

3/3/2023

**TRANSEC
LIMITED**

BUSINESS PLAN FOR TIC REGISTRATION



**Project of Maintenance Services for Mining and Industrial
Sites**

EXECUTIVE SUMMARY

TRANSEC Limited is a company registered under the Laws of the United Republic of Tanzania. It is a joint venture company that is owned by Tanzanians (90%) and foreigner (10%). The company's authorized share capital is TShs. 500,000,000 divided into 100,000 shares of TShs. 5,000 each. The value of the share capital is equivalent to **USD 213,766**.

The company has resolved to establish a project for provision of quality maintenance services for industrial and mining sites. The company looks forward to use its strategic partner companies and subsidiaries in order to achieve its niche in the market. Project locations will vary according to contracts awarded. Planned investment capital for this project is **USD 7,761,800**. The investment capital is from local equity (**20%**) and local loan (**80%**). At full capacity this project will employ a total of **135** people, **120** of whom are local. Naturally, the project will generate indirect jobs as well.

Through analyses conducted the promoters (shareholders) of the project have realized feasibility of this project. The financial analysis has shown that the investment will pay-off as it has been predicted to make profits. The project's expected IRR is **USD 21.05%**.

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. Socio-economically this project will create employment and develop locals' skills.

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1.0 PREAMBLE

1.1 Company Details

TRANSEC LIMITED is a company registered under the Laws of the United Republic of Tanzania on 5th May 2017 and granted Certificate of Incorporation No. 34904. For tax purposes the company is also registered and its TIN is 133-640-398. The company has a wide range of activities that it can carry out. For this specific plan, however, its focus is on establishing a project for maintenance services in industries and mines..

TRANSEC Limited is a joint venture company owned by Tanzanians by 90% and by British (10%). Details of the shareholders of the company are detailed under **Table 1** where key details are given. The company's authorized share capital is TShs. 500,000,000 divided into 100,000 shares of TShs. 5,000 each. The value of the share capital is equivalent to about USD 213,766.

Table 1: Company Shareholding Details

No.	Names	Nationality	Shares Taken	Percents
1	Yunus Alimohamed Mussa	Tanzanian	2,698	89.93%
2	Kunal Kapoor	British	300	10%
3	Alimohamed Mohamed Asif Mussa	Tanzanian	2	0.007%
				100%

The company is located on plot number 94 block No. S along Nyerere Road within Seif Plaza Building in Mwanza.

1.2 Details at a Glance

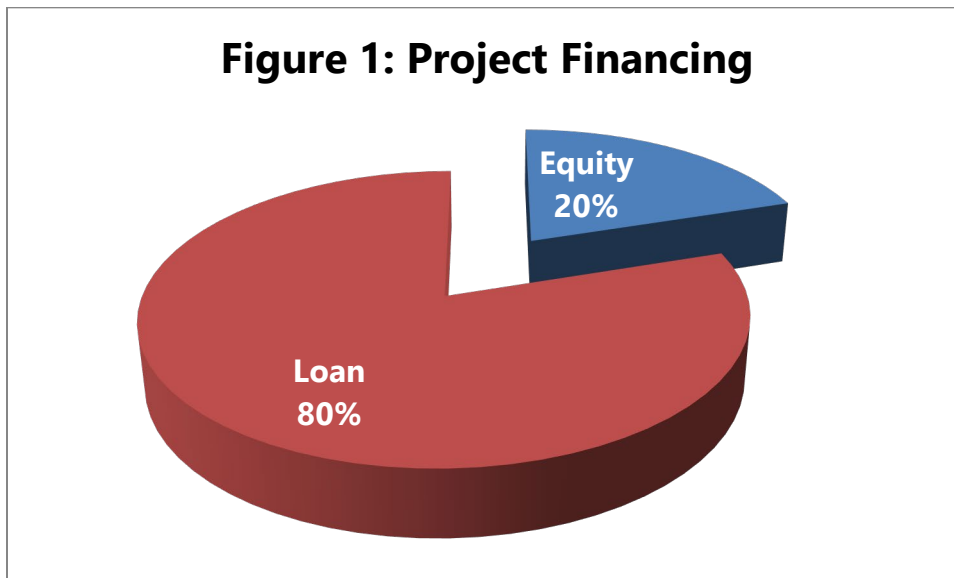
S/No	CATEGORY	REMARKS	
1.	Company Details	Name	TRANSEC Limited
		Incorporation No.	134904
		Incorporation Date	05-05-2017
		TIN No.	133-640-398
		Authorized Shares	100,000
		Price per Share	TShs. 5,000

