MeTL Motors Limited

Business Plan

Establishment of
Road Tractors, Trucks And 3-Wheeler Motorcyles
Assembly Plant

Kiwalani Industrial Area,
Dar-es-salaam

Tanzania

Presented By:

MeTL Motors Limited
P.O. Box 20660,
DAR-ES-SALAAM
TANZANIA

January, 2023

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Project Summary

MeTL Motors Limited

Nature of Project	**:**	Manufacturing Industry
Project Concept	**:**	Establishment of Assembly Plant
Products Assembled	**:**	(i) Road tractors (ii) Light Weight trucks (iii) 3-wheeler Motorcycles
Project Size	**:**	3,000- road tractors /year 2,000 – trucks / year 1,000 – 3-Wheelers/year
Project Site	**:**	Kiwalani Industrial Area, Ilala Municipality Dar-es-salaam Region
Country of Operation	**:**	TANZANIA
Implementing Agency	**:**	MeTL Motors Limited
Legal Status	**:**	Tanzania's Private Limited Liability Company
Project Promoters	:	MeTL Group P.O. Box 20660, Dar-es-salaam TANZANIA Web: www.metl.net
Contact Address	:	MeTL Motors Limited P.O. Box 20660, Dar-es-salaam, Tanzania
Contact Person	**:**	Mohammed Rashid **Director**

Basic Data Sheet

MeTL Motors Limited
Basic Data Sheet
Assembly Plant for Motor Vehicles (Trucks & 3-Wheelers)

Investment Plan

		Existing Investment	Additional Investment Year 1	Additional Investment Year 2	Additional Investment Total	Total Investment
Land & Land Development	USD	-	54,500	-	54,500	54,500
Buildings & Civil works	USD	-	546,000	-	546,000	546,000
Plant & Machinery	USD	-	1,250,000	-	1,250,000	1,250,000
Utilities	USD	-	150,000	-	150,000	150,000
Motor Vehicles	USD	-	220,000	-	220,000	220,000
Furniture and equipment	USD	-	60,000	-	60,000	60,000
Total Physical Assets	**USD**	**-**	**2,280,500**	**-**	**2,280,500**	**2,280,500**
Pre-Operating costs	USD	-	273,660	-	273,660	273,660
Capital Expenditure	**USD**	**-**	**2,554,160**	**-**	**2,554,160**	**2,554,160**
Working Capital	USD	-	-	12,016,256	12,016,256	12,016,256
Total Investment	**USD**	**-**	**2,554,160**	**12,016,256**	**14,570,416**	**14,570,416**

Financing Plan

		Existing Financing	Additional Financing Year 1	Additional Financing Year 2	Additional Financing Total	Total Financing
Equity Financing						
MeTL Motors Ltd	USD	-	1,054,160	6,016,256	7,070,416	7,070,416
Other Partners	USD	-	-	-	-	-
Total Equity	**USD**	**-**	**1,054,160**	**6,016,256**	**7,070,416**	**7,070,416**
External Financing						
Long-Term loans	USD	-	1,500,000	-	1,500,000	1,500,000
Short Term Loans	USD	-	-	6,000,000	6,000,000	6,000,000
Total external financing	**USD**	**-**	**1,500,000**	**6,000,000**	**7,500,000**	**7,500,000**
Total Financing	**USD**	**-**	**2,554,160**	**12,016,256**	**14,570,416**	**14,570,416**
Exposure Ratios:						
Equity Financing	Percentage	-	41%	50%	49%	49%
External Financing	Percentage	-	59%	50%	51%	51%

Assembled Trucks & 3-Wheelers

		Year 1	Year 2	Year 3	Year 4	Year 5
Plants Production Capacity						
Number of Vehicles	Vehicles/batch	-	50	50	50	50
Number of Days	Days/Batch	-	2	2	2	2
Number of Batches	Batches/Year	-	120	120	120	120
Assembly Capacity	Vehicles/Year	-	6,000	6,000	6,000	6,000
Capacity per Product						
Road Tractors	**Vehicles/Year**	-	3,000	3,000	3,000	3,000
Light-weight Trucks	**Vehicles/Year**	-	2,000	2,000	2,000	2,000
Three Wheelers	**Vehicles/Year**	-	1,000	1,000	1,000	1,000
Plant Capacity Utilisation	**Percentage**	-	60%	70%	80%	85%
Products Assembled						
Road Tractors	Units	-	1,800	2,100	2,400	2,550
Light-Weight Trucks	Units	-	1,200	1,400	1,600	1,700
3-Wheelers	Units	-	600	700	800	850
Total	**Units**	**-**	**3,600**	**4,200**	**4,800**	**5,100**
Trucks	**Trucks**	**-**	**3,000**	**3,500**	**4,000**	**4,250**
Trucks/Month	Trucks	-	250	292	333	354

Motor Vehicles Aver. Selling Prices

		Year 1	Year 2	Year 3	Year 4	Year 5
Road Tractors	USD/Unit	-	61,110	64,166	67,374	70,742
Light-Weight Trucks	USD/Unit	-	51,896	54,491	57,216	60,076
3-Wheelers	USD/Unit	-	2,625	2,756	2,894	3,039

Projected Profitability

		Year 1	Year 2	Year 3	Year 4	Year 5
Projected Revenues						
Road Tractors	USD	-	109,998,000	134,747,550	161,697,060	180,393,283
Light-Weight Trucks	USD	-	62,275,500	76,287,488	91,544,985	102,129,874
3-Wheelers	USD	-	1,575,000	1,929,375	2,315,250	2,582,951
Less: Agents Allowance (1%)	USD	-	1,738,485	2,129,644	2,555,573	2,851,061
Add: Spare parts & Service	USD	-	3,476,970	4,259,288	5,111,146	5,702,122
Net Revenues	**USD**	**-**	**175,586,985**	**215,094,057**	**258,112,868**	**287,957,168**
Direct Operating Costs	USD	-	169,740,368	207,786,559	249,211,165	277,961,438
Gross Profit/Loss	**USD**	**-**	**5,846,617**	**7,307,497**	**8,901,703**	**9,995,730**
Gross Margins	%	-	3.3%	3.4%	3.4%	3.5%
EBITDA	USD	-	4,573,717	5,951,887	7,460,315	8,465,362
EBITDA Margins	%	-	2.6%	2.8%	2.9%	2.9%
Other Costs						
Deprectaion & Amortisation	USD	-	305,252	272,679	251,780	242,214
Finance Costs	USD	-	714,845	837,108	971,835	1,059,875
Corporate Tax	USD	-	1,066,086	1,452,630	1,871,010	2,148,982
After-Tax Profit/Loss	**USD**	**-**	**2,487,534**	**3,389,470**	**4,365,690**	**5,014,291**
Net Margins	%	-	1.4%	1.6%	1.7%	1.7%

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EXECUTIVE SUMMARY

1.1 Background

- Most countries in Africa including Tanzania are net importers of motor vehicles from motor vehicles manufacturing and trading countries. Motor Vehicles imports provide a good proxy of market size and imports of light vehicles into Sub-Saharan Africa (excluding South Africa) amounted to 1.5 million vehicles in 2013 and have grown at 14% per annum since 2003. The light vehicle market (including South Africa) is projected to reach 10 million units by 2030.
- This Business Plan has been prepared by **MeTL Motors Limited** (shortly, "MeTL Motors") purposely to evaluate the viability of establishing new technology plants for assembly of motor vehicles and 3-wheelers in Tanzania.

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1.2 Proposed Project

- The proposed project entails establishment of assembly plant motor vehicles and three-wheeler motorcycles in Dar-es-salaam, Tanzania. The project will involve assembling of road tractors, light-weight trucks and three-wheeler motorcycles for the domestic market, and for sale in the neighbouring countries market of Zambia, Rwanda, Burundi, Uganda and the Democratic Republic of Congo (DRC).
- The project will undertake to import Completely Knocked Down (CKD) trucks and 3-wheeler motorcycles from the manufacturers in Asian countries for onward assembling in Dar-es-salaam, Tanzania.
- The project is envisaged to have annual installed capacity of assembling 3,000 road tractors; 2,000 trucks; and 1,000 three-wheeler motorcycles.

1.3 Investment Plan

- The project will invest in the buildings to accommodate the plant and machineries as well as purchase and installation of assembly plant for the motor vehicles and three-wheeler motorcycles.
- The project will, further, invest in the support facilities including utilities (water and electricity), motor vehicles for office use, office furniture and equipment and other support facilities.

- At commissioning, the project will require working capital for purchase of the CKD trucks and three-wheeler motorcycles for assembling and meet the initial operating expenses.
- The total project cost is estimated at USD 2.5 million for the capital expenditure and an additional USD 12.0 million for working capital as summarized below:

Investment Plan						
		Existing	Additional Investment			Total
		Investme	Year 1	Year 2	Total	Investment
Land & Land Development	USD	-	54,500	-	54,500	54,500
Buildings & Civil works	USD	-	546,000	-	546,000	546,000
Plant & Machinery	USD	-	1,250,000	-	1,250,000	1,250,000
Utilities	USD	-	150,000	-	150,000	150,000
Motor Vehicles	USD	-	220,000	-	220,000	220,000
Furniture and equipment	USD	-	60,000	-	60,000	60,000
Total Physical Assets	**USD**	**-**	**2,280,500**	**-**	**2,280,500**	**2,280,500**
Pre-Operating costs	USD	-	273,660	-	273,660	273,660
Capital Expenditure	**USD**	**-**	**2,554,160**	**-**	**2,554,160**	**2,554,160**
Working Capital	USD	-	-	12,016,256	12,016,256	12,016,256
Total Investment	**USD**	**-**	**2,554,160**	**12,016,256**	**14,570,416**	**14,570,416**

1.4 Project Financing

- The project will be financed through equity from shareholders and external financing in the form of loans. The shareholders' contribution to the project will be about 49% of the total project cost and the balance of 51% will be sourced from lending institutions.
- The project financing structure is as summerised below.

Financing Plan						
		Existing	Additional Financing			Total Financing
		Financing	Year 1	Year 2	Total	
Equity Financing						
MeTL Motors Ltd	USD	-	1,054,160	6,016,256	7,070,416	7,070,416
Other Partners	USD	-	-	-	-	-
Total Equity	**USD**	**-**	**1,054,160**	**6,016,256**	**7,070,416**	**7,070,416**
External Financing						
Long-Term loans	USD	-	1,500,000	-	1,500,000	1,500,000
Short Term Loans	USD	-	-	6,000,000	6,000,000	6,000,000
Total external financing	**USD**	**-**	**1,500,000**	**6,000,000**	**7,500,000**	**7,500,000**
Total Financing	**USD**	**-**	**2,554,160**	**12,016,256**	**14,570,416**	**14,570,416**
Exposure Ratios:						
Equity Financing	Percentage	-	41%	50%	49%	49%
External Financing	Percentage	-	59%	50%	51%	51%

1.6 The Proposed Loans

- The proposed long-term loan facility of USD 1,500,000 earmarked to part-finance capital expenditure will be payable in 5-years excluding one-year of grace period on principal and interest. The loan is assumed to attract 6.0% annual interest expense.
- The short-term loans facilities of USD 6.0 million is assumed to attract about 6% interest rate. The sources and uses of the project funds are as summarized below.

Sources And Uses of Funds					
	Amount in USD				
	Existing Investme	Additional Investment			Total Investment
		Year 1	Year 2	Total	
Equity Financing					
Land & Land Development	-	54,500	-	54,500	54,500
Buildings & Civil works	-	246,000	-	246,000	246,000
Plant & Machinery	-	50,000	-	50,000	50,000
Utilities	-	150,000	-	150,000	150,000
Motor Vehicles	-	220,000	-	220,000	220,000
Furniture and equipment	-	60,000	-	60,000	60,000
Pre-Operating costs	-	273,660	-	273,660	273,660
Working Capital	-	-	6,016,256	6,016,256	6,016,256
Equity Financing	**-**	**1,054,160**	**6,016,256**	**7,070,416**	**7,070,416**
External Financing					
Land & Land Development	-	-	-	-	-
Buildings & Civil works	-	300,000	-	300,000	300,000
Plant & Machinery	-	1,200,000	-	1,200,000	1,200,000
Utilities	-	-	-	-	-
Motor Vehicles	-	-	-	-	-
Furniture and equipment	-	-	-	-	-
Pre-Operating costs	-	-	-	-	-
Working Capital	-	-	6,000,000	6,000,000	6,000,000
External Financing	**-**	**1,500,000**	**6,000,000**	**7,500,000**	7,500,000
Total Financing	**-**	**2,554,160**	**12,016,256**	**14,570,416**	**14,570,416**

1.7 Project Rationale

- The project idea as developed by MeTL Motors is backed by the fact that motor vehicles assemblers for the domestic market benefit from tariff protection against imports which offsets the cost-raising effect of import duties on components.
- Consumers pay for this through prices that are higher than they would be in the absence of the import duty on vehicles, and the National Treasury pays by foregoing customs duties on components.
- Firms producing vehicles or components for export qualify for duty drawbacks on all imported components. These allow them to import motor vehicles (and components) duty-free and sell them domestically at the duty-inclusive price. The value of the import incentives depends on the price mark-up permitted by the tariff.

