

XINGHAO GROUP CO. LIMITED

BUSINESS PLAN

TIC Registration for a Project of Cement Manufacturing

XINGHAO GROUP CO. LIMITED

5/16/2023

A. EXECUTIVE SUMMARY

Xinghao Group Co. Limited is a company registered under the laws of the United Republic of Tanzania. It is a company wholly owned by foreigners. The company has got authorized share capital of **TShs. 13,000,000,000** divided into **100,000 shares** of **TShs 130,000/=** each. The share capital, at present exchange rate of USD 2,360 implies a total amount of **USD 5,508,474**. All the 100,000 authorized shares have been issued and taken.

The company plans to establish and run a project for manufacturing furniture for domestic and offices. Total planned capital for this project is **USD 7,979,500** where equity is **USD 1,196,925** and loan is **USD 6,782,575**. In terms of employment the project will directly employ a total minimum of 111 Tanzanians. Other 600 will be employed indirectly.

From the financial analyses conducted this project is a promising one. As such the shareholders have decided to implement it in the favorable Tanzanian business environment. This business plan is aimed at securing TIC registration so that the company can enjoy the incentives offered and take off more smoothly.

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1.0 INTRODUCTION

1.1 Company Overview

The company **Xinghao Group Co. Limited** is registered under Tanzania's laws. Its registration dates back to May 7th 2018 and its registration number is 136-503-227.

For tax purposes this company is registered and given Tax Payer Identification Number (TIN) 136-503-227. The company is located at plot number 86 block 9, postal code 61201 in Mlandizi Kibaha.

The company has an authorized share capital of **TShs 13,000,000,000** divided into **100,000 shares** of **TShs 130,000/=** each. The share capital, at present exchange rate of USD 2,360 implies a total amount of **USD 5,508,474**. All of the authorized 100,000 shares have been issued and taken, and all are owned by foreigners. It is thus a foreign project so far as detailed under **table 1** below.

Table 1: Shareholding Details

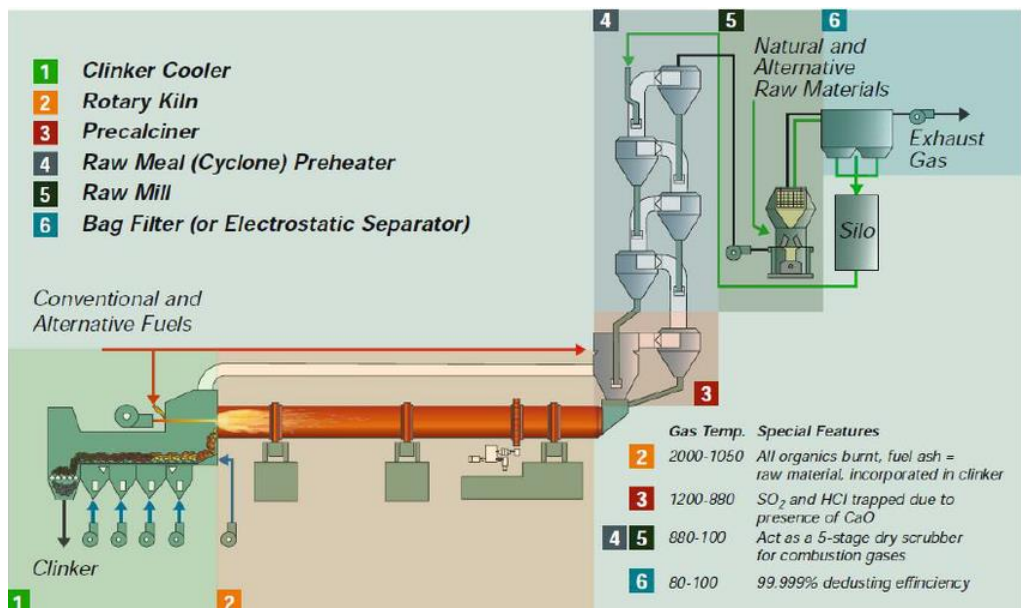
Shareholder	Nationality	Shares Taken	Shareholding
Lu Peng	China	80,000	80.00%
Qiuping Lei	China	20,000	20.00%
TOTALS		100,000	100.00%

1.2 Project Overview

Xinghao Group Co. Limited has a number of business ideas which it can implement shown in the MEMARTS. One such idea is that of manufacturing of cement. The company looks forward to establish and run a project on plots no. 159 – 161 in Misugusugu, Kibaha – Pwani.

