

PAPER KING STATIONERY



BUSINESS PLAN FOR DEVELOPEMENT OF MODERN WAREHOUSE



1.0. SUMMARY

1.1 Project Concept

This project document presents a proposal by **PAPER KING STATIONERY**, a locally sole proprietor registered company with Registration number: 248995 dated 30/11/2012 C intending to construct a modern warehouse for lease. The project promoters are confident of mobilizing financial resources through equity financing and long-term loans.

The objective of this study is to assess the commercial and operational feasibility of the project undertaken by **PAPER KING STATIONERY**; this study will be used as guiding tool and will be presented to TIC for obtaining a certificate of incentives to facilitate smooth implementation of the project.

1.2 Location

The project will be located at Plot **No.P30794, Kiwalani, Ilala, Dar es Salaam, Region.**

1.3 The Sponsors

PAPER KING STATIONERY will be sponsoring this project. The Company is a locally sole proprietor

Names	% of Shares	Nationality
TAHER HUZAIFA ESSAJEE	100	Tanzania

1.4 Project Management and Manpower Requirements

PAPER KING STATIONERY will be under the Management of Mr. TAHER HUZAIFA ESSAJEE who has experience managing various businesses will be directly managing the project. The Managing Director will be assisted by properly trained managers in areas of specialty, who will together comprise the management team. 8 staff will be directly employed.

1.5 Project description

Significant measures have been taken to liberalize the Tanzania economy so as to encourage private sector to take a lead as engine of economic growth; The Government of Tanzania embarked on adjustment program to give the private sector the leading role.

It is in view of the above that **PAPER KING STATIONERY** came up with a proposal to construct modern warehouse facilities with truck weighing scales for commercial uses. The project will involve

among others acquiring necessary building materials, trucks, and pick up, the company plan to inject capital of US 663,000

It is expected that the construction of a warehouse will be completed within 1 years time and the company will apply to be exempted from paying import duty and VAT on Capital good and deemed capital good, the project will aid and contribute significantly toward the construction sector and manufacturing sector, because the ware house will be used as storage and industrial park for industrial premises as well.

1.6 **Definition of Warehouse**

A warehouse is a commercial building for storage of goods, warehouse by manufacturers, importers, exporters, whole sellers, transporters, customs etc, they are usually large plain buildings in industrial areas of cities and towns, they can be equipped with loading docks to load and unload trucks, or sometimes are loaded directly from railways, airports, or seaports. They often have cranes and fork lifts for moving goods, which are usually placed on ISO standard pallets loaded into pallets racks

1.7 **Types of Warehouse**

Some of the most common types of warehouse storage facilities are:

- Pallet rack including selective, drive-in, drive-through, double-deep, pushback, and gravity flow
- Cantilever rack including structural and roll formed
- Automated storage and retrieval system (ASRS) including vertical carousels, vertical lift modules, horizontal carousels, robotics, mini load and compact 3D
- Industrial shelving including metal, steel, wire, and formed
- Mezzanine including structural and roll formed

1.8 Storage Systems

Technological development taking place has contributed quite significantly in the development of warehouses systems in the world to day. Some warehouses are completely automated, with no workers working inside. The pallets and products are moved with a system of automated conveyors and automated storage and retrieval machines coordinated by programmable logic controllers and computer running logistics automation software. These systems are often installed in refrigerated warehouses where temperatures are kept very cold to keep the product from spoiling, and also where land is expensive, as automated storage systems can use vertical space efficiently. These high-by storage areas are often more than 10 meters high, with some over 20 meters high.

The direction and tracking of materials in the warehouse is coordinated by VMS, or Warehouse Management System, a database driven computer programme. The WMS is used by logistics personnel to improve the efficiency of the warehouse by directing put ways and maintaining accurate inventory by recording warehouse transactions.

