

BUSINESS PLAN FOR TIC REGISTRATION OF AN INDUSTRIAL PARK PROJECT

A Project of Industrial Park in Pwani

9/6/2023

Best Real Estate and Industrial Park Limited

Dar es Salaam

1.0 EXECUTIVE SUMMARY

Best Real Estate and Industrial Park Limited is a company registered under the Laws of the United Republic of Tanzania on 1st August 2023 and granted Certificate of Incorporation No. 167415946. The company has a wide range of activities including real estate, motor vehicles repair and maintenance, travel agency, tour operator, metal and metal ores, and others. Best Real Estate and Industrial Park Limited is a foreign company owned by two Chinese individuals. Of its 100,000 authorized shares the shareholders have taken up 70,000 shares. The authorized share capital of the company is TSh. 1,000,000,000 (USD 398,732.60) that is divided into 100,000 shares of TSh. 10,000 each.

This project focuses on development of an Industrial Park within Pwani region. The projected capacity is planned to be 20,000 square meters of space. The planned capital is USD 1,270,000 which will come from foreign equity (USD 270,000), a foreign loan (USD 450,000) and a local loan (USD 550,000). At full capacity the project will directly employ 100 people (14 foreigners and 86 locals) and indirectly employ 300 people.

Through analysis conducted the shareholders of the company have realized feasibility of this project. The market analysis conducted has revealed that the services will penetrate the markets and the company can establish its niche. The financial analysis has shown that the investment will pay-off as it has been predicted to make profits.

The objective of this business plan is to present the business idea so that the TIC can provide incentives and immunities to the project presented. The incentives will help this project to develop and since this is a financially, socially and fiscally rational project the management believes that it deserves the incentives.

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3.0 PREAMBLE

3.1 Company Details

Best Real Estate and Industrial Park Limited is a company registered under the Laws of the United Republic of Tanzania on 1st August 2023 and granted Certificate of Incorporation No. 167415946. For tax purposes the company is also registered and its TIN is 167-415-946. The company has a wide range of activities including real estate, motor vehicles repair and maintenance, travel agency, tour operator, metal and metal ores, and others. This project focuses on commercial building.

Best Real Estate and Industrial Park Limited is a foreign company owned by two Chinese individuals. Of the 100,000 authorized shares the shareholders have taken up 70,000 shares. The authorized share capital is TSh. 1,000,000,000 that is divided into 100,000 shares of TSh. 10,000 each. The share capital of TSh. 1,000,000,000 (one billion) is equivalent to USD 398,732.60. **Table 1** gives key details on shareholding.

Table 1: Company Shareholding Details

a) Allotted Shares

Shareholder	Nationality	Shares Taken	Shareholding
Licai Jiang	Chinese	40,000	57.14%
Yizhi Zhang	Chinese	30,000	42.86%
TOTAL		70,000 **	100%

