

**ACE OIL LIMITED**

**Business Plan for Construction and Operating Bulk liquid Storage**

**&**

**Petroleum (Gas) Retail Outlets or Filling Stations,**

## **1.0. SUMMARY**

### **1.1 Project Concept**

This project document presents a proposal by **ACE OIL LIMITED**, a locally registered company with Certificate of Incorporation No. 165597818 Dated 16<sup>th</sup> May 2023 intending to Construction and Operating Bulk liquid Storage & Petroleum Retail Outlets or Filling Stations. The project promoters are confident in mobilizing financial resources through equity financing and a long-term loan from financial institutions operating in Tanzania.

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

### **1.2 Location**

The project will be located at Plot No. 495 Block G Njiro Arusha, Arusha Region.

### **1.3 The Sponsors**

**ACE OIL LIMITED** will be sponsoring this project. The Company is jointly owned by the following shareholders.

Name of shareholders	% of ownership	Nationality
Saleh Mohamed	50	Kenyan
Nosheen Begum Sadik Louw	50	Kenyan

#### 1.4 Project Management and Manpower Requirements

**ACE OIL LIMITED** will be under the General Manager Mr. Saleh Mohamed assisted by Deputy General Manager Nosheen Begum Sadik Louw will be in charge of Finance and Administration. 10 staff will be directly employed at the beginning

The company is locally registered and is owned by two shareholders who are Kenyan

#### 1.5 Project description

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

It is in view of the above that **ACE OIL LIMITED** came up with a proposal to Construction and Operating Bulk liquid Storage & Petroleum, Gas Retail Outlets or Filling Stations facilities in Tanzania starting with the Arusha region, the facilities will be

used for oil, gas and petroleum products to be distributed in Arusha and Tanzania at large.

The project will involve among others acquiring necessary building materials, tanks, pumps, trucks, pick up, and other equipment the company plan to inject capital of US \$5m within five years.

It is expected that the Construction and Operating Bulk liquid Storage & Petroleum, gas Retail Outlets or Filling Stations will be completed within 5 years' time and the company will apply to be exempted from paying import duty and VAT on Capital goods and deemed capital goods, the project will aid and contribute significantly toward the construction, manufacturing and another sector, because the warehouse will be used as bulk liquid storage.

## 1.6 **Project Description**

A company plan to construct facilities for oil and petroleum storage (depot), it is a commercial storage facility to be used by oil importers, exporters, whole-sellers, transporters, etc.

## 1.7 **Storage Systems**

### **Petrol Stations**

Petrol Stations, also known as Petroleum Retail Outlets or Filling Stations, are the final petroleum facilities before the products

are delivered to end-user customers. As of 31st March 2022, there were 2,032 operating petrol stations operating petrol stations in Mainland Tanzania. The trend shows investment in petrol stations is growing across the country, due to an increased demand for petroleum products, especially in rural and remote areas.

### **LPG Facilities**

Investment in Liquefied Petroleum Gas (LPG) facilities in Mainland Tanzania aims at ensuring that LPG which is a cleaner, healthier, environmentally friendly, and cost-effective fuel than firewood, charcoal, and kerosene, is readily available to households and industries. As of 31st March 2022, there are Six (6) operational LPG receiving facilities in Dar es Salaam and Tanga with a total storage capacity of 15,750 MT. Also, there are 33 storage and re-filling plants with a total capacity of 1,671 MT throughout the country.

## **2.0 PROJECT'S INVESTMENT COST**

The estimated capital investment cost of the project is US \$.

### **ACE OIL LIMITED COST STRUCTURE US\$**

<b>PARTICULAR</b>	
Land and Buildings	2,000,000.00
Vehicles	200,000.00

Plant and Machinery	1,000,000.00
Furniture & Fittings	5,000.00
Others	100,000.00
Working Capital	2,000,000.00
<b>TOTAL</b>	<b>5,305,000.00</b>

For the project to be a reality a total investment amounting to US \$1m is needed

**(i) Land and Building: Us \$2,000,000**

The project has opted for the construction of storage facilitation and filling stations.

**(ii) Machinery and Equipment: US\$ 1,000,000**

Some US \$1,000,000 is anticipated to be spent on the purchase of various machines, equipment, etc. Which will accommodate new technology

**(iii) Motor Vehicles: US\$200,000**

The project will need 4 heavy trucks, 2 light trucks, and 1 double cabin pick. These vehicles will be used in the transportation of cargo

**(iv) Office Furniture and Equipment: US \$5,000**

This investment cost item has been estimated to cost US \$5,000. It will consist of office tables, chairs, telephone, fax, machines, file cabinets, sofa chairs, etc.

