

BUSINESS PLAN

FOR

ROYAL SUPERMARKET (2008) LIMITED

(SUPERMARKET ESTABLISHMENT)

PREPARED BY  
ROYAL SUOERMARKET (2008) LIMITED.  
P.O. BOX 253  
SHINYANGA

## 1.0 EXECUTIVE SUMMARY.

**ROYAL SUPERMARKET (2008) LTD** is a company registered in the country under the Companies Act, Cap 212 and bears Certificate of Incorporation No 86966 issued on 4<sup>th</sup> November 2011.

The project promoters are well established business in Shinyanga carrying out various businesses. Having been in the business for over 20 years the directors are now well prepared for diversification and they see a very bright future in the supermarket business in Shinyanga region.

The document has been prepared to serve as a business plan for **ROYAL SUPERMARKET (2008) LTD** for the supermarket project. The implementation of this project will comprise of the following activities: –

- To equip the supermarket with necessary facilities,
- The purchase utility vehicles and delivering van
- The construction of a modern supermarket and

The proposed project is estimated to cost about US\$ 1.5m.

## THE PROJECT PROMOTERS

The shareholders of this project are all Tanzanian entrepreneurs with a diverse professional and business backgrounds. The company is owned by 3 shareholders, namely: –

Name	% Shares	Nationality
Mhoja Nkwabi Kabalo P.O. Box 253 Shinyanga	5	Tanzania
Sylivester Mhoja Nkwabi P.O. Box 253 Shinyanga	1.25	Tanzania
Kom Group of Companies Limited P.O. Box 253 Shinyanga	93.75	Tanzania

### 1.1 LOCATION.

The project head office will be located at, Plot 87, Block Q, Nyansubi Area, Kahama Urban Area, Shinyanga.

## **1.2 TARGETED MARKETS.**

The targeted markets of the project are middle class earners working in mining companies and business people in Kahama District, Shinyanga region

## **1.3 INDUSTRY ANALYSIS**

In changing economy such as Kahama the retail store model is becoming more popular with consumer. There is no such modern supermarket in Kahama that provides a large selection of bargain priced items and the right product mix.

## **1.4 COMPETITION AND BUYING PATTERNS**

Consumers demand quality customer service, fair pricing, and a convenient location. Competition is very tough with customer service and location being key components. The selection of merchandise a store provides is also very important.

## **1.5 STRATEGY AND IMPLEMENTATION SUMMARY**

**ROYAL SUPERMARKET (2008) LTD** will use a strategy of total market service; the main strength is

project location and product mix available in the supermarket all time throughout the year.

**ROYAL SUPERMARKE (2008) LTD** will use sales promotion, mass selling and distributing promotion materials to potential customers in Kahama.

## **2.0 ROYAL SUPERMARKET (208) LTD COST STRUCTURE**

<b>PARTICULAR</b>	<b>US\$</b>
Land and Buildings	700,000.00
Machinery & Equipment	250,000.00
Motor Vehicles	100,000.00
Furniture & Fittings	5,000.00
Pre exp	45,000.00
Others	50,000.00
Working Capital	350,000.00
<b>TOTAL</b>	<b>1,500,000.00</b>

For the project to be a reality a total investment amounting to US \$1.5m is needed

### **2.1 FINANCING PATTERN**

The project will be finances both by equity and loan. Equity contribution will constitute US\$ 800,000, being 53.3% while the remaining amount will be in

the form of a loan. This loan amount is expected to be the equivalent of US \$700,000.

### **3.0 MANPOWER AND ORGANIZATION STRUCTURE**

The project will be managed by a Board of Directors of **ROYAL SUPERMARKE (2008) LTD.** The Board, like all other boards is responsible for the formulation and supervision of company policies and guidelines.

In order to ensure timely services delivery, Management will provide on the job training and will provide bonus and other incentives as a means of instilling and boosting employee work morale.

### **4.0 PROJECT OPERATING COSTS**

In order to realize its intended objective, the project will have to meet the following operating costs.

**ROYAL SUPERMARKE (2008) LTD OPERATING COSTS (US\$)**

YEAR	1	2	3	4	5
Salaries and Wages	36,000.	36,000	36,000	36,000	36,000
Vehicle running expenses	20,000	20,000	20,000	20,000	20,000
Electricity	6,000	6,000	6,000	6,000	6,000
Water	2,000	2,000	2,000	2,000	2,000
Insurance	2,000	2,000	2,000	2,000	–
Maintenance (Furniture)	100.00	100.00	100.00	100.00	100.00
Maintenance (Vehicles)	5,000	5,000	5,000	5,000	5,000
Maintenance (Building)	10,000	10,000	10,000	10,000	10,000
Administrative overheads	15,000	15,000	15,000	15,000	15,000
Marketing cost	9,000	9,000	9,000	9,000	9,000
<b>TOTAL</b>	<b>105,100</b>	<b>105,100</b>	<b>105,100</b>	<b>105,100</b>	<b>103,100</b>

## 5.0 REVENUE ASSUMPTIONS

The company is expecting that the following revenue will be generated;

ROYAL SUPERMARKE (2008) LTD SUMMARY OF REVENUEUS \$

	1	2	3	4	5
Sales Revenue	675,000	695,000	700,000	750,000	780,000

The revenue estimate assumed here, is just a conservative estimate. With the expected improvement o per capital income and economic growth in general, the number of clients will rise. This will have a tremendous impact on the Company's income.