** Total allotted shares are 70,000 but total authorized shares are 100,000

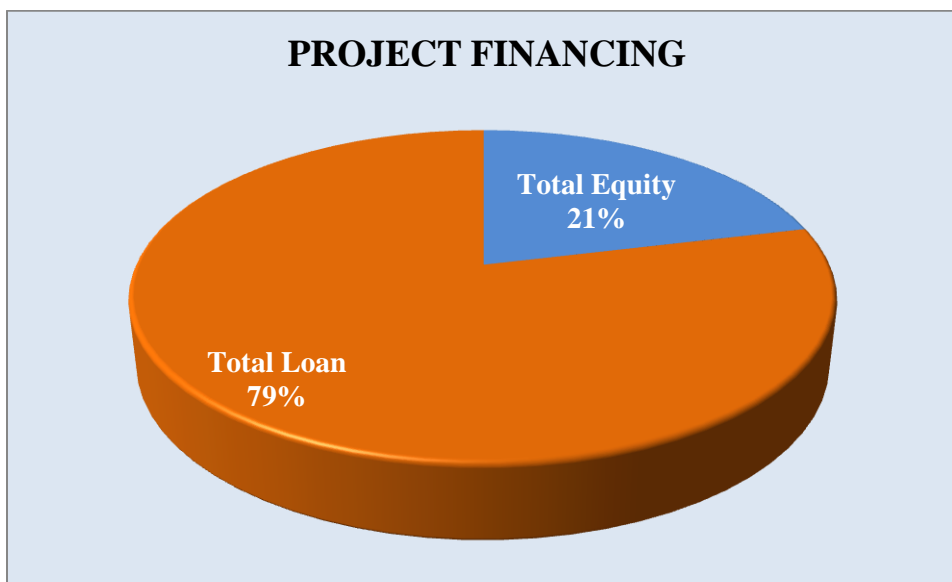
b) All Shares

Shareholder	Nationality	Authorized Shares	Shareholding
Licai Jiang	Chinese	40,000	40.00%
Yizhi Zhang	Chinese	30,000	30.00%
Unallotted Shares	N/A	30,000	30.00%
TOTAL		100,000	100%

The company's location is Plot No. 103 in Mikocheni Industrial Area within the Kinondoni District of Dar es Salaam.

4.0 PROJECT DETAILS

This is a project aimed at development of an Industrial Park in Mainland Tanzania. It is located in Mkuranga within the region of Pwani. This project, as shown in *figure 1* will be financed by equity (21%) and loan (79%).



4.1 Investment Plan

The total investment for this project is USD 1,270,000 as detailed under **table 2** below. Of this amount, as shown by columns under investment breakdown, fixed capital is projected to be USD 1,205,000 while working capital is USD 65,000. As per the columns under investment schedule most of the investment will be done during the first two years of operation and the figures will gradually go down as completion of the investment process keeps pace.

Table 2: Projected Investment Plan

INVESTMENT BREAKDOWN	INVESTMENT PLAN
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ITEMS	FINANCING IN USD	Y1	Y2	Y3	Y4	Y5
Land & Buildings	805,000	405,000	300,000	100,000		
Plant	-					
Vehicles	80,000	45,000	35,000			
Furniture & Fittings	260,000	10,000	100,000	150,000		
Pre Expenses	35,000	35,000				
Others	25,000	25,000				
Working Capital	65,000	65,000				
TOTAL	1,270,000	585,000	435,000	250,000	-	-
FIXED CAPITAL	1,205,000					
WORKING CAPITAL	65,000					
CAPITAL ADDITIONS		585,000	435,000	250,000	-	-

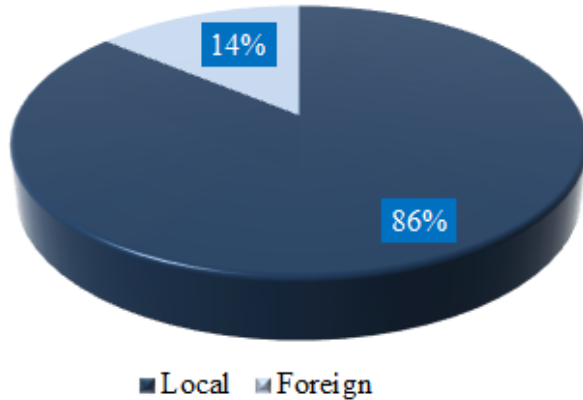
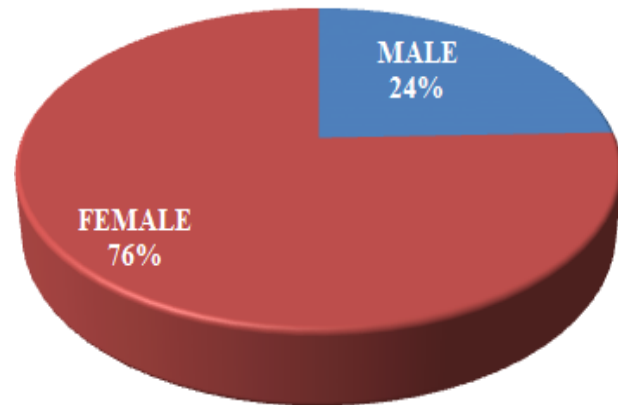
4.2 Workforce Plan

