In 2008 the country is estimated to have used about 1.7 million tonnes of petroleum products.

Production of gas is now taking place at the Songo Songo and Mnazi Bay where gas is used in electricity generation and for thermal application in more than 25 Dar Es Salaam based Industries.

The petroleum downstream sub-sector is governed by the Petroleum Act, 2008, The Act provide guidance on petroleum industry development in Tanzania and reflect the principles embedded in the National Energy Policy, 2003.

## iii. Petroleum Upstream

Exploration and production of petroleum is governed by the Petroleum [Exploration and Production] Act of 1980. Petroleum exploration activities started in the country since early 1950s when BP drilled number of wells along the coast and in the island of Zanzibar and Mafia. Although no liquid hydrocarbons have been discovered, three gas fields have so far been discovered which are Songo Songo, Mnazi Bay and Mkuranga gas fields.

Tanzania Petroleum Development Corporation [TPDC] is responsible on behalf of the Government to oversee the development of petroleum exploration and production activities in the country. Currently there are 14 exploration companies operating in the country.

#### **iv. Petroleum Products Demand In Tanzania**

Currently, the monthly demand for petroleum products in the country is about 128,000 Metric tons. Assuming that 100% of the petroleum requirements pass through the Kurasini Oil Jet (KOJ), and assuming that requirement for the transit trade is for 300,000 MT per Year (25,000 MT per month), the readily available capacity in Dar Es Salaam (less 3 depots under construction) can handle 61 days-stock products. Companies can thus stock 30 days' products and remain with an operating ullage for 30-35 days. It may be noted that ordering and receiving a cargo from the Middle East takes a period of 15-21 days. The above analysis has not taken into account that at least 15%-20% of the country's petroleum requirements are received through Tanga, Mwanza and Musoma ports.

On the other end, TIPER plans to rehabilitate crude oil tanks which will add up storage by about 170,000 metric tons. Assuming that the total additional storage (TIPER, MGS, GBP and Camel) is brought on stream, Dar Es Salaam will have a storage capacity of more than 500,000 MT in the near future. It may therefore be concluded that the available storage capacity in the country is adequate to cover the country's storage capacity for the period of at least 15 years if well managed and utilized.

#### **v. Characteristics of petroleum products retailing**

Petroleum pricing in Tanzania is liberalized. Operators within each category (importers, wholesalers, retailers) usually have a similar cost structure. These include the cost of importation (FOB, I&F), handling charges, taxes and levies for importation and unloading, usual costs of storage, transportation and retail. Finally, operators are also covering their margins. It is estimated that there are between 500 and 700 petrol stations. These are owned by either major companies (including multinationals), or by private individuals. After liberalization, the number of large petrol stations has mushroomed. Many of those have been constructed in residential areas, thereby threatening public safety, health and environment. It is also noted that not all petrol stations display prices and many of them have no amenities such as tyre inflators or toilet facilities.

#### **1.1.1b Transport Industry Overview**

The Tanzanian transport sector comprises surface transport (including roads, railways), inland waterways (lakes and rivers), air transport, and sea transport. Tanzania's transport sector contributed 8.1% to the country's real GDP in 2018 with USD 3.8 billion, compared to USD 2.8 billion in 2014, representing an increase of 33%. Main growth drivers include the increase in the number of passengers carried and freight handled through road transport. According to Tanzania's 2025 Development Vision, investments in infrastructure, particularly in the development of the road network, are the Government's top priority.

The World Bank (WB) and the African Development Bank (AFDB) support Tanzania in achieving its infrastructure development goals by providing grants and credits for projects. Tanzania Road Transport is the most widely used form of transport in Tanzania, carrying over 90% of the passengers and 75% of the freight traffic in the country. The road network in Tanzania currently comprises 86,472 kilometers of roads, of which 12,786 kilometers are trunk roads, 21,105 kilometers are regional roads and the remaining 52,581 kilometers are district, urban and feeder roads.

Tanzania's Ministry of Works, Transport, and Communication through the Tanzania National Roads Agency (TANROADS) is managing the national road network of about 33,891 kilometers, comprising 12,786 kilometers of trunk and 21,105 kilometers of regional roads. The remaining network of about 53,460 kilometers of urban, district and feeder roads is under the responsibility of the Prime Minister's Office Regional Administration and Local Government (PMO-RALG).

Tanzania Rail Transport Railway transport is the second most important mode of transport after road and critical for long distance freight along the main transport corridors in Tanzania. Tanzania has a total of 3,676 kilometers of railway lines operated by two railway systems, Tanzania Railways Corporation (TRC) and Tanzania – Zambia Railways (TAZARA). The mainline of TRC comprises the central corridor between the port of Dar Es Salaam in the east, linking central and western areas of the country and terminating at Kigoma on Lake Tanganyika in the west. The TAZARA line is 1,860 kilometers in length, of which 975 kilometers is in Tanzania and 885 kilometers in Zambia. Tanzania Air Transport The total number of air passengers in Tanzania reached 6.2 million in 2019, compared to 5.2 million in 2015, representing an increase of 18%. Currently (2020), there are 19 airline operators in Tanzania, including some of the leading international air carriers such as British Airways, KLM, Qatar Airways, and SWISS. There are 58 airports in Tanzania and more than 300 private airstrips owned by mining companies and tour operators. The Julius Nyerere International Airport (JNIA), located in Dar Es Salaam, is the largest and busiest airport in Tanzania, accounting for over 70% of Tanzania's air passengers. In August 2019, Tanzanian President John Magufuli inaugurated Terminal 3 of the JNIA. The new terminal, which cost USD 314 million, set the airport capacity at 8 million passengers annually. In 2019, the AFDB approved a USD 272.12 million loan to Tanzania for the construction of a new international airport in the capital Dodoma. The new airport will be built in the district of Msalato, 12 kilometers from the capital Dodoma. The new facility is expected to handle at least 50,000 aircrafts and one million passengers per year. Tanzania Water Transport Tanzania has a coastline of about 720 kilometers on the Indian

Ocean, and also borders Lake Victoria, Lake Nyasa, and Lake Tanganyika. Both sea and inland waterways ports in Tanzania are managed and operated by the Tanzania Ports Authority (TPA). The TPA's main Indian Ocean ports are Dar Es Salaam, Mtwara, and Tanga. Minor seaports serving coastal traffic include Lindi, Kilwa Masoko, Mafia Island, Bagamoyo, Pangani, and Kwale. Dar Es Salaam is Tanzania's principal port with intrinsic capacity of 10.1 tonnes per year. The port handles over 92% of the total maritime ports' throughput. The port serves land-linked countries of Malawi, Zambia, Democratic Republic of Congo, Rwanda, Burundi, and Uganda. These countries are connected to the port through two railway systems (TRL-1.0 metre gauge and TAZARA-1.067 cape gauge), road network, as well as the TAZAMA oil pipeline to Zambia. TPA also operates Tanzania's lake ports, maintaining around 20 ports on Lake Victoria. Some major ports include Bukoba, Kemono Bay, Musoma, and Nansio. Principal lake ports on Tanganyika include Kigoma and Kasanga. Additionally, there are 15 smaller ports along the lake. These ports provide trade connections between Burundi, Eastern Democratic Republic of the Congo, and Zambia. Lake Nyasa has 4 important ports, at Itungi, Mbamba Bay, Liuli, and Manda. There are up to 10 other smaller TPA ports on the lake that facilitate passenger movement along the lake and between the countries of Malawi, Mozambique, and Tanzania.

#### **1.1.2 Business Description/Project Description**

Mchenchi's general objective is to serve the local markets with exceptionally quality second hand bales, petroleum products and transport services. The company seeks to strengthen its income sources by selling petroleum products through its newly constructed petrol station at Igoma, Mwanza, and through the said business plan to increase its current fleet of motor vehicles with 20 brand new trucks that shall be used in transporting its fuel products and as well hire out to other companies. The company plans to acquire 20 brand new trucks to boost its marketing plan and local distribution network to deliver products to its customers.

#### **1.2 Mission Statement**

Mchenchi Company Limited strives to provide high quality products and services to all its customers in a customer friendly environment by keeping the environment clean and engaging motivated staff that focuses on the needs of its customers.

### **1.3 Vision**

To become one of the leading distributors, seller and transporter of Petroleum products and second hand bales in the lake zone regions.

### **1.4 Guiding Principles**

Mchenchi Company Limited corporate governance and operations are guided by the following strategic principles

- i. Belief in people.
- ii. Respecting the dignity and worth of all people.
- iii. Keeping it local but with a global perspective.
- iv. Keeping good business ethics.
- v. Search for trusted partners who share the company's vision and working together to build long-term relationships based on trust.
- vi. Keeping our promises.

We believe that we owe it to the communities we serve, our customers, staff and government to act with integrity and manage our resources effectively and efficiently.

