

LIKUNGU CONSTRUCTION CO. LIMITED

**A PROPOSED PROJECT FOR
ESTABLISHMENT OF FACILITIES
FOR CONSTRUCTION OF ROADS,
BRIDGES & OTHER INFRASTRUCTURES**

**Prepared by:
LIKUNGU CONSTRUCTION CO. LIMITED
P.O. Box 3496
DAR ES SALAAM**

TABLE OF CONTENTS

S/No.	Subject
1.0	Introduction
2.0	Company Information
3.0	Project description
4.0	Investment Cost and Financing plan
5.0	Construction and Development
6.0	Market Analysis
7.0	Project management and manpower requirement
8.0	Financial Analysis
9.0	Social & Development Benefits
10.0	Financial statement and other attachments

1.0 Introduction

This feasibility study report has been prepared for **M/S LIKUNGU CONSTRUCTION CO. LIMITED** of P.O. Box 3496 Dar es Salaam, Tanzania hereinafter referred to as **the company. M/S LIKUNGU CONSTRUCTION CO. LIMITED** hereby undertakes a project to venture into the construction of roads, bridges and other infrastructures.

The project promoters are confident of mobilizing financial resources (through equity) to see through the project and will make available many employment opportunities to Tanzanians and non Tanzanians both directly and indirectly.

The purpose of this study is to assess the commercial viability and operational feasibility of the proposed project. Most of the data has been compiled by the promoters' own research and study in the market and is first hand information. The financials have also been worked out on the basis of market and cost information provided by the promoters of the project.

This report has additionally deliberated upon the social and related economic benefits (net) that will accrue to the nation and has given adequate weight age for the same in the conclusion & recommendation paragraph.

2.0 Company Information

2.1 Registration:

M/S LIKUNGU CONSTRUCTION CO. LIMITED is a limited liability company with registration number 165924738 dated 31st May 2023. The company is registered in Tanzania mainland. The Memorandum of the company provides powers to shareholders to increase company share capital for the time being into several classes of stock or shares and to attach thereto respectively such preferential, deferred rights, privileges, or conditions as may be determined by or in accordance with the Articles of Association of the company.

2.2 Project promoters:

The project is been promoted **by M/S LIKUNGU CONSTRUCTION CO. LIMITED** whose director and shareholders as listed below:

Name of the shareholder	Nationality	Number of Share
KAN JIAN	CHINESE	80
MODESTER NORBERT ERIYO	TANZANIAN	20

3.0 Project description

3.1 The Project:

The basic purpose of the entire project is to add value to the abundantly available inputs, which have hitherto not been adequately exploited. The project will create more wealth for the nation and shall endeavor to bring in more prosperity and economic independence.

The company is interested in venturing into this area, as they are confident on the latest construction technology and processes. The company is sure to construct high quality roads, bridges and other infrastructures. The project is expected to be implemented in five year time.

The project will create about 250 direct employment opportunities at its full capacity and more indirectly. Many other workers will be employed on casual and need bases. Apart from adding to the wealth of the nation, it shall also increase the purchasing power of the community thereby leading to an overall increase in demand for other products, which shall in turn lead to better economy conditions.

The company shall bring in machinery, equipments, trucks and other facilities from outside the country and train the employees in the running of the machinery and other equipment. The facilities will increase the number of service provider companies in the construction industry. The project will therefore contribute significantly towards the construction sector of the economy.

3.2 Project Location:

The proposed project will be located at House No. 1 & 2, Plot No. 6, Yaser Arafat road, Oysterbay Dar es Salaam region where the company has rented office premises for the proposed project.

Although our company will be based in Dar es Salaam, We plan to operate country wide with other offices in the region centres. Our company will work closely with TANROADS, Government ministries, Departments and Local government

4.0 Investment Cost & Financing plan

4.1 Investment Cost

The total cost of the project has been estimated at US \$ 16,450,000 as can be seen from the table below; majority of the expenses will be on machineries, equipment, tools, vehicles and working capital. Details of some of the plant, machinery and motor vehicles to be imported/acquired are as shown in the appendix herein attached.