At full capacity the project will directly employ a minimum of 100 people most of whom are locals and only 14% foreigners. **Table 3** provides summarized details on the number of direct employees to be engaged in this project. **Annex 4**, on the other hand, gives a detailed distribution of the direct jobs. For direct jobs, at full capacity, the project will employ women and men at the respective ratio of 76:24 (**figure 2**). Besides the direct employment the project is expecting to produce at least 300 indirect jobs when at full capacity

Table 3: Employment Plan

CATEGORY	MALE	FEMALE	TOTAL
Local	21	65	86
Foreign	5	9	14
TOTAL	26	74	100

Figure 2: Jobs Distribution

Figure 2(a): Jobs by Nationality**Figure 2 (b): Jobs by Gender**

4.3 Supplies Plan

The company will source its supplies from Tanzania and the neighbor EAC countries for products that cannot be sourced from the country. Even vehicles will be sourced from companies operating within the country. Importation will be done for only those things which cannot be bought from Tanzania. Clients of the project are companies, both Tanzanian and foreign operating in Tanzania.

4.4 Production (Service) Plan

At full capacity the project will provide an area of 11,000 square meters in terms of developed structures (buildings and industrial shades) and an area of 9,000 square meters in terms of developed space area (parking area etc.). The expected annual gross turnover as shown on **table 4** is USD 5,849,557.

Table 4: Production Projections

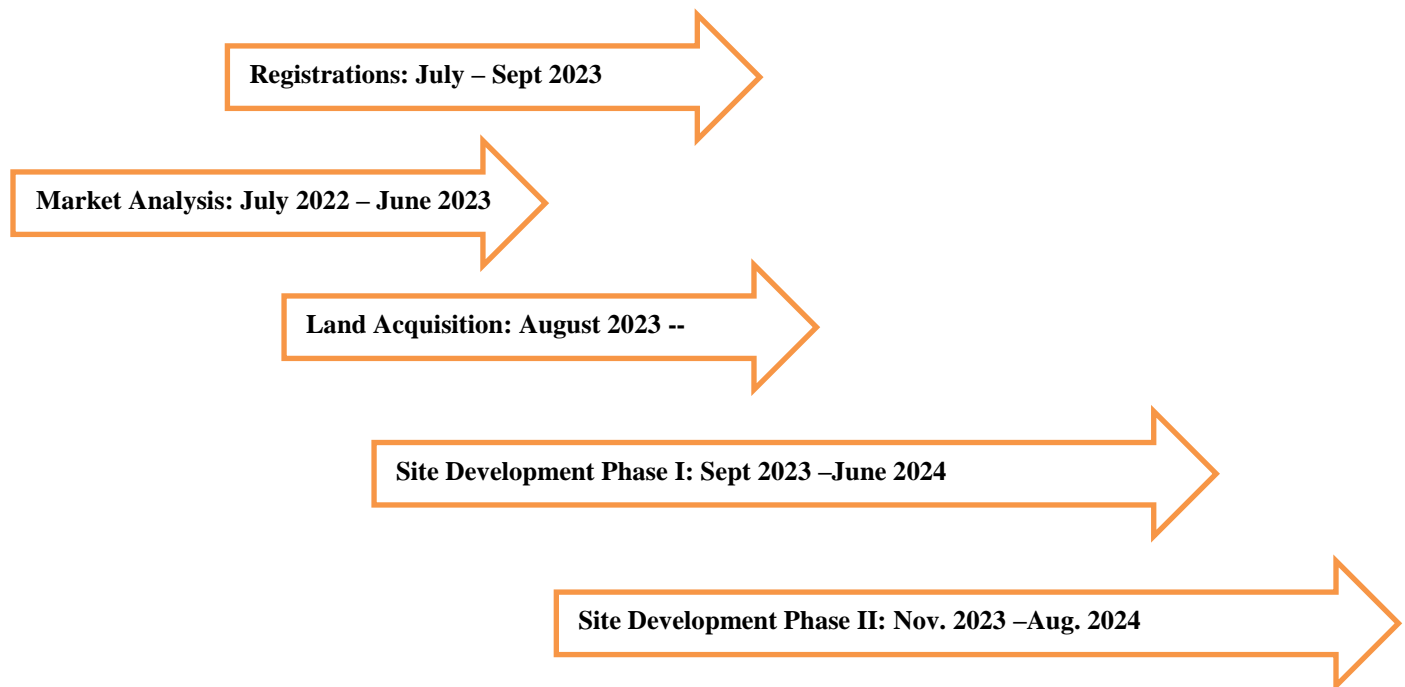
Details	Years				
	Y1	Y2	Y3	Y4	Y5
Structure Area Developed (sq. m) - A	7,000	8,000	9,500	10,000	11,000
Space Area Developed (sq. m) - B	7,500	8,000	8,500	9,000	9,000
Rate per sq. m - Structure - C	25	26	28	29	31

