

TERA HOLDING COMPANY LIMITED

BUSINESS PLAN

For TIC Registration

Prepared by:-

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Dar es Salaam

1.0 EXECUTIVE SUMMARY

This business plan is aimed at securing registration with the TIC in order that the project proposed can enjoy incentives given under the Tanzania Investment Act in place. These incentives will provide a soft landing for the proposed business.

Tera Holding Company Limited was registered under the laws of the URT in December 2022. It is purely a foreign company owned by Sudanese by 100%. Its share capital totals to TShs. 1,000,000,000 – an equivalent of about USD 432,000 – from 10,000 equal shares. All the shares are allotted in the ratio of 9:1 among the two shareholders.

Among the activities that can be carried out by the company is that of vehicle services. This business plan analyzes the business idea of establishing a project for vehicles servicing within the municipality of Kinondoni in Dar es Salaam. This project will be financed by a total amount of **USD 506,000** 76.28% of which will be foreign equity. Foreign loan and local loans will account for 4.35% and 19.37% of the financing respectively.

Through the financial projections and market analysis conducted the company is convinced that the project will be a success. It will benefit the shareholders, the government of the URT, local SMEs, the local community and the employees of the company.

2.0 ABBREVIATIONS

EAC	The East African Community
OECD	Organization for Economic Cooperation and Development
SWOC	Strengths, Weaknesses, Opportunities and Challenges
TIC	Tanzania Investment Centre
URT	The United Republic of Tanzania

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4.0 INTRODUCTION

This business plan is aimed for TIC registration of Tera Holding Company Limited's project of vehicle services. This project will engage the best technology and will employ highly experienced and skilled personnel. This part of the plan covers the business idea, company details and details of the project.

4.1 The General Business Idea

Tera Holding Company Limited is a company registered under the laws of the United Republic of Tanzania aimed at carrying out a number of activities; one of them being motor vehicle servicing that includes cleaning services. This is a promising business now that is a rising demand in vehicle services and vehicle washing. The project is purely a services one offering both mechanical engineering and technical vehicle sanitation services.

This business plan is meant for submission to Tanzania Investment Centre (TIC) with the aim of registering this particular project with the TIC. The motive behind this registration is for the project to enjoy fiscal and non-fiscal incentives accorded pursuant to the Tanzania Investment Act (No. 10) of 2022 assented by Her Excellency Dr. Samia Suluhu Hassan in early December, 2022.

The business plan goes through several items depicting all aspects of the project including company details, market analysis and the resultant strategy. It also covers financial projections that validate the business idea and the project it entails.

4.2 Company Details

Tera Holding Company Limited was registered under the laws of the URT on 7th December 2022 and was granted Certificate of Incorporation No. 159-209-970 as issued by the Business Registration and Licensing Agency of the United Republic. It is a foreign company by 100% as all of its shareholders are foreigners. **Table 1** gives details of shareholding for this company.

Table 1: Shareholding Details

Shareholder	Nationality	Shares Taken	Total Shares	Shareholding
Ahmed Abdelmonim Fadl Abdelrahim	Sudanese	9,000	10,000	90.00%
Nada Elgaali Mohamed Abdalla	Sudanese	1,000	10,000	10.00%

This company is purely Sudanese (by 100%) as its promoters (shareholders are all Sudanese). These investors are from outside the present perimeter of the EAC as they come from Khartoum, the Sudan that is not party to the EAC regional integration agreement. As such, in line with the EAC common market protocol, it is absolutely foreign.

4.3 The Motor Service Project

This project will be located on plot No. C1 Mwai Kibaki Road, Mikocheni Area within the Municipality of Kinondoni. The main business is vehicles services that include modern car washing technology and vehicle servicing.

4.3.1 Project Supplies and Capacities

The company plans to import the Hi-Tech vehicle servicing and washing equipment. This is due to the fact that such items cannot be sourced from within the URT. As for utilities and all other supplies the company will prioritize local supplies. In case there is no local supplier who can supply them then outsourcing will be opted, starting with the other EAC member states.

