

G.S GROUP LIMITED

**BUSINESS PLAN
FOR
MOTOR CYCLES ASSEMBLING PLANT**

1.0 EXECUTIVE SUMMARY

1.1 Introduction

G.S GROUP LIMITED herein referred as a company is a locally registered company with a Certificate of Incorporation NO 95762 dated 12th December 2013. The -directors to this company are two Chinese with vast international business experiences in motorcycles assembling.

Through the years of research and innovation, the company shareholders have obviously created an advantage in the market network, product, technology and cost and established a unique enterprise culture. Having operated in China for many years the shareholders are ready to establish physical presence in Tanzania by establishing motorcycles assembling plant.

Shareholders have registered a new company in Tanzania and will work together with another very successful Chinese company in automobile industry in China

1.2 The Project

G.S GROUP LIMITED sets out a proposal for Investment in the establishment of a CKD motorcycles assembling plant in Tanzania to be located at Plot No. 30C/30D, Nyerere Road in Dar es Salaam, The company will import Machinery, Equipments and other facilities form China to facilitate establishment of the proposed project in the country. Depending on the market consumption rate, Initial assembling capacity is proposed to be motorcycles 2340 per year; this capacity will increase gradually reaching 3000 units per year in the fifth year.

This project will make available quality motorcycles that will be used for transportation of goods and people

The macro objectives of establishing the project is to

support economic, social and administrative activities in Tanzania and neighboring countries. Also,

1.3 The Project Promoters

The project is being promoted G.S.GROUP LIMITED, a newly registered company in Tanzania whose shareholders are as follows:

| S/N | NAME OF SHAREHOLDERS | PERCENTAGE OF OWNERSHIP | NATIONAL |
|-----|----------------------|-------------------------|----------|
| 1 | GUO DONG JIAN | 20 | CHINESE |
| 2 | SHI MEI YING | 20 | CHINESE |
| 2 | GUO XING | 20 | CHINESE |
| 3 | CHENYONG QING | 20 | CHINESE |
| 4 | SHI YOU QING | 15 | CHINESE |
| 5 | WU JIN SEN | 5 | CHINESE |

1.4 The Market

The Economic reforms which were undertaken in the 'economy from the mid 1980s increased the demand for transportation

facilities for domestic and transit cargo. The following are some of the factors that contributed to such an increase in demand for these services in the country.

- Increased transit trade between Tanzania and its neighbors especially Uganda, Rwanda, Malawi, Burundi, and the Democratic Republic of Congo.
- Increased level of rehabilitation and expansion of urban and truck roads by the Government and International assistance agencies which have subsequently resulted in increased kilometers of passable roads by small and heavy-duty vehicles.
- Rise in people's standard of living and change in people's consumption patterns;
- General improvement in the national economy, especially the balance of payment which has made it possible for the Government to achieve greater capability to import critical products into the country;
- Increase general level of investments in industrial activities which are the major users of industrial inputs;

These factors have lead to increase demand for transportation services for products in and outside the country. Furthermore, these factors have created the impetus for increased inflow of investment capital by foreign and local private investors who have in large umbers decided to establish cargo transportation project.

The reforms, which were introduced in the sector, aimed at influencing the inflow of and increased supply of both capital goods and other industrial products and their distribution in the country and beyond the national border. Tanzania therefore has a potential market for motorcycles. But most of motorcycles are imported form outside the country making them very expensive to be afforded by most Tanzania. Furthermore Importation have to go through a difficult and bureaucratic clearance procedures

at the port. It is on this background that G.S.GROUP LIMITED wishes to establish a motorcycles assembling plant in the country in order to make available cheap, quality and stress free. The company targets both domestic and export market particularly the East African market

2.0 THE PROJECT

2.1 Project Description

G.S GROUP LIMITED sets out a proposal for Investment in the establishment of a CKD motorcycles assembling plant in Tanzania

Specific requirements for the project includes but not limited to;

- Mobilization of financial and Human resources for the project
- Acquisition and or construction of large Industrial premises for assembling processes and a yard for keeping and display the finished products
- Acquisition of ; complete assembling machinery and Equipment from china
- Procurement of- office equipment namely; telephones, facsimile machine, personal computers, air conditioners and installation of local area network at head company's head office
- To import Semi knocked down (CKD) motorcycles parts from china

2.3 Project Location

The proposed project is located at Plot No. 30C & 30D, Nyerere Road, Temeke District, Dar es salaam Region. The company has rented a factory premise big enough to accommodate complete assembling machinery and Equipment together with a yard for keeping and display of finished products

2.4 Marketing Strategies

The company target is to be a world well-known heavy duty truck manufacturer proving customers with cleaner, energy-saving, safer and comfoter transportation motorcycles. In order to realize this target the company insist on carrying out four strategies namely! Internationalization, technology ahead,high quality and low- cost and regionalization to realize the internalization of products, market capital, mechanism, brand and talent and establish an international sustainable company with self-motivation, capability and core competitiveness.