### **1.5 Goals**

#### **1.5.1 Short term goals**

- Registering our transport project with Tanzania Investment Centre (TIC) thus enjoying all the benefits that emanate from the same
- Provide quality products and services that meet the product and price needs of our potential and prospecting customers.

#### **1.5.2 Long term goals**

- Maintenance of high quality product and service standards and customer care to sustain customers and bring in new customers.
- Expand distribution network to cover more customers.
- Continuous expansion to provide further employment opportunities so as to improve living standards of the people within the business area and its environments.

## **1.6 Critical Success Factors**

In order for Mchenchi Company Limited to attain its goals,

- i. We will focus mainly on customers who are the core in our operations
- ii. Ensuring a stable and reliable product and services supply to our targeted market.
- iii. Experience of the directors in the business that gives us credibility.
- iv. The directors and employees have enough knowledge and experience in the business.

## **1.7 Entry and growth strategy**

However much competition in business isn't that stiff, Mchenchi Company Limited employs competitive pricing strategy to be able to win new customers while emphasizing quality products. The business also emphasizes cost effectiveness in order to recover all incidental costs before charging the price.

In order to continue growing and become sustainable, the following will always be done.

- Providing quality products and services that will keep customers and ensure repeat business.
- Empowerment through education (Capacity Building)  
The company offers regular training to its employees through daily training courses and staff meetings organized to help them appreciate new knowledge and exposures
- Prompt payments.

Also the company has established credibility with bankers for being able to guarantee prompt and regular payment for the monies borrowed.

## **1.8 SWOT ANALYSIS**

### **1.8.1 Business Strength**

- Good and focused management
- Good quality products and services
- Reliable products and services supply
- Strategic business positioning
- Knowledge of the local market, industry and business acumen
- Team work
- Better strategies and structures in place

### **1.8.2 Business Weaknesses**

- Inadequate working capital to fully execute all the projects at hand

### **1.8.3 Business Opportunities**

- Country's political stability that fosters business development
- Accessibility of funds from financial institutions
- Good infrastructure system which fosters business development and growth
- Regional integration that creates a common market
- Big and unexhausted demand

### **1.8.4 Business Threats**

- Competition though not stiff especially emanating from other big companies
- Price fluctuations resulting from inflation

Mchenchi Company Limited will always try to capitalize on the strength, take advantage/Exploit the opportunities, to curb the threats and alleviate the weaknesses with appropriate strategies like increasing its product attributes, strengthening the current income sources, strengthening working capital, timely delivery of orders and maintaining quality standards of products and services offered.

## **1.9 Exit strategy**

In the case of unfavorable business environment in such a way that the business is required to be wound up, the following exit strategies will be applied:

- Customer and supplier placement strategy whereby, customers and suppliers will be smoothly handed over to another interested business as a going- concern to allow them to continue with their activities.
- Pay out any outstanding debts to creditors/suppliers.
- Collect any amounts outstanding from debtors.
- Sell all the inventory, machines and equipment to other firms in the same line of business.
- The organization can also be sold as a going concern to other firms or companies.

## **2.0 PRODUCTS / SERVICES**

One of the consumer behaviors is to maximize utility at the possible minimum costs. Mchenchi Company Limited is looking at this with serious attention so as to meet our customers' needs and expectations. In so doing Mchenchi Company Limited will always provide products and services of the required quality and distributed according to the needs of our customers as well as competitive prices that will match with the products quality. Again Mchenchi Company Limited will go for "after sale services strategy" to see the performance of our products and services, difficulties that consumers have faced and to see to what extent consumers are appreciating our products and services.

### **2.1 Product/Service Description**

Mchenchi Company Limited offers the following products and services;

- i. Second Hand bales of various products
- ii. Petroleum products including;
  - a) Petrol
  - b) Diesel
  - c) Oil Lubricants
  - d) Other services like tyre fixing, motor vehicles servicing and tyre inflating
- iii. Transport Services

### **2.2 Unique Features of Product/Service**

Mchenchi Company Limited provides products of high quality that give our customers value for money. Our products shall be packed and sold in high standard of packaging that portrays our company's image.

### **2.3 Proposed Products and Services**

The company's shall continue strengthening its business;

- i. Selling second hand Bales
- ii. Sale of petroleum products including Diesel and Petrol
- iii. Transportation

### **3.0 THE MARKET**

#### **3.1 Industry analysis**

It's estimated that Tanzania annually imports approximately 1.8 million tones of various refined petroleum products for sale on the local market through port of Dar-Es-Salaam. The ports of Tanga and Mtwara are also used for the importation while other imports are brought by trucks and barges from Kenya. Since liberation in 2000, every Company in the sector has been free to import products in accordance with its requirements, local product prices being determined mainly by market forces. In contrast to pre-liberalized market conditions, following the liberalization, there has been no significant experience of fuel shortages. With respect to the consumption of petroleum products, EWURA's own estimates show that in addition to internal consumption, some petroleum products are transmitted to land locked countries neighboring Tanzania. Currently there are approximately 20 Oil marketing Companies involved in the importation and transit of petroleum products. Each Company imports from its supplier and at its own schedule.

#### **3.2 Market analysis**

The current economy is stable emanating from its stable political situation; however, Mchenchi Company Limited operates and shall continue to operate with a state of a strong economy stability as the products sold are highly demanded thus the business is expected to be profitable and cash flow stable and positive in this economic environment. Other factors related to the market are;

- a) The Market is liberal and accommodates all players.
- b) Unfulfilled customer demands
- c) Prices are determined by forces of demand and supply
- d) The competition in the market is minimal as what matters is the level of production

#### **3.3 Distribution and Pricing**

In a free market economy prices are determined by the forces of demand and supply, thus prices of second hand bales and transport shall be determined by forces of demand and supply.

For, the petroleum business, the company plans to set prices basing on predetermined rates by EWURA and shall add up a cost to cover transport charges to the destination point. However our prices shall be set within the reasonable range of predetermined prices set by EWURA so as to remain Competitive in the industry.

### **3.4 Competitor Analysis**

The company's intention is to become a leading distributor and transporter of petroleum products and second hand bales in the lake zone regions. However, the company has competitors;

The currently existing competitors of the company are;

- a) Big Companies with similar products and services
- b) Retailers and Vendors in the same business these are many and scattered
- c) Small scale vendors and hawkers in remote areas who tend to sell at cheaper prices

#### **3.4.1 Competitive Advantages.**

The following are the competitive advantages of Mchenchi Company Limited;

- Experience of the directors, having enough business knowledge and zeal to do business.
- The Lake Zone and Mwanza in particular neighboring East African Countries (Kenya, Uganda, Burundi and Rwanda) makes the market huge
- Mchenchi Company Limited is planning to strengthen its strategic marketing and promotional activities as a means of expanding its market
- Mchenchi Company Limited is planning to have a more effective and efficient supply chain that will ensure timely delivery of products into the market and reliable supply of all materials to be used by the company.

#### **3.4.2 Barriers to Market Entry**

Major barrier that Mchenchi Company Limited faces especially for the market entry is high capital costs and adequate working capital. This business requires more capital to be able to strengthen its current operations but Mchenchi Company Limited with clear and defined strategies shall influence the bankers to finance its plan.

## **4.0 MARKETING STRATEGIES AND SALES STRATEGY**

### **4.1 Energy Sector Overview**

Tanzania is endowed with diverse energy resources including biomass, natural gas, hydro, coal, geothermal, solar and wind, uranium, much of which is untapped. Wood-fuel accounts for up to 90% of total national energy consumption, with about 2% from electricity and 8% from petroleum products.

Whereas Tanzania has plentiful natural gas, coal, hydropower, solar and biomass resource potential, it has one of the world's lowest levels of electricity consumption per capita. Considerable scope exists for accelerating electrification to meet the growing demand especially in the rural areas through off-grid solutions. Investment opportunities exist for developing hydropower dams, solar photovoltaic systems, biomass based co-generation in sugar, wood, and tea factories to provide electricity.

#### **4.1(a) Energy Consumption**

Energy consumption in Tanzania exhibits a pattern observed in most developing countries whereby biomass energy dominates. Consumption pattern is as follows:

- Biomass based fuels [mainly wood fuel and charcoal] accounts for about 90% of the total national energy consumption
- Commercial energy accounts for 10% of which:-petroleum: 8%-electricity 2% [from hydro, natural gas, diesel, solar, biomass etc.]-coal: negligible

#### **4.1(b) Petroleum Downstream**

Petroleum downstream was liberalized in, 2000 to allow oil marketing companies operating in the country to import and supply petroleum products as well as set prices in accordance with the market forces. The petroleum downstream sub-sector is still undergoing reforms, the Government's role remains that of putting in place appropriate policies and institutional and legal framework attract private sector investments, taxation and monitoring of petroleum distribution operations and supplies. In 2008 the country is estimated to have used about 1.7 million tonnes of petroleum products.

