

AUTO SPARES  
(MZA) LIMITED

## BUSINESS PLAN FOR TIC REGISTRATION OF A COMMERCIAL BUILDING PROJECT



### A. EXECUTIVE SUMMARY

#### **A Project of Commercial Building – Apartments for Leasing and Selling**

Auto  
Spares

(MZA) Limited is a company registered under the Laws of the United Republic of Tanzania with effect from 21<sup>st</sup> February 1986. It is largely owned by foreigners. Its authorized and

issued share capital is TZS 86,000,000 divided into 86,000 TZS 1,000 Shares. The value of the authorized and issued share capital is equivalent to USD 35,893.

The company has resolved to establish a commercial building project in the City of Mwanza. It will involve 2 ten-storey buildings which will have a combined **capacity of 128 3-rooms apartments** for sale and for leasing. Planned investment capital for this project is **USD 3,720,000** 20% of which will be equity while 80% will be loans. At full capacity the project will directly employ 48 people 2 of whom are foreigners and it will also provide 300 indirect jobs.

Through analyses conducted the promoters (shareholders) of the project have realized feasibility of this project. The market analysis conducted has revealed that the buildings will penetrate the market and the company can establish its niche among locals and foreigners, renting and buying. 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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## 1.0 PREAMBLE

### 1.1 Company Details

**AUTO SPARES (MZA) LIMITED** is a company registered under the Laws of the United Republic of Tanzania on 21<sup>st</sup> February 1986 and granted Certificate of Incorporation No. 11952. For tax purposes the company is also registered and its TIN is 100-140-403. The company has a wide range of activities that it can carry ranging from trading to this one of commercial building.

Auto Parts (MZA) Limited is a JV company owned by Tanzanians by 0.58% and the British by 99.42%. Its majority shareholding is British. The shareholding structure of the company is detailed under **Table 1** where key information is given. The company's authorized share capital is TShs. 86,000,000 divided into 86,000 shares of TShs. 10,000 each. The value of the share capital is equivalent to about USD 35,893 at the current exchange rate of 1USD to TZS 2,396.

*Table 1: Company Shareholding Details*

Shareholder	Nature	Nationality	Shares Taken	Shareholding
Kunal Kapoor	Natural Person	British	4,300	4.97%
Georgie International Limited	Body Corporate	British	81,700	94.45%
Yunus Alimohamed Mussa	Natural Person	Tanzanian	503	0.58%
<b>TOTALS</b>			<b>86,503</b>	<b>100.00%</b>

### 1.2 Company Business and Contacts

Auto Spares (MZA) Limited is a company registered to carry out a wide range of businesses including building of houses. This is the focus business for this business plan. The company's Headquarters are located in Mwanza Region, Nyamagana District, Nyamagana Ward, Postal code 33101, on the 5<sup>th</sup> Floor of Seif Plaza Building. Important contacts are:-

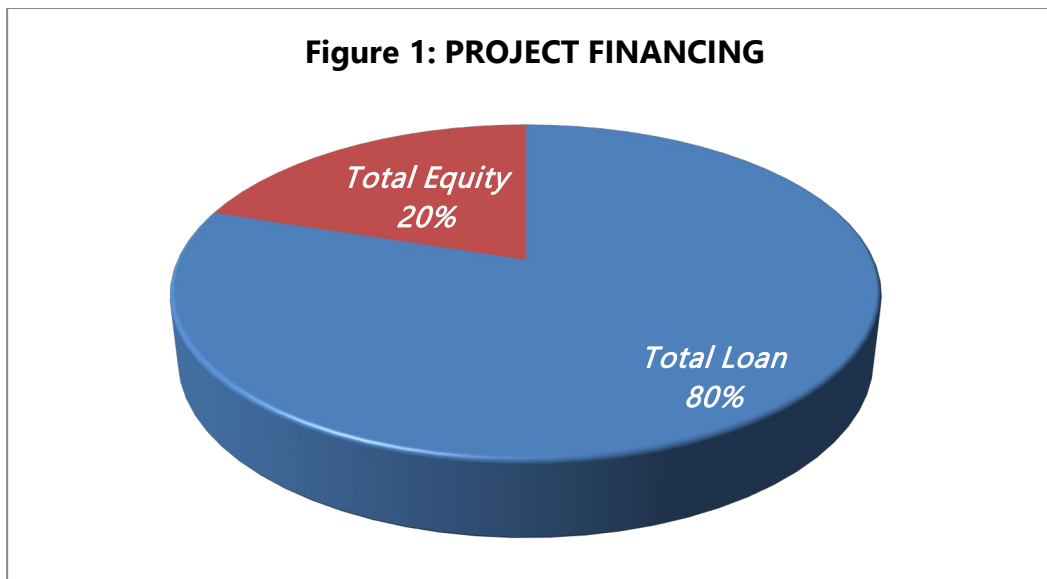
**Email:** [kunalk@transec-tz.com](mailto:kunalk@transec-tz.com)