The expected clients are predominantly local Tanzanians, plus the foreigners visiting the country as far as reaching her commercial capital of Dar es Salaam. With the best spread of all-weather tarmac roads throughout the country the project is set to serve a good number of neighbors traversing the URT.

Consultancy, catering and the like services will be procured locally from local consultants and other service providers. This is because locals are more acquainted with the local market in both theoretical and practical aspects. As such they are capable of any adjustments required thereto.

4.3.2 Projected Service Outlay

The vehicle service project's capacity is projected at 140 vehicles per day. This number of vehicles includes 70 vehicles which will be provided with normal services like wheel alignment, wheel balance, oil changing and others. It will also include 70 vehicles that will be served with sanitation services i.e. car washing. **Table 2** gives details on the project's capacity. By year 5 the project's capacity will be to serve 73,791 vehicles per annum, with normal service and washing accounting for 50% each.

Table 2: Project Capacity

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Vehicles Serviced Annually (with a 10% annual increment)	25,200	27,720	30,492	33,541	36,895
Vehicles Washed Annually (with a 10% annual increase)	25,200	27,720	30,492	33,541	36,895
Total Capacity	50,400	55,440	60,984	67,082	73,791

Generally sales are expected to be on a generally gradual rise owing to marketing campaign, personal selling and offering of quality service that speaks for itself. the best served customers are expected to recommend the quality of our services.

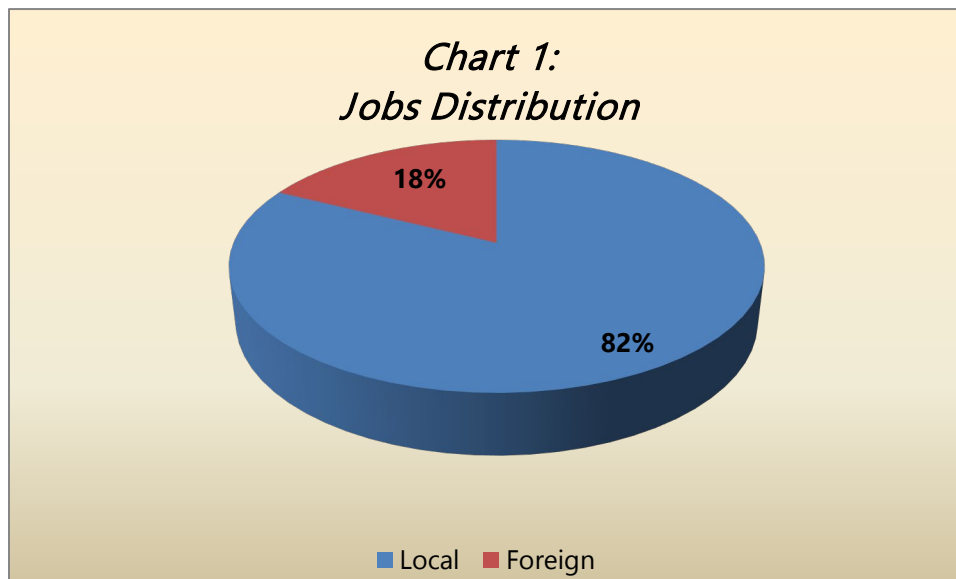
4.3.3 Project Manning

The project is scheduled to employ a total of 17 people. As per **Table 3** and **Chart 1** foreigners total to 3 which is tantamount to 18% while locals are 14, an equivalent of 82% of the total number of employees.

Table 3: Employment Details

CATEGORIES	LOCAL		FOREIGN		NUMBER
	Male	Female	Male	Female	

Senior Management Team:					
Director			1		1
Managers:					
Accounts Manager			1		1
Service Bay Supervisor			1		1
Marketing Manager		1			1
Other Staff:					
Vehicle Mechanics	4				4
Wheel Alignment Specialists	3				3
Vehicle Washers	6				6
TOTALS	13	1	3	0	17



4.3.4 Project Financing

This project will be financed by foreign equity and foreign loan as well as a local loan, sources that total to USD 506,000. As portrayed on *Table 4* and *Chart 2* the equity accounts for 76% while the loan (both foreign and local) accounts for 24% of the total financing of the project.