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Exploration and production of petroleum is governed by the Petroleum [Exploration and Production] Act of 1980. Petroleum exploration activities started in the country since early 1950s when BP drilled number of wells along the coast and in the island of Zanzibar and Mafia. Although no liquid hydrocarbons have been discovered, three gas fields have so far been discovered which are Songo Songo, Mnazi Bay and Mkuranga gas fields.

Tanzania Petroleum Development Corporation [TPDC] is responsible on behalf of the Government to oversee the development of petroleum exploration and production activities in the country. Currently there are 14 exploration companies operating in the country.

#### **4.1(d) Petroleum Products Demand In Tanzania**

Currently, the monthly demand for petroleum products in the country is about 128,000 Metric tons. Assuming that 100% of the petroleum requirements pass through the Kurasini Oil Jet (KOJ), and assuming that requirement for the transit trade is for 300,000 MT per Year (25,000 MT per month), the readily available capacity in Dar Es Salaam (less 3 depots under construction) can handle 61 days-stock products. Companies can thus stock 30 days' products and remain with an operating ullage for 30-35 days. It may be noted that ordering and receiving a cargo from the Middle East takes a period of 15-21 days. The above analysis has not taken into account that at least 15%-20% of the country's petroleum requirements are received through Tanga, Mwanza and Musoma ports.

On the other end, TIPER plans to rehabilitate crude oil tanks which will add up storage by about 170,000 metric tons. Assuming that the total additional storage (TIPER, MGS, GBP and Camel) is brought on stream, Dar Es Salaam will have a storage capacity of more than 500,000 MT in the near future. It may therefore be concluded that the available storage capacity in the country is adequate to cover the country's storage capacity for the period of at least 15 years if well managed and utilized.

#### 4.1(e) Characteristics of petroleum products retailing

Petroleum pricing in Tanzania is liberalized. Operators within each category (importers, wholesalers, retailers) usually have a similar cost structure. These include the cost of importation (FOB, I&F), handling charges, taxes and levies for importation and unloading, usual costs of storage, transportation and retail. Finally, operators are also covering their margins. It is estimated that there are between 500 and 700 petrol stations. These are owned by either major companies (including multinationals), or by private individuals. After liberalization, the number of large petrol stations has mushroomed. Many of those have been constructed in residential areas, thereby threatening public safety, health and environment. It is also noted that not all petrol stations display prices and many of them have no amenities such as tyre inflators or toilet facilities.

#### 4.2 Market Segments

##### a) Second Hand Bales

The company sells its products segmented according to location of its customers that are scattered across the lake zone region

##### b) Transport Business

The transport shall be segmented according to the type of customer especially those transporting petroleum products

##### c) Petroleum Business

The company shall operate in the following Market segments that are classified according to the type of client.

1.	Companies	45%
2.	District Councils	30%
2.	Passenger Service Vehicles	15%
3.	Individual Cyclists	10%
	<b>TOTAL</b>	<b>100%</b>

### **4.3 Targeting Strategy**

Mchenchi Company Limited is an established business with business associates of suppliers and potential customers, we will go for mass marketing strategy because we want to go after the market as a whole with one offer that answers common needs of our customers. With this strategy Mchenchi Company Limited meets the customers' expectations as many of our customers shall be testing our products at a right time and right place.

### **4.4 Positioning Strategy**

Mchenchi Company Limited always positions its products basing on;

- a) The quality of our products and services,
- b) Timely deliveries.

### **4.5 Product/Service Strategy**

This is an interesting part where one firm gets power to kick out its competitor though it is not always easy to achieve as many of the business developers think. Mchenchi Co. Ltd shall adopt the best product packaging to differentiate its products with the other firms. This good designing of product packaging introduces our products in a successful way.

Our strategy will always be to sell our products within the range of customers' expectations in terms of quality, at the required time and expected location. This allows many consumers to access our products and purchase them. With this strategy Mchenchi Company Limited will and is able to exploit the unexploited market in Tanzania.

### **4.6 Pricing Strategy**

Competitive Pricing is our major pricing strategy. As explained before Mchenchi Co. Ltd will try to operate at the possible minimum costs of production so as to meet our pricing strategy.

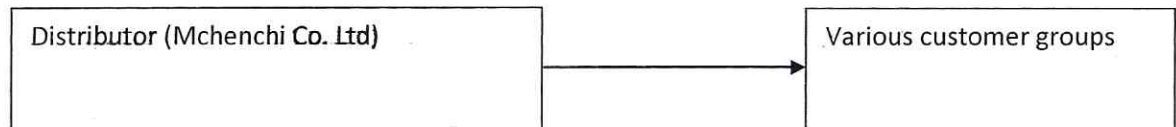
### **4.7 Distribution Channels**

Mchenchi Company Limited aims at meeting the demand and expectations of all our customers locally. With this various method of products distribution will be used. There are number of factors that will be put into consideration when distributing our products. The following will be put into consideration:

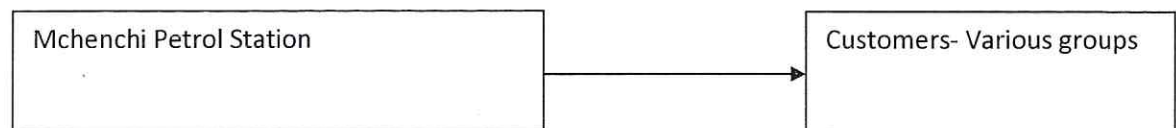
- The nature of the targeted market
- The nature of the business as well as legal issues

## Distribution Channels to be used

### a) Second Hand Bales



### b) Petroleum Products



## 4.8 Promotion Strategy

In case of promotion both push and Pull strategies are used.

A “push” promotional strategy makes use of our business sales force and trade promotion activities to create consumer demand for our products. We will always promote our products directly and through our distribution network

A “pull” selling strategy is the next strategy Mchenchi shall use. This requires high spending on advertising and consumer promotion to build up consumer demand for our products.

## 4.9 Sales Strategy

Our products shall be distributed as explained in the distribution channel listed above. Mchenchi’s main objective is to maximize profit by meeting the customers need. This is done by supplying our products to all places where they are demanded at a right time so as to meet customers’ expectations.

## 5.0 DEVELOPMENT AND EXPANSION STRATEGY

### 5.1 Development Strategy

Mchenchi Company Limited is a going concern business that has been in operation for many years;

The company has a total asset base of **Tzs 2,154,651,151.00** which comprises of;

- i. Non Current Assets of Tzs 1,173,404,597 including the on construction petrol station at Igoma
- ii. Current Assets of Tzs 981,246,554

The only work remaining in the development of Mchechis transport business;

- i. Purchasing 20 more brand new trucks worth Tzs 1.5 Billion

The new trucks shall be used in transporting the company's petroleum products and others shall be used in hiring out to other companies for increased business dealings, increased profit, growth and overall business sustainability.

## **5.2 Expansion Plan**

Mchenchi Company Limited will continue to expand through;

- i. Seeking for additional funds from financial institutions with the aim of strengthening its current businesses
- ii. Increasing the company's working capital via re-investing in after tax cash flows of the business.

## **6.0 ORGANIZATION PLAN**

### **6.1 The Organization**

The overall management of the Company is vested in the Board of directors which is charged with the task of formulating from time to time its policies and providing general guidelines to top management and its related technical departments in ensuring the smooth centering of all realistic decisions relating to social, economic and manpower development.

In order to ensure efficiency of staff, management continuously motivates staff and always tries to build capacity in areas of customer care and quality. Bonus and other incentives are means of boosting employee's morale.