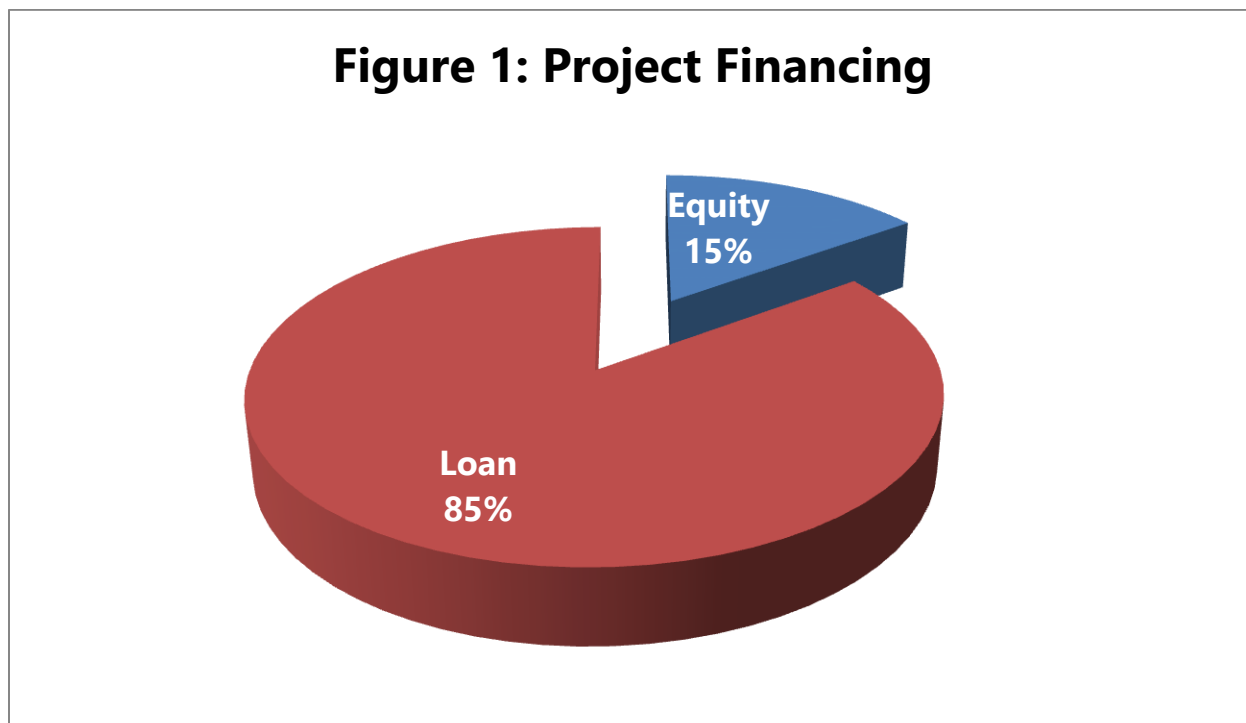
Cement is an important building material used in public, residential and commercial construction jobs. It is a fine gray powder created from raw

materials and chemical compounds that professionals use in various types of construction jobs. Professionals create cement by mixing raw materials with metals and minerals such as aluminum, iron, calcium and silicon before heating it to high temperatures to form a solid material called clinker. Clinker is then ground into a powder sold as cement to ready-mix concrete companies. The raw materials for cement manufacturing include chalk, clay, iron ore, limestone, shale, shells, silica sand and slag.



1.2.1 Project Financing

The project will be financed by equity and loan totaling to the tune of **USD 7,979,500**. The projected equity is **USD 1,196,925** (15% of the total financing) while the projected loan is **USD 6,782,575** (85% of the total financing) as shown in **figure 1** below.