		Authorizes Share Capital	TShs. 500,000,000
		Shareholders	Yunus Alimohamed Mussa 89.93% Kunal Kapoor 10% Alimohamed Mohamed Asif Mussa 0.007%
2.	Project Details	Activity: Industrial and mining sites maintenance services	
		Project Capacity:	USD 20,171,558b annual turnover at full capacity

2.0 PROJECT SYNOPSIS

This project focuses on establishing and running of a project for provision of Maintenance Services to Mining and Industrial projects. Geographically this is an extensive project as it will be located and relocated according to contractual engagements at hand. These engagements can be in mining (various mining sites) or in industrial plants in any location within the country. The office of the company, however, is fixed on the 5th floor of Seif Plaza Building.

As shown in *figure 1* this project, will be financed by equity (80%) and loan (20%).



2.1 Investment Plan

The total investment for this services project is USD 7,761,800 as detailed under **table 2** below. Of this amount, as shown by columns under investment

breakdown, fixed capital is projected to be USD 7,411,800 while working capital is USD 350,000.00. As per the columns under investment schedule most of the investment will be done during the first year of operation and the rest will be done during the second years. The project starts its operations in April 2023.

Table 2: Projected Investment Plan

INVESTMENT BREAKDOWN		INVESTMENT PLAN				
ITEMS	FINANCING	Y1	Y2	Y3	Y4	Y5
Land & Buildings	166,000.00	166,000				
Plant	5,465,800.00	3,400,000	2,065,800			
Vehicles	1,710,000.00	1,010,000	700,000			
Furniture & Fittings	35,000.00	35,000				
Pre Expenses	35,000.00	35,000				
Others	-					
Working Capital	350,000.00	250,000	100,000			
TOTAL	7,761,800.00	4,896,000	2,865,800	-	-	-

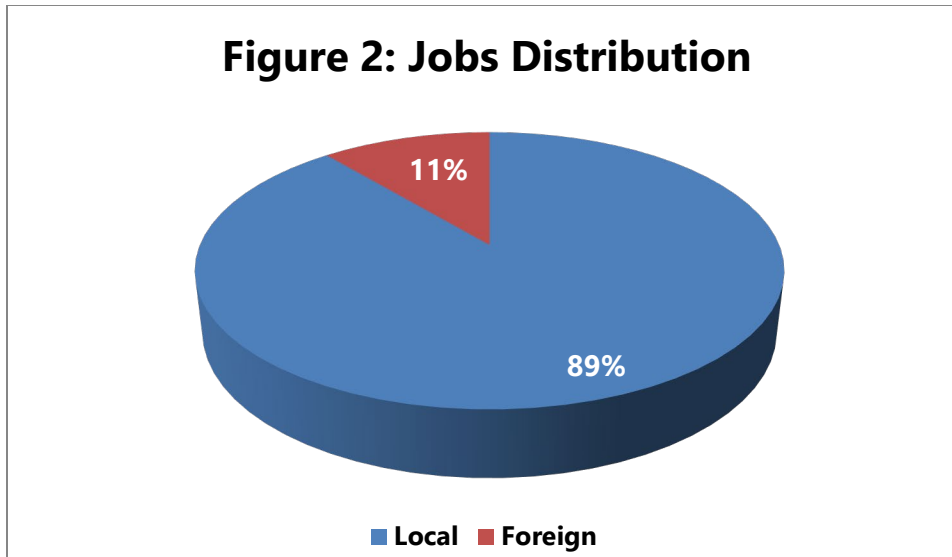
2.2 Manning Plan

At full capacity the project will directly employ a minimum of 135 people 120 of whom are locals and 15 foreigners. The foreigners are experts in the industrial services business. **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. Besides the direct employment the project is expecting to produce indirect jobs as well when at full capacity

Table 3: Employment Plan

CATEGORY	MALE	FEMALE	TOTAL
Local	76	44	120
Foreign	10	5	15
TOTAL	86	49	135

Of all the direct employees of the project at full capacity, the project will hire 15 foreigners amounting to **11%** while locals – numbering 120 – will amount to **89%** as shown in *figure 2* below.



2.3 Supplies Plan

The company will source its supplies from within the United Republic of Tanzania. For those supplies which cannot be sourced within they will be sourced from the EAC region and if not available that is when the company will import from abroad. These inputs include those of capital nature (machineries, cranes, beaters, grinders et.) and those which are recurrent (parts, spares etc.). Sourcing from within the EAC region is based on whether the items are manufactured within the countries.