**Mobile No:** +255784456303,

**Postal Address:** P. O. Box 16 Mwanza

## 2.0 PROJECT SYNOPSIS

This is a project aimed at building and selling of apartments or operating by leasing of the apartments in Tanzania. The Project is located in Mwanza. As shown in *figure 1* will be financed by equity (20%) and loan (80%).



Of the total loan 80% is local while of the equity the portion of the local is 0.58%. As such, the project is predominantly foreign.

### 2.1 Investment Plan

The total investment for this project is **USD 3,720,000** as detailed under **table 2** below. Of this amount, as shown by columns under investment breakdown, fixed capital is projected to be **USD 3,395,000** while working capital is **USD 325,000**. As per the columns under investment schedule most of the investment will be done during the first three years of

operation and the figures will gradually go down as completion of the investment process keeps pace.

**Table 2: Projected Investment Plan (USD)**

INVESTMENT BREAKDOWN		INVESTMENT PLAN				
ITEMS	FINANCING	Y1	Y2	Y3	Y4	Y5
Land & Buildings	2,600,000	800,000	800,000	800,000	150,000	50,000
Plant	-					
Vehicles	210,000	70,000	70,000	35,000	35,000	
Furniture & Fittings	350,000	-	25,000	75,000	100,000	150,000
Pre Expenses	210,000	210,000				
Others	25,000	25,000				
Working Capital	325,000	-	25,000	100,000	100,000	100,000
<b>TOTAL</b>	<b>3,720,000</b>	<b>1,105,000</b>	<b>920,000</b>	<b>1,010,000</b>	<b>385,000</b>	<b>300,000</b>
FIXED CAPITAL	3,395,000					
WORKING CAPITAL	325,000					
<b>CAPITAL ADDITIONS</b>	<b>3,720,000</b>	<b>1,105,000</b>	<b>920,000</b>	<b>1,010,000</b>	<b>385,000</b>	<b>300,000</b>

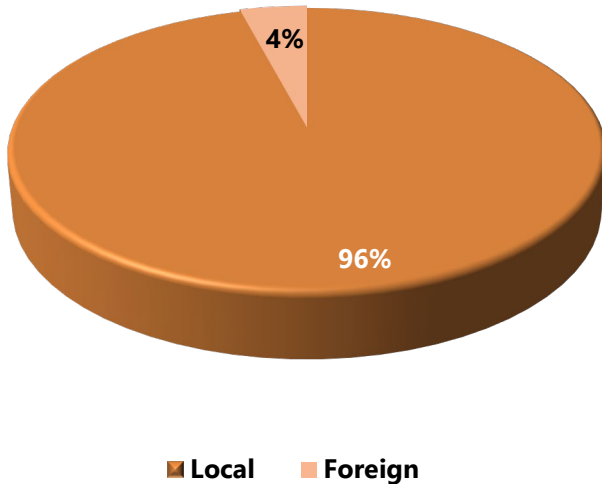
## 2.2 Manning Plan

At full capacity the project is expected to directly employ a minimum of 48 people 96% of who are locals while 4% are foreign as shown on *figure 2a*. Also, **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 57:43 (**figure 2b**). Besides the direct employment the project is expecting to produce at least 300 indirect jobs when at full capacity