1.2.2 Financing of Items

The total planned investment of **USD 7,979,500** goes to finance acquisition of various items and financing of various issues as detailed under **table 2** below.

Table 2: Financing of Items

ITEMS	FINANCING IN USD
Land & Buildings	3,250,000
Plant	3,040,000
Vehicles	880,000
Furniture & Fittings	55,000
Pre Expenses	50,000

Others	100,000
Working Capital	604,500
TOTAL	7,979,500
FIXED CAPITAL	7,375,000
WORKING CAPITAL	604,500

Of the **USD 7,979,500** total investment in this project **40.73%** goes into land acquisition and erection of buildings. On the other hand **38.10%** goes into installation of the plant. The investment plan/ schedule is shown on **table 3** below.

Table 3: Investment Plan

BREAKDOWN ITEMS	INVESTMENT PLAN					TOTAL INVESTMENT
	Y1	Y2	Y3	Y4	Y5	Y1+Y2+Y3+Y4+Y5
Land & Buildings	2,200,000	800,000	250,000	-	-	3,250,000
Plant	-	2,000,000	750,000	290,000	-	3,040,000
Vehicles	60,000	240,000	340,000	200,000	40,000	880,000
Furniture & Fittings	15,000	20,000	10,000	10,000	-	55,000
Pre Expenses	50,000	-	-	-	-	50,000
Others	30,000	20,000	20,000	20,000	10,000	100,000
Working Capital	44,500	52,000	100,000	200,000	208,000	604,500
TOTALS	2,399,500	3,132,000	1,470,000	720,000	258,000	7,979,500

Investment in this project is planned to be done over the first five years of operation. Most of the investment will be done during the first and the second years.

Of the **USD 7,979,500** planned investment **USD 2,399,500** will be invested during the first year of operation of the project. This is the year 2023. This investment accounts for **30.07%** of the total investment.

1.2.3 Employment Details

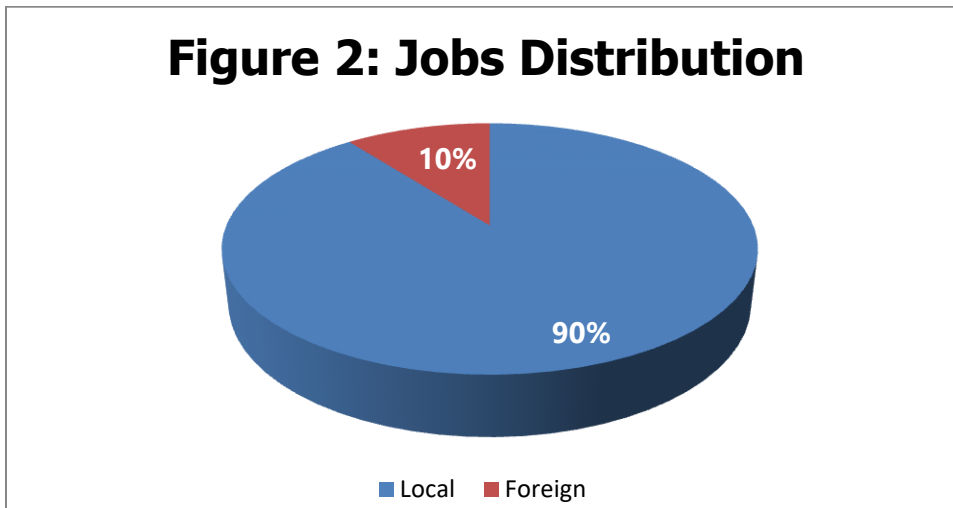
This local project expects to employ, directly, a total of 124 staff, of whom 111 are local and 13 a foreigners as shown on **table 4** below. Should there be a

need to engage more staff – local or foreigners; the company will adjust accordingly.