Traditional warehouse has been declining since the last decades of the 20th century with the gradual introduction of just In Time (JIT) technique designated to improve the return on investment of a business by reducing in-process inventory. The JIT system promotes the delivery of products directly from the factory to the retail merchant or from parts manufacturers directly to a large scale factory such as an automobile assembly plant, without the use of warehouses. However, with the gradual implementation of offshore outsourcing and off shoring in about the same time period, the distance between the manufacturer and retailer (or the parts manufacturer and the industrial plant) grew considerably in many domains, necessitating at least one warehouse per country or per region in any typical supply chain for a given range of products.

Recent developments in marketing have led to the development of warehouse-style retail stores with extremely high ceilings where decorative shelving is replaced by tall heavy duty industrial racks,

with the items ready for sale being placed in the bottom parts of the racks and the crated or palletized and wrapped inventory items being usually placed in the top parts. In this way the same building is used both as a retail and warehouse.

Modern warehouses are also used at large by exporters/manufacturers as a point of developing retail outlets in particular region or country. This concept reduces the end cost of the product to the consumer and thus enhances the production sale ratio. Warehousing is an age old concept which can be used as sharp tool by original manufacturers to reach out directly to consumers leaving aside or bypassing importers or any other agencies or person

2.0 PROJECT'S INVESTMENT COST

The estimated capital investment cost of the project is US \$663,000

PAPER KING STATIONERY COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	400,000.00
Vehicles	100,000.00
Plant and Machinery	150,000.00
Furniture & Fittings	2,000.00
Pre exp	5,000.00
Working Capital	6,000.00
TOTAL	663,000.00

3.0 FINANCING PATTERN

The project will be financed by equity US\$ 463,000 and loan US \$ 200,000

4.0 PROJECT OPERATING COSTS

In order to realize its intended objective the project will have to meet operating costs.

PAPER KING STATIONERY OPERATING COSTS (US\$)

	1	2	3	4	5	6	7	8	9	10
Operating Expenses:	28,800.00	30,240.00	31,752.00	33,339.60	35,006.58	36,756.91	38,594.75	40,524.49	42,550.72	44,678.25

5.0 ASPECTS OF PROJECT SUSTAINABILITY

The project sponsors having studied market conditions and the infrastructure in Tanzania are convinced that the project will be able to operate undisturbed. The growing demand for warehouses due to growth of manufacturing and transportation sectors gives them assurance of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

6.0 MONITERING AND EVALUATION

The monitoring and evaluation tools will be applied in running this project as well, the project sponsors are determined to cooperate fully with the government and other stakeholders for smooth business running.

7.0 FINANCIAL ANALYSIS

7.1. Considerations and Assumptions:

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are exempted from custom duty and Value Added Tax. The straight line method to depreciate the project's capital items has been applied.

It is assumed that the major building raw material will be procured from local market and other will be imported. Revenues have been conservatively estimated based on experience of the promoters and trends in the real estate businesses.

7.2 Financial Statements:

7.3 Projected Warehouse Revenue

For projection purposes, it is assumed that the economic life of the project is ten years, and that revenue from warehouse commence from the first year of operation.

7.4 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 8 years period. The position depicted is that the project earns profit throughout its life. Accumulated profits grow from. US \$ **89,250** in first year to US \$ **1,217,798** in the 10 year

7.5 Projected Cash Flows

This is shown in the financial statements. The project has a positive end of year cash flow from year 1, i.e. US\$124,950 of operation to the 10th year i.e. US \$ **836,510**

7.5 Projected Balance Sheet

The projected Balance Sheet of the project is shown in the financial statements under same heading. Net worth of the project increases from US\$**463,000** in the first year of operation to US \$ **1,680,798** in the 10th year.

7.6 Projected payback period

Total investment is US \$**663,000** cash accumulation in year 5 is US\$. **684,798** which are more than the initial investment costs by

7.7 Projected loan repayments

The loan borrowed from financial institution is expected to be fully paid within 5 years,

7.8 Projected Risks

This is a real estate investment; no major risks have been identified for this kind of project so far. Unless a change in the country's

political and economic stability occurs the project is more likely to prosper very fast for a very long period.