Rate per sq. m - Space - D	13	14	14	15	16
Revenue from the Structure (A*C)*12	2,100,000	2,534,400	3,178,138	3,532,751	4,103,643
Revenue from the Space (B*D)*12	1,170,000	1,317,888	1,478,670	1,653,327	1,745,914
Total Sales (A*C) + (B*D)	3,270,000	3,852,288	4,656,808	5,186,078	5,849,557

4.5 Project Implementation Plan

Production is planned to commence within the month of February 2024 and full capacity to be attained by 2028. The project's life is expected to be 5 years as shown on **figure 3**.

Figure 3: Implementation Schedule



5.0 MARKET ANALYSIS

This section analyzes the status of the market in as far as industrial parks are concerned in the United Republic of Tanzania. It covers the status-quo of the market, conducts SWOC analysis, assesses market worthiness and outlines market strategy for the planned service of an industrial park.

5.1 Status-Quo of the Market

In Tanzania, the EPZ manages Six SEZ Industrial Parks namely Kamal Industrial Park (279 Acres), Global Industrial Park (25 Acres), Millennium Business Park (25 Acres), Hifadhi EPZ (20 Acres), Kisongo EPZ (70 Acres) and the Government-owned Benjamin William Mkapa SEZ (65 Acres). Private companies also own and run industrial parks like the famous giant SINOTAN Industrial Park in Pwani Region.

Tanzania's manufacturing sector generated USD 4.1 billion (8% of GDP) in 2018, compared to USD 3 billion in 2014, representing an increase of 39% within a period of 4 years. Since agriculture has been the mainstay of the Tanzanian economy, the manufacturing industry got centered on the processing of local agricultural goods. With the developments attained and techno-economic transformations in place, however, manufacturing of products other than agriculture-based products has kicked in. This situation has provided more variety to the manufacturing sector and as such a niche for our project of industrial park.

5.2 SWOC Analysis

This sub-section covers the analysis of the overall industrial park business in the country, and tries to place the project in the Tanzanian market.

5.2.1 Strengths

The owners of the project have enough muscle to fund the project as their equity amounts to 30% of the financing. The company also can be lent funds from a local commercial bank to the tune of USD 550,000, and from a foreign bank to the tune of USD 450,000. As such the company's liquidity in developing the project is assured.

The company also has expatriate staffs who are experienced in the running of industrial parks. The management engaged for the project is well acquainted with the general Tanzanian market and has developed insight into the industrial parks business.

5.2.2 Weaknesses

The company is not a giant in the industry. There are some giants like the SINOTAN Industrial Park. Being not a giant the company might be lacking some levels of experience in the market. However, through consulting experts in the business arena it is expected to take off and pick its niche in the market.

5.2.3 Opportunities

There is assurance of availability of consumers of the industrial park services as manufacturing sector is growing and getting diversified in Tanzania.

In terms of power utilities Tanzania has got relatively lower tariffs and has less power cuts. Tanzania is expecting to be exporting electricity which will be generated from the Julius Nyerere Hydro Electric Power plant. So electricity is not an issue in running of the project and tenant companies can be assured of the power.

In governance Tanzania is characterized by peace and tranquility for there has been no havoc in the country. This is strength as it provides our business with assurance that we will operate smoothly resting assured that the promoters' property is secured. With good investment act Promoters of the company are guaranteed of freedom from nationalization of their stake in the company.

5.2.4 Challenges

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

There is some competition in the sector as Tanzania has some giant operators under the EPZA/ SEZ and other privately-owned. The company has taken this into account via the marketing strategy.

From the SWOC analysis conducted of the company and of the operating environment the promoters are confident that the project will be a success. Following the analysis we have developed a market strategy for our service.

