

CHINA SICHUAN CORPORATION INTERNATIONAL COOPERATION CO. LIMITED

**BUSINESS PLAN**

**FOR**

**ESTABLISHMENT**

**OF CONTRACTOR SERVICES**

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## **1.0. EXECUTIVE SUMMARY.**

CHINA SICHUAN CORPORATION INTERNATIONAL COOPERATION CO. LIMITED is a company having Certificate of Compliance No. 20150 dated 20<sup>th</sup> November 1991 and Certificate of Change of Name No. 20150 dated 14<sup>th</sup> March 2001 issued by BRELA, Also the company has been registered by the contractor registration board (CRB) under the category of Foreign

Project promoters are a well-established business in Tanzania, carrying out various businesses but majoring in building and roads constructions activities. Having been in the business for over 15 years the directors are now well prepared to be registered with Tanzania Investment Centre so as to benefit from TIC registration status.

The business plan has been prepared for **CHINA SICHUAN CORPORATION INTERNATIONAL COOPERATION CO. LIMITED** for building and road construction projects.

The proposed project is estimated to cost about **US\$ 2m**. The project sponsors will prove 30% of this investment and the remaining 70% will be sourced from financial institution.

### **1.1 THE PROJECT PROMOTERS**

The shareholders of this project State Corporation, namely:-

Name	Nationality	Shares %
SICHUAN PROVINCE COUNCIL	China	100

## 1.2 LOCATION.

The project head office will be located Plot No.126/2 Mikocheni Industrial Area Kinodoni District , Dar Es Salaam, Tanzania.

## 1.2 OBJECTIVE OF THE STUDY

This study aims to work out the technical and commercial details and financial viability of building construction services in Tanzania.

## 1.3 MARKET AND MARKETING ASPECTS

The market survey carried out reveals that the current demand for construction services in Tanzania is very high than current provided. There is wide gap between supply and demand and therefore, business opportunities exist for setting up additional contractor facilities to satisfy the market requirement.

The booming construction sector last year attracted investments whose total value almost exceeded a quarter of the government's 2010/2011 national budget of over 11 trillion/-, with industry analysts describing the outstanding performance of the sector as sign of vibrant and healthy economy.

Data from the Contractors Registration Board (CRB), which registers and regulates contractors, indicate that construction projects with total value of 2.8 trillion/- were registered in 2010, with building works accounting for half of the total value of the projects.

The value of registered building works totaled 1.44 trillion, while that of civil works, specialist electrical and electrical works reached 884bn/-, 231bn/- and 187bn/-. Other projects involved mechanical works, specialist civil, specialist building and specialist mechanical.

The expansive construction sector is good for the national economy because construction works uncover untapped potentials in other economic sectors and thus stimulating economic growth and improved living standard of the people,”



The construction sector has seen a good number of investments especially in roads, bridges residential and non residential blocks. The government as major employer of contractors spends about 60 per cent of the development budget to improve the infrastructure.

at present a growing demand for office and residential spaces places. This is a reflection of revamped business activities. The completion of roads projects currently underway especially in the rural areas, transportation costs will definitely decrease, thus calling for decreased costs of doing business.

According to the national bureau of statistics (NBS) gross domestic product third quarter report, the construction industry

grew at a rate of 11.2 per cent in the third quarter of 2010 compared to a negative growth rate of 5.4 per cent in the third quarter of 2009.

The growth rate was attributed to an increase in the construction of residential and nonresidential buildings, roads and bridges; and land improvement activities. According to Contractors Registration Board (CRB) involvement of both public and private sectors in the construction industry, numerous projects have been accomplished and there is hope for the sector to do even much better.

## 2.0. PROJECT DETAILS

### 2.1. INTRODUCTION

Construction sector plays a critical role in the social and economic development of a country. The constructor services are needed in Tanzania and in other neighboring countries, hence the project is not expecting to face operational problem.

Tanzania market is dominated by small and medium companies. **CHINA SICHUAN CORPORATION INTERNATIONAL COOPERATION CO. LIMITED** the company's services is expected to have a good market in Tanzania and other countries

It is quite gratifying to note that the government of Tanzania realizes the role of construction sector for its economic and social development, and as a result has developed fiscal and non fiscal incentives which are very instrumental in improving the business and investment environment in the sector.