2.4 Sales Plan

At full capacity the project is estimated to attain an annual turnover of USD 20,171,558. Details of number of engagements (contracts), contract values and annual revenues are portrayed in **table 4**. Projections show that sales revenue will grow gradually in the first three years of operation and sky-rocket in years four and five with highest revenue being in the latter year.

Table 4: Sales Projections

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Number of Engagements	5	6	8	12	19
Average Contract Value (2% inflation)	1,000,000	1,021,000	1,042,441	1,064,332	1,086,683
Annual Revenue	5,000,000	5,615,500	8,600,138	13,171,112	20,171,558
Sales Revenue	5,000,000	5,615,500	8,600,138	13,171,112	20,171,558

2.5 Project Roll-Out Plan

The business is planned to commence within the month of April 2023 and full capacity to be attained by 2027. The project's life is expected to be 5 years as shown on **figure 3**.

Figure 3: Implementation Schedule

No.	Activity	Time																
		2023												2024	2025	2026	2027	
		Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec				
1	Registrations																	
2	Market Analysis																	
3	Staff Recruitment																	
4	Business Development Analysis																	
5	Publicity Campaigns																	
6	Acquisition of Pland and Machinery																	

3.0 MARKET ANALYSIS

This section covers an overview of the market status for the industrial and mining maintenance services. It covers the status-quo of the market and SWOC analysis.

3.1 Status-Quo of the Market

Tanzanian market has experienced presence of numerous service providers when it comes to maintenance in industries and mining. Although not saturated but the market has stiff competition as there are players both local and foreign operating in Tanzania.

3.2 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.

3.2.1 Strengths

- i) The shareholders of TRANSEC Limited have enough muscle to fund the project as their equity amounts to 80% of the financing. The company also can be lent funds by a local commercial bank to the tune of USD 6,209,440 which is equivalent to 80% of the financing. As such the company's liquidity is assured.
- ii) The company has staffs who are experienced in the business of maintenance services for industries and mines. These include local and foreign engineers

and other personnel. They make a competitive team that delivers quality services

- iii) The management is well acquainted with the general Tanzanian market and specifically with the maintenance services provision in the country.
- iv) Having subsidiaries and strategic partners that are highly competent adds much to the strength of TRANSEC Limited in the market. These strategically help the company raise chances of winning more contracts and in the case of overflowing of contracts they help absorb the pressure and help the company maintain its status in the market.
- v) The company is effectively integrated in the local and global value chains and associations. This gives the company an edge above most of the rest in the Tanzanian market.

3.2.2 Weaknesses

- i) TRANSEC Limited is not the sole giant in the market. As such it might be lacking some levels of muscles and exposure in the market. However, through consulting experts in the business arena it is expected to take off and expand its niche in the market.

3.2.3 Opportunities

- i) There is assurance of market in the numerous industrial establishments and mines within the United Republic of 62 million populations.
- ii) There is assurance of power supplies which guarantees less costs of running machineries in sites. Tanzania has got relatively lower tariffs and has less power cuts. More so, the imminent launching of power generation at the Julius Nyerere Hydro Power Plant promises more power supply for the country.
- iii) With massive constructions ongoing in the country there is an opportunity in the near future to provide maintenance services. These can be in the locomotives sector and so on.
- iv) Tanzania has got a number of dilapidated factories which, upon getting investors or the government's resolve to revamp them, provide opportunities for TRANSEC Limited to provide the required services. These include the

cashew nut processing factories in the southern regions of Lindi and Mtwara, ginneries in the lake zone and others.

- v) In governance Tanzania is characterized by peace and tranquility. This is strength as it provides our business with assurance that we will operate smoothly resting assured that the promoters' property security is guaranteed.
- vi) With good investment act shareholders of TRANSEC Limited are guaranteed of freedom from nationalization of their stake in the company.

3.2.4 Challenges

- i) Business procedures in the country are many and relatively complex. The company engages experienced business consultants to overcome this impediment.
- ii) There is somehow stiff competition in the industry as Tanzania has many service providers. The company has taken this into account via the marketing strategy.
- iii) Tanzania is not that much industrialized in order to have relatively higher numbers of engagements in maintenance of industries.

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 products.

3.3 Marketing Strategy

As part of our marketing strategy, now that we are already in the market, we will engage persistence strategy in order to retain our share and develop our niche in the market. We will employ digital technology in conducting social awareness teaser campaigns. This will be done using social media and an excellent website. It will push further the way for our brand into the Tanzanian market.