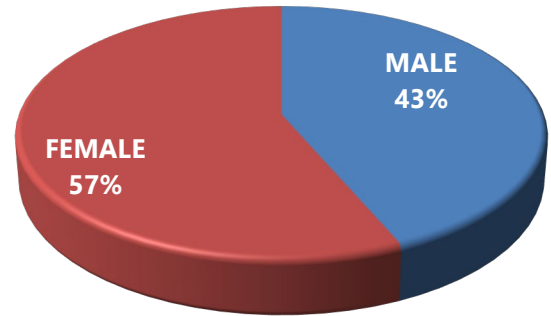
**Table 3: Employment Plan**

CATEGORY	MALE	FEMALE	TOTAL
Local	20	26	<b>46</b>
Foreign	1	1	<b>2</b>
<b>TOTAL</b>	<b>21</b>	<b>27</b>	<b>48</b>

**Figure 2a: Jobs Distribution by Nationality**



**Figure 2b: Gender Distribution of Jobs**



### 2.3 Supplies Plan

The company will source its supplies from within Tanzania. Even vehicles will be sourced from companies operating within the country in order to hedge against any transit risks. Importation will be done for only those things which cannot be bought from Tanzania. Clients of the project are expected to be both locals and foreigners.



## 2.4 Production Plan

At full capacity the project will have developed two ten-floor flats of apartments for leasing and or selling. Within the flats there will be spaces for supermarkets, swimming pool, restaurants etc. The project's capacity will stand at 64 3-room apartments per flat, leaving 2 floors – the first and the second free for commercial services like restaurants and supermarkets. In terms of apartments therefore the capacity of the project is planned to be 128 apartments. As portrayed in **table 4** at full capacity the project will have a total of 128 apartments.

*Table 4: Production Projections*

Details	Years				
	Y1	Y2	Y3	Y4	Y5
No. of Apartments - Flat 1	64	64	64	64	64
No. of Apartments - Flat 2	64	64	64	64	64
<b>Total No. of Apartments</b>	<b>128</b>	<b>128</b>	<b>128</b>	<b>128</b>	<b>128</b>

## 2.5 Project Implementation Plan

Construction is planned to commence within the month of August 2023 and full capacity to be attained by August 2028. The project's life is expected to be 5 years as shown on **figure 3**.

*Figure 3: Implementation Schedule*

No.	Activity	2023						2024	2025	2026	2027	2028
		Jul	Aug	Sep	Oct	Nov	Dec					
		1	Registrations - TIC									
2	Market Analysis											
3	Development - Flat 1											
4	Development - Flat 2											
8	Promotion and Advertisement Campaigns											
9	Business Analysis for Expansion											

## 3.0 MARKET ANALYSIS

This section reviews the market status for the real estate and commercial building sector in Tanzania. It covers the status-quo of the market, SWOC analysis, PESTEL analysis and market strategy for the Project.

### 3.1 Status-Quo of the Market

Tanzania's real estate sector contributed 3.1% to the country's real GDP with USD 1.5 billion in 2019, compared to USD 1.2 billion in 2015, an increase of 25% (Tanzania Invest). Housing in Tanzania is dominated by individual home-builders who account for over 70% of the total supply. The rest is catered for by the public sector through local governments, the National Housing Corporation (NHC), the Tanzania Building Agency (TBA), the Watumishi Housing Company (WHC), and pension funds such as National Social Security Fund (NSSF), and by residential private developers. Our project falls under the category of private developers.

## **3.2 SWOC Analysis**

This sub-section covers the analysis of the company's position in the Tanzanian market by analyzing its internal strengths and weaknesses as well as environmental opportunities and challenges.

### **3.2.1 Strengths**

The promoters of the company owning the project have enough muscle to fund the project as their equity amounts to 20% of the financing. The company also can be lent funds from a local commercial bank to the tune of USD 2,976,000. As such the company's liquidity in running of the project is assured.

The company also has got the ability to source staffs that are experienced in the commercial building and real estate sector. The management engaged for the project is well acquainted with the general Tanzanian market and has developed insight into these specific services.

### **3.2.2 Weaknesses**

The company is not a giant in the sector in Tanzania. As such it 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 targeted niche in the market.

### **3.2.3 Opportunities**

There is assurance of availability of consumers in forms of leasing or buying of the apartments. Tanzania's demand for housing stands at 200,000 units per annum and the current housing deficit stands at 3,000,000 housing units.