Chart 2: Project Financing

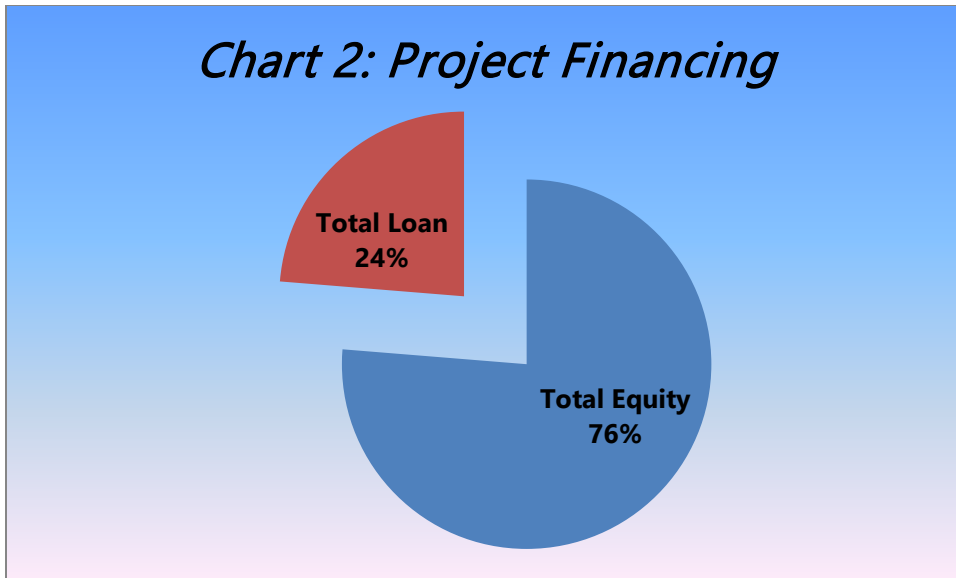


Table 4: Project Financing

Details	Amount	Percentage
Local		
Equity	-	0.00%
Loan	98,000	19.37%
Sub-total	98,000	19.37%
Foreign		
Equity	386,000	76.28%
Loan	22,000	4.35%
Sub-total	408,000	80.63%
GRAND TOTAL	506,000	
Total Equity	386,000	76.28%
Total Loan	120,000	23.72%

4.3.5 Project Implementation Plan

This is a 5 year project. As portrayed in **Figure 1** some of the activities have already began. These include registrations with various government institutions, market analysis, factory establishment and procurement and installation of machineries. Some of these activities are complete and some are ongoing. Operation of the project is scheduled for April 2023 and it will continue for the 5

years and beyond. The company will contemplate on business expansion starting from the third year of operation. At that time it will be in a position to have more insight into the actuarial of the business in Tanzania.

Figure 1: Project Implementation Plan

No.	Activity	Time																
		2022		2023										2024	2025	2026	2027	
		Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec				
1	Registrations	■	■															
2	Market Analysis	■																
3	Factory Establishment	■	■	■														
4	Procurement and Installation of Machineries		■	■	■													
5	Staff Recruitment			■	■													
6	Launching of the Business					■												
7	Provision of Services at Full Swing					■	■	■	■	■	■	■	■	■	■	■	■	■
8	Promotion and Advertisement Campaigns			■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
9	Business Expansion Analyses															■	■	■

5.0 MARKET ANALYSIS

This part explores the service sector for vehicles in Tanzania and within the EAC region. It is based on the importation of vehicles into the country and the region, the numbers which surge up the demand for vehicle services where this project is a service provider. The analysis goes into five years projections for the financials of the project as detailed below.