It is alleged that limited availability of building contractors within Tanzania is the major causes of low quality construction services in Tanzania. It is in view of this that, **CHINA SICHUAN CORPORATION INTERNATIONAL COOPERATION CO. LIMITED** has resolved to assist by providing a solution to stimulate the sector by increasing supplies and productivity.

**CHINA SICHUAN CORPORATION INTERNATIONAL COOPERATION CO. LIMITED** has major objectives as following:-

- To promote construction sector in Tanzania
- To bring new technology and technical knowhow in the country in the course of its business transactions.
- To provide extra employment to more people in the sector.
- To provide construction services of high quality

## **2.2 SECTOR IN TANZANIA.**

Generally, Tanzania has environmental regulations governing the operation of building contractors; operators are required to register with CRB.

The government of Tanzania has simplified procedures for contractors to encourage value addition, which is why Tanzania through tic has in place and non fiscal incentives to enable investors to have soft landing, procedure and rules are fair and transparent.

### **3.0 PROJECT SPONSORS**

**CHINA SICHUAN CORPORATION INTERNATIONAL COOPERATION CO. LIMITED** is owned by five shareholders, two of them are Indians and three are Tanzanians. The shareholders have an adequate experience in running the business of manufacturing and transportation,

### **3.2 PROJECT MANAGEMENT**

**CHINA SICHUAN CORPORATION INTERNATIONAL COOPERATION CO. LIMITED** will be under the management of a managing director to be appointed based on qualification and will be assisted by managers.

Under this management, **CHINA SICHUAN CORPORATION INTERNATIONAL COOPERATION CO. LIMITED** is expected to grow steadily to be a large company producing high-quality services serving domestic to neighboring states.

The company will have a team of qualified and experienced functional managers in the various areas of operations/marketing, workshop finance, and administration. Other senior and middle-level staff will be available for the start-up and subsequent operations of the company, the total number of employees is expected to be **200** on a permanent basis

### **3.3 PROJECT MANAGEMENT POLICY**

the day to day operations will be managed by the managing director, to be assisted by manager of building and roads works and technical manager, a sales & marketing manager whose major responsibility will be marketing and sales, financing and administration manager who will take care all matters related to finance resources and human resources of the company

## **4.0 MARKET ASPECTS**

### **4.1 PRODUCTS**

The main products of the proposed project consist of construction services such as:

- buildings,
- roads,
- ports
- airports

- bridges etc

## **4.2 MARKETS**

Products are for the local markets as mentioned above, the promoters are well versed in the business with well established market contacts.

## **4.3 SUPPLY POSITION**

Apparently, there are limited big contractors in Tanzania providing quality customized services. State of the art technology to be employed will enable the company produce very high quality services

## **4.5 COMPETITION**

Due to the limited and insufficient supply as aforementioned, no stiff competition is foreseen. However, providing of sub-standard services or prohibitive prices will immediately shift customers to other competitors.

## **4.6 DISTRIBUTION**

The company expects to establish branches in few selected regions.

#### **4.7 PROMOTION**

Appropriate promotion means will be employed after consultations with promotion experts to enable the company properly promote its products

#### **5.0 ASPECTS OF PROJECT SUSTAINABILITY**

The project sponsors having studied market conditions are convinced that the project will be able to operate undisturbed. The growing demand for quality construction materials locally gives them assurance of a steady market.

##### **5.1 QUALITY CONTROL SYSTEM**

The required quality control system will be employed ensuring that services provided maintain the same standard

##### **5.2 ENVIRONMENT PROTECTION**

The company intends to make the environment friendly, the company will save the country's environment in particular and the global environment in general.

#### **6.0 FINANCIAL ANALYSIS**

##### **6.1 CONSIDERATIONS AND ASSUMPTIONS:**

The corporate tax charged is 30% of the profits. The capital investment allowance is 50%. The capital assets are exempted

from customs duty and value-added tax. The straight-line method to depreciate the project's capital items has been applied.