1.8 Project Location

- The project will be situated in Kiwalani Industrial Area on Plot no. 47 and 53, Ilala Municipality, in Dar-es-salaam about 6km from the Dar-es-salaam city centre. The project site is measuring 2,700 square meters.

1.9 Project Outputs

- MeTL Motors will assemble and supply new trucks and three-wheeler motorcycles to conform to international quality standards. In intent to keep pace with the global innovations, MeTL Motors will make round-the-clock efforts to supply latest technologies trucks and motorcycles to ensure trouble-free machinery at most economical price.
- The project will assemble various types of trucks as follows:
    - Assembly line for new trucks will assemble the following trucks:
        - Dump trucks, and Tractor trucks,
        - Cargo trucks, and Cement mixer trucks,
        - Special vehicles and Light vehicles
    - Assembly line for three-wheeler will assemble the following motorcycles:
        - Passenger Three-Wheelers
        - Cargo Three-Wheelers, and
        - Dump Three-Wheelers

- The project is assumed to assemble about 1,800- Road Tractors; 1,200 Light-Weight Trucks; and 600 three-wheeler motorcycles in the first year of operation.

Assembled Trucks & 3-Wheelers						
		Year 1	Year 2	Year 3	Year 4	Year 5
Plants Production Capacity						
Number of Vehicles	Vehicles/batch	-	50	50	50	50
Number of Days	Days/Batch	-	2	2	2	2
Number of Batches	Batches/Year	-	120	120	120	120
Assembly Capacity	Vehicles/Year	-	6,000	6,000	6,000	6,000
Capacity per Product						
Road Tractors	**Vehicles/Year**	-	3,000	3,000	3,000	3,000
Light-weight Trucks	**Vehicles/Year**	-	2,000	2,000	2,000	2,000
Three Wheelers	**Vehicles/Year**	-	1,000	1,000	1,000	1,000
Plant Capacity Utilisation	**Percentage**	-	60%	70%	80%	85%
Products Assembled						
Road Tractors	Units	-	1,800	2,100	2,400	2,550
Light-Weight Trucks	Units	-	1,200	1,400	1,600	1,700
3-Wheelers	Units	-	600	700	800	850
Total	**Units**	**-**	**3,600**	**4,200**	**4,800**	**5,100**
Trucks	**Trucks**	**-**	**3,000**	**3,500**	**4,000**	**4,250**
Trucks/Month	Trucks	-	250	292	333	354

1.10 Market Outlook

- The demand for transport services is largely influenced by the level of economic activities. In Tanzania, the road transport is the dominant mode of transport comprising about 70% of freight and 90% of passenger movement.
- The growing demand for motor vehicles is exhibited by the growing number of registered motor vehicles in the country.
- The project main target markets are companies and individual business people engaged in the transport of heavy and light consignments. The project targets the local Tanzania market as well as the neighbouring countries.

1.11 Organization and Implementation

- The assembly plant establishment will be done based on a turn-key project where the plant suppliers will undertake to provide the machinery; undertake the installations works; and commissioning of the project.
- The project is estimated to take 12-month of implementation and production is assumed to commence in the second year of the project.
- Upon completion of the implementation works, the project will be under the management of MeTL Motors with a technical assistance from the technology partners.

1.12 Projected Profitability

- The analysis of the profitability of the overall project indicates that the project is a profitable undertaking with short-term returns to the investors.
- The overall gross margins are projected to average 3.5% and the net margins are projected at 1.7% over the first 10-years of operation as summarized below.

Projected Profitability		Amount in USD				
		Year 1	Year 2	Year 3	Year 4	Year 5
Projected Revenues						
Road Tractors	USD	-	109,998,000	134,747,550	161,697,060	180,393,283
Light-Weight Trucks	USD	-	62,275,500	76,287,488	91,544,985	102,129,874
Less: Agents Allowance (1%)	USD	-	1,738,485	2,129,644	2,555,573	2,851,061
Add: Spare parts & Service	USD	-	3,476,970	4,259,288	5,111,146	5,702,122
Net Revenues	USD	-	175,586,985	215,094,057	258,112,868	287,957,168
Gross Profit/Loss	**USD**	**-**	**5,846,617**	**7,307,497**	**8,901,703**	**9,995,730**
Gross Margins	%	-	3.3%	3.4%	3.4%	3.5%
EBITDA Margins	%	-	2.6%	2.8%	2.9%	2.9%
Net Margins	%	-	1.4%	1.6%	1.7%	1.7%

1.13 Projected Cashflows

- The projected cash flow statements indicate that the company will have positive cash balances in the first year of operation which will partly be financed by the proposed short-term facilities of USD 6.0 million.
- The projected cashflows statements are as summarized below.

Projected Cashflows						
		Year 1	Year 2	Year 3	Year 4	Year 5
Cash Inflows						
Equity Financing	USD	1,054,160	6,016,256	-	-	-
External Financing	USD	1,500,000	-	-	-	-
Sales revenues	USD	-	175,586,985	215,094,057	258,112,868	287,957,168
Total Outflows	**USD**	**2,554,160**	**181,603,241**	**215,094,057**	**258,112,868**	**287,957,168**
Cash Outflows						
Capital Expenditure	USD	2,554,160	-	-	43,000	125,000
Other Outflows	USD	-	185,110,455	214,429,267	256,732,457	285,039,887
Total Inflows	**USD**	**2,554,160**	**185,110,455**	**214,429,267**	**256,775,457**	**285,164,887**
Surplus (Deficit)	USD	-	(3,507,214)	664,790	1,337,411	2,792,281
Closing Balance	**USD**	**-**	**(3,507,214)**	**(2,842,424)**	**(1,505,013)**	**1,287,268**

1.14 Project Viability

- The projected is a viable investment with Internal Rate of Return (IRR) of 20% which is greater than the current cost of funds; and a positive Net Present Value (NPV). The project Normal Payback Period is within three-year period.

1.15 Economic Benefits

- Tax Income – the project will pay income taxes, property taxes, corporate taxes and other taxes to the Tanzania government.
- Jobs Creation – the project will create over 100 direct jobs and over 200-indirect employment.

1.16 Conclusion And Recommendations

- Road transport is the dominant mode of transport in Tanzania and the African region comprising about 70% of freight and 90% of passenger movement.
- The proposed project will generate value addition to the agricultural, mining as well as industrial output in the country and will generate over 100 direct employments to Tanzanians.
- The analysis suggests that the project is financially and economically viable and technically feasible. The project will be able to meet its financial obligations from the project sales revenues.

The Project Promoters

2.1 Introduction

- The proposed project will be implemented by MeTL Motors Ltd, an associate company of MeTL Group of companies of Dar-es-salaam, Tanzania. The company is desirous to become the leading motor vehicles assembly company in Tanzania to serve the Eastern and Southern African market.

2.2 Legal Status

- MeTL Motors is a private limited liability company under Tanzania' Company Laws. The company is registered with the objectives of, among other things, involving in the importation, assembling and marketing of motor vehicles and development of related industries. The company has been granted with the following certifications:
  - A Certificate of Incorporation
  - Taxpayers Identification number
- The company will in due course process for other statutory documents such as industrial license, Environmental Impact Assessment (EIA) certificate, etc.

2.3 Company Business

MeTL Motors is set to become the leading assembler, supplier, trader, wholesaler of tractors and trucks in Tanzania. The company will import, assemble and supply trucks and three-wheeler motorcycles of various dimensions and sizes, and can be customized in compliance with the industry standards.

2.4 Company Ownership

The company is owned by four Tanzanian nationals whose shares are distributed as follows:

Shareholders' name	Shares Owned (%)	Nationality
Dixita Mohammed Dewji	50%	Tanzanian
Gulamabbas Dewji	40%	Tanzanian
Hassan Gulamabbas Dewji	5%	Tanzanian
Hussein Gulamabbas Dewji	5%	Tanzanian
Total	100%	

The Project Concept

3.1 Introduction

- The project entails assembly of motor vehicles specifically trucks and three-wheeler motorcycles. The project involves assembly of the final product from several metallic, plastic and electrical components mostly imported from the technology company.

3.2 The Concept

- The proposed project involves establishment of multiple Dealership business for brand trucks and three-wheeler motorcycles from motor vehicles manufacturers.
- The project entails importation and assembling of brand-new trucks and three-wheeler motorcycles and related accessories under Sole Dealership Agreement. The project will assemble trucks of different origin as follows:

- Road Trucks and Light-weight Trucks Assembly
    - The project will import automotive parts for assembling of branded new trucks.
    - The trucks technology and parts will be supplied by different manufacturers.
    - Presently, manufacturers have developed heavy-duty truck manufacturing bases and have made significant contributions to the development of heavy-duty truck industry.

- Three-Wheeler Motorcycles Assembly
    - The project will import automotive parts to assemble three-wheeler motorcycles from different manufacturers. The motorcycle technology and parts will be supplied by specific motorcycle manufacturers.

    - MeTL Motors will identify a manufacturer product that have successfully passed international certification such as US DOT certification and EU ECE certification.

- MeTL Motors will undertake to import the parts to be assembled from motor vehicles manufacturers. The project is envisaged to have annual capacity of assembling 3,000 road tractors; 2,000 Light-weight trucks; and 1,000 three-wheeler motorcycles.

3.3 Project components

The project will also entail the following investments costs:

a) Establishment of Bonded Warehouse – the project will establish bonded warehouse from where it will market the machinery and equipment and motor vehicles.

b) Establishment of a specially built service bay (specialized garage) which will provide technical and mechanical services to the motor vehicles.

c) Procurement of machinery, equipment and tools for the specialized garage for services of the machinery and motor vehicles.

d) Procurement of support facilities including the following:

- ✓ Procurement of office furniture and fittings including chairs, tables, office cabinets and others.
- ✓ Procurement of office equipment including computers and computer accessories and other office equipment.
- ✓ Procurement of motor vehicles for office use as utility vehicles.
- ✓ Pre-operating costs which include finance costs (loan arrangement fees, legal fees, etc) and non-finance costs (staff recruitment and training, initial establishment costs, initial marketing costs, etc).

3.4 Other Project Requirements

(a) Spare Parts Trading

- The project will involve trading of spare parts for the trucks and three-wheeler motorcycles which are assembled by the company.
- The project will import spare parts from the manufacturers of the assembled vehicles.

(b) Statutory Requirements

- Additional to establishment of the assembly plants and the support facilities, MeTL Motors will meet the following project requirements during the project operations prior to the motor vehicles are sold to the target customers:
  - Import duties, clearing and forwarding, and import documentation fees
  - Wharfage charges, port handling charges, and port removal charges
  - Insurance premium, Bonded warehouse fee
  - Assembly materials, Fuel and lubricants and maintenance and testing costs
  - Machinery/motor vehicles registration charges

SWOT Analysis

4.1 Introduction

- The assembly of motor vehicles in any market economy can potentially have strengths, weaknesses, opportunities and threats (SWOT). MeTL Motors will undertake to capitalize on the following strengths and opportunities as well as prepare to address the below weaknesses and threats.

4.2 SWOT Analysis

Strengths	▪ Strong GDP growth will help vehicle sales growth. ▪ Government investment in road and transport networks will increase demand for vehicles. ▪ Currency stability and low inflation will support consumer spending and benefit the autos market. ▪ Strong credit growth will support expansion in auto loan demand.
Weaknesses	▪ Tanzania has high import costs. ▪ There are no domestic auto manufacturing plants
Opportunities	▪ Low vehicle penetration rates create opportunity for market expansion. ▪ The development of the natural gas sector could provide growth in commercial vehicle segment.
Threats	▪ The used car segment is stronger than new car segment. ▪ Kenya is leading the way in terms of being a vehicle production and logistics hub for the East African region.