5.1 The Status Quo

According to the OECD, in terms of 2020 imports, Tanzania imported \$202M in cars, becoming the 107th largest importer of cars in the world. At the same year, cars was the 6th most imported product in Tanzania. Tanzania imports cars primarily from: Japan (\$105M), United Arab Emirates (\$42M), Singapore (\$19.8M), India (\$11.4M), and United Kingdom (\$7.76M). The fastest growing import markets in cars for Tanzania between 2019 and 2020 were United Kingdom (\$914k), Australia (\$396k), and South Korea (\$171k).

This status pinpoints to a surge in the number of vehicles in the country and a rise in the demand for vehicle services. The project is focused on exploiting the rise in demand for the services by branding itself as the best in the commercial

capital of Tanzania, Dar es Salaam. Over the years the company can expand to other regions.

5.2 Sales Projections

The analysis assumes sales of the two types of services to have an increment of 10% and that annual price increment for each service to increase by 2.1%. As shown on **Table 5** the sales (units and revenue) will be on a gradual rise up to sales of USD 601,403 in Year 5. This is a promising business worth of investing in.

Table 5: Sales Projections

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Vehicles Serviced Annually (with a 10% annual increment)	25,200	27,720	30,492	33,541	36,895
Price per Vehicle Serviced (USD) with 2.1% Annual Increment	50	51	52	53	54
Vehicles Washed Annually (with a 10% annual increase)	25,200	27,720	30,492	33,541	36,895
Price per Vehicle Washed (USD) 2.1% Annual Increment	15	15	16	16	16
Sales Revenue	378,000	424,532	476,792	535,485	601,403

5.3 SWOC Analysis

This analysis is centered on Tera Holding Company Limited's internal Strengths and Weaknesses, as well as the Opportunities and Challenges within the Tanzanian business environment. Goes as far as to why the investors chose Tanzania over even their own country for investing in this kind of a project.

5.3.1 Organizational Strengths

Hereunder are the inner strengths of the organization:-

- i) Tera Holding Company Limited's promoters being company owners with substantive experienced in the business of vehicle services has helped the company amass experience commensurate the companies

placed on the top tier of prospective and existing companies in this business.

- ii) The promoters of the company owning this project have enough financial muscle to cater for financing of the project by their own equity which accounts for 76% of the financing for the project. More so, they have secured a loan of USD 22,000 from their native country, and USD 98,000 in this country. This means that 80.63% of the financing comes from their country and the remaining 19.37% comes from the host country, Tanzania.
- iii) The 3 expatriates to be brought into the country by the company to preside over the project are seasoned in the industry and can impart their skills on the locals. This will develop a competitive workforce which will give the project an edge above the rest in the arena.

5.3.2 Organizational Weaknesses

Below are the intra-organizational weaknesses in as far as this project is concerned:-

- i) The company is new in Tanzania so it may have some blind spots on the market here. However, through merging of foreign expertise and local one through local consultants this weakness may not be any significant.
- ii) Owing to its newness in the country, the company and its products are not well known in the local market. This calls for higher quality services which will develop a self-say pro own-quality.

5.3.3 Environmental Opportunities

Tanzania's environment and the larger one of the EAC provide increasingly unlimited opportunities when it comes to vehicles services. Below is an account on these opportunities:-

- i) Tanzania imports more vehicles as years go by. This adds to the demand for vehicle services. This is an opportunity to service providers.

- ii) Tanzania's Dar es Salaam port is a hub for most of the land-locked countries of eastern, central and sub-southern African countries namely Burundi, Rwanda, the DRC, Malawi and Zambia. Cars of traders from these countries frequent this commercial capital of Tanzania and they add to the demand for vehicle services.
- iii) Purchasing power is rising in Tanzania thus giving the people the muscle to acquire vehicles and vehicle services.
- iv) There is enough power within the URT to run washing and vehicle services machines. Also, the Julius Nyerere Hydro Power Plant is about to add to the production of electricity. Most of all, Tanzania has the lowest power and utilities tariffs in the region.
- v) There is peace and tranquility in the country so that predictability is high enough to convince the investor to move to, and invest in the country.
- vi) Conducive investment regime in Tanzania as the laws protect TIC-registered projects from nationalization and guarantee expropriation of proceeds of investment.