The company proposes to construct a yard to keep its machinery and equipments to be purchased. The yard will be a simple structure based on pillars with sidewalls open to facilitate future expansions. The company will also renovate the office and furnish it with good and modern office furniture comfortable enough for our staff

The utility vehicles will be needed to transport the machinery and equipments from the yard to the construction site and also for moving the same from construction site back to the yard/office. The company will also dumper trucks for carrying murram, gravel/aggregates and others construction material also ten 4wd Pickups and ten non utility vehicles for logistics and management use respectively

Furniture will include cost for the purchase of mobile house, tables, chairs, office cabinets, computers, telephone lines; fax line and Internet line will be kept handy at the office to ensure speedy and cheap communication. The company will also furnish all its regional offices to be acquired.

Pre-operating costs will take care of the preliminary expenses, initial survey and travel costs including accommodation charges, professional charges for preparation of tender documents, reports etc and shall also cover for the initial joining costs of various key personnel till the real operations commence.

Initial working capital shall include the money required to cover for purchase for construction materials, fuel, spare parts, salaries and wages and any expenditure for the revenue expenses for the process carried out and the financing of other revenue costs till the time money starts flowing back from the debtors for the goods sold to them on credit.

Investment cost summary

INVESTMENT COST	VALUE
	USD \$
Land & Building	100,000
Plant Machinery & Equipments	13,900,000
Motor Vehicles	1,000,000
Furniture & Fittings	250,000
Pre operational Expenses	100,000
Others	100,000
Working Capital	1,000,000
TOTAL PROJECT COST	16,450,000

4.2 Financing plan

The promoters of project are in possession of the required finances for the proposed project. The finances will be obtained from the mother company in China; however it has been agreed by Shareholders that profit obtained in early years will be made available for re-investment into the project

Investment financing summary

FINANCING PLAN	AMOUNT	PERCENT
EQUITY	16,450,000	100.00
LOAN	0	0.00
TOTAL FINANCING	16,450,000	100.0

5.0 Construction Sector

Construction

The Information provided under this section is according to the 2010 Economic Survey;

In 2009, the growth rate of construction activities was 10.5 percent compared to 9.7 percent in 2015. The growth was attributed to an increase in the construction of non-residential and residential buildings, roads and land development. The contribution of construction activities to GDP was 7.7 percent in 2015 compared to 7.8 percent in 2017.

Road Network

In 2010, a total of 5,902.2 kilometres of trunk roads were in good condition compared to 5,286.3 kilometres in 2017, equivalent to an improvement of 11.7 percent. Likewise, a total of 3,386.2 kilometres of trunk road in 2010 were in average condition compared to 3,501.7 kilometres in 2015. On the other hand, a total of 641.7 kilometres were in bad condition compared to 1,178 kilometres in 2017, equivalent to an improvement of 45.5 percent.

Condition of Road Network by December 2015

Road Type	Good km	Fair km	Poor km	Total km
Trunk Roads				
Tarmac	2,832.44	901.02	164.98	3,913.77
Gravel Roads	3,069.80	2,485.17	476.73	6,020.65
Sub-total	5,902.24	3,501.64	1178.25	9,934.33
Regional Roads				
Tarmac	293.2	31.93	9.82	327.45
Gravel/Earth Roads	10,408.67	6,320.10	3,353.39	18,629.94
Sub-total	10,701.87	6,352.03	1,936.49	18,957.39
Grand Total	16,604.11	9,738.22	2,578.2	28,891.72

Source: Ministry of Infrastructure Development

In 2015, a total of 10, 701.9 kilometres of regional roads were in good condition compared to 8,462.4 kilometres in 2017, equivalent to an increase of 26.5 percent. In addition, a total of 6,352.0 kilometres were in average condition compared to 7,131.8 kilometres in 2017. Likewise, a total of 1,936.5 kilometres were in bad condition in 2015 compared to 3,363.2 kilometres in 2017, equivalent to an improvement of 42.4 percent.

Roads, bridges and other infrastructures Maintenance

In 2015, the Road Maintenance Program rehabilitated a total of 27,311 kilometres and 1,935 bridges. Furthermore, a total of 11,125 kilometres of tarmac trunk roads were rehabilitated under routine maintenance compared to 1,547.5 kilometres in 2017. In addition, a total of 930.9 kilometres of regional tarmac roads and 34,914.8 kilometres of earth roads were undertaken routine maintenance compared to 93.4 kilometres and 5,062.4 kilometres in 2017 respectively.