Project Rationale

5.1 Introduction

- MeTL Motors Planned investment in the assembly plant for motor vehicles and motorcycles is aimed to support government initiatives for industrial development in the country. The project implementation and operation require government support in the form of investment incentives to enable the project compete sustainably in the market.

5.2 Tax Incentives

- Strategic investment projects are considered for different tax incentives with intent to reduce investment costs and compete in the market. Government may at different time offer a varied form of tax incentives to projects including the following:
    - Tax holidays –
        - This is temporary exemption of a new firm or investment from certain specified taxes, typically at least corporate income tax. Sometimes administrative requirements are also waived, notably the need to file tax returns.
    - Special zones –
        - These are geographically limited areas in which qualified firms can locate, and thus, benefit from exemption of varying scope of taxes and/or administrative requirements.
    - Investment tax credit –
        - This is a deduction of a certain fraction of an investment from the tax liability. Rules differ regarding excess credits (credits in excess of tax liability) and include the possibility that they may be lost, carried forward or refunded.
    - Investment allowance –
        - This involves deduction of a certain fraction of an investment from taxable profits (in addition to depreciation). The value of an allowance is the product of the allowance and the tax rate.

- Accelerated depreciation –
  - This entails depreciation at a faster schedule than available for the rest of the economy. This can be implemented in many different ways, including a higher first year depreciation allowances, or increased depreciation rates.
- Reduced tax rates –
  - This is a reduction in a tax rate, typically the corporate income tax rate.
- Exemptions from various taxes –
  - Exemption from certain taxes, often those collected at the border such as tariffs, excises and Value Added Taxes (VAT) on imported inputs.
- Financing incentives –
  - This involves reductions in tax rates applying to providers of funds, e.g., reduced withholding taxes on dividends.

- This project will be successful if granted with tax incentives including corporate tax holiday, reduction in tax rates especially for import duty on inputs, exemptions for some taxes during implementation and operations.

5.3 Industrial Development

- Motor vehicle assembly would create suppliers of direct inputs to the assembly process cluster around assembly plants and major transportation routes.
- Some of the possible suppliers to the motor vehicles assembly industry include:
  - Gasoline and engine parts manufacturing
  - Electrical and electronic equipment manufacturing
  - Steering and suspension components manufacturing
  - Brake system manufacturing
  - Transmission and power train parts manufacturing
  - Seating and interior trim manufacturing
  - And other motor vehicle accessories

Tanzania's Transport Sector

6.1 Introduction

- The project falls under the Transport and Storage sector in Tanzania. The sector plays a major role in the Tanzania's economy. It contributed 7.1 percent to the country's Gross Domestic Product (GDP) in 2021 compared to 7.4 percent in 2020.
- The slowdown in growth in 2021 was due to handling of some cargo by neighboring countries after the removal of travel and logistic restrictions that were imposed to contain the spread of COVID-19.

6.2 Transport System

- The transport sector in Tanzania is very competitive. The sector comprises of roadway, railway, waterway and airway networks as follows:
  - As of December 2021, the country' road network was 180,791.7-km, of which 36,361.9-Km were under the Tanzania National Roads Agency (TANROADS) and 144,429.8-Km were under Tanzania Rural and Urban Roads Agency (TARURA).
  - **The road network carries over 80% of passenger traffic and over 75% freight traffic in the country.**
  - A Railway sub-system of 3,685 km of trunk lines. 2,715 km of these are operated by the Tanzania Railways Corporation (TRC) while the Tanzania–Zambia Railway Authority (TAZARA) operates 970km of the 1750km Dar es Salaam–Ndola rail line within Tanzania.
  - A maritime transport sub-sector, with major sea ports in Dar es Salaam, Tanga and Mtwara managed by the Tanzania Harbours Authority (THA) and inland water transport with ports on Lakes Victoria, Tanganyika and Nyasa managed by Marine Services Company Ltd. In Zanzibar, there are major seaports at Malindi and Mkoani which are managed by the Zanzibar Port Corporation.
  - Air transport sub-system with three international Airports in Dar es Salaam, Kilimanjaro, and Mwanza, and over 60 domestic airports and airstrips as well as a national airline, which has a strategic investor. There are a number of small domestic airlines.

6.3 Clearing & Forwarding

The movement of goods into and out of Tanzania is controlled by the Customs administration. Entry or exit must be through authorized points and routes. Goods crossing the borders should pass through Customs clearance formalities.

Clearing and forwarding processes involve the facilitation of other institutions such as Clearing and Forwarding Agents, Tanzania Harbours Authority (THA), Tanzania Airport Authority (TAA), Customs Inspection company (TISCAN) and Shipping agencies to mention few.

Customs administration does enforce other government laws such as certification, verification and testing of quality or standard of imported goods, which are administered by different government institutions depending on the type of imported goods. These institutions include :- The Tanzania Food and Drugs Authority, Tanzania Bureau of Standard (TBS), Tanzania Radiation Commission, Ministry of agriculture for phytosanitory services and Tanzania Pesticides Research Institute (TPRI) to mention the least.

6.4 The Policy Framework

The role of government is to deal with policy formulation, strategic planning and monitoring. This has been realized by transforming a number of government departments in the Transport Sector into semi-autonomous agencies. The agencies include the Tanzania National Roads Agency (TANROADS), the Tanzania Civil Aviation Authority (TCAA), the Tanzania Airports Authority (TAA), the Tanzania Meteorological Agency (TMA), and the Tanzania Government Flight Agency (TGFA).

The regulatory functions have been delegated to appropriate agencies, which are the Tanzania Civil Aviation Authority (TCAA) and the surface and Marine Transport Regulatory Authority (SUMATRA). A road fund has also been set up since 1999 to provide reliable funding for the sustained maintenance of the road network.

The private sector has been encouraged to participate in the management of strategic transport infrastructure especially ports, airports and railways in the country.

Tanzania's Construction Industry

7.1 Introduction

- MeTL Motors is intending to import and assemble trucks for the construction industry.
- The Construction Industry in Tanzania is one of the key sectors of the economy. In year 2015, the growth rate of the construction activities was 10.2 percent compared to 7.5 percent in 2014. 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 the country's Gross Domestic Product (GDP) remained fairly high at 8.0 percent in 2010 compared to 7.9 percent in 2009.

7.2 Sector Performance

- The Tanzania construction sector continues to be one of the most exciting sectors in the Tanzanian economy. The sector is currently experiencing a period of growth primarily driven by the recent developments in the roadwork, housing and mining industries.
- The growth rate of the sector increased to 11.9% in 2005/06 from 10.8% in 2004/05 and the contribution of construction activity to the overall GDP rose to 5.7% in 2005/06 compared to a contribution of 5.4% in 2004/05.
- The government is looking to continue making gains in the construction sector and is hoping to repeat and improve upon the recent gains made by the sector. The combined sectors of works infrastructure, transport and communications are paramount to the process of development and poverty reduction within Tanzania.
- The effectiveness of these sectors directly contributes to the creation of economic opportunities such as the ease of market access; increased competition; encouragement to trade, tourism and foreign investment; contribution to government revenue and increased employment opportunities.

Tanzania's Business Environment

8.1 Introduction

- The rapid development of the motor vehicle depends not only on technological developments, but also on the economic growth. As the demand for motor vehicles increased, so the triple interlocking systems of vehicle manufacture, public use, and infrastructure construction achieved great economic and political power and influence.
- Tanzania is the largest country in East Africa in terms of land with 883,749km^2 (881,289km^2 mainland 2,460km^2 Zanzibar), plus lakes totalling to 59,100km^3**.** The country has about 1,400km of coastline along the Indian Ocean.
- It is well situated geographically bordering Burundi, Kenya, Malawi, Mozambique, Rwanda, Uganda, Zambia and the Democratic Republic of Congo (DRC).
- Tanzania has a tropical type of climate. In the highlands, temperatures range between 100c and 200c.during cold and hot seasons respectively. The rest of the country has temperatures never falling lower than 200c. The hottest period spreads between November and February (250c - 310c) while the coldest period occurs between May and August (150c - 200c).

6.1 Socio-Economic Development

[a] Population

- Tanzania population has increased more than four times from 12.3 million people in 1967 to 57.6 million people in 2020. The average annual intercensal growth rate according to the 2012 Population and Housing Census is 2.7 percent.
- Below table provides a summary of the country's population trend from 1967 to 2020:

Year	1967	1978	1988	2002	2012	2020
Population	12.3	17.5	23.1	34.4	44.9	57.6
Source: National Economic Survey, 2020,						

[b] Urbanisation

- Tanzania cities and towns are rapidly urbanizing. This urbanization is a manifest of rural-to-urban migration as well as natural population increase. The four largest cities are Dar-es-salaam, Mwanza, Arusha and Mbeya.

Tanzania (Mainland): Urban Population (1967 – 2018)

Year	1967	1978	1988	2002	2012	2018
Urban						
Population	685,092	2,257,921	3,991,882	7,554,838	12,701,238	17,785,328
Growth Rate	-	11.50%	5.90%	4.70%	5.30%	
Dar-es-salaam						
Population	272,821	769,445	1,205,443	2,336,055	4,364,541	5,147,070
Growth rate	-	9.90%	4.60%	4.80%	6.50%	6.5%
Tanzania (Mainland)						
Population	11,975,757	17,036,499	22,507,047	33,461,849	43,625,354	52,619,314
Growth Rate	-	3.30%	2.80%	2.90%	2.70%	2.70%

- In 2018, Tanzania's urban population was 33.8% which is an increase from 7.3% in 1969 to 33.8% in 2018 growing at an average annual rate of 3.19%.

[c] Macro-economic Performance

- Tanzania maintains an economy highly dependent on agriculture, contributing an estimated 30% to the country's Gross Domestic Product (GDP) and employing nearly 70% of the working population.
- The economy continued to expand steadily in the aspects of GDP, inflation rate and exchange rate. The real GDP grew by 7.1% in 2017, maintaining the high growth momentum of the past 5-years.

Tanzania: Rate of Real GDP Growth, Inflation & USD Exchange

Year	2013	2014	2015	2016	2017	2018
GDP Growth	7.3%	7.0%	7.0%	7.0%	7.1%	7.0%
Inflation Rate	7.9%	6.1%	5.6%	5.2%	5.3%	3.5%
Exchange Rate (TZS/USD)	1,598	1,653	1,985	2,177	2,229	2,242

Source: Annual Report 2017/18, Bank of Tanzania; Tanzania in Figures, NBS June 2019

- In nominal terms, GDP increased to TZS 116.1 trillion from TZS 103.7 billion with per capita nominal income improving to TZS 2.27 million from TZS 2.13 million in 2016. During 2017/18, output growth was to a large extent driven by construction, transport and storage, and agriculture; altogether contributing almost half of the total growth.
- Real gross national disposable income (GNDI), which comprises compensation of employees, property income, current transfers, and operating surplus, grew by 6.3% in 2017 compared with 6.1% in the preceding year. Final consumption grew by 4.4% and accounted for 80.7% of the disposal income and 76.3% of nominal GDP.

The Products & Services

9.1 Introduction

- The project involves importation and assembly of motor vehicles – trucks of various capacities and designs. The motor vehicles will include light and heavy duty from different manufacturers in the world.

9.2 Assembled Trucks

- The trucks assembly plant will assemble the following types of trucks as per the market demand;
    - Dump trucks
    - Tractor trucks
    - Cargo trucks
    - Cement mixer trucks
    - Tank trucks
    - Special vehicles
    - Light vehicles

9.3 Assembled 3-Wheeler Motorcycles

- The project will assemble and distribute the following types of motorcycles:
    a) Cargo three-wheelers
    b) Passenger three-wheelers
    c) Dump three-wheelers

9.4 Spare Parts

- Additional to the assembling and marketing of trucks, the company products will include spare parts for the same motor vehicles assembled by the project. The company will undertake to sale varieties of spare parts for trucks. The company will import all its requirements of spare parts.

- The spare parts include the following:

  (i) Engine parts
  - Engine bearings,
  - Overhaul gaskets,
  - V-belts and timing belts,
  - Batteries and
  - Other engine parts.

  (ii) Chassis parts
  - Suspension parts,
  - Bearings
  - Break system and
  - Other chassis parts.

  (iii) Body parts
  - Head lumps,
  - Indicators,
  - Site mirrors,
  - Show grill and
  - Other body parts.

  (iv) Service parts
  - Plugs,
  - Point,
  - Condensers and
  - Other service parts.