## 6.2 PROJECT INVESTMENT COST

The estimated capital investment cost of the project is **US\$ 2.3m**

### CHINA SICHUAN CORPORATION INTERNATIONAL COOPERATION CO. LIMITED COST STRUCTURE US\$

<b>PARTICULAR</b>	
Land and Buildings	100,000.00
Vehicles	205,000.00
Plant and Machinery	1,000,000.00
Furniture & Fittings	5,000.00
Others	190,000.00
Working Capital	800,000.00
<b>TOTAL</b>	<b>2,300,000.00</b>

## 6.1 Financing Pattern

The project will be financed by equity

	US\$
Equity	2,300,000
<b>Total</b>	<b>2,300,000</b>

## 7.0 Financial Analysis

### 7.1 Considerations and Assumptions:

The corporate tax charged is 30% of the profits. The capital investment allowance is 50%. The capital assets are exempted from customs duty and Value Added Tax. The straight-line method to depreciate the project's capital items has been applied, it is assumed to be 5% annual depreciation.

### 7.2 Financial Statements:

### 7.3 Projected Rental Revenue

For projection purposes, it is assumed that the economic life of the project is 5 years and that revenue from business commences from the first year of operation.

PROJECTED REVENUE

	1	2	3	4	5
Revenue	1,120,000	1,232,000	1,355,200	1,490,720	1,639,792

### 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\$ 617,400 in the first year to US\$ **3,866,758** in the 5 years (refer to Appendix I)

### 7.5 Projected Cash Flows

This is shown in the Projected Cash Flows Statement in Appendix II. They indicate that the project will meet its entire

financial obligation, the cash flow in the first year of **US\$ 743,400** and grow up to **US\$ 3,866,758.56** in the 5<sup>th</sup> year, (refer appendix II)

## 7.6 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under **Appendix III**, Total equity of the project increases from **US\$ 2,300,000** at the end of the first year of operation to **US \$ 6,796,759** in the 5<sup>th</sup> year. Therefore; balance sheets depict a healthy financial

## 8.0 Implementation Schedule

Project implementation is expected to be relatively very short once the project has been approved it is estimated that the ordering of equipment will commence immediately

### Project Implementation

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	June 2023
3	Mobilizing Fund	July -September 2023
3	Renovation of building	October -September 2023
4	Ordering Machines and other equipment	September -December 2023
5	Testing business and in-house training	December -March 2024
6	Commercial operations	April 2024

## **10.0 Conclusion**

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.

**APPENDIX I**

**CHINA SICHUAN CORPORATION INTERNATIONAL COOPERATION CO. LIMITED PROJECTED INCOME &  
EXPENDITURE STATEMENT (US\$)**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Revenue	1,120,000.00	1,232,000.00	1,355,200.00	1,490,720.00	1,639,792.00
<b>Expenses:</b>					
<b>Running costs</b>	<b>112,000.00</b>	<b>123,200.00</b>	<b>135,520.00</b>	<b>149,072.00</b>	<b>163,979.20</b>
<b>Profit before Interest and Depre</b>	<b>1,008,000.00</b>	<b>1,108,800.00</b>	<b>1,219,680.00</b>	<b>1,341,648.00</b>	<b>1,475,812.80</b>
<b>Depreciation</b>	126,000.00	126,000.00	126,000.00	126,000.00	126,000.00
<b>Profit After Depreciation Tax</b>	882,000.00	982,800.00	1,093,680.00	1,215,648.00	1,349,812.80
Tax (30%)	264,600.00	294,840.00	328,104.00	364,694.40	404,943.84
<b>Profit After Tax</b>	617,400.00	687,960.00	765,576.00	850,953.60	944,868.96
<b>Accumulated Profit</b>	617,400.00	1,305,360.00	2,070,936.00	2,921,889.60	3,866,758.56

## APPENDIX II

## CHINA SICHUAN CORPORATION INTERNATIONAL COOPERATION CO. LIMITED PROJECTED CASH FLOW US\$

<b>SOURCES:</b>	0	1	2	3	4	5
Profit before interest and depreciation	-	1,008,000	1,108,800	1,219,680	1,341,648	1,475,813
Equity	2,300,000					
<b>Total Sources</b>	<b>2,300,000</b>	<b>1,008,000</b>	<b>1,108,800</b>	<b>1,219,680</b>	<b>1,341,648</b>	<b>1,475,813</b>
<b>Applications:</b>						
Capital expenditure	1,310,000		-	-	-	-
working Capital &Others	990,000					
Cash	-	743,400	813,960	891,576	976,954	1,070,869
Tax	-	264,600.00	294,840.00	328,104.00	364,694.40	404,943.84
<b>Subtotal</b>	<b>2,300,000</b>	<b>1,008,000</b>	<b>1,108,800</b>	<b>1,219,680</b>	<b>1,341,648</b>	<b>1,475,813</b>
<b>Total applications</b>	<b>2,300,000</b>	<b>1,008,000</b>	<b>1,108,800</b>	<b>1,219,680</b>	<b>1,341,648</b>	<b>1,475,813</b>
Accumulated cash		743,400	1,557,360	2,448,936	3,425,890	4,496,759

