

**BUSINESS PLAN FOR THE
IMPLEMENTATION PROGRAMME**

OF

M/S CARTER INVESTMENT COMPANY LIMITED

IN

**ESTABLISHING AND OPERATING A PROJECT FOR
ASSEMBLING MOTOR CYCLES AND VEHICLE SPARE
PARTS**

**PREPARED BY
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M/S CARTER INVESTMENT COMPANY LIMITED
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M/S CARTER INVESTMENT COMPANY LIMITED ESTABLISHING AND OPERATING A PROJECT FOR ASSEMBLING MOTOR CYCLES AND VEHICLE SPARE PARTS

1. INVESTMENT PLAN

The investment plan has been prepared by **M/S CARTER INVESTMENT COMPANY LIMITED** for the company's implementation programme in carrying on business of assembling motor cycles.

The feasibility study has been prepared to show clear picture of the implementation programme and analyze the financial and other resources required for the implementation of proposed motor cycles and vehicle spare parts assembling project.

The investment proposal was also to assess its economic viability and commercial viability for presentation to the company's promoters (shareholders) for allocation of funds and machinery as well as equipment to supplement the equity contribution. The company in its implementation programme will install the modern assembling plant for the motor cycles.

2. COMPANY'S PROFILE

M/S CARTER INVESTMENT COMPANY LIMITED is a private company registered and incorporated in Tanzania by Registrar of Companies under company's ordinance **Cap 212**, on **30th** day of **NOVEMBER 2021** with Certificate of Incorporation Number **154274561**

The company was incorporated with a major objective of carrying on the business of assembling motor cycles.

M/S CARTER INVESTMENT COMPANY LIMITED is basically aims at increasing production capacity of motor cycles by increasing and at the same time dominating the entire market by improving the quality of company's products.

There is an extensive market as motor cycles are the common means of transport in urban as well as in rural areas. The main purpose of the project proposal is to increase the production capacity to correspond with the increasing demand. The quality of company's motor cycles will guarantee customer satisfaction in this proposed programme.

Knowing the above market reasons the management has thought it is important to establish and operate the assembling plant for the proposed project by importing and installing a modern and sophisticated plant and machinery and use of new technology in motor cycles.

Hence the implementation programme of three years in motor cycles assembling project is estimated **USD 1,400,000**. The estimated capital investment cost of **USD 1,400,000** will be on new and modern motor cycles assembling plant, machinery, equipment, utility vehicles and other expenses.

3. TARGETED MARKET

There is a very big market potential to absorb all the company's motor cycles manufactured under this intended investment programme as the market is growing day by day especially in urban areas for transportation purposes. The intended project in its implementation programme will assemble all types of motor cycles with different capacities.

A recent survey undertaken by the company has realized that there is high demand for quality motor cycles which will be made suitable for rural and urban to facilitate movement and business.

Goodwill, quality and promptness are the factors which make the project to dominate the market. There are few manufacturers and importers who can complete with the company's motor cycles.

The company's also expect to increase export to the neighboring countries especially in this implementation programme.

4. THE COMPANY'S OBJECTIVES

M/S CARTER INVESTMENT COMPANY LIMITED is a project for motor cycles assembling. The mission of project is basically aimed at extensive production and marketing different kinds of motor cycles for local and export market in order to achieve the following objectives.

- ❖ To foster the growth of motor cycles assembling industry in Tanzania.
- ❖ To reduce dependence on external sources for importation of motor cycles.
- ❖ To promote local markets for locally assembled motor cycles.
- ❖ To promote and facilitate transport – movement of goods and people.
- ❖ To promote growth and expansion of private sector.
- ❖ The company will create more employment (more job opportunities from unskilled to professionals/technicians etc.)
- ❖ Skill development (human resources development) through on job training and use of modern assembling plant/ machinery and new technology application.
- ❖ Income generation, alleviation of poverty and improve their social welfare.
- ❖ The company will contribute to the government revenue through taxes and other levies.

5. PLAN/PROSPECTS

- ❖ High production performance.
- ❖ To increasing export market to East and Central African countries and hence resulting foreign earnings in addition to the prevailing local market.
- ❖ To purchase/import new plant/machinery with introduction of new technology.
- ❖ To increase the volume of production capacity

6. SHAREHOLDERS (PROMOTERS)

The following are the promoters/ shareholders of **M/S CARTER INVESTMENT COMPANY LIMITED** with their shareholder's position are:-

No	Name of Shareholders	No. of Shares	Nationality	% shareholding structure
1.	XU WENJIE	9000	Chinese	90%
2.	Chen Xia Di	5000	Chinese	10%
	TOTAL	1,000		100%

Therefore, the authorized capital of the company is **Tshs. 100,000,000/=** divided into **100,000** ordinary shares of **Tshs. 10,000/=** each. The company shall have powers to increase its capital for the time being into several classes of stock or shares and to attach thereto respectively such preferential, deferred or special rights, privileges, or conditions as may be determined by or in accordance with the Articles of Association of the company.