Table 4: Employment Details

CATEGORY	MALE	FEMALE	TOTAL
Local	97	14	111
Foreign	10	3	13
TOTAL	107	17	124

The project expects to employ mostly local Tanzanians at this point in time. If there will be need to employ more staff including foreigners the company will do so. Of the employed people, locals account for 90% while foreigners account for 10% as shown on **figure 2**. Detailed projections are given under **annex 1**.



1.2.4 Project Capacity

This is a project for manufacturing of cement. At full capacity i.e. at year 5 the project will have an 18,000 metric tons production per annum.

1.2.5 Supplies and Targeted Market

This project has a special focus on the Tanzanian local market. Should there be need for expansion geographically the company will expand to other EAC member countries first. The company plans to source its inputs from within Tanzania but for those inputs which are not much available within the country – like clinker – they will be sourced from outside the country.

1.3 Project Implementation Plan

This is a 5 year project which expects to take-off within the month of June 2023. Acquisition of items will be done over the first five years of operation. The roll-out plan is detailed under **figure 3** below.

Figure 3: Project Roll-Out Plan

Activity	TIME																	
	2022	2023											2024	2025	2026	2027	2028	
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec					
TIC Registration																		
Market Analysis																		
Land Acquisition																		
Business Development Analysis																		
Construction of Plant																		
Production																		
Assets Acquisition																		
Staff Recruitment																		

2.0 MARKET ANALYSIS

This section focuses on market analysis for this project. It covers the Tanzanian market for cement, SWOC analysis, PESTLE analysis and the market strategy for the project. This is a crucial part as it gives the way forward for the project and the company in general.

2.1 Cement Market in Tanzania

As of the year 2022 Tanzania’s annual cement production capacity stood at 7,598,073 metric tons. This capacity is an aggregation of volumes produced by

the locally producing factories. On the other hand, annual cement demand in Tanzania, as of the year 2022, stood at 7,532,173 metric tons. This is the combined demand for cement for house construction, and for special construction of infrastructure. The demand-supply facts of 2022 imply that the production had a surplus of 65,900 metric tons.

There has been a rise in cement consumption in Tanzania. This scenario of cement consumption rise is a proxy of growth in the construction activity, specifically on buildings and civil engineering works. The market is promising within the country and in the EAC to which Tanzania has a duty free quota free market access.

2.2 SWOC Analysis

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

Strengths

- i) The Promoters of the company have enough muscle to fund the project as their equity amounts to 15% of the financing. The company also can be lent funds by commercial banks to the tune of **USD 6,782,575** which is equivalent to 85% of the financing. This implies liquidity assurance for the roll-out of the project.
- ii) The company has access to staffs who are experienced in the business of cement manufacturing. They make a competitive team that delivers quality and competitive products for both housing and civil engineering works.
- iii) The management is well acquainted with the general Tanzanian market and specifically with the manufacturing of cement.
- iv) The company has spotted and is focused on the local Tanzanian market with which it is highly acquainted and from which it can develop its niche

with special focus biased on cement for house construction or for civil engineering works.

Weaknesses

- i) The company is not the sole giant in the market and there are giants existing in the Tanzanian market. As such it might be lacking some levels of marketing muscles. However, having consulted experts in the business arena it looks forward to develop and maintain its niche in the Tanzanian market and within the EAC area.

Opportunities

- i) There is assurance of market in the sector within the Tanzanian market and opportunities of expansion to the other EAC member countries.
- ii) In governance Tanzania is characterized by peace and tranquility. This provides the business with assurance that it will operate smoothly resting assured that the promoters' property security is guaranteed.
- iii) With good investment act shareholders of the Company are guaranteed of freedom from nationalization of their stake in the company.
- iv) There is assurance of power supply which is crucial in the operationalization of the manufacturing project.
- v) There is plenty of raw materials for cement manufacturing. These include limestone, quarry sand, red soil and gypsum.

Challenges

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

- ii) Clinker, key component in cement manufacturing, is not plentifully available in Tanzania and cannot be obtained at competitive prices. The company looks forward to seeking the most competitive supply of the ingredient in order for its cement to be more competitive.

