STECOL CORPORATION

BUSINESS PLAN
FOR
HEAVY CONSTRUCTION EQUIPMENT ASSEMBLING PLANT

1.0 EXECUTIVE SUMMARY

1.1 Introduction

STECOL CORPORATION herein referred as a company is a locally registered company with a Certificate of Compliance Change of Name No.99508 issued on 12th April 2016. The shareholder of the company is Power Construction Corporation of China Ltd owning 100% of the shares.

Through the years of research and innovation, Power Construction Corporation of China Ltd 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 company are ready to establish physical presence in Tanzania by establishing assembling plant.

Power Construction Corporation of China Ltd have registered a company by obtaining Certificate of Compliance Change of Name issued by BRELA in Tanzania and we will work together with another very successful Chinese company in automobile industry

1.2 The Project

STECOL CORPORATION sets out a proposal for Investment in the establishment of a SKD heavy construction equipment assembling plant in Tanzania to be located at **Plot No. 13, Block L, Njedengwa Investment Area, Dodoma**. The company will import Machinery, Equipment's and other facilities from China to facilitate establishment of the proposed project in the country. Depending on the market consumption rate, Initial assembling capacity is proposed to be **8**

heavy construction equipment's per month; this capacity will increase gradually reaching 100 units per month in the fifth year.

This project will make available quality heavy construction equipment from Chinese international brand that will be used for:

- Mining projects
- Water projects
- Road construction project
- Ports and airport construction projects etc.
- Provision of standard and affordable prices products.

The macro-objectives of establishing the project are to support economic, social and administrative activities in Tanzania and neighboring countries. Also, to increase the competitiveness of Tanzania goods and products in the export markets and to provide linkages to other sectors of the economy by offering competitive transport rates.

1.3 The Project Promoters

The project is being promoted STECOL CORPORATION, a newly registered company in Tanzania whose shareholders are as follows:

NAME OF SHAREHOLDERS	PERCENTAGE OF OWNERSHIP	NATIONALITY
Power Construction Corporation of China Ltd	100	CHINESE

1.4 The Market

The Economic reforms which were undertaken in the economy from the mid-1980s increased the demand for heavy construction equipment's for domestic and neighboring countries. 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;
- 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 led to increase demand for construction equipment 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 numbers 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 trucks. But all trucks are imported from outside the country making them very expensive to be afforded by most Tanzania. Furthermore, Importation has to go through a difficult and bureaucratic clearance procedures at the port. It is on this background that **STECOL CORPORATION** wishes to establish a truck assembling plant in the country in order to make available cheap, quality and stress-free trucks. The company targets both domestic and export market particularly the East African market

2.0 THE PROJECT

2.1 Project Description

STECOL CORPORATION sets out a proposal for Investment in the establishment of a SKD heavy construction equipment assembling plant in Tanzania. The main categories will be used in construction and mining industries to be assembled of various brand

Specific requirements for the project include but not limited to;

- Mobilization of financial and Human resources for the project
- Acquisition and or construction of large Industrial premises for truck assembling processes and a yard for keeping and display the finished products
- Acquisition of complete truck assembling machinery and Equipment form 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 (SKD) truck parts form China

2.3 Project Location

The proposed project will be located at **Plot No. 13, Block L, Njedengwa Investment Area, Dodoma**. 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 comforter transportation vehicles. 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 SKD Truck Assembling Process

- Set the two main assembly lines, an interior assembly, final assembly and installation of chassis 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 Nissan's 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 labor, there will be mainline working hours drop to a minimum to make use of the mainline working digits
- After the painting, the car 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
- Frame with car assembly workshop by human pushed to corresponding station, the frame on the line by hanging lifting, frame chassis turning machines used turn to the process of assembly, engine on line by crane
- 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

Interior Line

Car body line-harness-3machines-door 1-door 2-meter panels-glass

Chassis Line

Frame on line-harness, pipe-front suspension-rear exle-steering braking-turn-Engine parts-water tank-Exhaust-tank-car body

Final assembly line

Wheel-containers, bumper-water, fuel-test

Test line

Vehicle Inspection-Wheel alignment test-Headlight adjustment test-sideslip test-speed test-Brake test-exhaust gas Analysis sound level measurement-Bottom check-primary inspection-Article decorative stickers-Air conditioning system leak-rain test- Final Inspection-road test -storage

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, ad lead 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 form 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 provide training in the following areas: processing of skin; chalk, cashew nuts, animal foods, bamboo, pottery and processing and preservation of foods. Out of those, e73 entrepreneurs were trained on food processing and 178 skin processing. Training on skin processing was undertaken in regions of Mar, 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 sell 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 form shs 1,712,247 million in 2007, , equivalent to an increase of 2.0 percent. The increase was due to 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 rise in production cost, and suspension of production in steel; textile; and skin and hide industries.