2.5 CKD Assembling Process

- Set the two. main assembly lines, an interior assembly, final assembly and installation assembly line; interior by plate transmission line assembly, chassis and final assembly line preceding use of land towline conveyor, later adopted tow-plate conveyor.
- With advanced: technology and by function modular assembly principles set production line, using dashboards, doors, bumper, engine and front suspension, rear suspension first[^]-packing, then the cable to reduce the main line of labour, there will be mainline working hours drop to a minimum to make use of the mainline working digits
- After the painting, the motorcycle is pushed back to the ground manpower vehicle body lines by hanging lifting; interior body assembled to end with their own lifting equipment hoist assembly area

- Packed boxes by hanging hoisting installation
- Brake fluid, air-conditioning hoisting installation
- Brake fluid, air-conditioning fluid filling the vacuum cycle using quantitative methods

2.5.1 Simple process

3.0 MANUFACTURING SECTORS IN TANZANIA

Information provided under this section is obtained from the economic survey of 2009

Sector Growth

The growth rate of manufacturing activities was 9.9 percent in 2008 compared to 8.7 percent in 2007. The growth was attributed to increase in industrial production of food and milk; chemical and printing, and increased production of goods for export. The contribution of manufacturing activities to the Gross Domestic Product (GDP) increased to 9.4 percent in 2008 from 9.2 percent in 2007

Small Enterprises

In 2008, sensitization and dissemination of 19 new technologies to small enterprises was carried out, and led to manufacturing of 118 machines and 1,780 spare parts. The technologies disseminated to owners of small enterprises among others included: food processing; reduction of consumption trees and woods products for energy; packaging of processed foods; production of construction materials particularly bricks; manufacturing of lime and chalk; grinding of cooking oil from palm tree and manufacturing of soap and skin and hide processing.

In 2008, advisory services related to business development and production activities were provided to a total of 6,139 entrepreneurs. Likewise, 770 entrepreneurs were provided training in the following areas: processing of skin; chalk, cashew nuts, animal foods, bamboo, pottery and processing and preservation of foods. Out of those, 73 entrepreneurs were trained on food processing and 178 on skin processing. Training on skin processing was undertaken in regions of Morogoro, Mwanza, Shinyanga, Tabora, Singida, Manyara, Arusha, Kagera and Morogoro. In addition, a total of six entrepreneurs' exhibitions were undertaken in 2008 whereby 1,269 entrepreneurs displayed and sold products worth shs 528 million. Likewise, 1,854 entrepreneurs obtained loans worth shs 1.2 billion providing a total of 3,669 new employments.

Production Cost

The cost of manufacturing production increased to shs 1,747,229 million in 2008 from shs 1,712,247 million in 2007, equivalent to an increase of 2.0 percent. The increase was due to a rise in the cost of production particularly fuel.

Production in Selected Industries

Generally, production in selected industries declined in 2008. The decline was due to a rise in production cost, and suspension of production in steel; textile; and skin and hide industries.

In 2008, production of corrugated iron sheets decreased from 36,492 tons to 31,743 tons in 2007, equivalent to a decrease of 13 percent. Production of steel and steel products decreased from 52,163 tons in 2007 to 39,969 tons in 2008, equivalent to a decrease of 23.4 percent. Production of sisal ropes declined from 7,783 tons in 2007 to 7,012 tons in 2008, equivalent to a decrease of 10.1 percent. Production of cotton increased from 1,630 million tons in 2007 to 1,756 million tons in 2008, equivalent to an increase of 7.7 percent.

Production of wheat flour decreased from 406,336 tons in 2007 to 287,925 tons in 2008, equivalent to a decline of 29.1 percent. However, production of biscuits and spaghetti increased from 11,273 tons in 2007 to 15,435 tons in 2008, equivalent to an increase of 36.5 percent.

increase of 36.9 percent.

Production of beer declined from 310,194 million litres in 2007 to 291,178 million litres in 2008, equivalent to a decrease of 34.6 percent. Production of Kibuku brew declined from 10,320 million litres in 2007 to 10,235 million litres in 2008.

Equivalent to a decrease of 0.8 percent. Production of Konyagi declined from 5,622 million litres in 2007 to 4,049 million litres in 2008, equivalent to a decrease of 28 percent. However, production of cigarette increased from 5,821 million in 2007 to 6,101 million in 2008, equivalent to an increase of 4.8 percent.

4.0 MANAGEMENT AND ORGANIZATION STRUCTURE

4.1 Management

The company policy is to have adequate manpower to manage its operations efficiently.