## 6.2 Personnel

Mchenchi Company Ltd shall have the following employed staff combined

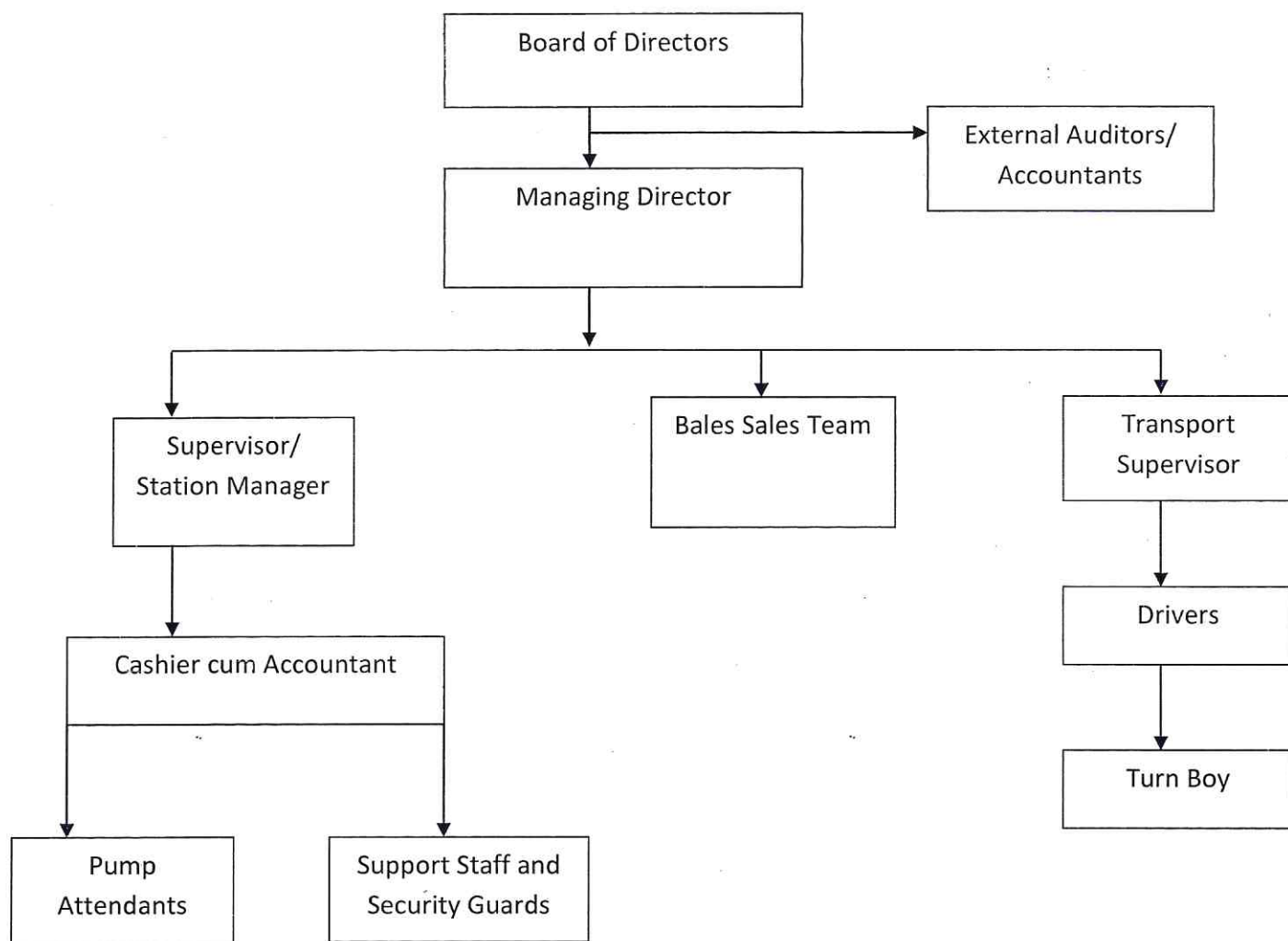
**i. Second hand bales business**

- ✓ 5 customer assistants

**ii. Petroleum and Transport Business**

- ✓ Managing Director
- ✓ Supervisor/Station Manager
- ✓ Cashier cum accountant
- ✓ 5 Pump attendants
- ✓ 2 Cleaners
- ✓ 25 Drivers
- ✓ 25 turn boys
- ✓ 3 Security Guards

### 6.3 Organization Chart.



#### 6.3.5 Company ownership structure

Mchenchi Company Limited is owned by 3 shareholders. Their details are as shown below;

Names	No. shares	Nationality
1. Jumanne Francis Mchenchi P. o Box 201, Mwanza, Tanzania	500	Tanzanian
2. Judith Francis Mchenchi P.o Box 201, Mwanza, Tanzania	300	Tanzanian

### **6.3.5.1 Managing Director**

Jummanne Francis Mchenchi works in the capacity of managing director of Mchenchi Company Limited, he heads the management team with other departmental heads as shown above, his roles and responsibilities are but not limited to;

- Being accountable for the overall performance of the Business and for the day-to-day running and management of the business.
- Supervision and monitoring of Business strategies
- Manage the day-to-day operations of the Business
- Manage, motivate, develop and lead employees.
- Manage resources efficiently and effectively to achieve the business's objectives

### **6.4 Management Structure and Style**

Mchenchi Company Limited is under the unique management structure which provides it with competitive advantage based on the factor that its organized based on upward and downward communication which facilitates easy flow of information to and fro across all managerial departments.

### **6.5 Recruitment and Training**

Recruitment is done competitively through advertisement and interviewing the potential candidates. The recruited staffs have the minimum training requirement for the job. However, regular updating is done through sending of staff to relevant short courses offered by various training institutions. The recruitment exercise is and shall be conducted in the competitive environment to ensure the right person to have the right position. This also enables our business to achieve its desired goals and objectives by creating value to our customers and become one of the leading distributors and sellers of petroleum products and second hand bales in the Lake Zone regions and Tanzania in general. The following are the summary of job to be created by the company:

Employment	Foreign Skilled	Local Skilled and Semi skilled	Local Unskilled	Total
Women	NIL	0	10	10
Men	NIL	20	20	40
<b>TOTAL</b>	<b>NIL</b>	<b><u>20</u></b>	<b><u>30</u></b>	<b><u>50</u></b>

### 6.6 Relevant regulations

Mchenchi Company Limited is fully registered with;

- i. The workers compensation fund (WCF)
- ii. TATO A
- iii. SUMATRA
- iv. NSSF

## 7.0 INVESTMENT AND FINANCING

The company has already invested Tzs 2,154,651,151 which was used for as detailed below;

Description	Amount in Tzs
Property, Plant and Equipments	1,173,404,597.00
Current Assets	981,246,554.00
<b>TOTAL</b>	<b><u>2,154,651,151.00</u></b>

### 7.1 INVESTMENT COST

Mchenchi plans to invest Tzs 1,500,000,000.00 into the transport business by purchasing 20 brand new trucks

### 7.1 FINANCING PLAN

The above business plan shall be financed by both Equity and Long term debt from NCBA bank

Note: From the banks terms and conditions for asset financing; the bank shall finance 70% of the total Assets while the company shall contribute 30%

i.	Equity –Owners contribution	Tzs 450,000,000.00
ii.	Bank Loan-NCBA Bank (5 year loan)	Tzs <u>1,050,000,000.00</u>
	<b>TOTAL</b>	<b><u>Tzs 1,500,000,000.00</u></b>

### 7.2 TERM LOAN

#### a) Loan Terms

- Loan amount: Tzs 1,050,000,000.00
- Loan Period: 60 months
- Loan Interest: 15%
- No grace period considered

### **7.3 LOAN SECURITY**

The trucks in application shall be used as security for the loan in application thus shall be co-owned by the company and the bank.

**NB:** ownership shall fully transfer to the company on fully liquidating the bank loan.

### **8.0 RISKS ANALYSIS.**

The above business like any other business has risks that can be controlled not to happen if properly mitigated. The identified risks and their mitigating factor are as follows;

1. Theft – day and night security employed
2. Fire, Accidents and other Risks – a comprehensive insurance policy is advisable
3. Competition – Increasing product and services attributes to out compete competitors
4. Price fluctuation-flexibility in pricing to be able to counter any price changes

### **9.0 SOCIAL AND ECONOMIC ASPECTS OF THE BUSINESS**

Notwithstanding the financial returns to the owners there are other benefits of the business like,

i. Employment opportunities

Employment and poverty reduction are among the major concerns of the central government. It's therefore important to note that the business is providing employment directly and indirectly to many others. This is a significant contribution coming from local investors like Mchenchi Co. Ltd. The company shall employ 50 people of which 20 shall be skilled and semi skilled and 30 shall be unskilled/locals or casuals looking for daily earning.

ii. Revenue to Government through taxes and Licenses

The company facilitates the availability and provision of services by government through a non quid-pro-quo payment of tax, fees and licenses annually. Taxes like corporation tax, PAYE, SDL, WCF, Service levy, Royalties and any withholding tax to be charged

## **10.0 CONCLUSION AND RECOMMENDATIONS**

### **10.1 Conclusion**

- a. The business is profitable and contributes to government revenue by way of taxes
- b. The business shall employ people all of whom are Tanzanian nationals
- c. The business is a clear manifestation of the country's efforts to encourage local investors and the readiness of the people to seize such opportunities.

### **10.2 Recommendation**

The company's plan to strengthen its current transport business by acquiring more motor vehicles is viable as it will increase company and government revenues, increase employment opportunities and thus meet with the demands of its potential and prospecting customers thus any support in favor of implementing this plan is more than welcome.