In terms of power utilities Tanzania has 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. As

such, operation of the apartments is guaranteed of power in running elevators and powering of the residences and businesses like supermarkets.

In governance Tanzania is characterized by peace and tranquility for there has been no havoc in the country. This is an opportunity 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.

### **3.2.4 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 other operators including state-owned NHC, Wananchi Housing, NSSF, TBA and the PSSSF. 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 project.

### **3.3 PESTEL Analysis**

This subsection analyzes the political, economic, social, technological, environmental and legal framework in Tanzania and how conducive or otherwise it is for our project.

**Politically** Tanzania is stable and has been so since its founding in the early 1960s. Transition of power from one phase of presidency to another has been smooth. Also, the government's policies are highly pro trade and pro investment. In this regard the foreign investors have decided to jump into the sector

**Economically** Tanzania has been experiencing GDP growth over the years. Also, disposable income amongst the mid and high-income earners is promising as these are the buyers and residents of apartments.

**Socially** Tanzania has a population of 62+ million which is growing, with a large working age population. Although culturally majority of Tanzanians prefer self-developing and owning of standalone house units some of the locals have been migrating to rent and buy apartments in more secure areas. This section of the locals and foreigners are a targeted niche of this project.

**Technologically** Tanzania is advancing. Levels of innovation and automation are on the rise and technological changes are ongoing.

**Environmentally** Tanzania has tropical climate which implies that it is a land of the sun throughout the year. There are laws regulating environmental issues but these are not against development of commercial buildings. The buildings provide a better approach in waste handling than do the standalone housing units developed by individuals as they are connected to established waste pipes.

**Legal** affairs in Tanzania are well coordinated. With the investment act which provides guarantee against expropriation and allows for repatriation or re-investment of after tax revenues the country is a heaven for investment in the real estate and other sectors.

From the PESTEL analysis conducted promoters of the project are certain that their investment is secured within Tanzania and are convinced to carry out the activities with immediate effect.

### **3.4 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. This will be done using social media and an excellent website. It will push the way for our products into the market.

Our persistence strategy is anchored on our approach to the market. We opt both leasing and selling options in our business. For those clients interested in renting, we will take them

onboard. The same is for those who opt buying. This way we will stay with the leased apartments while making cash as we await the interested buyers.

## 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 **equity (20%)** amounting to **USD 744,000** and by **loans (80%)** which will total to **USD 2,976,000** as shown on **Table 5**. Of the total **equity 0.58% is local** while **99.42% is foreign**. As of the loan 80% of the total planned loan will be sourced locally while 20% of the projected loan will be sourced from a foreign bank. Loan details are given under **annex 3**.

*Table 5: Project Financing*

Details	Amount	Percentage
<b>Local</b>		
Equity	595,200	16.00%
Loan	17,261	0.46%
<b>Foreign</b>		
Equity	148,800	4.00%
Loan	2,958,739	79.54%
<b>GRAND TOTAL</b>	<b>3,720,000</b>	
<b>Total Equity</b>	744,000	20.00%
<b>Total Loan</b>	2,976,000	80.00%

## 4.1.2 Financing of Project Items

The planned investment capital of USD 3,720,000 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	2,600,000
Plant	-
Vehicles	210,000
Furniture & Fittings	350,000
Pre Expenses	210,000
Others	25,000
Working Capital	325,000
<b>TOTAL</b>	<b>3,720,000</b>
FIXED CAPITAL	3,395,000
WORKING CAPITAL	325,000

## 4.2 Financial Projections

### 4.2.1 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 sell sales amounting to USD 576,000; 596,736; 618,218; 640,474 and 663,531 respectively. The costs of sale are projected to be USD 60,000; 61,500; 63,150; 64,965 and 66,962 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	576,000	596,736	618,218	640,474	663,531
Cost of Sales	60,000	61,500	63,150	64,965	66,962
<b>Gross Profit/ (Loss)</b>	<b>516,000</b>	<b>535,236</b>	<b>555,068</b>	<b>575,509</b>	<b>596,570</b>

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.