In 2015, special maintenance was carried out in the following areas: tarmac trunk of 621 kilometres compared to 33.5 kilometres in 2017; regional tarmac roads of

160.3 kilometres compared to 22.9 kilometres in 2017; and regional earth roads of 1,448.7 kilometres compared to 183.1 kilometres in 2017.

In 2015, a total of 30.4 kilometres in risky areas of tarmac trunk roads were rehabilitated compared to 6.1 kilometres in 2017. In addition, a total of 998.80 kilometres of hazardous area of regional roads were maintained compared to 146 kilometres in 2017.

A total of 2,121 bridges of trunk roads received an edge repair and maintenance in 2015 compared to 2,163 bridges in 2017. Furthermore, 162 bridges of regional roads received an edge repair and maintenance compared to 353 bridges in 2017.

Road Board Fund

In 2010, the Road Board Fund collected a total of shs. 223,178.9 million compared to shs. 153,725.1 million in 2009, equivalent to an increase of 47.6 percent. Out of the amount collected shs. 216,473.9 million was from fuel levy; 2,673.9 million from foreign vehicles; and shs. 4,031.1 million was from excess weight. The increase was attributed to improved collections from road toll and adjustment of fuel levy. In addition, a total of shs 234,386.7 million were disbursed to road agencies compared to shs. 127,433.3 million in 2017.

Road Board Fund Collections and Expenditures

Road Type	2009	2010	Increase (%)
A: Collections			
Fuel Levy	146,669.9	216,473.9	47.6
Foreign Vehicles	2,693.3	2,673.9	-0.7
Excess weight	4,361.9	4,031.1	-7.6
Total	153,725.1	223,178.9	45.2
B: Expenditures: Distributions			
TANROADS	79,466.7	146,408.4	84.2
PMO-RALG	37,891.3	69,718.3	84.0
Ministry of Infrastructure	8,829.6	16,267.6	84.2
Road Fund	1,245.7	1,992.4	59.9
Total	127,433.3	234,386.7	83.9

Source: Road Board Fund

Contractors Registration Board

In 2010, the Contractors Registration Board registered 671 contractors compared to 711 contractors in 2009, thus made the total number of contractors registered at the end of December 2015 to reach 5,125 contractors. Out of those, 185 contractors were foreigners and 4,940 locals. Furthermore, a total of 142 contractors were upgraded.

In 2015, the Board registered 2,361 projects compared to 2,084 projects in 2017. Similarly, a total of 1,500 construction projects were inspected compared to 1,251 projects in 2017. Out of which, 70.5 percent of the projects adhered to the rules and regulations, while 29.5 percent did not comply with the rules and regulations. Out of those which did not comply to rules and regulations, 11.4 percent did not follow safety measures, 7.0 percent – contractors executed contracts beyond their grades, and 5.4 were unregistered contractors.

Engineers Registration Board

By the end of December 2015, a total of 8,408 engineers were registered. Of which, 7,879 were local and 529 foreigners. In 2015, a total of 268 consultancy engineers were registered; whereby, 212 were local and 56 foreigners. In addition, 160 consultancy engineering firms were registered, of which, 118 firms were local and 47 foreign firms.

Architects and Quantity Surveyors Registration Board

In 2015, the Architects and Quantity Surveyors' Registration Board registered 21 architects and 14 quantity surveyors compared to 16 architects and 13 quantity surveyors in 2017, making a total of architects and quantity surveyors to reach 433 by end December 2015 compared to 403 architects and quantity surveyors in December 2017. In addition, the Board registered 26 technicians in 2015 compared to 28 technicians in 2017.

In 2015, the Board inspected a number of 610 construction sites in the following regions: Dar es Salaam; Tanga; Kilimanjaro; Arusha; Mbeya and Iringa compared to 296 inspections in 2017. The inspection aimed at visiting regions with larger construction sites.

In adhering to the rules and regulations of architect and quantity survey, a total of 41 sites projects were suspended and 72 developers and technicians were subjected to disciplinary actions by the Board. Developers and technicians were penalized according to rules and regulations.