  (v) Car accessories
  - Steering and Seat Covers,
  - Car carpets, and
  - Other car accessories.

  (vi) Car Care Products
  - Appearance products,
  - Cooling system,
  - Grease and oil lubricants,
  - Imagery products,
  - Repair products. and
  - Other Car care products

Market Overview

10.1 Global Trade

- According to UNCTAD, overall, the value of global trade reached a record level of USD 28.5 trillion in 2021 which is an increase of 25% on 2020 and 13% higher compared to 2019, before the COVID-19 pandemic struck.
- While most global trade growth took hold during the first half of 2021, progress continued in the year's second half. After a relatively slow third quarter, trade growth picked up again in the fourth quarter, when trade in goods increased by almost USD 200 billion, achieving a new record of USD 5.8 trillion.
- Meanwhile, trade in services rose by USD 50 billion to reach USD 1.6 trillion, just above pre-pandemic levels.

10.2 Intra-Regional Trade Potential

- ELEMENTS LTD intends to capitalise on the growing trade relationships among the East African Community (EAC) countries and the Southern Africa Development Co-operation (SADC) countries which together present the window of opportunity to the company.
- Countries in East Africa are members of three important regional economic communities:
  - ✓ the Common Market for Eastern and Southern Africa (COMESA),
  - ✓ the Intergovernmental Authority on Development (IGAD), and
  - ✓ the EAC.
- Tanzania is member of SADC. Despite these regional initiatives, intra-regional trade in East Africa is far below its potential — less than 12% for all countries. Informal cross-border trade is estimated to be as high as 50% of formal trade in the region.
- Currently, about 60% of the EAC's total imports originate from Asia with China and India taking up half of the total imports. Despite the depth of the economic crisis precipitated by the COVID-19 pandemic, since May 2020 intra-regional trade in East Africa has shown significant resilience.

- For instance, in the agricultural crops, maize grain was the main commodity traded in the region between January and March (first quarter of 2021) followed by sorghum and rice.

Informal Cross-Border Trade in Eastern Africa The 2nd Quarter of 2021

	Selected Traded Crops	Percentage
1	White Miaze Grain	19%
2	Sorghum	18%
3	Rice	14%
4	Maize Flour	12%
5	Wheat Flour	11%
6	Sugar	10%
7	Dry Beans	9%
8	Wheat Grain	7%
		100%

- In the second quarter of 2021 (April-to-June), approximately 220,000 MT of maize was traded within the Eastern Africa region.
- Approximately 119,000 MT of sorghum was traded in the region in the second quarter of 2021. Uganda and Tanzania accounted for 84 and 13 percent of the exports, respectively.
- An estimated 102,000 MT of locally produced rice and some international re-exports from Somalia were traded in the region in the second quarter of 2021. Uganda, Tanzania, and Somalia represented 45, 37 and 17% of total exports, while South Sudan, Uganda, Ethiopia, and Kenya accounted for 45, 20, 15 and 14 percent of the total imports, respectively. The increased regional trade was attributed to exports from Uganda and re-exports of Tanzanian rice from Uganda to South Sudan following availability of hard currency and seasonal restocking and pre- positioning of supplies by traders and humanitarian agencies.
- Around 59,000 MT of dry beans were traded in Eastern Africa in the second quarter of 2021. Uganda and Tanzania accounted for 82 and 14 percent of the exports respectively. During the period, Kenya and South Sudan represented 69 and 29 percent of the total imports respectively.
- The intra-trade provides huge potential for the cargo transport business within the eastern and southern Africa region.

Demand And Supply

11.1 Introduction

- The demand for cargo transport as well as logistics services are a derived demand for trading business. The demand for transport and logistics services is largely influenced by the level of economic activities in an economy which determines international movement of goods for a given country.
- Tanzania operates five modes of transport systems consisting of road, rail, maritime, air and oil pipeline. The maritime and road transport systems in addition to supporting national economic development, acts as vital transit networks for the neighbouring landlocked countries of Malawi, Zambia, Uganda, Rwanda, Burundi and the Democratic Republic of Congo (DRC).

11.2 Target Market

- MeTL Motors target markets four major categories of customers:
    - Corporate companies producing industrial goods and minerals which require transport and logistical services for in-door delivery to the sales agents/wholesalers/retailers and for the export market.
    - Importers and distributors of goods which require transport and logistical services to their target customers.
    - Local traders for agricultural crops requiring transport services to transport the crops to warehouses and markets.
    - Transit goods imported through the Dar-es-salaam and destined to neighbouring land-locked countries.

- In the three-wheeler motorcycle product line, MeTL Motors target individuals involved in the passenger transport services provision mainly in the urban and sub-urban areas of the country.
- The project also targets the markets in the neighbouring countries of Zambia, Malawi, Burundi, DRC and Rwanda.

11.3 Domestic Market

(a) An Overview

- In the domestic market, the demand for transport and logistics service are largely influenced by the level of economic activities which have influence on the growth in the local and international trade.
- With the growing population of 61.8 million people, Tanzania's overall economic development has continued to improve. The country's economic growth has been stable above 4%, driven by agriculture, construction, mining, manufacturing and the services sector including trading.
- Tanzania is the second largest economy in the East African Community (EAC), following Kenya. Agriculture accounts for 26% of Gross Domestic Product (GDP), 50% to 80% of the employed workforce and 85% of exports. Manufacturing accounts for 7.8% of GDP and services for about 50%.

Tanzania: Sector Contribution to Gross Domestic Product (GDP)

	Percentage					
Year	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Sectors						
Agriculture	27.4	28.8	27.9	26.6	26.4	26.1
Agriculture Crops	15.2	16.6	16.3	14.8	15.1	14.6
Livestock, Fishing & Forestry	12.2	12.2	11.6	11.8	11.3	11.5
Mining & Quarrying	4.9	4.4	5.1	5.2	6.6	7.2
Manufacturing	7.8	7.7	8.1	8.5	8.3	7.8
Construction	11.3	12.2	13.1	14.2	14.1	13.8
Trading	9.1	9.1	9.1	8.8	8.6	8.7
Transport & Storage	7.0	6.7	6.5	6.9	7.4	7.1
Accommodation & Food Services	1.4	1.3	1.3	1.3	1.0	1.1
Others	31.1	29.8	28.9	28.5	27.6	28.2
GDP at Market Prices	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: The Economic Survey, 2021, Ministry of Fnance & Planning, Tanzania

(b) Agriculture Crops Transport Needs

- The project targets to transport agricultural crops. Tanzania's agricultural sector produces cassava, maize, sorghum, cocoa and rice in significant quantities. The country generates 7% of Africa's annual maize output. Meanwhile, coffee, cotton, tea, cashew and tobacco crops represent important sources of export earnings for the country.
- Most of the food crops produced are consumed domestically through local marketing and distribution systems.

- Agriculture makes up 28.2% of Tanzania's economy and employs roughly 70% of the country's workforce. The sector has experienced steady growth over the past decade.

Tanzania: Food Production							
Quantity in Millions of Tonnes							
Year		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Cereals	Production	7,613.2	9,828.5	8,899.0	9,457.1	9,388.8	9,537.9
	Requirements	7,656.7	8,148.6	8,190.8	8,355.8	8,457.8	8,627.3
	Gap/Surplus	**(43.5)**	**1,679.9**	**708.2**	**1,101.3**	**931.0**	**910.6**
Non-Cereals	Production	6,770.6	6,186.7	6,609.8	6,715.7	6,512.1	7,354.1
	Requirements	4,492.4	4,619.3	4,755.5	4,803.6	4,842.5	4,942.0
	Gap/Surplus	**2,278.2**	**1,567.4**	**1,854.3**	**1,912.1**	**1,669.6**	**2,412.1**
Total Food	Production	14,383.8	16,015.2	15,508.8	16,172.8	15,900.9	16,892.0
	Requirements	12,149.1	12,767.9	12,946.3	13,159.4	13,300.3	13,569.3
	Gap/Surplus	**2,234.7**	**3,247.3**	**2,562.5**	**3,013.4**	**2,600.6**	**3,322.7**

Source: Annual Report, 2017/18, Bank of Tanzania

- With about 70% of the population living in rural areas, agriculture offers an important source of livelihood. Food production in 2017/18 was estimated at 16.9 million tonnes, which was higher than 15.9 million tonnes in 2016/17. Cereals were 9.54 million tonnes, while non-cereals amounted to 7.35 million tonnes.

(C) Wood-Based Industries

- The project will transport wood-based products. Currently, the major conversion from forest-based industries in Tanzania is focused on the production of sawn timber, poles, fibreboards, chipboards, plywood, pulp and paper manufacturing.
- For instance, in 2018/2019, Tanzania had about 630 primary wood-based industries that included: 609-sawmills, 9-wood based panels industries, 9-pole treatment, 2-wattle extracts, and 1-sandalwood oil and spent dust.

Distribution of Forestry Industry in Tanzania - 2018								
			Distribution of Forestry Industries in Zones					
Industry Type	Total	%	Northern Zone	Southern Highlands	Western Zone	Eastern Zone	Lake Zone	Southern Zone
Saw Mills	609	96.67	269	143	74	26	83	14
Wood-Based Panels	9	1.43	3	5	-	1	-	-
Poles Treatment	9	1.43	2	7	-	-	-	-
Wattle Extracts	2	0.32	1	1	-	-	-	-
Sandalwood Oil & Spent Dust	1	0.16	1	-	-	-	-	-
Total	**630**	**100**	**276**	**156**	**74**	**27**	**83**	**14**

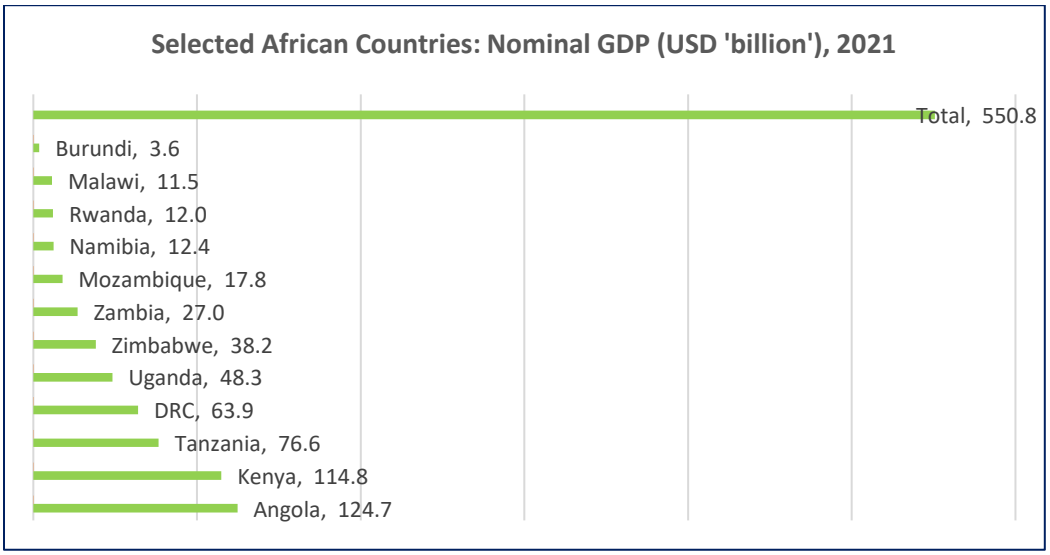
- Wood-based products are transported within and outside the country though road transport using trucks. Most of the wood-based products originate from Iringa, Njombe and Mbeya regions.

11.4 Regional Market

- The growth in the East and Central Africa regional market for transport and logistics services may be determined by the growth in the economy, the population, the cargo transit business within the region and other factors as highlighted herein below.