5.3 Marketing Strategy

As part of our marketing strategy, we will engage both penetrative (entry) and persistence strategies. The penetrative strategy will employ digital technology in conducting a social awareness teaser campaign pro our services. This will be done using social media and an excellent website. It will push the way for our products into the market. Location-wise we have opted Mkuranga which is near the port of Dar es Salaam and far away from the giant SINOTAN and the EPZA/SEZ industrial parks but yet in the vicinity of other industries.

As for the persistence strategy, we look forward to develop a niche by providing excellent services from modernized industrial park we are developing.

6.0 FINANCIAL ANALYSIS

This section covers project financing and financial projections. Project financing includes source of funding and financing of items in the project. Financial projections, on the other hand, cover sales projections, income projections, projected retained earnings and projected cash flow.

6.1 Project Financing

6.1.1 Sources of Funding

The project will be financed by foreign equity (21.26%) amounting to **USD 270,000** and by a local loan (43.31%) which will total to **USD 550,000** and foreign loan (35.43%) which is **USD 450,000** as shown on **Table 5**.

Table 5: Project Financing

Details	Amount	Percentage
Local		
Equity	-	0.00%
Loan	550,000	43.31%
Sub-total	550,000	43.31%
Foreign		
Equity	270,000	21.26%
Loan	450,000	35.43%
Sub-total	720,000	56.69%
GRAND TOTAL	1,270,000	
Total Equity	270,000	21.26%
Total Loan	1,000,000	78.74%

6.1.2 Financing of Project Items

The invested capital of USD 1,270,000 will fund various items in the project. These include land and buildings, vehicles and other items as shown on **Table 6** below.

Table 6: Financing of Items

ITEMS	FINANCING IN USD
Land & Buildings	805,000
Plant	-
Vehicles	80,000
Furniture & Fittings	260,000
Pre Expenses	35,000
Others	25,000
Working Capital	65,000
TOTAL	1,270,000
FIXED CAPITAL	1,205,000
WORKING CAPITAL	65,000

6.2 Financial Projections

6.2.1 Sales Projections

The company has projections of steadily growing sales over the first five years of operation of the project. From year 1 to year 5 the company expects to attain sales amounting to USD 3,270,000; 3,852,288; 4,656,808; 5,186,078 and 5,849,557 respectively. The costs of sales are projected to be USD 156,000; 198,016; 360,145;

502,393 and 644,767 for the first respective five years of operation of the project. **Table 7** below gives the details, including those of projected gross profit for the first five years.

Table 7: Gross Profit Projections

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Sales	3,270,000	3,852,288	4,656,808	5,186,078	5,849,557
Cost of Sales	156,000	198,016	360,145	502,393	644,767
Gross Profit/ (Loss)	3,114,000	3,654,272	4,296,663	4,683,685	5,204,790

The project promises to yield gross profit throughout the first five years of operation. In Year 1 the profit is expected to be the lowest as it is the year of investment – even in promotion campaigns - which implies much spending while the brand is relatively new in the market and thus sales are picking up the pace.

6.2.2 Income Projections

Through the first five years of operation the project is expected to be making profits. In year 1 the profits will be the lowest because of the heavy spending in investment in this year of operation. The projected profits are as shown on **Table 8** for the first respective five years.