As for the persistence strategy, the company has developed a special focus on quality service and the use of strategic partners and subsidiaries in order to persist in the market and extend our niche. The quality service keeps our clients mindful of us. The strategic subsidiaries and partners helps the company secure more contracts in one hand and on the other they help cushion the pressure of

much contracts by absorbing engagements without compromising the quality of services.

The company is able to offer a flexible service, adapting service to fit client's unique needs. It also simplifies the procurement process using its extensive knowledge of global supply and logistics. By pooling its resources of strong supplier relationships, industry knowledge and global presence the company is able to provide clients with a constantly reliable service in country and on-site.

4.0 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.

4.1 Project Financing

4.1.1 Sources of Funding

The project will be financed by loan (80%) amounting to **USD 6,209,440** and by a equity (20%) which will total to **USD 1,552,360** as shown on **Table 5**. 90% of the equity is local and the loan also is local i.e. Tanzanian.

Table 5: Project Financing

Details	Amount	Percentage
Local		
Equity	1,241,888	16.00%
Loan	6,209,440	80.00%
<i>Sub-total</i>	7,451,328	96.00%
Foreign		
Equity	310,472	4.00%
Loan	-	0.00%
<i>Sub-total</i>	310,472	4.00%
GRAND TOTAL	7,761,800	
Equity	1,552,360	20.00%
Loan	6,209,440	80.00%

4.1.2 Financing of Project Items

The invested capital of USD 7,761,800 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	166,000.00
Plant	5,465,800.00
Vehicles	1,710,000.00
Furniture & Fittings	35,000.00
Pre Expenses	35,000.00
Others	-
Working Capital	350,000.00
TOTAL	7,761,800.00
<i>FIXED CAPITAL</i>	<i>7,411,800.00</i>
<i>WORKING CAPITAL</i>	<i>350,000.00</i>

4.2 Financial Projections

4.2.1 Sales Projections

The company has projections of steadily growing contracts over the first five years of operation of the project. These projected contracts are projected – over the years 1 through 5 – to earn the company USD 5,000,000; 5,615,500; 8,600,138; 3,171,112 and 20,171,558 respectively. **Table 7** below gives the details, including those of cost of sales and projected gross profit for the first five years. *Annex 5* gives the workings on cost of sales.

Table 7: Gross Profit Projections

SALES PLAN	Years				
	Y1	Y2	Y3	Y4	Y5
Number of Engagements	5	6	8	12	19
Average Contract Value (2% inflation)	1,000,000	1,021,000	1,042,441	1,064,332	1,086,683
Annual Revenue	5,000,000	5,615,500	8,600,138	13,171,112	20,171,558
Sales Revenue	5,000,000	5,615,500	8,600,138	3,171,112	20,171,558
GROSS PROFIT PROJECTIONS	Years				

	Y1	Y2	Y3	Y4	Y5
Sales	5,000,000	5,615,500	8,600,138	13,171,112	20,171,558
Cost of Sales	3,170,000	3,550,525	5,238,276	7,803,131	11,709,279
Gross Profit/ (Loss)	1,830,000	2,064,975	3,361,862	5,367,980	8,462,279

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 much investment – including investment in promotion campaigns - which implies much spending while the brand is relatively newer in the market and thus sales are picking up the pace.

4.2.2 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, as shown on **Table 8**, are USD 265,990; 440,018; 1,115,487; 2,196,678 and 3,841,001 for the first respective five years.