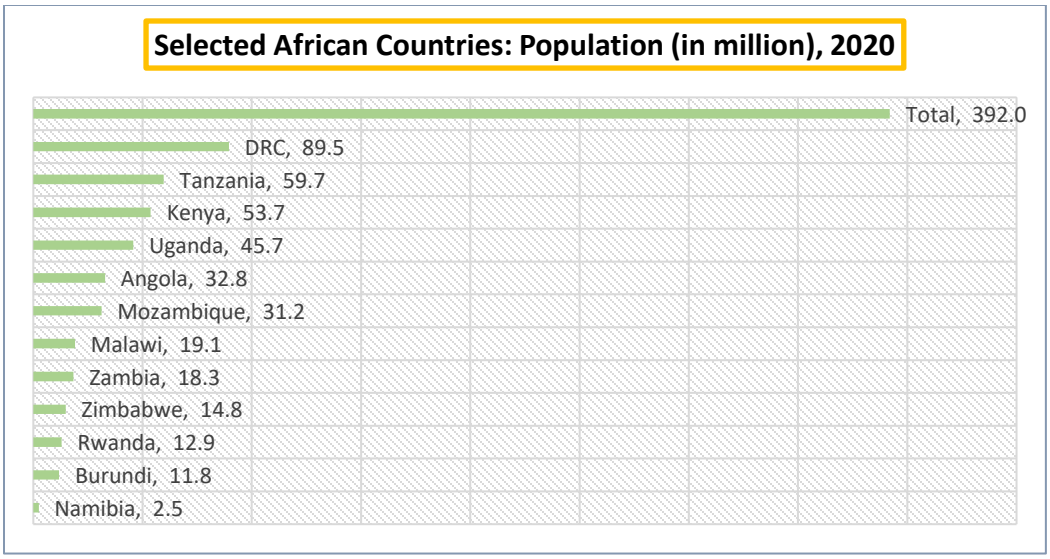
(a) Gross Domestic Products (GDP)

- Africa has emerged as one of the fastest growing regions of the world. Most of the Southern African countries experienced economic growth of between 3% and 7%.
- The below graph presents the Nominal GDP for some of the selected African countries in the southern and eastern African region.



(b) Population.

- Africa, and especially Sub-Saharan Africa, has experienced an unprecedented rate of urban growth, outpacing other regions. The six countries of Tanzania, Zambia, Malawi, DRC, Rwanda and Burundi have a combined population of about 211.3 million people (in year 2020).
- The populations in urban areas for most African countries are currently are estimated at about 40% of total population and expected to increase annually. The below graph depicts population distribution for some eastern and southern African countries.



(c) Agriculture Sector:

- Agriculture constitutes the mainstay of most African economies. It is the largest contributor to the gross domestic product. About two thirds of manufacturing value-added is based on agricultural raw materials. The sector is the main source of employment (supports 70-80% of rural employment).
- Most governments across the African region are making policies to make agriculture a major foreign exchange earner. Countries of India, Brazil and China are investing in food production in the region. Total agriculture investments in Africa, measured as gross capital formation (GCF) increased from US$20 billion to US$35 billion during the last three decades.
- In southern Africa, food staple production is the dominant agricultural activity. More than 50% of agricultural land is allocated to cereals, while maize alone accounts for more than 40% of the total harvested area. Regional schemes to foster cooperation among southern African countries, such as COMESA, SADC, and ECA, have placed great importance on integration in the region's development strategy. Removal of tariffs is an important issue in the region such as elimination of tariffs on imports of dairy products, cereals, textiles, fruits, vegetables and processed food.

(d) Manufacturing Sector Development

- The manufacturing sector provides a locus for stimulating the growth of other activities, such as services, and achieving specific outcomes, such as employment

creation and economic empowerment. This platform of manufacturing presents an opportunity to significantly accelerate the country's growth and development.

- The Southern African economy is easily identifiable with lop-sidedness in terms of the structure of its economy, size and patterns of production, consumption and trade. Southern African states have embraced export processing zones (EPZ) as a strategy to attract foreign investment. The EPZ aims to attract export-oriented manufacturing investment by setting aside enclaves where investors receive a wide range of incentives and developed infrastructure.

(e) Mining Sector

- **Zambia** –
  - Zambia's Mining Industry is one of the major clients of the company. Zambia is internationally recognised as a major producer of copper and cobalt. Zambia is ranked as the world's seventh largest producer of copper, generating 3.3% of the western world's production, and world's second largest producer of cobalt (19.7%). It also has significant quantities of selenium (+-16.7t) and silver (+- 8t) together with minor gold and platinum group elements which are produced as important by-products of the copper mining and processing.
  - More than 300 gold occurrences have been reported throughout the country. The privatization of Zambia Consolidated Copper Mines (ZCCM) has activated the industry. With a total mineral resource of at least two billion tonnes on the Copperbelt alone, there is no doubt that copper and cobalt production will continue with the upward trend.

- **Democratic Republic of Congo (DRC)**
  - DRC is one of the richest mining countries in Africa. The copper, cobalt and diamond mining industries have the potential to be the largest on the continent, while the gold mining industry also has excellent potential.
  - In 2019, mine production of cobalt in the DRC totaled 100,000MT, accounting for 70% of global production. The DRC was the third largest producer of industrial diamonds in 2019, contributing about 21% of global production.

- The country boasts some of the highest quality copper reserves globally, with some of the mines estimated to contain grades above 3%, significantly higher than the global average of 0.6 - 0.8%.
- In 2019, the DRC produced 1.43 million tons of copper, up 19% over 2018. With operating costs that are lower than traditional gold producing countries like South Africa, DRC's gold mining sector is also witnessing renewed interest from mining companies. The Katanga province is part of the Central African Copperbelt, which extends from Angola through the DRC into Zambia. Reserve estimates from the Copperbelt total 55.5 Mt of copper and 3.6 Mt of cobalt.

(f) Tanzania Ports: Cargo Performance

- In 2021, Tanzania Ports Authority (TPA) handled 18.8 million tons of cargo compared to 17.0 million tons handled in 2020, equivalent to an increase of 10.6%. during the same year, a total of 722,808 Twenty Foot Equivalent Units (TEUs) containers were handled in Dar es Salaam, Mtwara and Tanga ports compared to 717,301 TEUs handled in 2020, equivalent to an increase of 0.8%.
- In addition, Tanzania International Container Terminal Services (TICTS) handled 606,169 containers in 2021 compared to 601,654 containers handled in 2020.
- Dar-es-salaam Port
  - Dar-es-salaam Port handles about 95% of the Tanzania international trade. The port is the principal port with a rated capacity of 4.1 million (dwt) dry cargo and 6.0 million (dwt) bulk liquid cargo. The port has a total quay length of about 2,000 meters with eleven deep-water berths.
  - The port serves the landlocked countries of Malawi, Zambia, DRC, Burundi, Rwanda and Uganda. The port is strategically placed to serve as a convenient freight linkage not only to and from East and Central Africa countries but also to middle and Far East, Asia, Europe, Australia and America.
  - Owing to expected increase in trade volumes, TPA had plans to improve performance of its main port, Dar es Salaam, and increase annual cargo traffic from 13.5 million tonnes in 2013 to 18 million tonnes come 2015, which is about 30 per cent growth.

(g) Transit Trade Volumes

- Tanzania is the natural gateway to one of the fastest growing regions in the world with increasing trade volumes. In 2021, transit cargo handled at Dar es Salaam port increased by 20.2 percent to 6,421,598 tons compared to 5,340,287 tons handled in 2020. This was attributed to initiatives by TPA to widen the market base especially in Zambia and DRC.
- The container transit trade flows have witnessed the highest growth, increasing at a compounded annual growth rate of 19%.

Tanzania: Transit Cargo (in Tons)

Country	2017	2018	2019	2020	2021	Growth
Zambia	2,021.2	1,504.0	1,763.0	1,159.1	1,507.7	**30%**
DRC	1,176.7	1,779.6	1,914.1	1,840.6	2,357.9	**28%**
Burundi	415.9	379.7	453.2	476.8	507.0	**6%**
Rwanda	1,061.2	911.8	1,238.6	1,239.2	1,366.3	**10%**
Malawi	276.0	311.2	336.7	407.4	471.3	**16%**
Uganda	271.9	188.6	140.9	153.9	138.8	**-10%**
Others	85.4	98.5	25.3	63.2	72.5	**15%**
Total	**5,308.3**	**5,173.4**	**5,871.8**	**5,340.2**	**6,421.5**	**20%**

- Transit traffic growth is mainly driven by economic growth, growth in agriculture, forestry and fisheries, energy, mining and development of rail and road infrastructure.
- Transit trade is growing at a rate of 15% compared to the 10% growth in the total traffic of Dar-es-salaam port. The transit goods are projected to grow by four times to 14.6 million tons in 2028 up from 3.6 million tons in 2011, of which containerized cargo will grow from 130,000 TEUs to 735,000 TEUs in the same period.
- In terms of the transit trade by country, Zambia is the dominant trade partner for transit trade from Dar es Salaam port, with a share of around 50% of the total transit traffic at Dar es Salaam. Zambian traffic is driven by crude oil trade via the TAZAMA pipeline to Zambia's Ndola.
- In consideration of future transit trade, the country wise projections for containers show that Zambia and DRC will continue to be the key destinations, which can be attributed to the growth of these economies and improved connectivity to these regions. On the whole container traffic is expected to grow at an average rate of 11.4% per year.

Competition And Marketing Strategy

12.1 Competition

- The trade liberalization that was introduced in Tanzania in early 1990's saw various vehicles being imported from around the world. Japan is the major supplier of motor vehicles with an estimated 74% of the market share in Tanzania.
- The next major supplier being the United Kingdom (7.5%) followed by France (4.75%), Italy (2.75%), Korea (2%) and Germany (2%). The rest of motor vehicle suppliers sharing the remaining percentage.
- The free importation of motor vehicles into Tanzania has drawbacks to their serviceability because after sales service is not assured. Contrary to original car dealers, most individual importers are not stocking spares and they lack the expertise to handle specialized maintenance.
- In Tanzania, about 44% of all motor vehicles are imported as new, 32.39% as used and 22.85% as reconditioned. Most motorcycles (95%) were imported in new condition. Very few microbuses and saloon cars were imported in new condition, 7.14% and 23.8% respectively. On the other hand, most heavy goods trucks (80%) and large buses (64%) were imported as new.
- Competition is expected from other dealers of motor vehicles who are involved in selling trucks of other brand names as well as from used and reconditioned motor vehicles.

12.2 Marketing Strategy

(i) General Marketing Strategy

- MeTL Motors will use the following marketing strategies:
  - Form alliance with the banks to provide loan facilities to its customers for the trucks. The company will ensure provision of maintenance and repair services to the trucks.
  - Ensure adequate supply of spare parts to its customers
  - Open service bay to provide specialized maintenance and repair services to its customers.

- As a pricing strategy, the company will offer competitive prices to discourage customers from importing trucks from other suppliers abroad.

(ii) Specific Strategies

- MeTL Motors will focus on the following strategic issues for the business:
  - **The Product:**
    - Processing products – the company will assemble and supply high quality trucks of different designs and capacities.
  - **Capital Investment**
    - The company will invest in the newest technology for assembling trucks as well as workshop for maintenance and repairs of motor vehicles.
  - **Distribution network**
    - The company will establish a strong marketing and distribution network using the company infrastructure.
    - The company strength will be establishment of market channels within the country and in the neighbouring countries that will ensure fast moving of the company's products. The company will have a central warehouse from where the products will be distributed to wholesalers and retailers.
  - **Promotion and advertisement**
    - All the company products will be branded to differentiate them with products of other manufacturers. The company will use direct marketing and advertise in the media.
    - Some of the promotional strategies include:
  - **Pricing and prices**
    - The company will initially use penetration strategy in pricing its products in which lower prices will be offered to entice customers of the existing manufactures.
    - The lower prices will be offered to wholesale buyers.

Technical Aspects

13.1 Location and Accessibility

- The assembly plant will be located in rented premises on Plot no. 47 and 53, Kiwalani Industrial Area, Ilala Municipality in Dar-es-salaam.
- The premises will comprise of the main factory buildings and offices, the machinery as well as the warehouses and other amenities.

13.2 Land and Land Development

- The project will be built in a plot of land measuring 2,700-square meters.

13.3 Buildings and Civil Works

- The total land requirement of the project is estimated to be about 2,700 m^2. The built- up area is estimated to be about 2,000 m^2, of which 1,000 m^2 would be for assembly hall, 900 m^2, for store, 100 m^2 for office, etc. The balance 700 m^2 would be open space for parking finished trucks.
- The project will construct the following buildings:
  - Main factory building which will house the following processes
    - Road tractors and light-weight trucks assembly plant
    - Three-wheeler motorcycle assembly line
    - Show rooms for trucks
    - Water test building
    - Workshops for renovation of motor vehicles

  - Godowns
    - The project will construct warehouses which will be used as storage facilities for the spare parts.
  - Administration block

- The project will construct administration block for administration purposes.

- Other buildings
  - Other existing buildings include apartments building, dispensary block; residential house; boiler house; and Power House
  - Others are kitchen block, shop building and gate house.

- External works:
  - This includes motor vehicles parking lots, pavements and inner roads construction and other construction works.