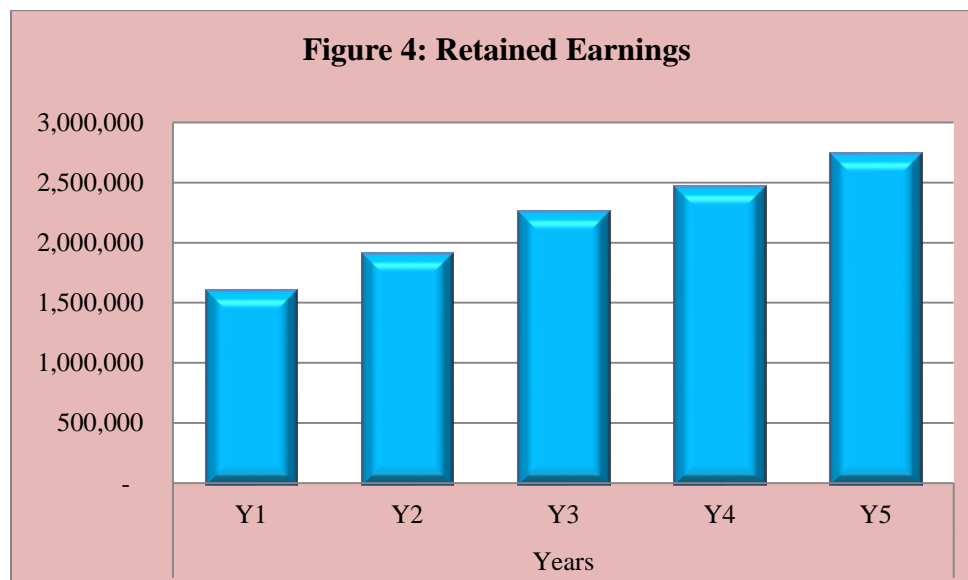
Table 8: Projected Income Statement

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Total Sales	3,270,000	3,852,288	4,656,808	5,186,078	5,849,557
Less: Cost of Sales	156,000	198,016	360,145	502,393	644,767
Gross Profit	3,114,000	3,654,272	4,296,663	4,683,685	5,204,790
Less: Operating Expenses	170,300	155,046	186,176	197,762	226,051
EBIT	2,943,700	3,499,226	4,110,487	4,485,924	4,978,739
Less: Loan Interest	84,100	84,100	84,100	84,100	84,100
EBT	2,859,600	3,415,126	4,026,387	4,401,824	4,894,639

Less :Taxes (30%)	857,880	1,024,538	1,207,916	1,320,547	1,468,392
Net Profit/(Loss)	2,001,720	2,390,588	2,818,471	3,081,277	3,426,247
Dividend (20%)	400,344	478,118	563,694	616,255	685,249
Retained Earnings	1,601,376	1,912,471	2,254,777	2,465,021	2,740,998

6.2.3 Projected Retained Earnings

Retained earnings projections show a positive trend for the project. This will give the company an edge in the market as it can re-adjust the price mix in order to keep more competitive. **Figure 4** gives the picture.



6.2.4 Projected Cash Flows

The project is a promising venture as projections show a positive cash flow as shown on **Table 9**. This is a muscle giving the company an edge in the market as cash flow implies liquidity which helps the project operate smoothly.

Table 9: Projected Cash Flow

Details	Years				
	Y1	Y2	Y3	Y4	Y5
<i>Cash from Operations</i>					
Profit Before Tax	2,859,600	3,415,126	4,026,387	4,401,824	4,894,639

<i>Adjustment for Non-cash Items:</i>					
Change in Working Capital:					
Receivables (-ve)	- 450,000	- 450,000	- 465,000	- 380,000	- 395,000
Trade Payables and Accruals	5,000	3,500	3,600	5,800	2,500
Capital Additions	585,000	435,000	250,000	-	-
Total	140,000	- 11,500	- 211,400	- 374,200	- 392,500
	140,000	- 11,500	- 211,400	- 374,200	- 392,500
Tax Payments	857,880	1,024,538	1,207,916	1,320,547	1,468,392
Total Cash Inflow from Operating Activities	997,880	1,013,038	996,516	946,347	1,075,892
Cash from Investing Activities:	355,600	355,600	355,600	355,600	355,600
Land Rent and development of Property	-	-	-	-	-
Net Cash Outflow from Investing Activities	642,280	657,438	640,916	590,747	720,292
Cash from Financing Activities:					
Dividends	400,344	478,118	563,694	616,255	685,249
Change in Cash and Cash Equivalents	241,936	179,320	77,222	- 25,508	35,042
Opening Cash Balance	12,000	8,000	10,500	6,500	7,500
Closing Cash Balance	8,000	10,500	6,500	7,500	6,800

6.2.5 NPV Analysis

The project has a positive NPV. This implies that it will be a success, basing on the projections made for it as shown on **table10** below.