7. LOCATION

The company's business premises are located at Plot No. **50**, Block No: **Q** at Nyasubi Street in **Kahama**, Postal Address P. O. Box 606 Kahama

8. THE COMPANY'S INVESTMENT PROGRAMME

The proposed investment in motor cycle assembling is to be implemented within a period of 3 years. The company's promoters /shareholders) have resolved to register the proposed project with **Tanzania Investment Centre (TIC)** and securing the certificate of incentives.

The TIC approved project are allowed tax exemption on Capital/ deemed Capital goods i.e. Duty and VAT exemption on modern motor cycles assembling plant/ machinery, equipment, building materials (for

construction of factory and showrooms), generators, commercial vehicles, computers, fax, telephones, copiers, CCTV system for security/monitoring the factory etc. These are capital and deemed capital goods for the project.

8. THE COMPANY'S IMPLEMENTATION SCHEDULE

8.1 MARCH - 2022

- ❖ Preparing feasibility study for setting up assembling plant for motor cycles.
- ❖ Registration with **Tanzania Investment Centre (TIC)** in proposed programme (i.e. application for the certificate of incentives).

- ❖ Getting Certificate of Incentives

8.2 APRIL - 2022

- ❖ Application for Duty & VAT exemption on Capital/deemed Capital goods after being awarded certificate of incentives.
- ❖ Ordering/Importing modern motor cycles assembling plant/machinery, equipment, tools, generators, office equipment, utility vehicles etc.

- ❖ Clearing the goods from customs control (at the Port and Airport)

8.3 MAY- 2022

- ❖ Installing the motor cycles assembling plant /machinery.
- ❖ Recruiting new staffs and training them on new technology skills (new machinery).

- ❖ Fully commencement of production for the proposed project

9. CAPITAL INVESTMENT COST

Land/Building	USD \$	50,000
Plant/Machinery	USD \$	900,000
Vehicles	USD \$	200,000
Furniture and Fittings	USD \$	50,000
Pre-expenses	USD \$	100,000
Working Capital	USD \$	100,000
TOTAL CAPITAL	USD \$	<u>1,400,000</u>

10. FINANCIAL PLAN (SOURCE OF FUNDS)

M/S CARTER INVESTMENT COMPANY LIMITED has resolved to register the proposed project and allocated funds for the projects implementation programme by its own fund (equity) and foreign loan:-

Own fund (equity)	USD \$	1,000,000
Foreign loan	USD \$	400,000
TOTAL	USD \$	<u>1,400,000</u>

11. SUBMISSION

M/S CARTER INVESTMENT COMPANY LIMITED wishes to submit its plan and application to the **Tanzania Investment Centre (TIC)** its proposal for registration and award of certificate of incentives in the implementation programme, which enables the project to enjoy Duty and VAT exemption on project's capital/deemed capital goods.

12. ECONOMIC GROWTH

Positive economic growth which had been registered in Tanzania, have attracted more investments in the country, which resulted an increase in purchasing power of people, hence increase in demand for motor cycles.

13. COMPETITION / MARKET

Although there are reasonable number of importers of motor cycles in Tanzania and few local assembling industries still the supply is not enough compared to the level of demand and their quality are below standard.

Furthermore the company expects to dominate the local and export market because the project ensures the high quality of all kinds of motor cycles which will be assembled by the project. Other factors are goodwill and promptness.

14. PROMOTION/ ADVERTISEMENT

Promotion/ Advertisement, which forms a very important part in advertising the business. It is one of elements in marketing strategy. The proposed project will be advertising its business in the newspapers, street banners and later on in the televisions in a manner benefiting the promotional role of any company or private institutions.

15. BUSINESS STRATEGY

M/S CARTER INVESTMENT COMPANY LIMITED has pointed out some business strategies in order to dominate the market and meet the growing demand and high productivity. The following business strategies have been implemented by the proposed project to capture markets.

- Technology/product quality
- Advertisement/promotion
- Employing qualified and experienced personnel
- On job training
- Business Discipline

16. ENVIRONMENTAL ISSUE

The project is environmental friendly, it does not produce any waste products at the result of its activities, the project will also establish another line for recycling of the products which have already been used and lost its shape.

17. PROJECT MANAGEMENT

The overall management of the company is vested in the Board of Directors. Mr. Xu Wenjie is the Managing Director of the Company; he is well versed in motor cycles assembling industry. The other Director is Mr. Liang Weilun

By the management system, such as quality responsibility system, cost check system, performance encouragement system will be introduced into this project, encouragement mechanism and competitive mechanism will be also be implemented in Tanzania.