13.4 Plant and Machinery

- The design for an assembly line is determined by analyzing the steps necessary to manufacture each product component as well as the final product.
- MeTL Motors will invest in assembly line that ensures all movement of material is simplified, with no cross flow, backtracking, or repetitious procedure. Work assignments, numbers of machines, and production rates are programmed so that all operations along the line are compatible.
- The project will procure and install the following types of machinery:

  - Assembly line
  - Engine assembly line
  - Transmission assembly line
  - Machine shop which will include lathe machines, milling machines, press machines, drilling machines, etc.
  - Engine testing benches

- Welding shop which will have welding shop equipped with welding equipments
- Painting shop which will have painting machinery
- Tester line
- Spare parts and tools
- Materials handling equipment
- Central store
- Electric generator
- Pre-Delivery Inspection and delivery section

13.5 Office Furniture and equipment

- The project will procure office furniture and equipment for use in the respective projects. This will entail procurement of additional office furniture and fittings including office chairs, office tables, office cabinets, carpets and other office furniture.
- The procurement of office equipment entails purchase of computers and computer accessories, computer software and other office equipment.
- The project will also procure furniture and equipment for the residential apartments and conferences.

13.6 Motor Vehicles

- The project will procure motor vehicles which include trucks, office cars and staff buses for use in the operation of the project.

13.7 Utilities

- The cost of electric power has been estimated based on installed load and its utilization. Additional to electricity, the plant will require fuel and water for its operations.
- All utilities requirements have been worked out to installed capacity.

13.8 Preoperational Expenses

- The pre-operational expenses per each project have been incorporated in the respective projects.

13.9 Production Process

(a) Introduction

- The assembly of trucks include both finished and semi-finished components. Approximately 8,000 to 10,000 different parts are ultimately assembled into approximately 100 major components, including suspension systems, transmissions, and radiators. These parts are eventually transported to an automotive manufacturing plant for assembly.
- Material selection plays a vital role in the production process. Materials are ultimately selected based on factors such as performance (strength vs. durability, surface finish, corrosion-resistance), cost, component manufacturing, consumer preference, and competitive responses.
- In response to increasing demands for more fuel-efficient cars, the past ten years have seen changes in the composition of materials used in automobiles. Iron and steel use has steadily decreased, while plastics and aluminum has steadily increased. Aluminum and plastics are valuable car components not only for their lighter weight, but also because of their inherent corrosion resistance.
- Although the use of plastics in the automotive industry is increasing, expansion in this area is finite because of limitations in current plastics materials.

(b) Assembly Process

- Once the various machinery parts are produced, they are ready to be brought together for assembly. Automotive assembly is a complex process that involves many different steps.

- Assembly begins with parts which arrive in the assembly plant "just-in-time." "Just-in-time" is a concept that means parts arrive only when they are needed for assembly; only enough product is sent for a given day's work.

- This concept, which revolutionized the automotive industry, has improved productivity, lowered costs, and provided for better quality management.
- The first major step in assembly is the body shop. At this stage the machinery begins to take shape as sides are welded together and then attached to the underbody of the machinery. For motor vehicles, the underbody is composed of three primary pieces of galvanized steel which include the floor pan and components for the engine and trunk.
- After the underbody has been welded together by robotics, it is tested for dimensional and structural accuracy. It is then joined together in a tab-slot fashion with the side frame and various other side-assemblies. A worker then taps tabs into slots, and a robot clamps the tabs. Roof supports, and the roof are now ready for installation. The car is now ready for final welding.
- Approximately 3,500 to 4,000 spots require welding. Most welding is done by robots, with workers doing only spot jobs. Trunk lids and hoods will then be installed.

Major Assembly Parts By Material & Process

	Major Parts	Sub-major Parts	Primary Materials	Primary Process
1	Engine	Block	Alluminum	Casting
		Cylinder Head	Iron	Machining
		Intake Manifold	Plastic	Molding
		Connecting Rods	Powder metal	Forging
		Pistons	Steel	Stamping
		Cranshaft	Stainless Steel	Extruding
		Valves	Magnesium	
		Exhaust systems		
2	Transaxle	Transmission case	Alluminum	Casting
		Gear sets	Steel	Machining
		Torque converter	Magnesium	Blanking
		CV Joint Assembly	Rubber	Forging
				Stamping
				Extruding
3	Body Structure	Body Panels	Steel	Stamping
		Bumper Assembly	Plastic	Molding
			Alluminum	
4	Chassis/Suspension	Steering Gear/Column	Steel	Casting
		Rear Axle Assembly	Magnesium	Forging
		Front Suspension	Plastic	Machining
		Wheels	Alluminum	
		Brakes	Friction materials	
5	Seats/Trim	Seats	Steel	Molding
		Instrument Panel	Fabric	Stamping
		Headliner/Carpeting	Foam	
		Exterior Trim	Synthetic Fibre	
			Plastic	
			Alluminum	
			Zinc Die Casting	
6	HVAC System	A/C compressor	Steel	Casting
		Radiator/Heater core	Alluminum	Molding
		Engine Fan	Plastic	Stamping

(c) Painting/Finishing

- Finishing of assembled machinery and equipment is a multi-step process subdivided into four categories:
  - Anti-corrosion operations, consisting of cleaning applications, a phosphate bath, and a chromic acid bath;
  - Priming operations, consisting of a electrodeposition primer bath, an anti-chip application, and a primer-surfacer application;
  - Joint sealant application; and
  - Finishing operations, consisting of a colour coat application, a clear coat application, and any painting necessary for two-tone colour or touch-up applications.

13.10 Plant Capacity

- Based on the projected demand and technology recommended, it is envisaged that the plants will have annual capacity of assembling 3,000-Road Tractors, 2,000 Light-weight trucks and 1,000 three-wheeler trucks.

13.11 Capacity Utilisation

- The new trucks assembly plant would utilize 50% of its capacity in the first year and grows at 5% annually.
- The refabricated assembly plant would utilize 50% of its capacity in the first year and grows at 5% annually.
- This programme would allow optimum learning experience to be attained. The plants would operate single shift of 8 hours a day for 300 days in a year.

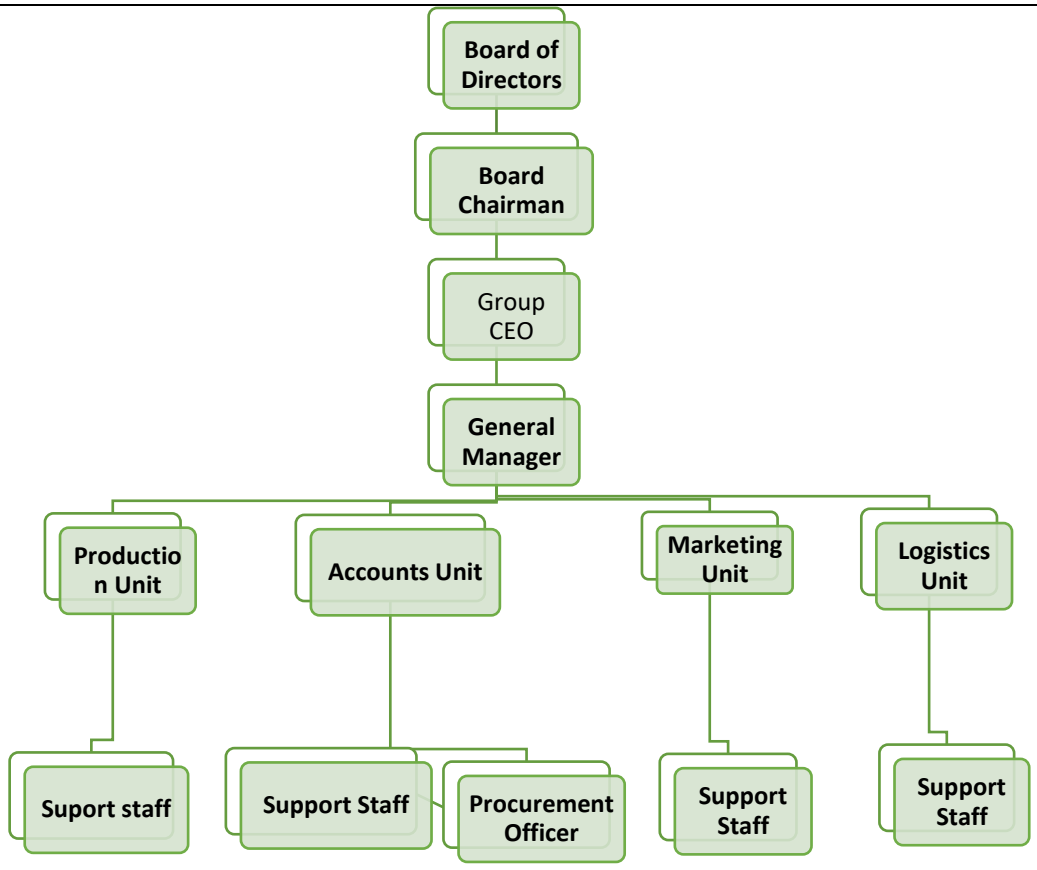
13.12 Raw and Auxiliary Materials

- Materials requirement of the plants would initially comprise of imported components and parts. It is proposed that the plants should produce simple components that would not compromise the quality of the assembled motor vehicles.
- It is envisaged that local production of components / parts would progressively be increased, thereby increasing the proportion of the local content of components and parts in the assembled tractors.

Management And Organisation

14.1 Organisation Structure

- The project will be under the general management of MeTL Motors. The company has a Board of Directors responsible for the major policy and strategic issues. The Board is comprised of members representing the shareholders and other non-shareholders.
- The daily management issues will be under the General Manager (GM) who will be in-charge of all matters of the project. The GM will report to the Group Chief Executive Officer (CEO) who reports to the Chairman and the Board.
- The GM will be assisted by different functional staff in Production, Finance and Administration, Marketing, and Logistics.
- The company's Organisation Chart is presented below:



14.2 Staffing

- The company is projecting to employ a total of 85-staff contingent excluding casual labourers. The staff contingent will comprise of the following:

Company Employment	
Position	**No. of Staff**
Indirect Labour	
GM Office	
Company GM	1
Executive Secretary	1
Administration and Personnel Officer	1
HR Officers	1
Receptionists	2
Office Assistants	2
Chief Security Officer	1
Security Officers	6
Accounts and Finance Unit	
Chief Finance Officer	1
Accounts Assistants	2
Cashiers	1
Clerks	2
Marketing & Sales Unit	
Marketing & Sales Manager	1
Marketing Representatives	4
Sub-total	**26**
Direct Labour	
Production Unit	
Production Manager	1
Engineers	5
Supervisors	5
Technicians	4
Production Line Attendants	40
Support staff	4
Sub-total	**59**
Number of Staff	**85**

14.3 Remuneration

- The project will pay salaries and wages to the workers at competitive rates as shown in the attached Annex 9.
- Additionally, the project will provide the workers with other benefits including lunch at work place, transport services and other benefits.

14.4 Manpower Training on Factory Operation

- The management will mostly employ experienced workers so that they can easily adopt the system and good practices involved in efficient running of the plants.
- The management will identify the training needs of all the technical staff and will install systematic and focused training programs and refresher courses.

14.5 Human Resources Development

- MeTL Motors in collaboration with other relevant stakeholders will provide training programs to workers on issues such as:
    - Plant maintenance
    - Motor vehicle assembly and handling
    - Warehouse management
    - Motor vehicles Marketing and logistics
    - And other training courses

Implementation And Operational Plan

15.1 Implementing Agency

- The project will be implemented by METL MOTORS. The management of the company will undertake to organize all the aspects of the project including the following:
  - Undertake construction of buildings and civil works
  - Ordering and procurement of assembling plants.
  - Procurement of office equipment, furniture and fittings, utilities and motor vehicles.
  - Pre-operating expenses and initial working capital for the proposed project.
  - Provide working capital for the variable and fixed costs of the project.
  - Finance all cost over-runs resulting from the project.

15.2 Implementation Plan

- The company has already obtained the Proforma Invoices from suppliers of some of the plant and machinery.
- The buildings and civil works are subject to signing of contract Agreements with respective contractors and other building consultants.
- The ordering, delivery, installation and commissioning of the plants is estimated to take period of not more than 12-months.
- Except for the plants, the rest of the physical assets will be procured locally.

15.3 Operational Plan

- Upon completion of the implementation, MeTL Motors will undertake to manage and operate the project.
- The shareholders of the company will provide strategic and policy directives to the project.