### **ATTACHMENTS:**

- **CASHFLOW PROJECTIONS**
- **PROJECTED INCOME STATEMENT**
- **PROJECTED STATEMENT OF FINANCIAL POSITION**
- **CAPITAL BUDGETING INCLUDING**
  - ✓ **NPV**
  - ✓ **PAY BACK PERIOD**
  - ✓ **INTERNAL RATE OF RETURN**
  - ✓ **PROFITABILITY INDEX**
  - ✓ **ARR**

**MICHENCHI COMPANY LIMITED**  
P.O BOX 201, MWANZA

**PROJECTED CASH FLOW STATEMENT**

	YR1	YR2	YR3	YR4	YR5
<b>CASH INFLOWS</b>					
Revenue/Income-Petroleum Products	2,917,200,000.00	3,111,680,000.00	3,500,640,000.00	3,889,600,000.00	3,889,600,000.00
Revenue/Income-Second Hand Bales Receipts	4,120,000,000.00	4,944,000,000.00	5,932,800,000.00	7,119,360,000.00	8,543,232,000.00
Transport Receipts	1,092,000,000.00	1,092,000,000.00	1,092,000,000.00	1,092,000,000.00	1,092,000,000.00
Accounts Receivables	58,344,000.00	62,233,600.00	70,012,800.00	77,792,000.00	77,792,000.00
Loan Facility-NCBA Bank	1,050,000,000.00	-	-	-	-
<b>TOTAL CASH INFLOWS</b>	<b>9,237,544,000.00</b>	<b>9,209,913,600.00</b>	<b>10,595,452,800.00</b>	<b>12,178,752,000.00</b>	<b>13,602,624,000.00</b>
<b>CASH OUTFLOWS</b>					
Purchases of Bales	3,502,000,000.00	4,202,400,000.00	5,042,880,000.00	6,051,456,000.00	7,261,747,200.00
Purchase of 20 Trucks	1,500,000,000.00	-	-	-	-
Salaries and Wages	236,100,000.00	247,505,000.00	260,300,250.00	273,315,262.50	286,981,025.63
Travelling Expenses	65,000,000.00	68,250,000.00	71,662,500.00	75,245,625.00	79,007,905.25
Telephone and Communication Charges	7,280,000.00	7,644,000.00	8,026,200.00	8,427,510.00	8,848,885.50
Bank Charges and Commission	2,694,000.00	2,747,880.00	2,802,837.60	2,858,894.35	2,916,072.24
Electricity and Water Charges	3,600,000.00	3,780,000.00	3,969,000.00	4,167,450.00	4,375,822.50
Professional & Legal Fees	2,500,000.00	2,500,000.00	2,500,000.00	2,500,000.00	2,500,000.00
Fuel and Oil Lubricants	195,000,000.00	204,750,000.00	214,987,500.00	225,736,875.00	237,023,713.75
Statutory payments	-	-	-	-	-
NSSF	23,610,000.00	24,790,500.00	26,030,025.00	27,331,526.25	28,698,102.56
SDL	9,444,000.00	9,916,200.00	10,412,010.00	10,932,610.50	11,475,241.03
WCF	2,361,000.00	2,479,050.00	2,603,002.50	2,733,152.63	2,869,810.26
Generator Expenses	2,600,000.00	2,600,000.00	2,600,000.00	2,600,000.00	2,600,000.00
Motorvehicle Repairs, Service and Spares	300,000,000.00	315,000,000.00	330,750,000.00	347,287,500.00	364,651,875.00
Licenses and Fees	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00
SCR	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00
Meeting Expenses	6,000,000.00	6,000,000.00	6,000,000.00	6,000,000.00	6,000,000.00
Meals to workers	2,361,000.00	2,479,050.00	2,603,002.50	2,733,152.63	2,869,810.26
Other Office Expenses	31,200,000.00	32,760,000.00	34,398,000.00	36,117,900.00	37,923,795.00
Loan Repayment (P+I) -Old Loan	205,212,000.00	205,212,000.00	-	-	-
Loan repayment -Interest only	143,062,500.00	111,562,500.00	80,062,500.00	48,562,500.00	17,062,500.00
Loan Repayment -Principal	840,000,000.00	630,000,000.00	420,000,000.00	210,000,000.00	-
Accounts Payables	70,040,000.00	84,048,000.00	100,857,600.00	121,029,120.00	145,234,944.00
Depreciation	216,544,250.00	345,718,718.63	302,199,191.30	264,233,862.82	231,085,611.41
Tax	1,002,489,433.20	1,055,455,588.61	1,234,696,194.33	1,411,116,053.50	1,479,357,187.09
<b>TOTAL CASH OUTFLOWS</b>	<b>8,374,098,183.20</b>	<b>7,572,998,487.24</b>	<b>8,165,339,813.23</b>	<b>9,139,384,995.17</b>	<b>10,218,233,507.47</b>
<b>NET CASH FLOWS</b>	<b>863,445,816.80</b>	<b>1,636,915,112.76</b>	<b>2,430,112,986.77</b>	<b>3,039,367,004.83</b>	<b>3,384,390,492.53</b>
Balance b/f	45,568,500.00	909,014,316.80	2,545,929,429.56	4,976,042,416.33	8,015,409,421.17
Balance e/f	<b>909,014,316.80</b>	<b>2,545,929,429.56</b>	<b>4,976,042,416.33</b>	<b>8,015,409,421.17</b>	<b>11,399,799,913.70</b>



APPENDIX 3:

MCHENCHI COMPANY LIMITED  
P.O BOX 201, MWANZA  
PROJECTED BALANCE SHEET

	YR1	YR2	YR3	YR4	YR5
Non Current Assets -Refer to Asset Schedule	2,759,249,750.00	2,413,531,031.38	2,111,331,840.08	1,847,097,977.26	1,616,012,365.84
<b>TOTAL NON CURRENT ASSETS</b>	<b>2,759,249,750.00</b>	<b>2,413,531,031.38</b>	<b>2,111,331,840.08</b>	<b>1,847,097,977.26</b>	<b>1,616,012,365.84</b>
<b>CURRENT ASSETS</b>					
Cash & Bank	123,456,000.00	185,184,000.00	277,776,000.00	555,552,000.00	1,111,104,000.00
Inventories	254,670,000.00	305,604,000.00	366,724,800.00	440,069,760.00	528,083,712.00
Accounts Receivables	644,457,447.80	2,651,600,686.19	5,487,854,464.24	8,503,743,011.90	11,357,301,931.86
<b>TOTAL CURRENT ASSETS</b>	<b>1,022,583,447.80</b>	<b>3,142,388,686.18</b>	<b>6,132,355,264.24</b>	<b>9,499,364,771.90</b>	<b>12,996,489,643.86</b>
<b>TOTAL ASSETS</b>	<b>3,781,833,197.80</b>	<b>5,555,919,717.56</b>	<b>8,243,687,104.32</b>	<b>11,346,462,749.16</b>	<b>14,612,502,009.70</b>
<b>FINANCED BY</b>					
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Issued and Fully paid share Capital	40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00	40,000,000.00
Retained Earnings	492,651,187.00	2,339,142,010.80	4,801,871,717.56	7,682,829,504.33	10,975,433,629.17
Add: Net Profit after tax	2,339,142,010.80	2,462,729,706.76	2,880,957,786.77	3,292,604,124.83	3,451,833,436.53
<b>TOTAL EQUITY</b>	<b>2,871,793,197.80</b>	<b>4,841,871,717.56</b>	<b>7,722,829,504.32</b>	<b>11,015,433,629.16</b>	<b>14,467,267,065.70</b>
<b>LIABILITIES</b>					
Long term Debt/Loan Facility-NCBA Bank	840,000,000.00	630,000,000.00	420,000,000.00	210,000,000.00	
Accounts Payables	70,040,000.00	84,048,000.00	100,857,600.00	121,029,120.00	145,234,944.00
<b>TOTAL LIABILITIES</b>	<b>910,040,000.00</b>	<b>714,048,000.00</b>	<b>520,857,600.00</b>	<b>331,029,120.00</b>	<b>145,234,944.00</b>
<b>NET WORTH</b>	<b>3,781,833,197.80</b>	<b>5,555,919,717.56</b>	<b>8,243,687,104.32</b>	<b>11,346,462,749.16</b>	<b>14,612,502,009.70</b>

Note: All figures in T's

APPENDIX 4:

ASSET DEPRECIATION SCHEDULE

Depreciation is calculated to write off the cost of the fixed assets over the expected useful lives of the assets concerned on a reducing balance basis. The principal rates used for the purpose were:-

Land and Buildings	0.00%
Motor vehicles	25.00%
Generator	12.50%
Fuel Tanks and Pumps	12.50%
Furniture and Fittings	12.50%
Computers and Accessories and EPD machine	37.50%
Generator	12.50%

NON CURRENT ASSETS AND DEPRECIATION FOR THE FIRST YEAR:

DESCRIPTION	COST / VALUATION		DEPRECIATION		BOOK VALUE		
	As at START Tshs	Additions/ (Disposal) Tshs	As at END Tshs	As at START Tshs	Charges/ (Disposal) Tshs	As at END Tshs	As at END Tshs
Land and Buildings-Igoma	720,000,000	-	720,000,000	-	-	720,000,000	720,000,000
Land and Buildings-Nyakato	480,000,000	-	480,000,000	-	-	480,000,000	480,000,000
Land and Buildings- Plot No. 7/8/9	50,000,000	-	50,000,000	-	-	50,000,000	50,000,000
Furniture and Fittings	9,840,000	-	9,840,000	5,884,531	-	5,884,531	9,840,000
Motor/Vehicles	68,954,000	1,500,000,000	1,568,954,000	70,510,872	196,119,250	266,630,122	1,372,834,750
Fuel Tanks	-	20,800,000	20,800,000	-	2,600,000	2,600,000	18,200,000
Fill Pumps	-	108,000,000	108,000,000	-	13,500,000	13,500,000	94,500,000
Generator	-	10,000,000	10,000,000	-	1,250,000	1,250,000	8,749,999
Computers and Accessories	-	5,200,000	5,200,000	-	1,950,000	1,950,000	3,250,000
EPD Machine	-	3,000,000	3,000,000	-	1,125,000	1,125,000	1,875,000
<b>TOTAL</b>	<b>1,328,794,000</b>	<b>1,647,000,000</b>	<b>2,975,794,000</b>	<b>76,395,403</b>	<b>216,544,250</b>	<b>291,814,653</b>	<b>2,759,249,750</b>

NON CURRENT ASSETS AND DEPRECIATION FOR THE SECOND YEAR:

DESCRIPTION	COST / VALUATION		DEPRECIATION		BOOK VALUE		
	As at START Tshs	Additions/ (Disposal) Tshs	As at END Tshs	As at START Tshs	Charges/ (Disposal) Tshs	As at END Tshs	As at END Tshs
Land and Buildings-Igoma	720,000,000	-	720,000,000	-	90,000,000	90,000,000	720,000,000
Land and Buildings-Nyakato	480,000,000	-	480,000,000	-	60,000,000	60,000,000	720,000,000
Land and Buildings- Plot No. 7/8/9	50,000,000	-	50,000,000	-	6,250,000	6,250,000	419,999,999
Furniture and Fittings	9,840,000	-	9,840,000	5,884,531	1,230,000	7,114,531	50,000,000
Motor/Vehicles	1,372,834,750	-	1,372,834,750	266,630,122	171,604,344	438,234,466	9,840,000
Fuel Tanks	18,200,000	-	18,200,000	2,600,000	2,275,000	4,875,000	8,610,000
Fill Pumps	94,500,000	-	94,500,000	13,500,000	11,812,500	25,312,500	1,201,230,406
Generator	8,749,999	-	8,749,999	1,250,000	1,093,750	2,343,750	15,925,000
Computers and Accessories	3,250,000	-	3,250,000	1,950,000	1,218,750	3,168,750	82,687,500
EPD Machine	1,875,000	-	1,875,000	1,125,000	234,375	1,359,375	7,656,249
<b>TOTAL</b>	<b>2,759,249,750</b>	<b>-</b>	<b>2,759,249,750</b>	<b>291,814,653</b>	<b>345,718,719</b>	<b>638,658,372</b>	<b>2,413,531,031</b>

NON CURRENT ASSETS AND DEPRECIATION FOR THE THIRD YEAR:

DESCRIPTION	COST / VALUATION		DEPRECIATION		BOOK VALUE			
	As at START	Additions/ (Disposal) Tshs	As at END	As at START	Charges/ (Disposal) Tshs	As at END	As at END	As at END
Land and Buildings-Igoma	630,000,000	-	630,000,000	90,000,000	78,750,000	168,750,001	551,250,000	630,000,000
Land and Buildings-Nyakato	419,999,999	-	419,999,999	60,000,000	52,500,000	112,500,000	367,500,000	419,999,999
Land and Buildings- Plot No. 7/8/9	43,750,000	-	43,750,000	6,250,000	5,468,750	11,718,750	38,281,250	43,750,000
Furniture and Fittings	8,610,000	-	8,610,000	7,114,531	1,076,250	8,190,781	7,533,750	8,610,000
Motor/Vehicles	1,201,230,406	-	1,201,230,406	438,234,466	150,153,801	588,388,267	1,051,076,605	1,201,230,406
Fuel Tanks	15,925,000	-	15,925,000	4,875,000	1,990,625	6,865,625	13,934,375	15,925,000
Fill Pumps	82,687,500	-	82,687,500	25,312,500	10,335,938	35,648,438	72,351,563	82,687,500
Generator	7,656,249	-	7,656,249	2,343,750	957,031	3,300,781	6,699,219	7,656,249
Computers and Accessories	2,031,250	-	2,031,250	3,166,750	761,719	3,930,469	1,259,531	2,031,250
FFD Machine	1,640,626	-	1,640,626	1,359,375	205,078	1,564,453	1,435,547	1,640,626
<b>TOTAL</b>	<b>2,413,531,031</b>	<b>-</b>	<b>2,413,531,031</b>	<b>638,658,372</b>	<b>302,199,191</b>	<b>939,293,111</b>	<b>2,111,331,840</b>	<b>2,413,531,031</b>

NON CURRENT ASSETS AND DEPRECIATION FOR THE FOURTH YEAR:

DESCRIPTION	COST / VALUATION		DEPRECIATION		BOOK VALUE			
	As at 1.1.2023	Additions/ (Disposal) Tshs	As at 31.12.2023	As at 1.1.2023	Charges/ (Disposal) Tshs	As at 31.12.2023	As at 31.12.2023	As at 31.12.2022
Land and Buildings-Igoma	551,250,000	-	551,250,000	168,750,001	68,906,250	237,656,250	482,343,750	551,250,000
Land and Buildings-Nyakato	367,500,000	-	367,500,000	112,500,000	45,937,500	158,437,500	321,552,500	367,500,000
Land and Buildings- Plot No. 7/8/9	38,281,250	-	38,281,250	11,718,750	4,785,156	16,503,906	33,436,094	38,281,250
Furniture and Fittings	7,533,750	-	7,533,750	8,190,781	941,719	9,132,500	6,532,031	7,533,750
Motor/Vehicles	1,051,076,605	-	1,051,076,605	588,388,267	131,384,576	719,772,843	919,632,030	1,051,076,605
Fuel Tanks	13,934,375	-	13,934,375	6,865,625	1,741,797	8,607,423	12,192,578	13,934,375
Fill Pumps	72,351,563	-	72,351,563	35,648,438	9,043,945	44,692,383	63,337,617	72,351,563
Generator	6,699,219	-	6,699,219	3,300,781	837,402	4,138,184	5,851,817	6,699,219
Computers and Accessories	1,269,531	-	1,269,531	3,930,469	476,074	4,406,543	733,457	1,269,531
FFD Machine	1,435,547	-	1,435,547	1,564,453	179,443	1,743,897	1,256,103	1,435,547
<b>TOTAL</b>	<b>2,111,331,840</b>	<b>-</b>	<b>2,111,331,840</b>	<b>939,293,111</b>	<b>264,233,863</b>	<b>1,205,091,429</b>	<b>1,847,097,977</b>	<b>2,111,331,840</b>

NON CURRENT ASSETS AND DEPRECIATION FOR THE FIFTH YEAR:

DESCRIPTION	COST / VALUATION		DEPRECIATION		BOOK VALUE			
	As at START	Additions/ (Disposal) Tshs	As at END	As at START	Charges/ (Disposal) Tshs	As at END	As at END	As at END
Land and Buildings-Igoma	482,343,750	-	482,343,750	237,656,250	60,292,969	198,632,812	422,050,781	482,343,750
Land and Buildings-Nyakato	321,562,500	-	321,562,500	158,437,500	40,195,313	20,690,918	281,357,188	321,562,500
Land and Buildings- Plot No. 7/8/9	33,496,094	-	33,496,094	16,503,906	4,187,012	29,309,082	33,496,094	33,496,094
Furniture and Fittings	6,592,031	-	6,592,031	9,132,500	824,004	9,956,504	5,758,027	6,592,031
Motor/Vehicles	919,692,030	-	919,692,030	719,772,843	114,961,504	834,734,347	804,730,526	919,692,030
Fuel Tanks	12,192,578	-	12,192,578	8,607,423	1,524,072	10,131,495	10,658,506	12,192,578
Fill Pumps	63,307,617	-	63,307,617	44,692,383	7,913,452	52,605,835	55,394,165	63,307,617
Generator	5,861,817	-	5,861,817	4,138,184	732,727	4,870,911	5,129,090	5,861,817
Computers and Accessories	793,457	-	793,457	4,406,543	297,546	4,704,089	495,911	793,457
FFD Machine	1,256,103	-	1,256,103	1,743,897	157,013	1,900,910	1,099,090	1,256,103
<b>TOTAL</b>	<b>1,847,097,977</b>	<b>-</b>	<b>1,847,097,977</b>	<b>1,205,091,429</b>	<b>231,085,611</b>	<b>1,138,227,821</b>	<b>1,616,012,366</b>	<b>1,847,097,977</b>