## 6.0. FINANCIAL ASPECTS FOR THE PROJECT

### 6.1 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 5 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits

grow from. US \$ 303,320m in first year to US \$ 1,732,290m in the 5 year

**ROYAL SUPERMARKE (2008) LTD PROJECTED INCOME &  
EXPENDITURE STATEMENT US \$**

	1	2	3	4	5
Sales Revenue	675,000.00	695,000.00	700,000.00	750,000.00	780,000.00
less Operating Expenses:	105,100.00	105,100.00	105,100.00	105,100.00	106,100.00
<b>PROFIT BEFORE INTEREST AND DEPRECIATION</b>	<b>569,900.00</b>	<b>589,900.00</b>	<b>594,900.00</b>	<b>644,900.00</b>	<b>673,900.00</b>
Depreciation	73,600.00	73,600.00	73,600.00	63,000.00	63,000.00
Interest	63,000.00	63,000.00	63,000.00	63,000.00	–
<b>SUBTOTAL</b>	<b>136,600.00</b>	<b>136,600.00</b>	<b>136,600.00</b>	<b>126,000.00</b>	<b>63,000.00</b>
<b>PROFIT BEFORE TAX</b>	<b>433,300.00</b>	<b>453,300.00</b>	<b>458,300.00</b>	<b>518,900.00</b>	<b>610,900.00</b>
TAX (30%)	129,990.00	135,990.00	137,490.00	155,670.00	183,270.00
<b>PROFIT AFTER TAX</b>	<b>303,310.00</b>	<b>317,310.00</b>	<b>320,810.00</b>	<b>363,230.00</b>	<b>427,630.00</b>
<b>ACCUMULATED PROFIT</b>	<b>303,310.00</b>	<b>620,620.00</b>	<b>941,430.00</b>	<b>1,304,660.00</b>	<b>1,732,290.00</b>

## 6.2 Projected Cash Flows

The project's cash flows depict a good liquid position right from the first year. Cash accumulation builds up from US \$ **151,540** in the first year to US **\$1,001,129m** at the end of 5 years of the project's operations.

**ROYAL SUPERMARKE (2008) LTD PROJECTED CASH FLOW US\$**

	0	1	2	3	4	5
<b>SOURCES:</b>						
Profit before interest and depreciation	0	569,900	589,900	594,900	644,900	673,900
Equity	800,000.00	–	–	–	–	–
<b>Total Sources</b>	<b>800,000</b>	<b>569,900.00</b>	<b>589,900</b>	<b>594,900</b>	<b>644,900</b>	<b>673,900</b>
<b>Applications:</b>						
Capital expenditure	1,055,000	–	–	–	–	–
working Capital and others	445,000	–	–	–	–	–
Cash	0	151,540	164,904	163,436	156,652	364,597
Tax	–	180,360	186,996	193,464	250,248	309,303
<b>Sub total</b>	<b>1,500,000</b>	<b>331,900</b>	<b>351,900</b>	<b>356,900</b>	<b>406,900</b>	<b>673,900</b>
<b>Debt service</b>						
Principal	–	175,000.00	175,000	175,000	175,000	–
Interest	–	63,000.00	63,000	63,000	63,000	–
<b>Total debt service</b>	<b>–</b>	<b>238,000</b>	<b>238,000</b>	<b>238,000</b>	<b>238,000</b>	<b>–</b>
<b>Total applications</b>	<b>1,500,000</b>	<b>569,900</b>	<b>589,900</b>	<b>594,900</b>	<b>644,900</b>	<b>673,900</b>
Accumulated cash		151,540	316,44	479,880	636,532	1,001,129
Necessary working capital	445,000	445,000	445,000	445,000	445,000	445,000

### 6.3 Projected Balance Sheet

Project total assets rise from **US \$ 1,500,000** in at the end of first year to **US \$ 2,580,329** fifth which is significance increase as you can see below.