**(v) Pre-Operational Expenses: US\$ 1,000,000**

They cover things like company registration, and expenses spent in exploring the viability of the project, especially the market/client identification exercise. This Pre-operational cost item also covers the architectural designs of project buildings and other engineering services. Also included under this item are issues like consultancy fees, legal fees, and recruitment and training costs of personnel.

**(vi) Initial Working Capital: US\$2,000,000**

Calculations as well as assumptions for working capital requirements, it is estimated that it will cost US \$ 2,000,000.

**3.0 FINANCING PATTERN**

The project will be financed by the equity of US\$ 1,000,000 and a loan US \$4305, 000

**4.0 PROJECT OPERATING COSTS**

In order to realize its intended objective the project will have to meet the operating costs including working capital of US\$2,000,000.

**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 peace and tranquility that

exist in Tanzania is another aspect of assured business sustainability.

## **6.0 MONITORING 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 manufacturing industry.

### **7.2 Financial Statements:**

### **7.3 Projected Revenue**

For projection purposes, it is assumed that the economic life of the project is five years and that revenue from the business commences from the first year of operation.

**ACE OIL LIMITED PROJECTED REVENUE US \$**

	1	2	3	4	5
Revenue	18,000,000.00	18,900,000.00	19,845,000.00	20,837,250.00	21,879,112.50

#### 7.4 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 5 years period. The position depicted is that the project earns profit throughout its life. Accumulated after-tax profits grow from. US \$ **1,629,460** in the first year to **US \$ 9,140,743** in the 5 year

**ACE OIL LIMITED PROJECTED INCOME AND EXPENDITURE  
STATEMENT**

	1	2	3	4	5
Revenue	18,000,000.00	18,900,000.00	19,845,000.00	20,837,250.00	21,879,112.50
<b>Operating Expenses:</b>	15,300,000	16,065,000	16,868,250	17,711,663	18,597,246
<b>Gross Profit Before Interest and Depreciation</b>	2,700,000	2,835,000	2,976,750	3,125,588	3,281,867
<b>Interest</b>	320,000	320,000	320,000	320,000	320,000
<b>Depreciation</b>	52,200	52,200	52,200	52,200	52,200
<b>Gross Profit</b>	2,327,800	2,462,800	2,604,550	2,753,388	2,909,667
Tax (30%)	698,340	738,840	781,365	826,016	872,900
<b>Profit After Tax</b>	1,629,460	1,723,960	1,823,185	1,927,371	2,036,767
Accumulated Profit	1,629,460	3,353,420	5,176,605	7,103,976	9,140,743

## 7.5 Projected Cash Flows

This is shown in the financial statements. The project has a positive end-of-year cash flow from year1, i.e. e US\$2,001,660 of operation to the 5th year i.e. US \$ 11,001,743

### ACE OIL LIMITED PROJECTED CASH FLOW

<b>SOURCES:</b>	0	1	2	3	4	5
Profit before interest and depreciation	-	<b>2,700,000</b>	<b>2,835,000</b>	<b>2,976,750</b>	<b>3,125,588</b>	<b>3,281,867</b>
Equity	1,305,000					
Loan	4,000,000					
<b>Total Sources</b>	<b>5,305,000</b>	<b>2,700,000</b>	<b>2,835,000</b>	<b>2,976,750</b>	<b>3,125,588</b>	<b>3,281,867</b>
<b>Applications:</b>						
Capital expenditure	3,205,000		-	-	-	-
working Capital &Others	2,100,000					
Cash	-	2,001,660	2,096,160	2,195,385	2,299,571	2,408,967
Tax	-	698,340.00	738,840.00	781,365.00	826,016.25	872,900.06
<b>Sub total</b>	<b>5,305,000</b>	<b>2,700,000</b>	<b>2,835,000</b>	<b>2,976,750</b>	<b>3,125,588</b>	<b>3,281,867</b>
<b>Total applications</b>	<b>5,305,000</b>	<b>2,700,000</b>	<b>2,835,000</b>	<b>2,976,750</b>	<b>3,125,588</b>	<b>3,281,867</b>
Accumulated cash		2,001,660	4,097,820	6,293,205	8,592,776	11,001,743

## 7.6 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under the same heading. The net

worth of the project increases from **US\$1,305,000** in the first year of operation to **US\$ \$10,445,743** in the 5<sup>th</sup> year.