APPENDIX 5:

MCHENCHI COMPANY LIMITED

P. O BOX 201, MWANZA

AMOUNT (TZS)

CAPITAL STRUCTURE	
EQUITY	450,000,000.00
DEBT/LOAN	1,050,000,000.00
<b>TOTAL CAPITAL</b>	<b>1,500,000,000.00</b>

**NB: The business is run as a limited liability company by shares**

Share Capital	40,000,000.00
Number of shares	2,000.00
Share price	20,000.00

Assumption	
Dividends	10,000,000.00
Par Value	2,000.00
Market Value of Shares say	5,000.00
DPS	5,000.00

Cost of Equity Capital $K_e W_e$	
$K_e$	1.0000%
Weight of equity capital ( $W_e$ )	0.30
$K_e W_e$	0.30%

Cost of Debt $K_d W_d$	
$W_d$	0.70
Interest rate (i)	15%
Tax rate as per TRA (t)	30%
$K_d$	10.5%
$K_d W_d$	7.35%

<b>WACC (KO) = <math>K_e W_e + K_d W_d</math></b>	7.65%
	~8%

$W_e$	=	Equity	=	450,000,000	=	0.3
		Total Capital		1,500,000,000		

$K_e$	=	DPS	=	5,000.00	=	1.000
		Market Share Price		5,000.00		

$W_e K_e$	=	0.3 x 1.00	=	0.30%
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$W_d$	=	Debt	=	1,050,000,000	=	0.70
		Total Capital		1,500,000,000		

$K_d$	=	$i(1-t)$	=	15%*(1-30%)	=	10.50%
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$W_d K_d$	=	10.5% x 0.7	=	7.35%
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**MCHENCHI COMPANY LIMITED**  
**P. O BOX 201, MWANZA**  
**IMPORTANT ASSUMPTIONS**

**Products and Services to be offered**

- a) Petroleum Products- Petrol and Diesel
- b) Second Hand Bales
- c) Transport Services

**Revenue streams**

- a) Petroleum Products

Product	Tank Capacity	Amount in Tzs (Weekly)	Amount in Tzs (Yearly)
Petrol	80,000	164,800,000	8,569,600,000
Diesel	60,000	120,000,000	6,240,000,000
<b>TOTAL</b>	<b>140,000</b>	<b>284,800,000</b>	<b>14,809,600,000</b>

ii. Purchase Prices including transport charge from Dar to Mwanza of Tzs 150 per litre

- a) Petrol Tzs 2,060
- b) Diesel Tzs 2,000

- iii. Selling Prices for petroleum products at the petrol station
- a) Petrol Tzs 2,680
- b) Diesel Tzs 2,420

Product	Tank Capacity	Amount in Tzs (Weekly)	Amount in Tzs (Yearly)
Petrol	80,000	214,400,000	11,148,800,000
Diesel	60,000	145,200,000	7,550,400,000
<b>TOTAL</b>	<b>140,000</b>	<b>359,600,000</b>	<b>18,699,200,000</b>

**PETROLEUM PRODUCTS**

Description	Full Capacity/year	Time (Years)				
		1	2	3	4	5
Utilization Capacity		75%	80%	90%	100%	100%
Petroleum products Sales	18,699,200,000.00	14,024,400,000.00	14,959,360,000.00	16,829,280,000.00	18,699,200,000.00	18,699,200,000.00
Purchases	14,809,600,000.00	11,107,200,000.00	11,847,680,000.00	13,328,640,000.00	14,809,600,000.00	14,809,600,000.00

Expected Income	Rate in Tzs	Time (Years)				
		1	2	3	4	5
Petroleum products Sales		14,024,400,000.00	14,959,360,000.00	16,829,280,000.00	18,699,200,000.00	18,699,200,000.00
Less: Purchases		11,107,200,000.00	11,847,680,000.00	13,328,640,000.00	14,809,600,000.00	14,809,600,000.00
<b>GROSS INCOME</b>		<b>2,917,200,000.00</b>	<b>3,111,680,000.00</b>	<b>3,500,640,000.00</b>	<b>3,889,600,000.00</b>	<b>3,889,600,000.00</b>

Nb: We assume the prices won't change for the entire period of 5 years

**General Assumptions**

- i. Financial Year ends; 31st December
- ii. No. of working days are 7 in a week

**Fixed Costs**

**Indirect Costs Assumptions:**

- i. Repair & Maintenance; 2% Building and Infrastructure  
2% Equipments
  - ii. Insurance 3% of the asset value
  - iii. Security Costs Tzs 500,000 per month
  - iv. Government Licenses Tzs 5,000,000 per annum
- N.B: security services shall be outsourced**

Position	Salaries and Wages	Rate	Amount/Month
i. MD		3,000,000	3,000,000.00
ii. Station Manager		1,200,000	1,200,000.00
iii. Cashier cum Accountant		700,000	700,000.00
iv. Pump Attendants (5 Nos)		250,000	1,250,000.00
v. Cleaners (2 Nos)		200,000	400,000.00
vi. Drivers (25 Nos)		350,000	8,750,000.00
vii. Turn Boys (25 Nos)		175,000	4,375,000.00
<b>Total/Month</b>			<b>19,675,000.00</b>

*Nb. Senior Management staff shall be managed by the company while other human resources shall be managed through a human resources consultant*

**Statutory Contributions/Reductions:**

- Social Security Contributions - 10%
- SDL -4% of total Salaries and Wages
- WCF -1% of the Total Salaries and Wages

	Loan amount and use
Loan/Debt	1,050,000,000.00
loan period	60 Months
Grace period	N/A
Interest	15% per annum
Repayment	Monthly

**Other variable costs**

- Electricity Tzs 250,000 per month
  - Water Tzs 50,000 per Month
- a standby generator shall be used to subsidize electric power*

**MCHENCHI COMPANY LIMITED**  
**P.O BOX 201, MWANZA**

**APPENDIX 6**

<b>NET PRESENT VALUE (NPV)</b>			
		<b>PVIF (7.7%)</b>	
<b>Year</b>	<b>Cash flow (US \$)</b>	<b>8%</b>	<b>PVS (Tzs)</b>
YR1	2,555,686,260.80	0.929	2,372,967,744.48
YR2	2,808,448,425.39	0.862	2,421,224,424.42
YR3	3,183,156,978.07	0.800	2,548,067,605.70
YR4	3,556,837,987.65	0.743	2,643,633,645.70
YR5	3,682,919,047.94	0.690	2,541,637,774.69
	Sum of PVs		12,527,531,194.99
Less	Capital Investment		1,500,000,000.00
	<b>NPV</b>		<b>11,027,531,194.99</b>

**Since NPV is Positive or > 0 then project is acceptable**

APPENDIX 7

**MCHENCHI COMPANY LIMITED**  
**P.O BOX 201, MWANZA**  
**INTERNAL RATE OF RETURN (IRR)**

Calculating an IRR for the Project by assuming the PVIFs of 172% and 182%

		Assumed PVIF 172%		Assumed PVIF 182%	
Year	Cash flow (Tzs)	172%	PVS(Tzs)	182%	PVS(Tzs)
YR1	2,555,686,260.80	0.368	939,590,537	0.355	906,271,724
YR2	2,808,448,425.39	0.135	379,602,134	0.126	353,157,339
YR3	3,183,156,978.07	0.050	158,179,917	0.045	141,941,938
YR4	3,556,837,987.65	0.018	64,981,311	0.016	56,242,893
YR5	3,682,919,047.94	0.007	24,737,036	0.006	20,651,264
		<b>Sum of PVS</b>	<b>1,567,090,935</b>		<b>1,478,265,158</b>
	Less	Initial investment	1,500,000,000		1,500,000,000
	<b>A</b>	<b>NPV (Positive)</b>	<b>67,090,935</b>	NPV (Negative)	(21,734,842)
				<b>B Absolute value</b>	<b>21,734,842</b>

Calculations for IRR

C	Sum the NPVs	A+B	<b>88,825,777.16</b>	
D	Proportion of each NPV to the sum C	A/C and B/C	0.76	0.24
E	Difference of the assumed PVIF	182%-120%	10%	10%
F	Difference of each PVIF from the NPV=0	D*E	7.55%	2.45%
	<b>Internal rate of return (IRR)</b>	<b>PVIF +/- F</b>	<b>179.55%</b>	<b>179.55%</b>

Check

Calculated PVIF	PVS (US\$)
179.55%	
0.358	914,214,366.23
0.128	359,374,667.05
0.046	145,706,714.89
0.016	58,240,634.45
0.006	21,572,212.52
	<hr/>
	1,499,108,595.14
	<b>1,500,000,000.00</b>
	<hr/>
	<b>(891,404.86)</b>