Risks And Uncertainties

16.1 Delays in Project Implementation

- A number of factors may lead to delays in project commissioning including statutory documentations, funds mobilisation and timely disbursement as well as machinery delivery and installation works.
- The shareholders have great experience in the industrial sector and will follow closely with the government technocrats and policy makers to reduce delays in the project implementation. The company will ensure all conditions with the financing partners are timely addressed. On the machinery procurement and installations, the risks are minimised by the choice of the turnkey structure.

16.2 Price Risk

- Pricing is of paramount concern to motor vehicles manufacturers. Artificially depressed prices set by governments can ultimately cripple motor vehicles supplies and reduce incentives for further investment in a market.
- While the Tanzania government is sensitive to concerns related to cost-savings and the affordability of both new and refabricated motor vehicles, it encourages transparency on pricing decisions and appropriate recognition of the value of innovative products.

16.3 Counterfeits

- Counterfeit spare parts are produced and sold with the intent to deceptively represent its origin, authenticity or effectiveness. Counterfeit spare parts are a dangerous source of unfair competition and financial harm for both the innovative and generic industries.

- MeTL Motors will invest considerable resources to ensure a safe supply chain for genuine motor parts. Additionally, the Tanzania government through TBS and other organs, has consistently enforced policies to address counterfeiting problems.

16.4 Inflation risks

There is a potential risk that inflation might increase at higher rates than projected. This may increase the price of the final products hence reduce the demand for the product. While this risk usually prevails in Developing Countries like Tanzania, the government appears committed to continue maintaining the macroeconomic stability and bring inflation further down.

16.5 Political risks

The government may from time-to-time issue new directives (on issues such as regulations of motor vehicles, tendering, etc.) which may negatively impact on the project implementation and operations. This risk is strongly addressed by the fact that the Tanzania government has maintained long-term commitment of involving the private sector in policy decisions.

16.6 Managerial risks

Managerial risks – The management of motor vehicles assembly industry requires close supervision and expertise in production and marketing. The company will employ personnel with experience in the motor vehicles manufacturing industry in the fields of production and marketing. Additionally, the shareholders of MeTL Group will be part of the management team to drive the finance and marketing department.

Economic And Social Justification

17.1 Contribution to National Output

- The manufacturing sector in Tanzania is still relatively small but has a significant contribution to the country's overall GDP. Over the past decade the sector has averaged 8% of GDP and 4% annual growth rate. Most of the manufacturing activities is centered on simple consumer products such as foods, beverages, tobacco, textiles, chemicals, plastic, wood and steel allied products.
- The project will develop assembly plant that will produce tractors, trucks and motorcycles that will afford consumers in Tanzania and the neighbouring countries access the products at affordable costs.

17.2 Promotion of Regional Trade

- Tanzania is mostly an import-oriented economy whose imports of goods reached USD 8.92 billion in the year ending August 2021. Tanzania joined World Trade Organization (WTO) in 1995, and it participates in several regional trade agreements such as East African Community (EAC); South African Development Community (SADC); and the EAC-COMESASADC Tripartite framework. Tanzania is a beneficiary of a number of nonreciprocal unilateral trade preferences.
- Under these regional integration schemes, motor vehicles assembled from member states enjoy unrestricted tariff free access to the Tanzanian market. It is imperative, therefore, that Tanzania must develop a competitive manufacturing sector that can meet the challenges in regional and international trade. The government should grant special incentives to attract value-addition projects in the industrials sector.

17.5 Employment Creation

- The project will generate direct and indirect employment. The project will create more employment from use of materials sourced from the local market. It is envisaged that local production of motor vehicle components/ parts would progressively be increased, thereby increasing the proportion of the local content of components and parts.
- Besides the local inputs, the project will create employment from the value chain including food vendors, traders, suppliers, etc.

Financial And Economic Evaluation

18.1 Introduction

- This section presents the financial plan.
- The main objective of the financial analysis is to examine both commercial profitability and economic viability of the proposed project.
- The financial projections are divided into the following sections:
  - Investment and Financing Plans
  - Financial Results –
  - Machinery & Equipment Assumptions
  - Operations Assumptions

18.2 Financial Goals

The immediate financial goals of the company are as follows**:**

- Finance the investment costs through equity financing and external financing.
- Obtain funds from lending institutions to part-finance additional working capital.

18.3 Financial Assumptions

(i) General Financial Assumptions

- The currency of accounting is US Dollar
- The exchange rate of TZS to USD is assumed at TZS 2,350 to 1 USD.
- Financial projections for the first 10-years of operation have been worked out.
- Project Commissioning is within 1-year of project implementation.
- The project entails procurement and installation of assembly plants for producing trucks.

(ii) Investment Plan

- Projected Investment costs and financing plan are presented in Annex 1
- The total investment costs are estimated at USD 14.5 million which include the fixed assets, pre-operating costs and initial working capital as summarised below:

Investment Plan						
		Existing	Additional Investment			Total
		Investmen	Year 1	Year 2	Total	Investment
Land & Land Development	USD	-	54,500	-	54,500	54,500
Buildings & Civil works	USD	-	546,000	-	546,000	546,000
Plant & Machinery	USD	-	1,250,000	-	1,250,000	1,250,000
Utilities	USD	-	150,000	-	150,000	150,000
Motor Vehicles	USD	-	220,000	-	220,000	220,000
Furniture and equipment	USD	-	60,000	-	60,000	60,000
Total Physical Assets	**USD**	**-**	**2,280,500**	**-**	**2,280,500**	**2,280,500**
Pre-Operating costs	USD	-	273,660	-	273,660	273,660
Capital Expenditure	**USD**	**-**	**2,554,160**	**-**	**2,554,160**	**2,554,160**
Working Capital	USD	-	-	12,016,256	12,016,256	12,016,256
Total Investment	**USD**	**-**	**2,554,160**	**12,016,256**	**14,570,416**	**14,570,416**

(iii) Financing Plan

- The proposed financing structure of the project include shareholders' equity and external financing. The shareholders' equity shall include the value of land and part-of pre-operating expenses.
- The external financing shall include long-term loan and short-term working capital loan facility. The external financing will account for about 51% of the total financing requirements and the shareholders will account for 49%.
- The external loans financing amount to USD 7.0 million and equity financing of USD 7.5 million as follows:

Financing Plan						
		Existing	Additional Financing			Total Financing
		Financing	Year 1	Year 2	Total	
Equity Financing						
MeTL Motors Ltd	USD	-	1,054,160	6,016,256	7,070,416	7,070,416
Other Partners	USD	-	-	-	-	-
Total Equity	**USD**	**-**	**1,054,160**	**6,016,256**	**7,070,416**	**7,070,416**
External Financing						
Long-Term loans	USD	-	1,500,000	-	1,500,000	1,500,000
Short Term Loans	USD	-	-	6,000,000	6,000,000	6,000,000
Total external financing	**USD**	**-**	**1,500,000**	**6,000,000**	**7,500,000**	**7,500,000**
Total Financing	**USD**	**-**	**2,554,160**	**12,016,256**	**14,570,416**	**14,570,416**
Exposure Ratios:						
Equity Financing	Percentage	-	41%	50%	49%	49%
External Financing	Percentage	-	59%	50%	51%	51%

18.4 Operating Assumptions

(i) Depreciation Assumptions

- The Depreciation Schedules are presented in Annex 6.
- The depreciation and amortization rates are as indicated in the schedule.

(ii) Revenues Assumptions

- Motor Vehicles Assembly
  - The project will establish one assembly plant, for assembling light tipper, light trucks and small trucks of different sizes.
  - The assembly plant will have capacity to assemble 50 vehicles per batch in 2 working days. This translates to 120 batches per annum producing 6,000 vehicles per year.
  - The project has assumed initial 60% capacity utilization increasing to 85% capacity utilization in the fifth year.
  - With the assumed capacity utilisation of the plant, the project will assemble 3,000-new trucks in the first year increasing to 4,250-new trucks in the 5th year as summarized below.

Assembled Trucks & 3-Wheelers		Year 1	Year 2	Year 3	Year 4	Year 5
Plants Production Capacity						
Number of Vehicles	Vehicles/batch	-	50	50	50	50
Number of Days	Days/Batch	-	2	2	2	2
Number of Batches	Batches/Year	-	120	120	120	120
Assembly Capacity	Vehicles/Year	-	6,000	6,000	6,000	6,000
Capacity per Product						
Road Tractors	**Vehicles/Year**	-	3,000	3,000	3,000	3,000
Light-weight Trucks	**Vehicles/Year**	-	2,000	2,000	2,000	2,000
Three Wheelers	**Vehicles/Year**	-	1,000	1,000	1,000	1,000
Plant Capacity Utilisation	**Percentage**	-	60%	70%	80%	85%
Products Assembled						
Road Tractors	Units	-	1,800	2,100	2,400	2,550
Light-Weight Trucks	Units	-	1,200	1,400	1,600	1,700
3-Wheelers	Units	-	600	700	800	850
Total	**Units**	**-**	**3,600**	**4,200**	**4,800**	**5,100**
Trucks	**Trucks**	**-**	**3,000**	**3,500**	**4,000**	**4,250**
Trucks/Month	Trucks	-	250	292	333	354

- Motor Vehicle Prices
  - The project will assemble different types of new trucks with different selling prices. The prices range between USD 25,000 and USD 60,000 per truck. The motorcycles prices are on average of USD 2,600 per unit.
  - The prices are assumed to increase by 5% annually. The projected prices are as summarized below.

Motor Vehicles Aver. Selling Prices		Year 1	Year 2	Year 3	Year 4	Year 5
Road Tractors	USD/Unit	-	61,110	64,166	67,374	70,742
Light-Weight Trucks	USD/Unit	-	51,896	54,491	57,216	60,076
3-Wheelers	USD/Unit	-	2,625	2,756	2,894	3,039

- Motor Vehicle Revenues
  - An agency commission of 1% has been assumed on the gross venenues from the sale of trucks.
  - The project will generate revenues from sale of assembled trucks as well as sale of trucks spare parts as summarized below.

Projected Revenues		Year 1	Year 2	Year 3	Year 4	Year 5
Road Tractors	USD	-	109,998,000	134,747,550	161,697,060	180,393,283
Light-Weight Trucks	USD	-	62,275,500	76,287,488	91,544,985	102,129,874
3-Wheelers	USD	-	1,575,000	1,929,375	2,315,250	2,582,951
Revenue from Trucks	**USD**	**-**	**173,848,500**	**212,964,413**	**255,557,295**	**285,106,107**
Spare Parts/Services Revenues	USD	-	3,476,970	4,259,288	5,111,146	5,702,122
Less: Agents Allowance (1%)	USD	-	(1,738,485)	(2,129,644)	(2,555,573)	(2,851,061)
Total Gross Revenues	**USD**	**-**	**175,586,985**	**215,094,057**	**258,112,868**	**287,957,168**
Revenues Growth	USD	-	-	23%	20%	12%

(iii) Operating Costs Assumptions

- The projected operating costs assumptions include direct and indirect operating costs and have been presented in Annexes 8 (i) and (ii).
- The direct operating costs include costs related to body parts, direct labour costs, utilities and marketing and distribution costs.
- The indirect operating costs include salaries and staff benefits, statutory costs and administration expenses.
- The project operating costs are as follows:

Projected Operating Costs		Year 1	Year 2	Year 3	Year 4	Year 5
Direct Operating Costs						
Main Body Parts	USD	-	157,697,974	193,180,019	231,816,022	258,619,750
Direct Labour	USD	-	819,655	858,686	897,718	936,749
Utilities Costs	USD	-	7,815,308	9,573,752	11,488,502	12,816,860
Marketing & Distribution Costs	USD	-	3,407,431	4,174,102	5,008,923	5,588,080
Total Direct Costs	**USD**	**-**	**169,740,368**	**207,786,559**	**249,211,165**	**277,961,438**
Indirect Operating Costs						
Salaries & staff benefits	USD	-	389,926	408,494	427,062	445,630
Statutory Costs	USD	-	9,816	10,317	10,838	11,380
Administration costs	USD	-	873,158	936,799	1,003,488	1,073,359
Total Indirect Costs	**USD**	**-**	**1,272,900**	**1,355,610**	**1,441,388**	**1,530,368**
Total Operating Costs	**USD**	**-**	**171,013,268**	**209,142,170**	**250,652,553**	**279,491,806**
% of Revenues			97%	97%	97%	97%

18.5 Financial Results

- The financial results are presented in the Profit and Loss Statements and Cash-flow Statements and Balance Sheets.