From the SWOC analysis conducted of the company and of the operating environment the promoters are confident that the project will be a success. The main strategy adopted is a penetrative and retentive one, anchored on quality product, competitive prices and proper and timely placing of the products.

2.3PESTLE Analysis

This subsection studies the key external factors namely Political, Economic, Sociological, Technological, Legal and Environmental that influence the organization in the manufacturing sector.

Politically Tanzania is a very stable country characterized by smooth transition of power from regime phase to another. There have been no civil wars in the country and there are no indications of any wars in any time near.

Economically Tanzania is growing and developing. With a population of around 62 million and having attained the mid-income level the country is a promising in any business. The country has a well-established network of tarmac all-weather roads that run across regions and districts as well as neighboring countries. Moreover, Tanzania has a growing demand for cement as construction is on the rise.

Technologically Tanzania is well advanced especially in ICT. With broadly available internet connectivity and mobile phone extension communication has been made a lot easier. Upon leveraging on ICT the company can be engaged by clients through social media and its own website.

The sixth phase government has made them more friendly, **laws** governing investment and business. The new investment act for example has green lighted projects worth USD 50,000 to be registered by the TIC and enjoy the benefits offered by the act. Also, it has given assurance of objective investment disputes settlement.

The business environment in the country is excellent. It is encouraging to investors. With good laws and political will projects can flourish in the country. Xinghao Group Co. Limited sees the environment being highly conducive for investors, both foreign and local alike. More so, the company feels that the environment will make its business a success.

2.4Market Strategy

As part of our marketing strategy, we will engage both entry and persistence strategies. The entry strategy will employ digital technology in conducting social awareness teaser campaigns. This will be done using social media and an excellent website. It will push the way for our products into the market, starting and focusing on local, and then if there be need – foreign market.

As for the persistence strategy, considering the facts that there are both importers of the products we produce, the company has developed a special focus on the 4Ps mix in order to have a good share of the market. This strategy will enable the company stay in the market and develop a niche of its own. Here is the company's view on the 4Ps promotional mix:-

Product: The project will produce best quality and price-competitive cement. The company will abide by all international standards in order to win the local, and later on the global market.

Price: Through the Marketing and Production Departments the company will develop a pricing mix that will make the products price-competitive in order to gain entry into the market, acquire an optimal share of the market and develop a niche to be retained starting with Tanzanian market and in the global markets.

Place: The project is strategically located within reach of the harbor city of Dar es Salaam which is a logistic hub of Tanzania. This scenario gives the company an upper hand in accessing the market of cement in the country starting from this largest city to the inland cities and communities.

Promotion: Through the qualified marketing personnel the company will design excellent promotion campaigns that will pull consumer toward the products. We will use social awareness teaser campaigns by leveraging on information communication technology.

3.0 FINANCIAL PROJECTIONS

This is a **USD 7,979,500** project. Shareholders of the company have much expectation of having a successful business in cement manufacturing in Tanzania. Upon financial analyses conducted, the project is promising to be a success. This section covers projections on sales, income and cash flow.

3.1 Sales Projections

Sales are expected to be rising through the first five years climaxing during year 5 of operation. At full capacity sales are projected to be at **USD 2,166,868** as shown on **table 5** below.

Table 5: Sales Projections

Details	Years				
	Y1	Y2	Y3	Y4	Y5

Annual Sales (MT)	6,000	13,000	15,000	16,500	18,500
Estimated Price per Ton (10% inflation)	80	88	97	106	117
Sales Revenue p.a.	480,000	1,144,000	1,452,000	1,756,920	2,166,868
Annual Revenue	480,000	1,144,000	1,452,000	1,756,920	2,166,868
Sales Revenue	480,000	1,144,000	1,452,000	1,756,920	2,166,868

Cost of sales and gross profit projections, on the other hand, are as shown on **table 6**. The project is a promising venture, basing on these projections.