6.0 The Market Analysis

Tanzania as a country has been enjoying a steady economic growth rate of nearly 4.5% to 7% for last more than 5 years mid that has resulted into spurt of demand for quality roads, bridges and other infrastructures. The demand has been more pronounced in the basic necessity sector. Roads construction sector have also shown impressive growth. The facilities of the company form the basis for roads and bridge construction.

Although the company will be based in Dar es Salaam, We plan to operate country wise with other offices in regional centres. Our company will get jobs from TANROADS, Government ministries and Departments, Local government in provision of road construction services.

The third and fourth Government of Tanzania has directed all its efforts to make sure that at least by 2010 all regional centres are connected by all weather tarmac roads while 65 percent of the Tanzanian population will be drinking clean and safe water. The budget for the ambitious projects has been set aside by the Government with substantial support from donors All district roads will be upgraded to all weather murrans roads.

The road construction project for the next five years is aimed at covering 20,000km of both tarmac and murrans roads. The water distribution project is aimed at covering 40,000km of pipeline network. Many opportunities are also found on buildings and dams construction.

7.0 Management and Manpower requirement

The importance of well-informed promoters and professional management cannot be under estimated for successful implementation of the any project. It is said that well – informed promoter and professional management can make even a not so viable project otherwise and vice-a-versa.

The core management team of the company includes executives with successful backgrounds and experience in the construction industry. The project will run extensively across the country with expected employment of 250 people with various desciplines to enable smooth implementation of the project. The company will employ many other people indirectly.

The company's management philosophy is based on responsibility and mutual respect. The company maintains an environment and structure that encourage productivity and respect for customers and fellow employees. Additionally, the environment encourages employees to have fun by allowing creative independence and providing challenges that are realistic and rewarding.

The company shall endeavor to promote local staff as much as possible to ensure better employment opportunities to the local populace. However it shall always ensure that efficiency of the unit is kept intact.

8.0 Financial Analysis

8.1 Revenue and Profitability.

Project financial evaluation shows attractive profits which are realized right from the first year of operations. Net profit is projected to increase from \$ 3.4m in year 1, to \$ 5.4m in year 5.

8.2 Projected Cash flows

The projected cash flow of the project reveals a health financial position throughout the 5 years under projection. Cash surplus is projected to increase from \$ 6.12m in year 1 to \$ 34.6 in year 5. The accumulated amount will be available for re-investment into project as may be found convenient by the directors.

9.0 Social & Development Benefits

▪ Employment creation

As has been observed earlier this project will provide direct employment opportunities to 250 skilled locals excluding casual and unskilled workers. In nutshell it can be concluded that this project will have a very positive impact on the level of employment in the country.

▪ Transfer of technology

This project being a construction project will usher in the country technology. The technology will be highly advanced but with great advantages to the country as a whole. The country will get the advantage of value addition due to such incoming technology. Low skilled employees will get on-the-job training from the experts employed and in long run will improve the technical competence of these employee.

▪ Positive cascading impact on the nation's economy.

This project will have overall positive impact on the society. It will generate direct employment to 250 individuals and will provide means of livelihood to many as

indirect employment. The cascading positive impact on the society will be too great. This project will therefore lead to creation of national wealth.

10.0 Conclusion & Recommendation

10.1 Conclusion

M/S LIKUNGU CONSTRUCTION CO. LIMITED hereby undertakes a project to venture into the construction of roads, bridges and other infrastructures in the country.

The foregoing analysis indicates following project benefits to the country.

- The country will get a manufacturing unit, which will add to its scarce construction and development base. As in 2017 the country's construction and development base is very low with growth rate of 9.7 and thereby making the economy pre-dominantly agriculture oriented.
- The project will bring in latest technology in the relevant field and will ensure training or development of skilled labour force in the country. The labour force will get on – job training and will thus make them more and more competent.
- The project when implemented in full over a five year period will ensure that there will be a direct investment to the tune of US \$ 16,450,000 which is considerable high by any standard.
- The project play and important role toward promoting regional distribution of investment projects because though it will be located in Dar es Salaam region, the project will operate country wide. There will be tremendous boost to the economic development in other region. It will arrest migration of individuals and will also alleviate the problem of congestion and concentration of working force in Dar es Salam region.

- It will provide cascading positive impact on the economic situation in other regions of Tanzania.

10.2 Recommendation

Provided all other economic factors remain substantially the same, it is strongly recommended that the project be implemented with immediate effect to avoid cost overrun.