**ACE OIL LIMITED PROJECTED BALANCE SHEET "US\$"**

<b>Fixed Assets</b>	<b>1</b>	1	2	3	4	5
Opening balance	-	<b>422,000</b>	<b>411,800</b>	<b>401,600</b>	<b>391,400</b>	<b>381,200</b>
<b>Total Long-term Assets</b>	-	<b>422,000</b>	<b>411,800</b>	<b>401,600</b>	<b>391,400</b>	<b>381,200</b>
<b>Less depreciation</b>	-	<b>52,200</b>	<b>52,200</b>	<b>52,200</b>	<b>52,200</b>	<b>52,200</b>
<b>Closing balance</b>	-	<b>369,800</b>	<b>359,600</b>	<b>349,400</b>	<b>339,200</b>	<b>329,000</b>
Working capital	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Accumulated cash	-	2,001,660	4,097,820	6,293,205	8,592,776	11,001,743
<b>Total assets</b>	<b>2,100,000</b>	<b>4,471,460</b>	<b>6,557,420</b>	<b>8,742,605</b>	<b>11,031,976</b>	<b>13,430,743</b>
Financed by						
Equity	1,305,000	1,305,000	1,305,000	1,305,000	1,305,000	1,305,000
Accumulated profit	-	1,629,460	3,353,420	5,176,605	7,103,976	9,140,743
Total equity	1,305,000	2,934,460	4,658,420	6,481,605	8,408,976	10,445,743
Bank Loan	4,000,000	3,000,000	2,000,000	1,000,000		-
<b>Total debts</b>	<b>4,000,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>1,000,000</b>	-	-
<b>Total equity and debts</b>	<b>5,305,000</b>	<b>4,934,460</b>	<b>6,658,420</b>	<b>7,481,605</b>	<b>8,408,976</b>	<b>10,445,743</b>

## 7.7 Projected fixed schedule

The projected fixed schedule is shown in the schedule under the same heading. The net worth of the fixed assets decreases from

**US \$3,205,000** in the first year of operation to **US 2,193,200** in the 5<sup>th</sup> year.

#### **ACE OIL LIMITED FIXED ASSETS**

<b>NAME OF ASSETS</b>	<b>1</b>	<b>2</b>	<b>3</b>	4	5
Land And Buildings	2,000,000	1,960,000	1,920,000	1,880,000	1,840,000
Machinery, Tools & Equipment	1,000,000	198,000	196,000	194,000	192,000
Motor Vehicles	<b>200,000</b>	190,000	180,000	170,000	160,000
Furniture & Fixtures	5,000	1,800	1,600	1,400	1,200
<b>Total</b>	<b>3,205,000</b>	<b>2,349,800</b>	2,297,600	2,245,400	2,193,200
<b>DEPRECIATION</b>	<b>1</b>	<b>2</b>	<b>3</b>	4	5
Land and buildings	40,000	40,000	40,000	40,000.00	40,000.00
Machinery tools & Equipment	2,000	2,000	2,000	2,000.00	2,000.00
Motor Vehicles	10,000	10,000	10,000	10,000	10,000
Furniture & Fixtures	200	200	200	200.00	200.00
<b>ANNUAL DEPRECIATION</b>	<b>52,200</b>	<b>52,200</b>	<b>52,200</b>	<b>52,200</b>	<b>52,200</b>

### **7.8 Projected Risks**

This is an energy sector 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 storage and distribution 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
- The project will involve the transfer of technology in the energy industry
- The project will create employment for 10 people on a permanent contract basis as well as on a temporary basis in the first phase.
- It will create more business opportunities for local transporters, which will also have a trickledown effect on environmental issues.
  - It will generate substantial revenue for the government in the form of corporate tax, value-added tax, and pay-as-you-earn.
  - The project will earn substantial amounts of foreign exchange.

## **9.0 IMPLEMENTATION**

Project implementation is expected to be relatively very short once the project has been approved:-

<b>S/N</b>	<b>ACTIVITY</b>	<b>PERIOD</b>
1	Processing TIC Certificate of Incentive	May 2023
2	Contractor Procurement	August-October2023
3	Site preparation and building permit approval	November 2023
4	Construction	December - March 2023
5	Equipping bulk storage facilities	March 2023-June 2023
6	Commercial operations	August 2023

## **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 granted the TIC Certificate of Incentives with its associated privileges and benefits as provided under the Tanzania Investment Act, 1997.