8.0 ECONOMIC ASPECTS

Implementation of this project will have the following social and economic values

- The project will provide high quality warehousing storage facilities with state of the art and company office to meet international standards required by the company and targeted clients
- The project is an ideal option for utilization of the recently acquired prime site in Kiwalani
- The project will involve transfer of technology in warehousing facilities.
- The project will create direct employment for 8 people on permanent contract basis as well as on temporary basis.
- It will create more business opportunities to local transporters, farmers which will also have a economic trickledown effect in the Tanzania economy.
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.

9.0 IMPLEMENTATION

Project implementation is expected to be relatively very short once project has been approved it is estimated that once transfer of property is completed, the company will start immediately to implement the project

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	Nov 2023
2	Contractor Procurement	Jan-Feb 2024
4	Site preparation and building permit approval	Feb- April 2024
5	Construction of warehouse	April-Dec 2024
6	Equipping warehouse	Dec-Feb 2025
7	Commercial operations	Feb 2025

10.0 CONCLUSION AND RECOMMENDATIONS

The project is technically feasible, financially viable, and economically sound, provided the sponsors will manage it efficiently

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

PAPER KING STATIONERY COST STRUCTURE US\$

PARTICULAR	US\$
Land and Buildings	4,00,000.00
Vehicles	100,000.00
Plant and Machinery	150,000.00
Furniture & Fittings	2,000.00
Pre exp	5,000.00
Working Capital	6,000.00
TOTAL	663,000.00

**PAPER KING STATIONERY PROJECTED INCOME &
EXPENDITURE STATEMENT (US\$)**

	1	2	3	4	5	6	7	8	9	10
Revenue	192,000.00	201,600.00	211,680.00	222,264.00	233,377.20	245,046.06	257,298.36	270,163.28	283,671.45	297,855.02
Operating Expenses:	28,800.00	30,240.00	31,752.00	33,339.60	35,006.58	36,756.91	38,594.75	40,524.49	42,550.72	44,678.25
Profit before Depreciation &Interest	163,200.00	171,360.00	179,928.00	188,924.40	198,370.62	208,289.15	218,703.61	229,638.79	241,120.73	253,176.76
Interest	16,000.00	16,000.00	16,000.00	16,000.00	16,000.00	-			36000	
Depreciation	19,700.00	19,700.00	19,700.00	19,700.00	19,700.00	19,700.00	19700	19700	19700	19700
Gross Profit	127,500.00	135,660.00	144,228.00	153,224.40	162,670.62	188,589.15	199,003.61	209,938.79	185,420.73	233,476.76
Tax (30%)	38,250.00	40,698.00	43,268.40	45,967.32	48,801.19	56,576.75	59,701.08	62,981.64	55,626.22	70,043.03
Profit After Tax	89,250.00	94,962.00	100,959.60	107,257.08	113,869.43	132,012.41	139,302.53	146,957.15	129,794.51	163,433.74
Accumulated Profit	89,250.00	184,212.00	285,171.60	392,428.68	506,298.11	638,310.52	777,613.05	924,570.20	1,054,364.71	1,217,798.44