In 2008, production to corrugated iron sheets decreased from 36,492 tons ot 31,743 tons in 2007, equivalent to a decrease of 13 percent. Percent. Production of steel and steel products decreased form 52,163 tons in 2007 to 39,969 tons in 2008, equivalent to a decrease of 23.4 percent. Production of sisal ropes declined form 7,783 tons in 2007 to 7,012 in 2008, equivalent to a decrease of 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 form 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 form 11,273 tons in 2007 to 15,435 tons in 2008, equivalent to an increase of 36.9 percent.

Production of beer declined form 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 form 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 form 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 form 5,821 million in 2007 to 6,101 million in 2008, equivalent ot 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.

STECOL CORPORATION 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 years. He will also be responsible for the entire function for 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 this kind of investment is 25 people including 5 Chines Engineers/Technician as shown below;

5.0 Project Investment Cost

The estimated capital investment cost of the project is **US$ 2,291,000**

STECOL CORPORATION PROJECT INVESTMENT COST

PARTICULAR	US$
Land and Buildings	200,000.00
Machinery & Equipment	1,000,000.00
Motor Vehicles	80,000.00
Furniture & Fixtures	2,000.00
Pre exp	5,000.00
Others	4,000.00
Working Capital	1,000,000.00
TOTAL	**2,291,000.00**

5.1 Financing Pattern

The project will be financed by equity and loan from financial institutions

	US$
Equity	791,000
Loan	1,500,000
Total	**2,291,000**

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 assembling industry.6 years financial projections have been worked out

6.2 **Financial Statements:**

6.3 Projected Revenue

For projection purposes, it is assumed that the economic life of the project is 6 years, and that revenue from commercial building business commence from the first year of operation.

STECOL CORPORATION PROJECTED REVENUE

	1	2	3	4	5	6
Revenue	8,400,000	8,820,000	9,261,000	9,724,050	10,210,252	10,720,765

6.4 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 6 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. US$**1,097,460.00 in** first year to US$ 14,577,658.94in the 6 year

6.5 **Projected Cash Flows**

This is shown in the Projected Cash Flows Statement in appendix II. They indicate that the project will meet its entire financial obligation, the cash flow in the first year **US$1,209,660** and grow up to **US$ 14,926,858.94 in** 6th year,

6.6 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financia statements. Total net assets of the project increases from US$ in 791,000 at the end of the first year of operation to US $ **15,368,658.94 in** the 6th year Therefore; balance sheets depict a healthy financial

7.0 Implementation Schedule

Project implementation is expected to be relatively very short once project has been approved it is estimated that implementation will take 6month to commence: -

Project Implementation

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	January 2023
2	Processing Exemptions	February-April 2023
3	Mobilizing Fund	July –September 2023
3	Construction of building	October 2023-September 2023
4	Ordering Machines and other equipment	September 2023-October 2023
5	Testing business and in house training	November –December 2023
6	Commercial operations	January 2024

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

- Make available cheap, quality and tress free heavy-duty construction equipment
- Increase the provision of high-quality services in the construction and mining 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**

STECOL CORPORATION set out a proposal to Invest in the establishment of a SKD construction heavy equipment 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 cargo handling and 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.

STECOL CORPORATION COST STRUCTURE

PARTICULAR	US$
Land and Buildings	200,000.00
Machinery & Equipment	1,000,000.00
Motor Vehicles	80,000.00
Furniture & Fixtures	2,000.00
Pre exp	5,000.00
Others	4,000.00
Working Capital	1,000,000.00
TOTAL	**2,291,000.00**

STECOL CORPORATION PROJECTED INCOME & EXPENDITURE STATEMENT (US$)

	1	2	3	4	5	6
Revenue	8,400,000.00	8,820,000.00	9,261,000.00	9,724,050.00	10,210,252.50	10,720,765.13
Operating Expenses:	6,720,000.00	5,292,000.00	5,556,600.00	5,834,430.00	6,126,151.50	6,432,459.08
Profit before Depreciation &Interest	**1,680,000.00**	**3,528,000.00**	**3,704,400.00**	**3,889,620.00**	**4,084,101.00**	**4,288,306.05**
Interest	90,000.00	72,000.00	36,000.00	18,000.00	-	-
Depreciation	22,200.00	22,200.00	22,200.00	22,200.00	22,200.00	22,200.00
Gross Profit	**1,567,800.00**	**3,433,800.00**	**3,646,200.00**	**3,849,420.00**	**4,061,901.00**	**4,266,106.05**
Tax (30%)	470,340.00	1,030,140.00	1,093,860.00	1,154,826.00	1,218,570.30	1,279,831.82
Profit After Tax	**1,097,460.00**	**2,403,660.00**	**2,552,340.00**	**2,694,594.00**	**2,843,330.70**	**2,986,274.24**
Accumulated Profit	1,097,460.00	3,501,120.00	6,053,460.00	8,748,054.00	11,591,384.70	14,577,658.94