Table 6: Gross Profit Projections

Cost of Sales					
Details	Years				
	Y1	Y2	Y3	Y4	Y5
Supplies	192,000	114,400	145,200	175,692	216,687
Utilities	120,000	132,000	145,200	159,720	175,692
Total Production Costs	312,000	246,400	290,400	335,412	392,379
Gross Profit Projections					
Details	Years				
	Y1	Y2	Y3	Y4	Y5
Sales	480,000	1,144,000	1,452,000	1,756,920	2,166,868
Cost of Sales	312,000	246,400	290,400	335,412	392,379
Gross Profit/ (Loss)	168,000	897,600	1,161,600	1,421,508	1,774,489

3.2 Projected Income Statement

From **table 7** below, the projections show that the project will make profits from the onset of its roll-out in Year 1. Over the years 1 through 5, respectively, the

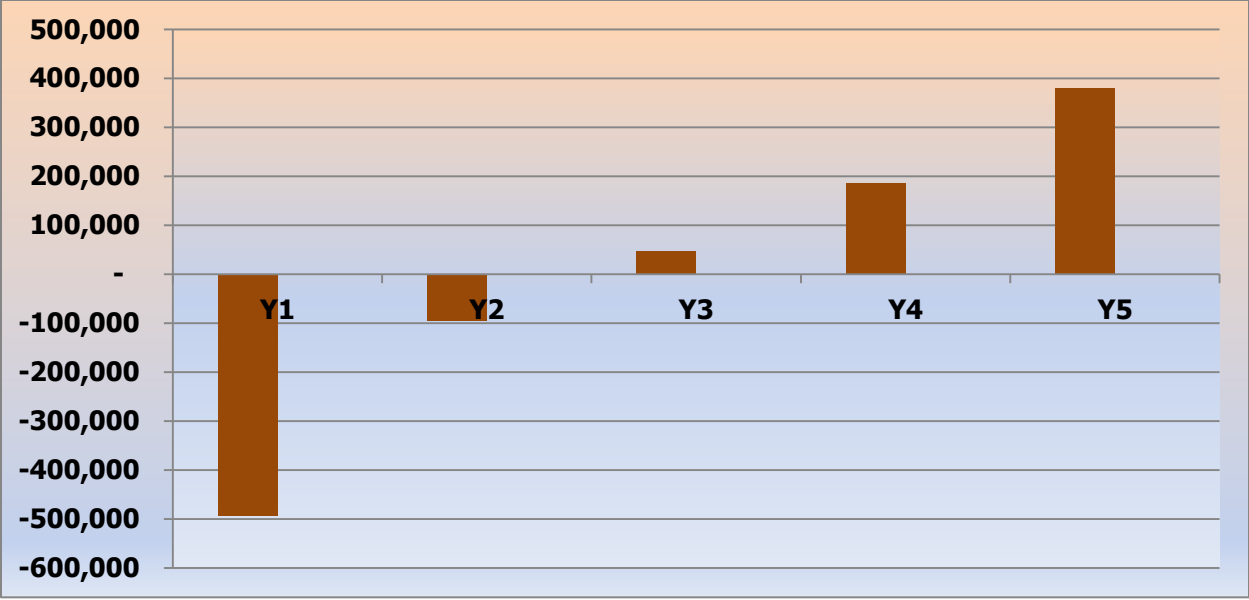
projected retained earnings are **USD -492,866; -95,781; 47,724; 184,902** and **378,932**.

Table 7: Projected Income Statement

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Total Sales	480,000	1,144,000	1,452,000	1,756,920	2,166,868
Less: Cost of Sales	312,000	246,400	290,400	335,412	392,379
Gross Profit	168,000	897,600	1,161,600	1,421,508	1,774,489
Less: Operating Expenses	43,400	63,920	71,660	86,608	93,106
EBIT	124,600	833,680	1,089,940	1,334,900	1,681,383
Less: Loan Interest	1,004,718	1,004,718	1,004,718	1,004,718	1,004,718
EBT	-	-	-	-	-
	880,118	171,038	85,222	330,182	676,665
Less :Taxes (30%)	-	-	-	-	-
	264,035	51,311	25,567	99,055	203,000
Net Profit/(Loss)	-	-	-	-	-
	616,083	119,727	59,655	231,128	473,666
Dividend (20%)	-	-	-	-	-
	123,217	23,945	11,931	46,226	94,733
Retained Earnings	- 492,866	- 95,781	47,724	184,902	378,932

Projected operating expenses are detailed under **annex 2** while retained earnings are shown on **figure 3** below. The project is expected to break-even during Y3 of operation.