#### 4.2.2 Income Projections

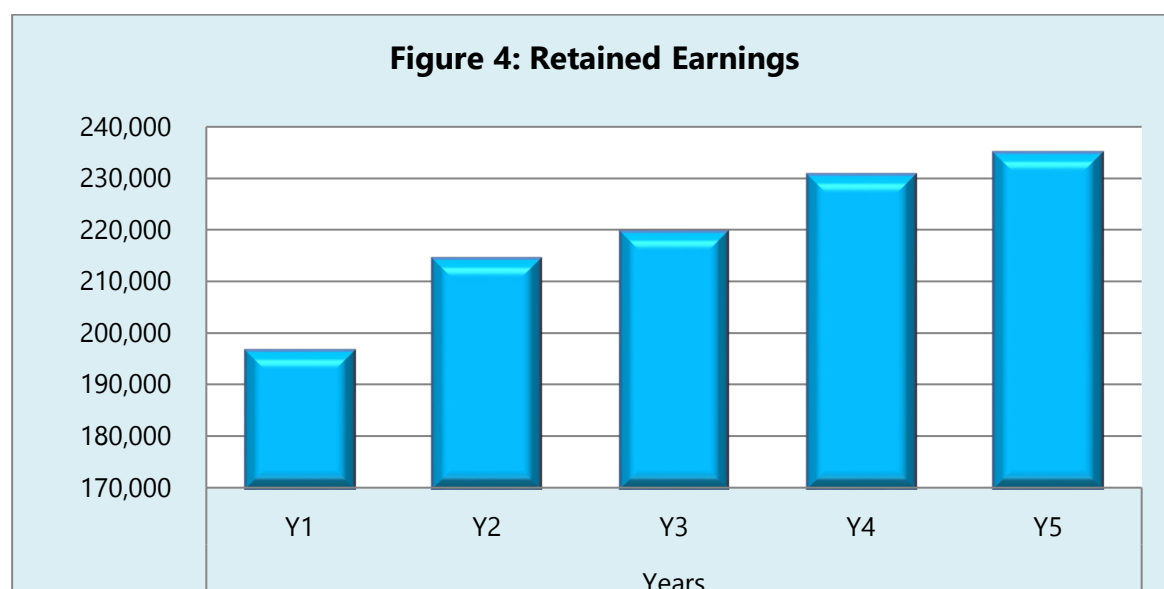
Through the first five years of operation the project is expected to be making profits. In year 1 the profits will be the lowest because of the heavy spending in investment in this year of operation. The projected profits are as shown on **Table 8** for the first respective five years.

*Table 8: Projected Income Statement*

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Total Sales	576,000	596,736	618,218	640,474	663,531
Less: Cost of Sales	60,000	61,500	63,150	64,965	66,962
Gross Profit	516,000	535,236	555,068	575,509	596,570
Less: Operating Expenses	83,540	70,955	81,384	82,029	95,691
EBIT	432,460	464,281	473,684	493,480	500,879
Less: Loan Interest	81,542	81,542	81,542	81,542	81,542
EBT	350,918	382,739	392,142	411,937	419,337
Less: Taxes (30%)	105,275	114,822	117,643	123,581	125,801
Net Profit/(Loss)	245,642	267,917	274,499	288,356	293,536
Dividend (20%)	49,128	53,583	54,900	57,671	58,707
<b>Retained Earnings</b>	<b>196,514</b>	<b>214,334</b>	<b>219,599</b>	<b>230,685</b>	<b>234,829</b>

#### 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.



#### 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
<b><i>Cash from Operations</i></b>					
Profit Before Tax	350,918	382,739	392,142	411,937	419,337
<b><i>Adjustment for Non-cash Items:</i></b>					
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	1,105,000	920,000	1,010,000	385,000	300,000
Total	1,070,000	888,000	982,000	366,000	306,000
	1,070,000	888,000	982,000	366,000	306,000
Tax Payments	105,275	114,822	117,643	123,581	125,801
Total Cash Inflow from Operating Activities	1,175,275	1,002,822	1,099,643	489,581	431,801
Cash from Investing Activities:	307,718	307,718	307,718	307,718	307,718

Net Cash Outflow from Investing Activities	867,557	695,103	791,924	181,863	124,083
Cash from Financing Activities:					
Dividends	49,128	53,583	54,900	57,671	58,707
Change in Cash and Cash Equivalents	818,428	641,520	737,024	124,192	65,376
Opening Cash Balance	23,000	11,300	9,500	11,200	14,000
Closing Cash Balance	11,300	9,500	11,200	14,000	11,000

## 5.0 PROJECT RATIONALE

This project's rationale can be viewed in monetary, fiscal and socio-economic aspects. From the financial analysis conducted this project is worth a green light in the Tanzanian economy. Monetarily it will create income for supplier SMEs and lending banks, 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 730,176** on operating expenses through its first five years of operation. This money will go to supplier SMEs and other companies that will be supplying materials and services to the project. *Annex 1* gives the details.