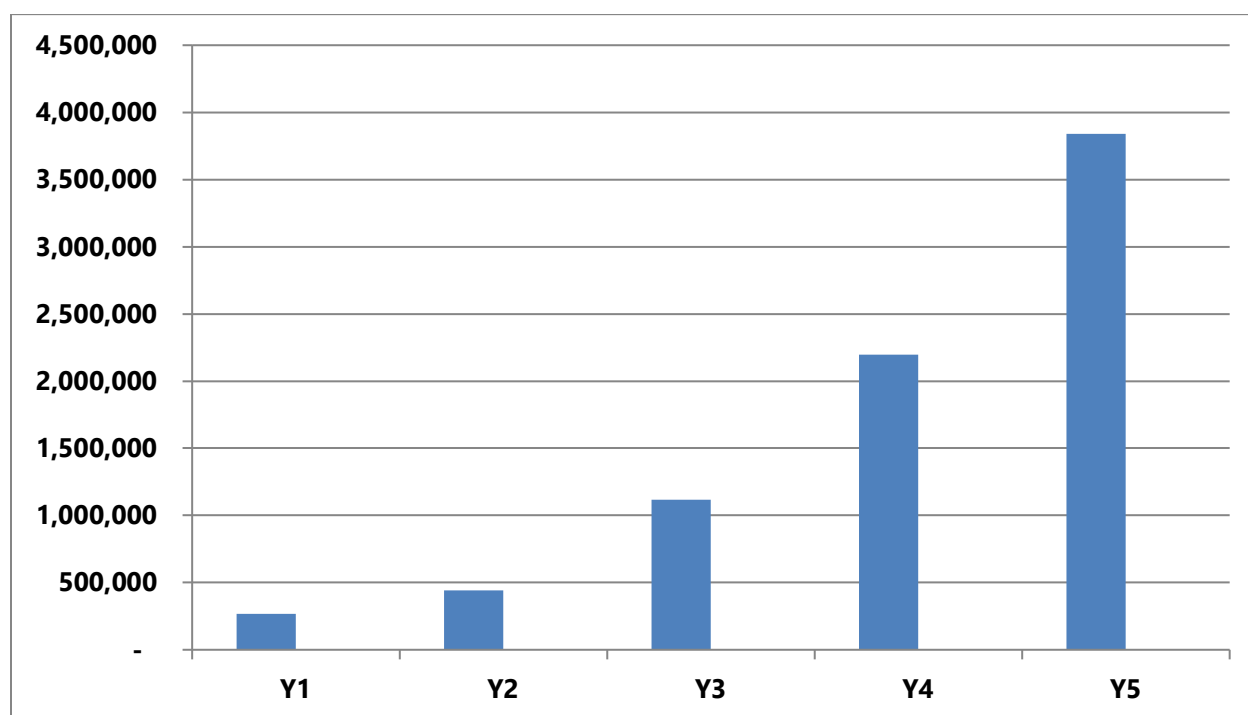
Table 8: Projected Income Statement

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Total Sales	5,000,000	5,615,500	8,600,138	13,171,112	20,171,558
Less: Cost of Sales	3,170,000	3,550,525	5,238,276	7,803,131	11,709,279
Gross Profit	1,830,000	2,064,975	3,361,862	5,367,980	8,462,279
Less: Operating Expenses	350,300	274,510	365,203	440,622	598,631
EBIT	1,479,700	1,790,465	2,996,659	4,927,358	7,863,648
Less: Loan Interest	1,004,718	1,004,718	1,004,718	1,004,718	1,004,718
EBT	474,982	785,747	1,991,941	3,922,640	6,858,930
Less :Taxes (30%)	142,495	235,724	597,582	1,176,792	2,057,679
Net Profit/(Loss)	332,487	550,023	1,394,359	2,745,848	4,801,251
Dividend (20%)	66,497	110,005	278,872	549,170	960,250
Retained Earnings	265,990	440,018	1,115,487	2,196,678	3,841,001

4.2.3 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.

Figure 4: Retained Earnings



4.2.4 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	474,982	785,747	1,991,941	3,922,640	6,858,930
<i>Adjustment for Non-cash Items:</i>					

Change in Working Capital:					
Receivables (-ve)	- 45,000	- 45,000	- 43,000	- 38,000	- 17,000
Trade Payables and Accruals	10,000	13,000	15,000	19,000	23,000
Capital Additions	2,585,000	2,574,000	2,574,000	2,574,000	2,574,000
Total	2,550,000	2,542,000	2,546,000	2,555,000	2,580,000
	2,550,000	2,542,000	2,546,000	2,555,000	2,580,000
Tax Payments	142,495	235,724	597,582	1,176,792	2,057,679
Total Cash Inflow from Operating Activities	2,692,495	2,777,724	3,143,582	3,731,792	4,637,679
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	- 862,661	- 777,432	- 411,574	176,636	1,082,523
Cash from Financing Activities:					
Dividends	66,497	110,005	278,872	549,170	960,250
Change in Cash and Cash Equivalents	- 929,159	- 887,436	- 690,445	- 372,534	122,273
Opening Cash Balance	22,000	16,000	24,000	18,000	21,000
Closing Cash Balance	16,000	24,000	18,000	21,000	16,500

4.2.5 IRR Analysis

Following the Internal Rate of Return (IRR) analysis conducted this project shows to be a promising undertaking. As shown on *table 10* the IRR for this project stands at 21.05%. This rate is well beyond the interest rate in the financial market. As such, the project will be able to repay its loan, the loan to be secured from a local bank.