Figure 4: Retained Earnings



3.3 Projected Cash Flow

Projected cash flow analysis shows that the project will have enough liquidity to carry out its activities as shown on **table 8** below.

Table 8: Projected Cash Flow

Details	Years				
	Y1	Y2	Y3	Y4	Y5
<i>Cash from Operations</i>					
Profit Before Tax	-	-	-	-	-
	880,118	171,038	85,222	330,182	676,665
<i>Adjustment for Non-cash Items:</i>					
Capital Additions	2,585,000	2,574,000	2,574,000	2,574,000	2,574,000
Total	2,585,000	2,574,000	2,574,000	2,574,000	2,574,000
Tax Payments	-	-	-	-	-
	264,035	51,311	25,567	99,055	203,000
Total Cash Inflow from Operating Activities	2,320,965	2,522,689	2,599,567	2,673,055	2,777,000
Cash from Investing Activities:	3,555,156	3,555,156	3,555,156	3,555,156	3,555,156
Net Cash Outflow from Investing Activities	-	-	-	-	-
	1,234,191	1,032,467	955,589	882,101	778,156

Cash from Financing Activities:					
Dividends	-	-	-	-	-
	123,217	23,945	11,931	46,226	94,733
Change in Cash and Cash Equivalents	-	-	-	-	-
	1,110,975	1,008,522	967,520	928,327	872,890
Opening Cash Balance	10,000	8,000	12,000	11,500	10,000
Closing Cash Balance	8,000	12,000	11,500	10,000	15,000

4.0 PROJECT RATIONALE

The rationale for this project can be viewed in monetary, fiscal and social aspects. From the financial analysis conducted this project is promising to be a success in the Tanzanian economy. Monetarily it will create income for SMEs supplying the project, selling the product and serving the workers. Fiscally it will pay taxes (both Income Tax and VAT on sales), and socially it will contribute to social development as detailed under subsequent sub-items. **Annex 3** gives details of the project's rationale.

Monetary Rationale

The project is expected to incur a total of USD 1,935,284 on supplies and operating expenses through its first five years of operation. This money will go to supplier SMEs and other companies that will be supplying to the project. The multiplier effect of this spending will go through SMEs down to the households and back to the government in form of taxes and levies. In addition to this, the project will help indirect employees earn money from serving the employees of the firm.

Fiscal Rationale

Fiscally the project projects to pay a total of USD 1,412,232 as taxes to the government in its first five years of operation. Of this amount income tax is projected to be USD 12,274 while VAT is projected to total to USD 1,399,958. The VAT projections are for the sales at the company's level only and will multiply as the impact of the product's changing of hands. The same applies for the income tax. **Annex 3** gives the details on the projections.

Social Rationale

Socially the project will participate in various engagements as part of its Corporate Social Responsibility (CSR) program. Over the first five years it is expected to incur a total amount of USD 46 on CSR as shown on **annex 3**. This amount appears to be low as the projections show that there will be negative retained earnings in the beginning. In the long run however the RE will rise and so will the CSR amount. In addition, the project will directly employ a total of at least 111 locals and 13 expatriates. Other locals will enjoy indirect employment via the project. These indirect jobs will total to around 600. The indirect jobs will be for those supplying the project, selling the product and other service providers including those who serve workers. **Annex 1** gives the details on employment.

5.0 CONCLUSION

Xinghao Group Co. Limited is a company registered under the laws of the United Republic of Tanzania. It plans to run a project of cement manufacturing. This project aims to provide quality cement as part of its strategy to develop and retain its niche in the market. The project is owned by foreigners by 100%. The planned capital for this project is USD 7,979,500 where 15% is equity and 85% is a loan to be secured from commercial banks.