#### ROYAL SUPERMARKE (2008) LTD PROJECTED BALANCE SHEET US\$

	0	1	2	3	4	5
<b>Fixed Assets</b>	-					
Opening balance	-	1,635,000.00	1,528,200.00	1,421,400.00	1,314,600.00	1,207,800.00
Additions	1,055,000.00	0	0	0	0	0
<b>Total Long-term Assets</b>	<b>1,055,000.00</b>	<b>1,635,000.00</b>	<b>1,528,200.00</b>	<b>1,421,400.00</b>	<b>1,314,600.00</b>	<b>1,207,800.00</b>
<b>Less depreciation</b>	-	73,600.00	73,600.00	73,600.00	73,600.00	73,600.00
<b>Closing balance</b>	<b>1,055,000.00</b>	<b>1,561,400.00</b>	<b>1,454,600.00</b>	<b>1,347,800.00</b>	<b>1,241,000.00</b>	<b>1,134,200.00</b>
<b>Debtors</b>	-	160,770.00	71,670.00	-	-	-
Working capital	445,000.00	445,000.00	445,000.00	445,000.00	445,000.00	445,000.00
Accumulated cash	-	151,540.00	316,440.00	479,880.00	636,532.00	1,001,129.00
<b>Total assets</b>						

	1,500,000.00	2,318,710.00	2,287,710.00	2,272,680.00	2,322,532.00	2,580,329.00
Financed by						
Equity	800,000.00	1,420,400.00	1,420,400.00	1,420,400.00	1,420,400.00	1,420,400.00
Profit	–	303,310.00	317,310.00	320,810.00	363,230.00	427,630.00
Total equity	800,000.00	1,723,710.00	1,737,710.00	1,741,210.00	1,783,630.00	1,848,030.00
Long term loan	700,000.00	525,000.00	350,000.00	175,000.00	–	–
Creditors	–	70,000.00	200,000.00	250,000.00	260,000.00	160,000.00
Total debts	700,000.00	595,000.00	550,000.00	425,000.00	260,000.00	270,000.00
Total equity and debts	1,500,000.00	2,318,710.00	2,287,710.00	2,166,210.00	2,043,630.00	2,118,030.00

**6.4 SCHEDULE: ROYAL SUPERMARKET (208) LTD FIXED ASSETS  
SCHEDULE**

<b>NAME OF ASSETS</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Land And Buildings	700,000	672,000	644,000	616,000	588,000
Machinery, Tools & Equipment	250,000	220,000	190,000	160,000	130,000
Motor Vehicles	100,000	85,000	70,000	55,000	40,000
Furniture & Fixtures	5,000	4,400	3,800	3,200	2,600
<b>Total</b>	<b>1,055,000</b>	<b>981,400</b>	<b>907,800</b>	<b>834,200</b>	<b>760,600</b>
<b>DEPRECIATION</b>	<b>2011 USD</b>	<b>2012 USD</b>	<b>2013 USD</b>	<b>2014 USD</b>	<b>2015USD</b>
Land and buildings	28,000	28,000	28,000	28,000	28,000
Machinery tools & Equipment	30,000	30,000	30,000	30,000	30,000
Motor Vehicles	15,000	15,000	15,000	15,000	15,000
Furniture & Fixtures	600	600	600	600	600
<b>ANNUAL DEPRECIATION</b>	<b>73,600</b>	<b>73,600</b>	<b>73,600</b>	<b>73,600</b>	<b>73,600</b>
<b>CLOSING FIXED ASSETS</b>	<b>981,400</b>	<b>907,800</b>	<b>834,200</b>	<b>760,600</b>	<b>687,000</b>

**7.0 PROJECT IMPLEMENTATION SCHEDULE**

It is expected that the Project will be take 15 months to implement as shown below: –

	ACTIVITY	PERIOD
1.	Processing TIC Certificate of Incentive	June 2022
2.	Funds Mobilization	March – July 2022
3.	Ordering of supermarket facilities	August –October 2022
4.	Ordering supermarket items	October – December 2022
6.	Trial Operations	January 2023
7.	Commercial Operations	March 2023

## 8.0 ECONOMIC ASPECTS OF THE PROJECTS

Besides the financial/monetary returns to the owners, there are other benefits to be derived for the whole country viz.

### (i) Employment Opportunities

Employment and poverty reduction are among the major concern of the Central and the Local Government authorities. It is gratifying to note that **ROYAL SUPERMARKET (208) LTD** is going to provide employment of 20 people all of whom will be nationals. This is a significant contribution coming from local investors.

## (ii) Revenue to the Government

The Project is expected to pay a substantial annual amount in the form of corporation tax and other taxes and levies.

## 9.0 CONCLUSION AND RECOMMENDATION

### 9.1 CONCLUSION

- (i) The project is profitable and contributes to government revenue by way of taxes.
- (ii) The project provides employment to 20 people all of whom are national Tanzanians.
- (iii) The project is an encouraging sign to prove that we have local investors who have confidence in their country. Tanzania so much so that they are ready to invest such large sums of investment despite the odds of the sector in question.

## 9.2 RECOMMENDATION

After the foregoing economic and financial evaluation of the project, we strongly recommend that this project be implemented and be given all the support required by all the concerned Government Ministries and Agencies, including the Tanzania Revenue Authority (TRA) and the Tanzania Investment Centre – (TIC). The project deserves this support because of its viability, since it is technically feasible, economically viable and socially acceptable.