PAPER KING STATIONERY PROJECTED CASH FLOW US\$

	0	1	2	3	4	5	6	7	8	9	10
SOURCES:											
Profit before interest and depreciation	0	163,200	171,360	179,928	188,924	198,371	208,289	218703.6086	229638.789	241120.7284	253176.7648
Equity	463,000										
Loan	200,000.00										
Total Sources	663,000.00	163,200.00	171,360.00	179,928.00	188,924.40	198,370.62	208,289.15	218,703.61	229,638.79	241,120.73	253,176.76
Applications:											
Capital expenditure	652,000.00	-	-	-	-	-	-	-	-	-	-
working Capital & Others	11,000.00										
Cash	0	124,950.00	130,662.00	136,659.60	142,957.08	149,569.43	151,712.41				
Tax	-	38,250	40,698	43,268	45,967	48,801	56,577	59701.08257	62981.63669	55626.21853	70043.02945
Sub total	663,000.00	163,200.00	171,360.00	179,928.00	188,924.40	198,370.62	208,289.15	59,701.08	62,981.64	55,626.22	70,043.03
Total applications	663,000.00	163,200.00	171,360.00	179,928.00	188,924.40	198,370.62	208,289.15	59,701.08	62,981.64	55,626.22	70,043.03
Accumulated cash		124,950.00	255,612.00	392,271.60	535,228.68	684,798.11	836,510.52	836,510.52	836,510.52	836,510.52	836,510.52

PAPER KING STATIONERY PROJECTED BALANCE SHEET US \$

Fixed Assets	0	1	2	3	4	5	6	7	8	9	10
Opening balance	-	652,000.00	632,300.00	612,600.00	592,900.00	573,200.00	553,500.00	533800	514100	494400	474700
Total Long-term Assets	-	652,000.00	632,300.00	612,600.00	592,900.00	573,200.00	553,500.00	533,800.00	514,100.00	494,400.00	474,700.00
Less depreciation	-	19,700.00	19,700.00	19,700.00	19,700.00	19,700.00	19,700.00	19700	19700	19700	19700
Closing balance	-	632,300.00	612,600.00	592,900.00	573,200.00	553,500.00	533,800.00	514,100.00	494,400.00	474,700.00	455,000.00
Working capital	11,000.00	11,000.00	11,000.00	11,000.00	11,000.00	11,000.00	11,000.00	11000	11000	11000	11000
Accumulated cash	-	124,950.00	255,612.00	392,271.60	535,228.68	684,798.11	836,510.52	836510.5197	836510.5197	836510.5197	836510.5197
Total assets	11,000.00	768,250.00	879,212.00	996,171.60	1,119,428.68	1,249,298.11	1,381,310.52	1,361,610.52	1,341,910.52	1,322,210.52	1,302,510.52
Financed by											
Equity	463,000.00	463,000.00	463,000.00	463,000.00	463,000.00	463,000.00	463,000.00	463000	463000	463000	463000
Accumulated profit	-	89,250.00	184,212.00	285,171.60	392,428.68	506,298.11	638,310.52	777613.0457	924570.198	1054364.708	1217798.443
Total equity	463,000.00	552,250.00	647,212.00	748,171.60	855,428.68	969,298.11	1,101,310.52	1,240,613.05	1,387,570.20	1,517,364.71	1,680,798.44
Long term loan	-	200,000.00	160,000.00	120,000.00	80,000.00	40,000.00	-				
Total debts	-	200,000.00	160,000.00	120,000.00	80,000.00	40,000.00	-				
Total equity and debts	463,000.00	752,250.00	807,212.00	868,171.60	935,428.68	1,009,298.11	1,101,310.52	1,240,613.05	1,387,570.20	1,517,364.71	1,680,798.44

PAPER KING STATIONERY ROJECTED LONG TERM LOAN REPAYMENT

Year	principle	Loan Interest (6%)	Total Amount Paid	Loan Balance
1	40,000.00	16,000.00	56,000.00	200,000.00
2	40,000.00	16,000.00	56,000.00	160,000.00
3	40,000.00	16,000.00	56,000.00	120,000.00
4	40,000.00	16,000.00	56,000.00	80,000.00
5	40,000.00	16,000.00	56,000.00	40,000.00
6	200,000.00	-	200,000.00	-

PAPER KING STATIONERY PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	89,250	19,700	108,950	158,760.00
2	94,962.00	19,700	114,662	273,422.00
3	100,960	19,700	120,660	394,081.60
4	107,257	19,700	126,957	521,038.68
5	113,869	19,700	133,569	654,608.11
6	132,012	19,700	151,712	806,320.52