5.3.4 Environmental Challenges

Environmentally there is one main challenge that is existence of multiple projects providing vehicle services. These projects are seasoned in the Tanzanian market and are owned by locals. This will be taken care of by inclusion of many locals in the business of the project.

5.4 Operating Philosophy

The company's operating philosophy is founded on two pillars namely its core beliefs as reflected in its marketing strategy.

5.4.1 Core Organizational Beliefs

The company believes in transitional impacting where a positive imparter sees to it that the positive in him goes into others as well. The promoters of the company positively opted putting their equity in the company and have positively affected financial institutions to fund their project. As such the project

is becoming a reality and may impact all its employees to replicate the same in their investments or wherever they go.

5.4.2 Marketing Strategy

Basing on the competitive market at our disposal, mindful of our operating philosophy the company looks forward to use penetrative message to find its way into the market. Through social media the company will conduct social awareness teaser campaign to mark its presence in the market and secure its niche that it will enlarge with time. Service wise, we are ready to offer the best quality service that will turn our customers into our promotion officers.

6.0 FINANCIAL ANALYSIS

This part focuses on analysis of the projected 5 years financial performance for the company's project. It sheds light on the viability and rationale of the project from the forecasted financial aspects.

6.1 Projected Gross Profits

Basing on **Table 6 & 7** the project expects to enjoy steadily growing gross profits and retained earnings, respectively. This is due to high quality self-promoting services that the company will be providing to vehicles owners and operators.

Table 6: Gross Profit

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Sales	378,000	424,532	476,792	535,485	601,403
Cost of Sales	114,400	119,000	124,060	129,626	135,749
Gross Profit/ (Loss)	263,600	305,532	352,732	405,859	465,654

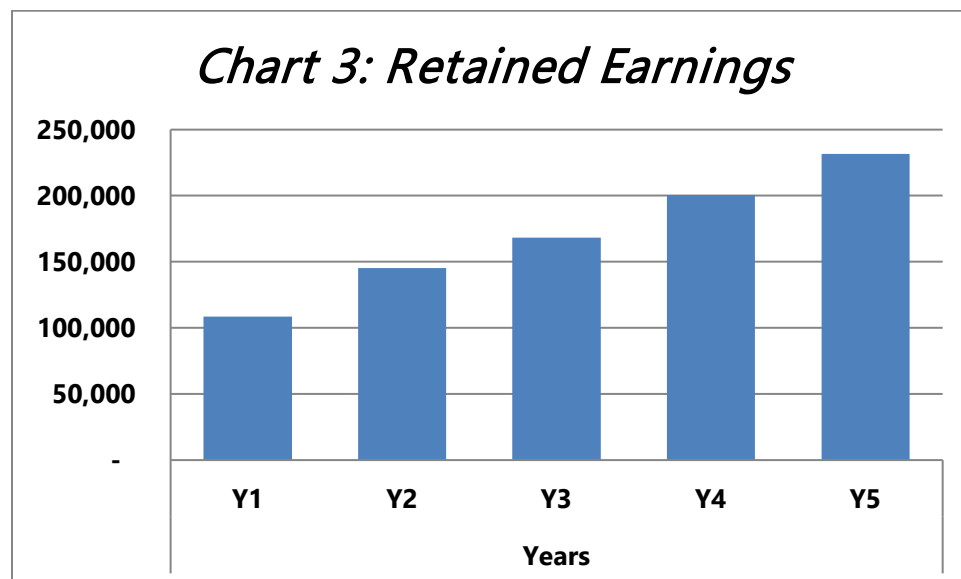
Table 7: Projected Income Statement

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Total Sales	378,000	424,532	476,792	535,485	601,403
Less: Cost of Sales	114,400	119,000	124,060	129,626	135,749