18. MANPOWER AND TRANSFER OF TECHNOLOGY

This project being motor cycles assembling industry in its implementation programme will usher in the country technology (Transfer of knowledge/technology). The advantages to the country are quite significant, and will get the advantage of value addition due to such incoming technology.

Further the country can reduce its dependence on importation of motor cycles. Hence Tanzanian will be able to purchase high quality motor cycles. The proposed motor cycles assembling project will cause more people to be employed about **30** local people and 10 foreigners raise their income, improve their social welfare and pay taxes, it is poverty alleviation programme to them.

Local employees will get on job training and in long run will improve the technical competence of the production.

19. CONCLUSION AND RECOMMENDATION

The financial evaluation of the proposed project done so far indicates that this programme will be profitable both economically and financially viable venture. There are many other benefits direct and indirect of this project.

The management being experienced businessmen possesses ample managerial capabilities in various business disciplines. Based on the above factors, it is recommended that the company should be granted the certificate of incentives for the proposed motor cycles assembling project so as to qualify for import duty and VAT exemption on capital/deemed capital goods and increase its production capacity.

20. FINANCIAL AND ECONOMIC ANALYSIS

20.1 Projected Profit and Loss Accounts

The company envisages generating a profit of **USD \$ 140,000** this operating year. The profit amount is expected to steadily rise to **USD \$ 160,000** in year two, **USD \$ 170,000** in year three and **USD \$ 190,000** in year four.

20.2 Projected cash flows

The projected cash flows for the next five years indicate that the company will have enough funds to service/repay the loan and interest payments. Hence the financial obligations will be met in a timely fashion.

21. SENSITIVITY ANALYSIS

To assess further the viability of the implementation project, sensitivity analysis has been worked out on the basis of several unfavorable conditions that might negatively affect the operations of **M/S CARTER INVESTMENT COMPANY LIMITED**.

21.1 Effect of cost increase on profitability (on the basis of year II Motor cycles Income in "000" USD \$)

Income	Costs	Increase	Profit before depreciation
480.0	320.0	%	160.0
480.0	336.0	5%	144.0
480.0	352.0	10%	128.0

21.1.2 Effect of Motor cycles Income decrease/drop on profitability (on the basis of year II costs in "000" USD \$)

Income	Income Decrease	Cost	Profit before depreciation
480.0	%	320.0	160.0
456.0	5%	320.0	136.0
432.0	10%	320.0	112.0

The viability/profitability of the company operations appears more sensitive to sale income/revenue than increase in the operating costs. This implies that the company should strive to maintain the existing motor cycle's market and undertake an aggressive marketing strategy to hire more clients and expand its market or clients base.

Appendix I

M/S CARTER INVESTMENT COMPANY LIMITED

PROJECTED INCOME STATEMENT

(Fig. USD \$ '000')

Income	Years			
	I	II	III	IV
Sales Income	400.0	480.0	550.0	600.0
Total Income	400.0	480.0	550.0	600.0
Utilities	150.0	200.0	245.00	250.0
Salaries and wages	50.0	50.0	60.0	70.0
Transportation/fuel	15.0	20.0	25.0	30.0
Administrative expenses	45.0	50.0	50.0	60.0
Total Expenditure	260.0	320.0	380.0	410.0
Net Profit (pre tax and depreciation)	140.0	160.0	170.0	190.0

Appendix II

**M/S CARTER INVESTMENT COMPANY LIMITED
PROJECTED CASHFLOW STATEMENT**

(Fig. USD \$ '000')

Year	I	II	III	IV	V	Total
Cash inflow						
Income from operation	140.0	160.0	170.0	190.0	220.0	880.0
	140.0	160.0	170.0	190.0	220.0	880.0
Cash outflow						
Interest payments	40.0	32.0	24.0	16.0	8.0	120.0
Loan re-payment	80.0	80.0	80.0	80.0	80.0	400.0
	120.0	112.0	104.0	96.0	88.0	520.0
Surplus cash generated	20.0	48.0	66.0	94.0	132.0	360.0

Appendix III

M/S CARTER INVESTMENT COMPANY LIMITED

PROJECTED LONG TERM LOAN REPAYMENT

(Fig. in USD \$ '000')

	Repayment			
Year	Principal	Interest	Total	Amount
O				400.0
I	80.0	40.0	140.0	320.0
II	80.0	32.0	112.0	240.0
III	80.0	24.0	104.0	160.0
IV	80.0	16.0	96.0	80.0
V	80.0	8.0	88.0	0