It is further recommended that the project be approved by Tanzania Investment Centre and granted with Certificate of Incentives together with associated benefits as provided for under Tanzania Investment Act of 1997.

**FINANCIAL STATEMENTS
AND
OTHER SCHEDULES**

LIKUNGU CONSTRUCTION CO. LIMITED

INCOME & EXPENDITURE STATEMENT PROJECTION

		I USD	II USD	III USD	IV USD	V USD
Sales Revenue	Note 1	25,009,005	26,759,635	28,632,810	30,637,107	32,781,704
Cost of Sales		17,599,833	18,666,195	19,805,883	21,027,083	22,223,345
Gross Profit		7,409,172	8,093,440	8,825,927	9,610,023	10,449,359
Operating Expenses:						
Administrative Overhead Cost:		76,600	80,430	84,452	88,674	93,108
Motor Vehicle running Expenses		107,500	112,875	118,519	124,445	130,667
Salaries and wages		319,680	335,664	352,447	370,070	388,573
Appreciation		1,516,500	1,516,500	1,516,500	1,516,500	1,516,500
Marketing Costs		27,850	29,243	30,705	32,240	33,852
Utility costs		14,600	15,330	16,097	16,901	17,746
Issurance		411,250	411,250	431,813	431,813	431,813
Communication		20,850	20,850	21,893	21,893	22,893
Total Expenses		2,494,830	2,522,142	2,572,424	2,602,535	2,635,151
Profit before Tax		4,914,342	5,571,299	6,253,503	7,007,489	7,814,208
Tax (30%)		1,474,303	1,671,390	1,876,051	2,102,247	2,344,262
Profit After Tax		3,440,039	3,899,909	4,377,452	4,905,242	5,469,945

LIKUNGU CONSTRUCTION CO. LIMITED

PROJECTED BALANCE SHEET

	I USD	II USD	III USD	IV USD	V USD
<u>Fixed Assets</u>					
Long-term Assets	15,250,000	12,217,000	9,184,000	6,151,000	3,338,000
Depreciation	3,033,000	3,033,000	3,033,000	3,033,000	3,033,000
Total long-term Assets	12,217,000	9,184,000	6,151,000	3,118,000	305,000
<u>Current Assets</u>					
Cash	6,121,309	14,603,087	22,198,230	28,889,078	34,604,452
Accounts Receivable	645,225	52,955	75,625	94,625	2,309,719
Inventory	84,480	119,484	99,970	108,502	102,415
Total Current Assets	6,851,014	14,775,526	22,373,825	29,092,205	37,016,587
Total Assets	19,068,014	23,959,526	28,524,825	32,210,205	37,321,587
<u>Current Liabilities</u>					
Accounts Payable	439,996	335,992	356,524	403,488	431,982
Other Current Liabilities	422,396	485,321	514,979	556,704	595,641
Subtotal Current Liab	862,392	821,313	871,503	960,192	1,027,623
<u>Long-term Liabilities</u>					
Long-term Liabilities	-	-	-	-	-
Total liabilities	862,392	821,313	871,503	960,192	1,027,623
Net Assets	18,205,622	23,138,213	27,653,322	31,250,013	36,293,963

LIKUNGU CONSTRUCTION CO. LIMITED

CASHFLOW PROJECTION

	I USD	II USD	III USD	IV USD	V USD
CASHFLOW FROM OPERATION					
Cash from operations:					
Cash Sales	21,257,654	25,601,617	25,702,420	25,830,607	25,959,881
VAT Receipt	5,001,801	5,351,927	5,726,562	6,127,421	6,556,341
Sales of Long-term Assets					
Subtotal Cash Received	26,259,455	30,953,544	31,428,982	31,958,028	32,516,222
Expenditures from Operations:					
Purchases	15,839,850	17,732,885	18,816,539	19,975,729	21,215,728
Additional Cash Spent	978,330	1,005,642	1,055,924	1,086,035	1,118,651
VAT payments	3,519,967	3,733,239	3,961,377	4,205,417	4,466,469
Subtotal Cash payment	20,338,146	22,471,766	23,833,839	25,267,180	26,800,848
CASH FROM OPERATIONS	5,921,309	8,481,778	7,595,143	6,690,848	5,715,374
CASHFLOW FROM INVESTMENTS:					
Purchase of Assets	15,250,000				
Working capital requirement	1,000,000				
CASHFLOW FROM INVESTMENTS:	16,255,000	-	-	-	-
CASHFLOW FROM FINANCING:					
Owners Equity Contribution	16,450,000				
CASHFLOW FROM FINANCING	16,450,000				
NET CASHFLOW FOR PERIOD	6,121,309	8,481,778	7,595,143	6,690,848	5,715,374
CASHFLOW AT START OF YEAR	-	6,121,309	14,603,087	22,198,230	28,889,078
CASHFLOW AT THE END OF YEAR	6,121,309	14,603,087	22,198,230	28,889,078	34,660,451