*The remnant of 891,404.86 is due to approximations in the initial calculations*

**IRR IS 179.6%**

APPENDIX 8:

MCHENCHI COMPANY LIMITED

P.O BOX 201, MWANZA

PAY BACK PERIOD (PBP)

<u>Year</u>	<u>Cash Flow (Tzs)</u>	<u>Cumulative Cash Flow (Tzs)</u>
YR0	-	-
YR1	2,555,686,260.80	2,555,686,260.80
YR2	2,808,448,425.39	5,364,134,686.19
YR3	3,183,156,978.07	8,547,291,664.26
YR4	3,556,837,987.65	12,104,129,651.91
YR5	3,682,919,047.94	15,787,048,699.85

Pay Back Period = 3 Years + 12months\*proportion of the remainder in the 2nd year to the amount in the 3rd year

$$\text{Proportion} = \frac{1,055,686,260.80}{2,555,686,260.80} = 0.41$$

PAY BACK PERIOD = 5 Months

**PAY BACK PERIOD will be 5 Months and 1 week**

APPENDIX 9:

MCHENCHI COMPANY LIMITED			
P.O BOX 201, MWANZA			
PROFITABILITY INDEX (PI)			
Year	Cash flow (US \$)	PVIF (8%)	
		8%	PVS (Tzs)
YR1	2,555,686,260.80	0.926	2,366,376,167.41
YR2	2,808,448,425.39	0.857	2,407,791,859.90
YR3	3,183,156,978.07	0.794	2,526,892,637.42
YR4	3,556,837,987.65	0.735	2,614,382,102.48
YR5	3,682,919,047.94	0.681	2,506,532,820.06
	Sum of PVs		12,421,975,587.27
	Initial investment (Co)		1,500,000,000.00
<b>Profitability Index</b>	=	$\frac{\text{Sums Of PVs}}{\text{Co}}$	= $\frac{12,421,975,587}{1,500,000,000}$ = <b>8.28</b>

Since PI is > 1 the project is acceptable



	Loan Amount (Tshs)						
	Annual Interest Rate Declining Balance					1,050,000,000.00	
	Repayment period in months					75%	
	Amount of Interest (Tshs)					60	
	Monthly Equal Instalments (Tshs)					24,171,875.00	
Payment Number	Date	Principal Opening Balance	Monthly Instalment	Principal	Interest	Loan Bal End of Qtr	
1		1,050,000,000.00	30,625,000.00	17,500,000.00	13,125,000.00	1,050,000,000.00	
2		1,032,500,000.00	30,406,250.00	17,500,000.00	12,906,250.00	1,032,500,000.00	
3		1,015,000,000.00	30,187,500.00	17,500,000.00	12,687,500.00	1,015,000,000.00	
4		997,500,000.00	29,968,750.00	17,500,000.00	12,468,750.00	997,500,000.00	
5		980,000,000.00	29,750,000.00	17,500,000.00	12,250,000.00	980,000,000.00	
6		962,500,000.00	29,531,250.00	17,500,000.00	12,031,250.00	962,500,000.00	
7		945,000,000.00	29,312,500.00	17,500,000.00	11,812,500.00	945,000,000.00	
8		927,500,000.00	29,093,750.00	17,500,000.00	11,593,750.00	927,500,000.00	
9		910,000,000.00	28,875,000.00	17,500,000.00	11,375,000.00	910,000,000.00	
10		892,500,000.00	28,656,250.00	17,500,000.00	11,156,250.00	892,500,000.00	
11		875,000,000.00	28,437,500.00	17,500,000.00	10,937,500.00	875,000,000.00	
12		857,500,000.00	28,218,750.00	17,500,000.00	10,718,750.00	857,500,000.00	
13		840,000,000.00	28,000,000.00	17,500,000.00	10,500,000.00	840,000,000.00	
14		822,500,000.00	27,781,250.00	17,500,000.00	10,281,250.00	822,500,000.00	
15		805,000,000.00	27,562,500.00	17,500,000.00	10,062,500.00	805,000,000.00	
16		787,500,000.00	27,343,750.00	17,500,000.00	9,843,750.00	787,500,000.00	
17		770,000,000.00	27,125,000.00	17,500,000.00	9,625,000.00	770,000,000.00	
18		752,500,000.00	26,906,250.00	17,500,000.00	9,406,250.00	752,500,000.00	
19		735,000,000.00	26,687,500.00	17,500,000.00	9,187,500.00	735,000,000.00	
20		717,500,000.00	26,468,750.00	17,500,000.00	8,968,750.00	717,500,000.00	
21		700,000,000.00	26,250,000.00	17,500,000.00	8,750,000.00	700,000,000.00	
22		682,500,000.00	26,031,250.00	17,500,000.00	8,531,250.00	682,500,000.00	
23		665,000,000.00	25,812,500.00	17,500,000.00	8,312,500.00	665,000,000.00	
24		647,500,000.00	25,593,750.00	17,500,000.00	8,093,750.00	647,500,000.00	
25		630,000,000.00	25,375,000.00	17,500,000.00	7,875,000.00	630,000,000.00	
26		612,500,000.00	25,156,250.00	17,500,000.00	7,656,250.00	612,500,000.00	
27		595,000,000.00	24,937,500.00	17,500,000.00	7,437,500.00	595,000,000.00	

28	577,500,000.00	24,718,750.00	17,500,000.00	7,218,750.00	560,000,000.00	
29	560,000,000.00	24,500,000.00	17,500,000.00	7,000,000.00	542,500,000.00	
30	542,500,000.00	24,281,250.00	17,500,000.00	6,781,250.00	525,000,000.00	
31	525,000,000.00	24,062,500.00	17,500,000.00	6,562,500.00	507,500,000.00	
32	507,500,000.00	23,843,750.00	17,500,000.00	6,343,750.00	490,000,000.00	
33	490,000,000.00	23,625,000.00	17,500,000.00	6,125,000.00	472,500,000.00	
34	472,500,000.00	23,406,250.00	17,500,000.00	5,906,250.00	455,000,000.00	
35	455,000,000.00	23,187,500.00	17,500,000.00	5,687,500.00	437,500,000.00	
36	437,500,000.00	22,968,750.00	17,500,000.00	5,468,750.00	420,000,000.00	
37	420,000,000.00	22,750,000.00	17,500,000.00	5,250,000.00	402,500,000.00	
38	402,500,000.00	22,531,250.00	17,500,000.00	5,031,250.00	385,000,000.00	
39	385,000,000.00	22,312,500.00	17,500,000.00	4,812,500.00	367,500,000.00	
40	367,500,000.00	22,093,750.00	17,500,000.00	4,593,750.00	350,000,000.00	
41	350,000,000.00	21,875,000.00	17,500,000.00	4,375,000.00	332,500,000.00	
42	332,500,000.00	21,656,250.00	17,500,000.00	4,156,250.00	315,000,000.00	
43	315,000,000.00	21,437,500.00	17,500,000.00	3,937,500.00	297,500,000.00	
44	297,500,000.00	21,218,750.00	17,500,000.00	3,718,750.00	280,000,000.00	
45	280,000,000.00	21,000,000.00	17,500,000.00	3,500,000.00	262,500,000.00	
46	262,500,000.00	20,781,250.00	17,500,000.00	3,281,250.00	245,000,000.00	
47	245,000,000.00	20,562,500.00	17,500,000.00	3,062,500.00	227,500,000.00	
48	227,500,000.00	20,343,750.00	17,500,000.00	2,843,750.00	210,000,000.00	
49	210,000,000.00	20,125,000.00	17,500,000.00	2,625,000.00	192,500,000.00	
50	192,500,000.00	19,906,250.00	17,500,000.00	2,406,250.00	175,000,000.00	
51	175,000,000.00	19,687,500.00	17,500,000.00	2,187,500.00	157,500,000.00	
52	157,500,000.00	19,468,750.00	17,500,000.00	1,968,750.00	140,000,000.00	
53	140,000,000.00	19,250,000.00	17,500,000.00	1,750,000.00	122,500,000.00	
54	122,500,000.00	19,031,250.00	17,500,000.00	1,531,250.00	105,000,000.00	
55	105,000,000.00	18,812,500.00	17,500,000.00	1,312,500.00	87,500,000.00	
56	87,500,000.00	18,593,750.00	17,500,000.00	1,093,750.00	70,000,000.00	
57	70,000,000.00	18,375,000.00	17,500,000.00	875,000.00	52,500,000.00	
58	52,500,000.00	18,156,250.00	17,500,000.00	656,250.00	35,000,000.00	
59	35,000,000.00	17,937,500.00	17,500,000.00	437,500.00	17,500,000.00	
60	17,500,000.00	17,718,750.00	17,500,000.00	218,750.00		
	<b>1,450,312,500.00</b>		<b>1,050,000,000.00</b>	<b>400,312,500.00</b>		