### 5.2 Fiscal Rationale

Fiscally, should everything go as planned, the project projects to pay a total of **USD 1,206,114** as taxes to the government in its first five years of operation. Of this amount income tax is projected to be **USD 587,122** while VAT is projected to total to **USD 618,992**. 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.

### **5.3 Socio-economic 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 2,192** on CSR as shown on *Annex 1*. In addition, the project will directly employ a total of at least 46 locals. With 57% of the direct employees being women for this project 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.

Economically this project will act as part of catalyst for growth at firm level. The lending bankers will enjoy the project as a client. The employees will get jobs and incomes that will have a positive multiplier in their lives and community.

### **6.0 CONCLUSION**

This project aims to develop and sale or lease apartments in the city of Mwanza within Tanzania. Its operations start with this city and may expand to other regions. The project is predominantly foreign-owned. The planned capital for this project is USD 3,720,000 where 20% is the equity and 80% is a loan to be secured from a local commercial bank and from a foreign bank.

From our visceral assessment of our 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	60,000	61,500	63,150	64,965	66,962	<b>316,577</b>
Total Operating Expenses	83,540	70,955	81,384	82,029	95,691	<b>413,599</b>
Income Tax	105,275	114,822	117,643	123,581	125,801	<b>587,122</b>
VAT on Sales	115,200	119,347	123,644	128,095	132,706	<b>618,992</b>
Provision for CSR	393	429	439	461	470	<b>2,192</b>
<b>TOTALS</b>	<b>364,408</b>	<b>367,052</b>	<b>386,260</b>	<b>399,132</b>	<b>421,629</b>	<b>1,938,481</b>
<b>SUMMARIES</b>						
To the Government	220,475	234,169	241,286	251,676	258,507	<b>1,206,114</b>
To the Private Sector (SMEs)	143,540	132,455	144,534	146,994	162,652	<b>730,176</b>
To the Society (CSR)	393	429	439	461	470	<b>2,192</b>
<b>TOTALS</b>	<b>364,408</b>	<b>367,052</b>	<b>386,260</b>	<b>399,132</b>	<b>421,629</b>	<b>1,938,481</b>

*Annex 2: Projected Operating Expenses*

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Marketing Expenses	3,000	500	500	500	500
Bank Charges	600	600	600	600	600
Insurance	13,920	13,920	13,920	13,920	13,920
Office Expenses	4,000	4,000	4,000	4,000	4,000
Permits and Licenses	5,700	200	200	1,200	200
Vehicle Expenses	6,800	6,800	6,800	7,000	7,200
Professionals Fees	37,000	32,000	42,000	41,000	55,000
Provision for Bad Debts	11,520	11,935	12,364	12,809	13,271
Miscellaneous Expenses	1,000	1,000	1,000	1,000	1,000
<b>TOTAL OPERATING EXPENSES</b>	<b>83,540</b>	<b>70,955</b>	<b>81,384</b>	<b>82,029</b>	<b>95,691</b>



*Annex 4: Detailed Job Information*

CATEGORIES	LOCAL		FOREIGN		NUMBER
	Male	Female	Male	Female	
<b>Senior Management Team:</b>					
Managing Director			1		1
General Manager				1	1
<b>Managers:</b>					
Estate Manager		1			1
Marketing Manager	1				1
Wardens	3	3			6
<b>Other Staff:</b>					
Drivers	6				6
Supplies and Stores	1	1			2
Cleaners	5	15			20
Gardeners	4	6			10
<b>TOTALS</b>	<b>20</b>	<b>26</b>	<b>1</b>	<b>1</b>	<b>48</b>