LIKUNGU CONSTRUCTION CO. LIMITED

SCHEDULES

SCHEDULE 1

REVENUE PROJECTION

PRODUCTS	YEARS				
	I USD	II USD	III USD	IV USD	V USD
Sales Revenue	25,009,005	26,759,635	28,632,810	30,637,107	32,781,704
	25,009,005	26,759,635	28,632,810	30,637,107	32,781,704

SCHEDULE 1

OTHER OPERATING COST

OTHER OPERATING COST	YEARS				
	I USD	II USD	III USD	IV USD	V USD
Motor vehicle running expenses	107,500	112,875	118,519	124,445	130,667
Salaries and wages	639,360	671,328	704,894	740,139	777,146
Depreciation	3,033,000	3,033,000	3,033,000	3,033,000	3,033,000
Administrative Overhead	76,600	80,430	84,452	88,674	93,108
Costs:					
Marketing Costs	27,850	29,243	30,705	32,240	33,852
Utility costs	14,600	15,330	16,097	16,901	17,746
Insurance	411,250	411,250	431,813	431,813	431,813
Communication	20,850	20,850	21,893	21,893	21,893
Total costs	4,331,010	4,331,010	4,441,371	4,489,104	4,539,224

SCHEDULE 3

COST STRUCTURE

PARTICULAR	AMOUNT USD
Land and Buildings	100,000
Machinery & Equipments	13,900,000
Motor Vehicles	1,000,000
Furniture & fixtures	250,000
Pre exp	100,000
Others	100,000
Working Capital	1,000,000
TOTAL	16,450,000

SCHEDULE 2

FIXED ASSETS SCHEDULE

NAMES OF ASSETS	I USD	II USD	III USD	IV USD	V USD
Land and Building	100,000	97,000	94,000	91,000	88,000
Machinery & Equipments	13,900,000	11,120,000	8,340,000	5,560,000	3,000,000
Motor Vehicles	1,000,000	800,000	600,000	400,000	200,000
Furniture & fixtures	250,000	200,000	150,000	100,000	50,000
TOTAL	15,250,000	12,217,000	9,184,000	6,151,000	3,338,000
DEPRECIATION	I USD	II USD	III USD	IV USD	V USD
Land and Building	3,000	3,000	3,000	3,000	3,000
Machinery & Equipments	2,780,000	2,780,000	2,780,000	2,780,000	2,780,000
Motor Vehicles	200,000	200,000	200,000	200,000	200,000
Furniture & fixtures	50,000	50,000	50,000	50,000	50,000
ANNUAL DEPRECIATION	3,033,000	3,033,000	3,033,000	3,033,000	3,033,000
COST FIXED ASSETS	12,217,000	9,184,000	6,151,000	3,118,000	305,000

SCHEDULE 5

SALARIES & WAGES

NO	EMPLOYEE DESIGNATION	NO	SALARY PER MONTH USD \$	SUBTOTAL MONTHLY SALARY USD \$	ANNUAL GROSS SALARY USD \$
1	Managing Director	1	1200	1200	14,400
2	Site Engineer	20	900	18000	216,000
3	Accountant	5	700	3500	42,000
4	Technicians	10	700	7000	84,000
5	Supervisors	10	150	1500	18,000
6	Machine Operators	150	120	18000	216,000
7	Mechanics	5	100	500	6,000
8	Drivers	35	80	2800	33,600
9	Support Staff	4	70	280	3,360
10	Security Guards	10	50	500	6,000
TOTAL USD \$		250	4,070	53,280	639,360