(i) Projected Profitability

- Profitability of the project has been carried out and presented in Annex 2.
- The analysis of the profitability of the overall project indicates that the project is a profitable undertaking with short-term returns to the investors.
- The overall gross margins are projected to average 3.5% and the net margins are projected at 1.7% over the first 10-years of operation.
- The summary of the projected Profit and Loss Statements for the first 10-years of operation is presented.

Projected Profitability

		Year 1	Year 2	Year 3	Year 4	Year 5
Projected Revenues						
Road Tractors	USD	-	109,998,000	134,747,550	161,697,060	180,393,283
Light-Weight Trucks	USD	-	62,275,500	76,287,488	91,544,985	102,129,874
3-Wheelers	USD	-	1,575,000	1,929,375	2,315,250	2,582,951
Less: Agents Allowance (1%)	USD	-	1,738,485	2,129,644	2,555,573	2,851,061
Add: Spare parts & Service	USD	-	3,476,970	4,259,288	5,111,146	5,702,122
Net Revenues	**USD**	**-**	**175,586,985**	**215,094,057**	**258,112,868**	**287,957,168**
Direct Operating Costs	USD	-	169,740,368	207,786,559	249,211,165	277,961,438
Gross Profit/Loss	**USD**	**-**	**5,846,617**	**7,307,497**	**8,901,703**	**9,995,730**
Gross Margins	%	-	3.3%	3.4%	3.4%	3.5%
EBITDA	USD	-	4,573,717	5,951,887	7,460,315	8,465,362
EBITDA Margins	%	-	2.6%	2.8%	2.9%	2.9%
Other Costs						
Deprectaion & Amortisation	USD	-	305,252	272,679	251,780	242,214
Finance Costs	USD	-	714,845	837,108	971,835	1,059,875
Corporate Tax	USD	-	1,066,086	1,452,630	1,871,010	2,148,982
After-Tax Profit/Loss	**USD**	**-**	**2,487,534**	**3,389,470**	**4,365,690**	**5,014,291**
Net Margins	%	-	1.4%	1.6%	1.7%	1.7%

(ii) Projected cash flow Statements

- The projected cash flows statements are presented in Annex 3.
- The sources of finance to the project include shareholders' equity, the company sales revenues and short-term finances to cover the cash flow deficit.
- Funds applications include capital expenditure, working capital expenses, and project operating expenses, finance costs, loan repayment and corporate tax.

- Capital expenditure includes physical assets (i.e. buildings and civil works, machinery and equipment, office furniture and equipment and motor vehicles) and pre-operating costs.
- The company will have cashflow surplus of up to USD 5.5 million at the end of 6th year of operation.
- The project will have negative cashflows in the first four year of operation before turning positive throughout the project life-time as summarized below.

Projected Cashflows

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Cash Inflows							
Equity Financing							
MeTL Motors Ltd	USD	1,054,160	6,016,256	-	-	-	-
External Financing							
Long-Term loans	USD	1,500,000	-	-	-	-	-
Short Term Loans	USD	-	-	-	-	-	-
Sales revenues	USD	-	175,586,985	215,094,057	258,112,868	287,957,168	302,355,027
Total Cash Inflows	**USD**	**2,554,160**	**181,603,241**	**215,094,057**	**258,112,868**	**287,957,168**	**302,355,027**
Cash Outflows							
Capital Expenditure	USD	2,554,160	-	-	43,000	125,000	-
Change in Net Working Capital	USD	-	12,016,256	2,697,359	2,937,059	2,039,224	986,519
Direct Operating Costs	USD	-	169,740,368	207,786,559	249,211,165	277,961,438	-
Indirect Operating costs	USD	-	1,272,900	1,355,610	1,441,388	1,530,368	-
Loan Interest Payments	USD	-	714,845	837,108	971,835	1,059,875	1,093,174
Loan Principal Payment	USD	-	300,000	300,000	300,000	300,000	300,000
Corporate Taxation	USD	-	1,066,086	1,452,630	1,871,010	2,148,982	2,270,648
Total cash Outflow	**USD**	**2,554,160**	**185,110,455**	**214,429,267**	**256,775,457**	**285,164,887**	**4,650,341**
Surplus (Deficit)	**USD**	**-**	**(3,507,214)**	**664,790**	**1,337,411**	**2,792,281**	**4,230,290**
Opening Cash Balances	**USD**	**-**	**-**	**(3,507,214)**	**(2,842,424)**	**(1,505,013)**	**1,287,268**
Closing Balance	**USD**	**-**	**(3,507,214)**	**(2,842,424)**	**(1,505,013)**	**1,287,268**	**5,517,559**

(iii) Projected Balance Sheets

- The projected balance sheet is presented in Annex 4.
- The projected balance sheet shows that the net physical assets are decreasing overtime due to depreciation. The total net assets increase overtime due to increased net current assets over time.
- The project is projected to have positive net current assets throughout the project life-time.

MeTL Motors Limited

Projected Balance Sheets

	Amount in USD					
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**
Fixed Assets						
Total Physical Assets	**2,280,500**	**2,280,500**	**2,029,980**	**1,855,033**	**1,782,985**	**1,595,503**
Less: Depreciation	-	250,520	217,947	197,048	187,482	163,899
Add: Unamortised Pre-Ops	273,660	218,928	164,196	109,464	54,732	-
Net Fixed Assets	**2,554,160**	**2,248,908**	**1,976,229**	**1,767,449**	**1,650,235**	**1,431,603**
Current Assets:						
Total Current Assets	**-**	**36,374,173**	**44,531,715**	**53,413,840**	**60,866,590**	**68,077,191**
Current Liabilities:						
Total Current Liabilities	**-**	**24,357,917**	**29,818,100**	**35,763,165**	**39,889,423**	**41,883,214**
Net Current Assets	**-**	**12,016,256**	**14,713,616**	**17,650,674**	**20,977,167**	**26,193,976**
Total Net Assets	**2,554,160**	**14,265,164**	**16,689,845**	**19,418,123**	**22,627,401**	**27,625,580**
Financed By:						
Equity Financing						
Equity financing	**1,054,160**	**9,557,950**	**12,947,421**	**17,313,110**	**22,327,401**	**27,625,580**
External Financing						
Short-term Loans	-	3,507,214	2,842,424	1,505,013	-	-
External Financing	**1,500,000**	**4,707,214**	**3,742,424**	**2,105,013**	**300,000**	**-**
Total Financing	**2,554,160**	**14,265,164**	**16,689,845**	**19,418,123**	**22,627,401**	**27,625,580**

(iv) Other Economic Benefits

- Tax Income – the project will pay income taxes, property taxes, corporate taxes and other taxes to the government.
- Dividends – the shareholders will receive dividends from the project.
- Jobs Creation – the project will create more than 85 direct jobs and 0ver 200 indirect employments.
- Generation of foreign currency- the project will export trucks to the neighbouring countries.
- Industrial development - The project will add to the stock of industries to the economy. Tanzania is in a great need for industrial development, an important factor for the country's economic growth and development.

(v) General Comments

- The project financial and economic analysis suggests that the project is financially viable and economically feasible. The project will be able to meet its financial obligations from internally generated incomes.
- The project will be able to pay-back to the equity investors from the incomes generated from sale of its finished products.

Finance Requirements

19.1 Introduction

- MeTL Motors is investing in the motor vehicle assembly industry by establishment of new trucks assembly plant at an estimated cost of USD 2.5 million on capital expenditure and USD 12.4 million for initial working capital.
- MeTL Motors has already funded part of the project costs including preliminary project design costs, and resources mobilisation expenses.
- The promoters will inject equity to the tune of USD 7.1 million to part-finance the project and the balance will come from external sources.

19.2 Funds Required

- The project will require a total of USD 14.5 million as cash requirements for the project implementation.
- The project's funds requirements are as follows:

Funds Requirements

Amount in USD

	Additional Investment		
	Year 1	**Year 2**	**Total**
Equity Financing			
Value of land	54,500	-	54,500
Shareholders Fund (CAPEX)	999,660	-	999,660
Shareholders Fund (W.capital)	-	6,016,256	6,016,256
Equity Financing	**1,054,160**	**6,016,256**	**7,070,416**
External Financing			
Long-Term loans	1,500,000	-	1,500,000
Short Term Loans	-	6,000,000	6,000,000
External Financing	**1,500,000**	**6,000,000**	**7,500,000**
Total Financing	**2,554,160**	**12,016,256**	**14,570,416**
Shareholders' Commitment			
Value of land	2%	0%	0%
Shareholders Fund (CAPEX)	39%	0%	7%
Shareholders Fund (W.capital)	0%	50%	41%
Total Equity Financing	**41%**	**50%**	**49%**
External Financing	**59%**	**50%**	**51%**

19.3 Sources and Uses of Funds

- The project will utilize the equity and external sources of funds for buildings and civil works, plant and machinery, working capital and other support facilities as summarised below:

Sources And Uses of Funds					
	Amount in USD				
	Existing Investme	Additional Investment			Total Investment
		Year 1	Year 2	Total	
Equity Financing					
Land & Land Development	-	54,500	-	54,500	54,500
Buildings & Civil works	-	246,000	-	246,000	246,000
Plant & Machinery	-	50,000	-	50,000	50,000
Utilities	-	150,000	-	150,000	150,000
Motor Vehicles	-	220,000	-	220,000	220,000
Furniture and equipment	-	60,000	-	60,000	60,000
Pre-Operating costs	-	273,660	-	273,660	273,660
Working Capital	-	-	6,016,256	6,016,256	6,016,256
Equity Financing	**-**	**1,054,160**	**6,016,256**	**7,070,416**	**7,070,416**
External Financing					
Land & Land Development	-	-	-	-	-
Buildings & Civil works	-	300,000	-	300,000	300,000
Plant & Machinery	-	1,200,000	-	1,200,000	1,200,000
Utilities	-	-	-	-	-
Motor Vehicles	-	-	-	-	-
Furniture and equipment	-	-	-	-	-
Pre-Operating costs	-	-	-	-	-
Working Capital	-	-	6,000,000	6,000,000	6,000,000
External Financing	**-**	**1,500,000**	**6,000,000**	**7,500,000**	7,500,000
Total Financing	**-**	**2,554,160**	**12,016,256**	**14,570,416**	**14,570,416**

19.4 Proposed Terms and Conditions

- The project is seeking for USD 1,500,000 external finance facilities in the form of long-term loan and USD 6.0 million in the form of short-term working capital facilities including Bank Overdraft loans/Letters of credits and other facilities.
- The Loan Repayment Schedule is presented in Annex 11.
- The following are the proposed Terms and Conditions of the proposed Term Loan:

Type of facility	**Long-term Loan**
Loan Currency	➢ United States Dollar (USD)
Loan Amount	➢ 1,500,000
Moratorium period	➢ 12- months on Principal and Interest
Mode of disbursement	➢ Direct disbursement to the account of promoters/supplier/ contractors/consultants
Loan tenure	➢ 5-years excluding 1-year of grace on Principal
Mode of repayment	➢ Quarterly Payments from sale of the products
Interest rate	➢ Floating rate of 6% p.a.

19.5 Security of the loan

- The collateral offered against the requested loan is all assets of the proposed project.

Conclusion And Recommendations

- World trade and production networks are not new. Firms have been producing items with components sourced from around the globe for centuries. Businesses have continuously sought out new markets for their products. What have changed, however, are the speed, scale, depth and breadth of global interactions.
- Road transport facilitates the flow of goods and people linking people in different locations within and outside the country. Road transport is the dominant mode of transport in Tanzania comprising about 70% of freight and 90% of passenger movement. Road safety has of recent been one of the main problems facing the road transport sector in Tanzania and particularly road public transport. One of the major causes of road accidents in Tanzania is that of use of old trucks for cargo transport.
- This plan follows the trends in international production, trade and investments which are increasingly organised within so-called global value chains which call for efficient motor vehicle assembly companies offering durable and affordable motor vehicles to facilitate movement of people and goods. These have been necessitated by growth in trade flows which have generally grown faster than income since the Second World War, countries' openness and their exposures to external developments have increased.
- MeTL Motors' proposed investment becomes rational owing to the growing level of competition and customer demands in the transport sub-sector for goods and people.
- The assessment of the viability of the proposed project demonstrates the project is a medium-term investment and a profitable venture. In view of our observations it is recommended to the promoters to undertake the project and find an external partner to participate in the co-financing of the project.