G.S GROUP LIMITED believes in keeping on board only the very essential manpower strength, to develop them into highly motivated and sincere/company team for the best and efficient operations of the company.

The company will, have a team of qualified and experienced functional staffs in the areas of Operations, Marketing, and Finance & Administration.

4.2 Management Policy

The day to day operations will be managed by the General Manger, to be assisted by production Engineers who will be in charge of truck assembling operations. The Company will employ other professionally in the areas of marketing, Finance, Human Resources, logistics and supplies and others for smooth Implementation of the project

The General Manager will manage the company under the policy guidance of the Board of Directors

4.3 Organizational Structure

It is proposed that the company's operations be headed by the General Manger under who will assist the Production

Engineer and other professional in the areas of Marketing, Finance, Human Resources, . Logistics and Supplies, The General Manager will be functionally responsible for achieving the Business plan prepared every after five year. He will ai-so be responsible for the. entire function fot the company subject to policy guidance set. The Marketing officers will be responsible for both the domestic, and export sales and marketing. The job responsibilities will include market planning and development, sales promotion and sales co-ordination.

4.4 Manpower Requirement and Emoluments

The estimated manpower requirement for the project is 25 people including 2 Chinese Engineers/Technician

5.0 Project Investment Cost

The estimated capital investment cost of the project is US\$1,517,000

G.S.GROUP LIMITED COST STRUCTURE

| PARTICULAR | US\$ |
|-------------------------|--------------|
| Land and Buildings | 300,000.00 |
| Machinery & Equipment | 740,000.00 |
| Motor Vehicles | 100,000.00 |
| Furniture & Fittings1 ■ | 2,000.00 |
| Pre exp | 25,000.00 |
| Working Capital | 350,000.00 |
| TOTAL | 1,517,000.00 |

6.0 Financial Analysis

6.1 Considerations and Assumptions:

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are exempted from custom duty and Value Added Tax. The straight line method to depreciate the project's capital items has been applied, it is assumed to be 5% annual depreciation.

It is assumed that the major building raw material will be procured from local market and other will be imported. Revenues have been conservatively estimated based on experience of the promoters and trends in the Real estate industry.

8 years financial projections have been worked out

6.2 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 8 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from US \$ 96,600 in first year to US \$ 3,750,362 in the 8 year, refer appendix (I)

6.3 Projected Cash Flows

The project's cash flows depict a good liquid position right from the first year. Cash accumulation builds up from US \$ 79,134 in the first year to US \$ 3,482,130 at the end of 8 years of the project's operations, refer appendix (II)

6.4 Projected Balance Sheet

Project total assets increase from US \$ 1,517,000 at the end of first year to US \$ 4,205,530 at the end of 8th year which is significance increase as you can see, refer appendix (III)

7.0 Implementation Schedule

Project implementation is expected to be relatively very short once project has been approved it is estimated that construction of serviced furnished apartment will be completed within two years :-

Project Implementation

| S/N | ACTIVITY | PERIOD |
|-----|-----------------------------------------|----------------------------|
| 1 | Processing TIC Certificate of Incentive | January 2013 |
| 2 | Processing Exemptions | February-March 2013 |
| 3 | Mobilizing Fund | February -July 2013 |
| 3 . | Construction/renovation of of building | October 2013-December 2013 |
| 4 | Ordering Machines and other equipment • | January 2014-March 2014 |
| 5 | Testing business and in house training | May -August 2014 |
| 6 | Commercial operations | January 2015 |

The proposed project. will result into the following social and economic impacts:

- Make available cheap, quality and tress free motorcycles
- Increase the provision of high quality services in transportation sector
- Increased availability of quality distribution and marketing products along side competitive prices of these products will result in increased healthy competition among all trading and manufacturing companies
- The project will result in direct employment creation o 25 people many more indirectly
- The Government and other agencies will benefit from various taxes, fees and commissions that will be paid by the company

8.0 Conclusion

G.S GRQUP LIMITED, set out a proposal to Invest in the establishment of a CKD motorcycles assembling project to be located in Dar es Salaam.

The Executive Summary highlights indicate that the proposed project will e financial and economically viable, The project will generate significantly to the social and economic progress by way of increasing , the provision of quality transportation services in the country. It is recommended that the project be accorded the required institutional support to pave the way for its expeditious establishment and development.

In that regard; we strongly recommended that the project be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under Tanzania Investment Act, 1997 to enable smooth implementation

9.0 Recommendations

The project is technically feasible, financially viable, and economically sound, provided the sponsors will manage it efficiently.

It is recommended, that the project be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its -associated privileges and benefits as provided for under the Tanzania Investment Act, 1997.