Gross Profit	263,600	305,532	352,732	405,859	465,654
Less: Operating Expenses	56,120	32,851	38,896	34,570	38,388
EBIT	207,480	272,681	313,836	371,289	427,266
Less: Loan Interest	13,356	13,356	13,356	13,356	13,356
EBT	194,124	259,325	300,480	357,933	413,910
Less :Taxes (30%)	58,237	77,798	90,144	107,380	124,173
Net Profit/(Loss)	135,887	181,528	210,336	250,553	289,737
Dividend (20%)	27,177	36,306	42,067	50,111	57,947
Retained Earnings	108,709	145,222	168,269	200,442	231,790

6.2 Projected Retained Earnings

The project is expected to gain steadily growing retained earnings over the first five years of operation. This is anticipated due to efficiency in operations and quality services that the company will provide to the clients. The quality service will speak for itself among the clientele.



7.0 PROJECT WORTHINESS

Through the analyses conducted, this project is promising to be a success. The financial projections in terms of gross and net profits, and the market analysis conducted pinpoint to the imminent success of this project. In this section the plan elucidates on the project's worthiness in terms of taxes to be paid,

spending to local SMEs and usefulness to the community in the vicinity. Reference is made to *Appendix 5* in this regard.

7.1 Fiscal Worthiness

As shown in **Appendix 5** the project, within the first five years of operation, projected to pay a total amount of USD 940,974 in form of taxes. These taxes include the income tax or corporate tax of USD 457,732 and VAT on sales amounting to USD 483,242. In the eyes of the company it is worth it, venturing into this business, register it with the TIC and enjoy the fiscal and non-fiscal incentives as it expects the project to pay back to the government via the projected taxes.

7.2 Financial Worthiness

The company expects to source inputs locally as much as possible. This means that almost all the production costs and expenses will go to local SMEs and stir both competition and money circulation within the local economy. Refer to *Appendix 5*.

7.3 Social Worthiness

Socially this project will provide higher quality services and employ 14 locals while maintaining environmental-friendly technologies. The local employees will be developed skill-wise by the more experienced expatriates as part of succession plan. Also, basing on *Appendix 5*, the project will contribute to the society in the vicinity an estimated total of USD 1,709. This is 2% of the projected earnings before taxes.

8.0 CONCLUSION

Through this business plan Tera Holding Company Limited is strongly convinced to invest in the project as it is promising, not only to the promoters of the company but also to the government of the URT, to the local SMEs and to the community around the project area i.e. Kinondoni Municipal Council. The project will employ locals and expatriates and develop the skills of the locals via the

succession plan of the company. As such, upon getting TIC registration and enjoying the incentives for this project the company will pay back to the promoters, and to the URT.

9.0 APPENDICES

Appendix 1: Workings on Operating Expenses

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Marketing Expenses:					
Promotional Campaigns					
Website Creation	5,500				
Website Maintenance	500	500	500	500	500
TOTAL	6,000	500	500	500	500
Bank Charges:	1,200	1,200	1,200	1,200	1,200
TOTAL	1,200	1,200	1,200	1,200	1,200
Insurance:					
Plant (service bay)	80	80	80	80	80
Office Vehicle	200	200	200	200	200
Occupational Insurance (17 staff each USD 10)	170	170	170	170	170
Health Insurance (17 staff each USD 10)	170	170	170	170	170
TOTAL	620	620	620	620	620
Office Upkeep Expenses:					
Petty Cash (USD 300 per month)	3,600	3,600	3,600	3,600	3,600
Cleanliness (Wages for the Office Attendant)	1,200	1,200	1,200	1,200	1,200
TOTAL	4,800	4,800	4,800	4,800	4,800
Permits and Licenses:					
TIC Certificate Fees - Registration and Amendment (USD 1,100 and USD 1,000)	1,100			1,000	
Resident Permits - Immigration (3 Expatriates each USD 1,000)	3,000				
Resident Permits - TIC (15 Expatriates each USD 100)	300				
Labour - Labour (3 Expatriates each USD 1,000)	3,000				