From our assessment of the business idea we have come up with this business plan with confidence of success. This project is highly likely to be a success and it is rational socio-economically, fiscally and monetarily. If it gets a soft landing via the TIC the promoters of the project look forward to a successful business.

6.0 ANNEXES

Annex 1: Detailed Employment Projections

CATEGORIES	LOCAL		FOREIGN		NUMBER
	Male	Female	Male	Female	
Senior Management Team:					
Managing Director			1		1
Deputy Managing Director		1			1
Managers:					
Accounts Manager	1				1
Marketing Manager		1			1
Supplies Manager		1			1
Plant Supervisors	1		1		2
Plant Manager	1				1
Other Staff:					
Drivers and Operators	46				46
Quality assurance personnel	1		1	1	3
Quarry technician		1	1		2
Laboratory technician	2		1	1	4
Plant workers	40	10	4	1	55
Accountants	1				1
Mechanics	4		1		5
TOTALS	97	14	10	3	124

Annex 2: Projected Operating Expenses

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Marketing Expenses	-	1,700	200	200	200
Bank Charges	1,200	1,200	1,200	6,000	1,200
Insurance	5,000	5,000	5,000	5,000	5,000
Office Expenses	5,400	5,400	5,400	5,400	5,400
Permits and Licences	1,200	100	100	1,100	100
Vehicle Expenses	4,200	4,200	4,200	4,200	4,200
Provision for Bad Debts	14,400	34,320	43,560	52,708	65,006
Miscellaneous Expenses					

	12,000	12,000	12,000	12,000	12,000
TOTAL OPERATING EXPENSES	43,400	63,920	71,660	86,608	93,106

Annex 3: Project Rationale

Details	Years					
	Y1	Y2	Y3	Y4	Y5	TOTALS
Total Production Cost	312,000	246,400	290,400	335,412	392,379	1,576,591
Total Operating Expenses	43,400	63,920	71,660	86,608	93,106	358,694
Income Tax	-	-	-	-	-	-
	264,035	51,311	25,567	99,055	203,000	12,274
VAT on Sales	96,000	228,800	290,400	351,384	433,374	1,399,958
Provision for CSR	-	-	-	-	-	-
	986	192	95	370	758	46
TOTALS	186,379	487,617	678,122	872,828	1,122,616	3,347,562
SUMMARIES						
To the Government	-	-	-	-	-	-
	168,035	177,489	315,967	450,439	636,373	1,412,232
To the Private Sector (SMEs)	355,400	310,320	362,060	422,020	485,485	1,935,284
To the Society (CSR)	-	-	-	-	-	-
	986	192	95	370	758	46
TOTALS	186,379	487,617	678,122	872,828	1,122,616	3,347,562

Annex 4: Loan Details

DETAILS	LOAN SECURED	INTEREST RATE	ANNUAL PRINCIPAL REPAYMENT	ANNUAL PAYBACK (PRINCIPAL + INTEREST)					TOTAL
				Y1	Y2	Y3	Y4	Y5	
Local Loan	-	0.13	-	-	-	-	-	-	-
Foreign oan	6,782,575.00	0.14	1,356,515	1,356,515	1,356,515	1,356,515	1,356,515	1,356,515	6,782,575
TOTAL PRINCIPAL LOAN			1,356,515	1,356,515	1,356,515	1,356,515	1,356,515	1,356,515	6,782,575
ANNUAL INTEREST DETAILS									
DETAILS	LOAN SECURED	INTEREST RATE	ANNUAL PRINCIPAL REPAYMENT	ANNUAL INTEREST PAYBACK					TOTAL
				Y1	Y2	Y3	Y4	Y5	
Local Loan	-	0.13	-	-	-	-	-	-	-
Foreign Loan	6,782,575.00	0.14	1,356,515	189,912	189,912	189,912	189,912	189,912	949,561
TOTAL INTEREST ON LOAN			1,356,515	189,912	189,912	189,912	189,912	189,912	949,561
TOTAL REPAYMENT				1,546,427	1,546,427	1,546,427	1,546,427	1,546,427	7,732,136



Cement is widely used in construction projects including public infrastructure construction