**CHINA SICHUAN CORPORATION INTERNATIONAL COOPERATION CO. LIMITED PROJECTED  
BALANCE SHEET US \$**

<b><u>Fixed Assets</u></b>	<b><u>1</u></b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Opening balance	-	<b>1,310,000</b>	<b>1,287,250</b>	<b>1,264,500</b>	<b>1,241,750</b>	<b>1,219,000</b>
<b>Total Long-term Assets</b>	-	<b>1,310,000</b>	<b>1,287,250</b>	<b>1,264,500</b>	<b>1,241,750</b>	<b>1,219,000</b>
<b>Less depreciation</b>	-	<b>22,750</b>	<b>22,750</b>	<b>22,750</b>	<b>22,750</b>	<b>22,750</b>
<b>Closing balance</b>	-	<b>1,287,250</b>	<b>1,264,500</b>	<b>1,241,750</b>	<b>1,219,000</b>	<b>1,196,250</b>
Working capital	990,000	990,000	990,000	990,000	990,000	990,000
Accumulated cash	-	743,400	1,557,360	2,448,936	3,425,890	4,496,759
<b>Total assets</b>	<b>990,000</b>	<b>3,020,650</b>	<b>3,811,860</b>	<b>4,680,686</b>	<b>5,634,890</b>	<b>6,683,009</b>
Financed by						
Equity	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Accumulated profit	-	743,400	1,557,360	2,448,936	3,425,890	4,496,759
<b>Total equity and debts</b>	<b>2,300,000</b>	<b>3,043,400</b>	<b>3,857,360</b>	<b>4,748,936</b>	<b>5,725,890</b>	<b>6,796,759</b>

**APPENDIX IV**

**CHINA SICHUAN CORPORATION INTERNATIONAL COOPERATION CO. LIMITED PAYBACK  
PERIOD SCHEDULE**

<b>Year</b>	<b>Profit After Tax</b>	<b>Depreciation</b>	<b>Total Cash Flow</b>	<b>Accumulated Cash Flow</b>
1	617,400	22,750	640,150	640,150
2	687,960	22,750	710,710	1,350,860
3	765,576	22,750	788,326	2,139,186
4	850,954	22,750	873,704	3,012,890
5	944,869	22,750	967,619	3,980,509

**APPENDIX V****CHINA SICHUAN CORPORATION INTERNATIONAL COOPERATION CO. LIMITED COST STRUCTURE US\$**

<b>PARTICULAR</b>	
Land and Buildings	100,000.00
Vehicles	205,000.00
Plant and Machinery	1,000,000.00
Furniture & Fittings	5,000.00
Others	190,000.00
Working Capital	800,000.00
<b>TOTAL</b>	<b>2,300,000.00</b>

**APPENDIX VII**

**CHINA SICHUAN CORPORATION INTERNATIONAL COOPERATION CO. LIMITED FIXED ASSETS  
SCHEDULE (US\$)**

<b>NAME OF ASSETS</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4.</b>	<b>5.</b>
Land And Buildings	100,000	98,000	96,000	94,000	92,000
Machinery, Tools & Equipment	1,000,000	990,000	980,000	970,000	960,000
Motor Vehicles	<b>205,000</b>	194,750	184,500	174,250	164,000
Furniture & Fixtures	5,000	4,500	4,000	3,500	3,000
<b>Total</b>	<b>1,310,000</b>	<b>1,287,250</b>	1,264,500	1,241,750	1,219,000
<b>DEPRECIATION</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Land and buildings	2,000	2,000	2,000	2,000.00	2,000.00
Machinery tools & Equipment	10,000	10,000	10,000	10,000.00	10,000.00
Motor Vehicles	10,250	10,250	10,250	10,250	10,250
Furniture & Fixtures	500	500	500	500.00	500.00
<b>ANNUAL DEPRECIATION</b>	<b>22,750</b>	<b>22,750</b>	<b>22,750</b>	<b>22,750</b>	<b>22,750</b>