Table 10: IRR Analysis

Outlay	14,281,712
NPBT Y1	474,982
NPBT Y2	785,747
NPBT Y3	1,991,941
NPBT Y4	3,922,640
NPBT Y5	6,858,930
IRR	21.05%

5.0 PROJECT RATIONALE

This project's rationale can be viewed in monetary, fiscal and social aspects. From the financial analysis conducted this project is worth a green light in the Tanzanian economy. Monetarily it will create income for supplier and distributor 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.

5.1 Monetary Rationale

The project is expected to incur a total of **USD 33,500,477** 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. *Annex 1* gives the details.

5.2 Fiscal Rationale

Fiscally the project projects to pay a total of **USD 14,721,934** as taxes to the government in its first five years of operation. Of this amount income tax is projected to be **USD 4,210,272** while VAT is projected to total to **USD 10,511,662**. The VAT projections are for the sales at the company's level only and will multiply as the impact of the services changes hands. The same applies for the income tax. *Annex 1* gives the details.

5.3 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 15,718** on CSR as shown on *Annex 1*. In addition, the project will directly employ a total of at least 120 locals. Other locals will enjoy indirect employment via the project. The indirect jobs will be for those supplying the project and other service providers including those who serve workers.

6.0 CONCLUSION

TRANSEC Limited is a company registered under the laws of the United Republic of Tanzania. It runs a project of industrial and mining maintenance service in the country. This project aims to provide quality services as part of its strategy to develop a niche in the market. Also, as part of its strategy the company uses its strategic subsidiaries and partner companies to maintain its performance without compromising the quality of the services it offers. The project is owned locally by 100%. The planned capital for this project is USD 7,761,800 where 80% is equity and 20% is a local loan to be secured from a local commercial bank.

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 project.

7.0 ANNEXES

Annex 1: Project Rationale

Details	Years					
	Y1	Y2	Y3	Y4	Y5	TOTALS
Total Production Cost	4,022,000	8,192,200	12,535,912	17,058,598	21,765,875	63,574,585
Total Operating Expenses	347,400	499,900	736,965	955,966	1,198,183	3,738,414
Income Tax	1,387,765	3,216,955	5,098,691	7,066,203	9,109,616	25,879,228
VAT on Sales	2,000,000	4,084,000	6,254,646	8,514,658	10,866,832	31,720,136
Provision for CSR	5,181	12,010	19,035	26,380	34,009	96,616
TOTALS	7,762,346	16,005,065	24,645,248	33,621,805	42,974,516	125,008,979
SUMMARIES						
To the Government	3,387,765	7,300,955	11,353,337	15,580,861	19,976,448	57,599,365
To the Private Sector (SMEs)	4,369,400	8,692,100	13,272,877	18,014,564	22,964,058	67,312,999
To the Society (CSR)	5,181	12,010	19,035	26,380	34,009	96,616
TOTALS	7,762,346	16,005,065	24,645,248	33,621,805	42,974,516	125,008,979

Annex 2: Projected Operating Expenses

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Marketing Expenses	35,000	22,000	22,000	22,000	22,000
Bank Charges	1,200	1,200	1,200	1,200	1,200
Insurance	34,000	34,000	34,000	34,000	34,000
Office Expenses	25,000	25,000	25,000	25,000	25,000
Permits and Licenses	54,100	20,000	20,000	21,000	20,000
Vehicle Expenses	47,000	48,000	49,000	50,000	51,000
Professionals Fees	42,000	-	30,000	12,000	30,000
Provision for Bad Debts	100,000	112,310	172,003	263,422	403,431
Miscellaneous Expenses	12,000	12,000	12,000	12,000	12,000
TOTAL OPERATING EXPENSES	350,300	274,510	365,203	440,622	598,631

Annex 4: Detailed Job Information

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
Technical Managers	1		3		4
Business Development Manager				1	1
Other Staff:					
Drivers and Operators	44	27			71
Accountants	1	1			2
Engineers	28	16	6	2	52
TOTALS	76	44	10	5	135

Annex 5: Cost of Sales

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Supplies	2,750,000	3,088,525	4,730,076	7,244,111	11,094,357
Utilities	420,000	462,000	508,200	559,020	614,922
Total Production Costs	3,170,000	3,550,525	5,238,276	7,803,131	11,709,279