STECOL CORPORATION PROJECTED CASH FLOWS

	0	1	2	3	4	5	6
SOURCES:							
Profit before interest and depreciation	0	**1,680,000**	**3,528,000**	**3,704,400**	**3,889,620**	**4,084,101**	**4,288,306**
Equity	791,000						
Loan	1,500,000.00						
Total Sources	**2,291,000**	**1,680,000**	**3,528,000**	**3,704,400**	**3,889,620**	**4,084,101**	**4,288,306**
Applications:							
Capital expenditure	1,282,000.00	-	-	-	-	-	
working Capital &Others	1,009,000.00						
Cash	0	1,209,660	2,497,860	2,610,540	2,734,794	2,865,530	3,008,474
Tax	-	470,340	1,030,140	1,093,860	1,154,826	1,218,570	1,279,832
Sub total	**2,291,000**	**1,680,000**	**3,528,000**	**3,704,400**	**3,889,620**	**4,084,101**	**4,288,306**
Total applications	**2,291,000**	**1,680,000**	**3,528,000**	**3,704,400**	**3,889,620**	**4,084,101**	**4,288,306**
Accumulated cash		1,209,660	3,707,520	6,318,060	9,052,854	11,918,384	14,926,858

STECOL CORPORATION PROJECTED BALANCE SHEET

Fixed Assets	-	1	2	3	4	5	6
Opening balance	-	**1,282,000.00**	**1,259,800.00**	**1,237,600.00**	**1,215,400.00**	**1,193,200.00**	**1,171,000.00**
Additions	-						
Total Long-term Assets	-	**1,282,000.00**	**1,259,800.00**	**1,237,600.00**	**1,215,400.00**	**1,193,200.00**	**1,171,000.00**
Less depreciation	-	**22,200.00**	**22,200.00**	**22,200.00**	**22,200.00**	**22,200.00**	**22,200.00**
Closing balance	-	**1,259,800.00**	**1,237,600.00**	**1,215,400.00**	**1,193,200.00**	**1,171,000.00**	**1,148,800.00**
Working capital	1,282,000.00	1,282,000.00	1,282,000.00	1,282,000.00	1,282,000.00	1,282,000.00	1,282,000.00
Accumulated cash	-	1,209,660.00	3,707,520.00	6,318,060.00	9,052,854.00	11,918,384.70	14,926,858.94
Total assets	**1,282,000.00**	**3,751,460.00**	**6,227,120.00**	**8,815,460.00**	**11,528,054.00**	**14,371,384.70**	**17,357,658.94**
Financed by							
Equity	791,000.00	791,000.00	791,000.00	791,000.00	791,000.00	791,000.00	791,000.00
Accumulated profit	-	**1,097,460.00**	**3,501,120.00**	**6,053,460.00**	**8,748,054.00**	**11,591,384.70**	**14,577,658.94**
Total equity	791,000.00	1,888,460.00	4,292,120.00	6,844,460.00	9,539,054.00	12,382,384.70	15,368,658.94
Long term loan	-	1,500,000.00	1,200,000.00	900,000.00	600,000.00	300,000.00	-
Bank overdraft	-	-	-	-	-	-	
Total debts	-	**1,500,000.00**	**1,200,000.00**	**900,000.00**	**600,000.00**	**300,000.00**	-
Total equity and debts	**791,000.00**	**3,388,460.00**	**5,492,120.00**	**7,744,460.00**	**10,139,054.00**	**12,682,384.70**	**15,368,658.94**

STECOL CORPORATION PROJECTED LONG TERM LOAN REPAYMENT

Year	principle	Loan Interest (6%)	Total Amount Paid	Loan Balance
0				
1	300,000.00	90,000.00	390,000.00	1,500,000.00
2	300,000.00	72,000.00	372,000.00	1,200,000.00
3	300,000.00	54,000.00	354,000.00	900,000.00
4	300,000.00	36,000.00	336,000.00	600,000.00
5	300,000.00	18,000.00	318,000.00	300,000.00
6	300,000.00	-	300,000.00	-