Table 10: Project's NPV

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Change in Cash and Cash Equivalents	241,936	179,320	77,222	- 25,508	35,042
Discount Rate	0.021	0.021	0.021	0.021	0.021
Overall NPV	236,960				489,644

7.0 PROJECT RATIONALE

This project's rationale can be viewed in monetary, fiscal and social aspects. From the financial analysis conducted this project is a promise of success in the Tanzanian economy. Monetarily it will create income for supplier SMEs, fiscally it will pay taxes (both Income Tax and VAT on sales), and socially it will contribute to social development as detailed under subsequent items.

7.1 Monetary Rationale

The project is expected to incur a total of **USD 2,796,656** on production and operating expenses through its first five years of operation. This money will go to supplier SMEs and other companies that will be supplying raw materials to the project. *Annex 1* gives the details.

7.2 Fiscal Rationale

Fiscally, should everything go as planned, the project projects to pay a total of **USD 10,442,219** as taxes to the government in its first five years of operation. Of this amount income tax is projected to be **USD 5,879,273** while VAT is projected to total to **USD 4,562,946**. The VAT projections are for the sales at the company's level only. The same applies for the income tax. *Annex 1* gives the details.

7.3 Social Rationale

Socially the project will participate in various engagements as part of its CSR program. Over the first five years it is expected to incur a total amount of **USD 21,949** on CSR as shown on *Annex 1*. In addition, the project will directly employ a total of at least 86 locals. With 76% of the direct employees being women for this project this implies gender-sensitivity. Other locals amounting to at least 300 will enjoy indirect employment via the project. The indirect jobs will be for those supplying services and others.

8.0 CONCLUSION

This project aims to develop an industrial park in Pwani region. It is foreign-owned by 100%. The planned capital for this project is USD 1,270,000 43.31% of which is local loan, 35.43% foreign loan and 21.26% foreign equity.

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. If it gets a soft landing via the TIC the promoters of the project look forward to a successful project.

9.0 ANNEXES

Annex 1: Project Rationale

Details	Years					
	Y1	Y2	Y3	Y4	Y5	TOTALS
Total Production Cost	156,000	198,016	360,145	502,393	644,767	1,861,321
Total Operating Expenses	170,300	155,046	186,176	197,762	226,051	935,335
Income Tax	857,880	1,024,538	1,207,916	1,320,547	1,468,392	5,879,273
VAT on Sales	654,000	770,458	931,362	1,037,216	1,169,911	4,562,946
Provision for CSR	3,203	3,825	4,510	4,930	5,482	21,949
TOTALS	1,841,383	2,151,882	2,690,108	3,062,847	3,514,603	13,260,824
SUMMARIES						
To the Government	1,511,880	1,794,995	2,139,278	2,357,763	2,638,303	10,442,219
To the Private Sector (SMEs)	326,300	353,062	546,321	700,155	870,818	2,796,656
To the Society (CSR)	3,203	3,825	4,510	4,930	5,482	21,949
TOTALS	1,841,383	2,151,882	2,690,108	3,062,847	3,514,603	13,260,824

Annex 2: Projected Operating Expenses

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Marketing Expenses	6,000	1,000	1,000	1,000	1,000
Bank Charges	800	800	800	800	800
Insurance	14,200	30,200	34,240	36,240	37,260
Office Expenses	2,700	2,700	2,700	2,700	2,700
Permits and Licences	32,200	300	300	1,300	300
Vehicle Expenses	10,000	10,000	10,000	10,000	10,000
Professionals Fees	38,000	32,000	43,000	41,000	56,000
Provision for Bad Debts	65,400	77,046	93,136	103,722	116,991
Miscellaneous Expenses	1,000	1,000	1,000	1,000	1,000
TOTAL OPERATING EXPENSES	170,300	155,046	186,176	197,762	226,051

Annex 4: Detailed Job Information

CATEGORIES	LOCAL		FOREIGN		NUMBER
	Male	Female	Male	Female	
Senior Management Team:					
Managing Director			1		1
General Manager				1	1
Managers:					
Accounts Manager		1			1
Estate Manager	1				1
Supervisors			4	8	12
Marketing Manager		1			1
Other Staff:					
Drivers	3				3
Cleaners	5	55			60
Gardeners	12	8			20
TOTALS	21	65	5	9	100