Labour - TIC (15 Expatriates each USD 100)	300				
Business License	200	200	200	200	200
TOTAL	7,900	200	200	1,200	200
Vehicles Expenses:					
Petrol for Office Cars (1 car, 10 litres a week, 52 weeks, USD 2 per litre)	1,040	1,040	1,040	1,040	1,040
TOTAL	1,040	1,040	1,040	1,040	1,040
Professionals Fees:					
Consultancy Fees (Staff Capacity Building)	5,000		5,000		5,000
Consultancy Fees (Audit Firm)	10,000	10,000	10,000	10,000	10,000
Consultancy Fees (Business Analyst)	12,000	6,000	6,000	4,500	3,000
TOTAL	27,000	16,000	21,000	14,500	18,000
Provision for Bad Debts: (2% of Sales default)					
Annual Sales	378,000	424,532	476,792	535,485	601,403
Doubtful Debts	7,560	8,491	9,536	10,710	12,028
DOUBTFUL DEBTS	7,560	8,491	9,536	10,710	12,028

Appendix 2: Operating Expenses

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Marketing Expenses	6,000	500	500	500	500
Bank Charges	1,200	1,200	1,200	1,200	1,200
Insurance	620	620	620	620	620
Office Expenses	4,800	4,800	4,800	4,800	4,800
Permits and Licenses	7,900	200	200	1,200	200
Vehicle Expenses	1,040	1,040	1,040	1,040	1,040
Professionals Fees	27,000	16,000	21,000	14,500	18,000
Provision for Bad Debts	7,560	8,491	9,536	10,710	12,028
Depreciations					
Miscellaneous Expenses					
TOTAL OPERATING EXPENSES	56,120	32,851	38,896	34,570	38,388

Appendix 3: Projected Retained Earnings

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Retained Earnings	108,709	145,222	168,269	200,442	231,790

Appendix 4: Projected Cash Flows

Details	Years				
	Y1	Y2	Y3	Y4	Y5
<i>Cash from Operations</i>					
Profit Before Tax	194,124	259,325	300,480	357,933	413,910
<i>Adjustment for Non-cash Items:</i>					
Depreciation					
Change in Working Capital:					
Receivables (-ve)	- 23,000	- 25,000	- 26,000	- 28,000	- 27,000
Trade Payables and Accruals					
Capital Additions	425,000	58,000	23,000	-	-
Total	402,000	33,000	- 3,000	- 28,000	- 27,000
	402,000	33,000	- 3,000	- 28,000	- 27,000
Tax Payments	58,237	77,798	90,144	107,380	124,173
Total Cash Inflow from Operating Activities	460,237	110,798	87,144	79,380	97,173
Cash from Investing Activities:	50,096	50,096	50,096	50,096	50,096
Land Rent and development of Property					
Net Cash Outflow from Investing Activities	410,141	60,702	37,048	29,284	47,077
Cash from Financing Activities:					
Dividends	27,177	36,306	42,067	50,111	57,947
Change in Cash and Cash Equivalents	382,964	24,396	- 5,019	- 20,827	- 10,870
Opening Cash Balance	4,500	6,500	6,800	11,300	8,000
Closing Cash Balance	6,500	6,800	11,300	8,000	3,000

Appendix 5: Project Worthiness

Details	Years					
	Y1	Y2	Y3	Y4	Y5	TOTALS
Total Production Cost	114,400	119,000	124,060	129,626	35,749	622,835
Total Operating Expenses	56,120	32,851	38,896	34,570	38,388	200,824
Income Tax	58,237	77,798	90,144	107,380	124,173	457,732
VAT on Sales	75,600	84,906	95,358	107,097	120,281	483,242
Provision for CSR	217	290	337	401	464	1,709
TOTALS	304,575	314,845	348,795	379,073	419,054	1,766,342
SUMMARIES						
To the Government	133,837	162,704	185,502	214,477	244,454	940,974
To the Private Sector (SMEs)	170,520	151,851	162,956	164,196	174,137	823,659
To the Society (CSR)	217	290	337	401	464	1,709
TOTALS	304,575	314,845	348,795	379,073	419,054	1,766,342