

TIMBER & HARDWARES LIMITED

# BUSINESS PLAN

## TIC Registration for a Project of Furniture Manufacturing

Timber & Hardwares Limited

3/28/2023



## A. EXECUTIVE SUMMARY

Timber & Hardwares Limited is a company limited by shares, registered under Companies Act of 2002 in mainland Tanzania. It is a joint venture company owned largely by a local (99.5%) and a foreigner (0.5%). The company has got authorized share capital of **TShs. 5,000,000** divided into **5,000 shares** of **TShs 1,000/=** each. The share capital, at present exchange rate of USD 2,331 implies a total amount of **USD 2,145**. Of the 5,000 authorized shares **4,000** have been issued and taken.

The company has been in furniture business since 1953 and currently they plan to register a project for manufacturing furniture for domestic and offices use. Total planned capital for this project is **USD 2,591,396** where equity is **USD 454,740** and loan is **USD 1,818,962**. In terms of employment the project will directly employ a total minimum of 30 Tanzanians. Other 300 will be employed indirectly.

From the financial analyses conducted this project is a promising one. As such the shareholders have decided to implement it. This business plan is aimed at securing TIC registration so that the company can enjoy the incentives offered and expand more smoothly.



## **B. TABLE OF CONTENTS**

A.	EXECUTIVE SUMMARY .....	1
B.	TABLE OF CONTENTS .....	2
1.0	INTRODUCTION.....	3
1.1	Company Overview.....	3
1.2	Project Overview.....	3
1.2.1	Project Financing.....	4
1.2.2	Financing of Items.....	5
1.2.3	Employment Details.....	7
1.2.4	Project Capacity .....	7
1.2.5	Supplies and Targeted Market .....	7
1.3	Project Implementation Plan.....	8
2.0	MARKET ANALYSIS.....	8
2.1	SWOC Analysis.....	8
2.2	PESTLE Analysis.....	10
2.3	Market Strategy.....	11
3.0	FINANCIAL PROJECTIONS.....	12
3.1	Sales Projections.....	12
3.2	Projected Income Statement.....	14
3.3	Projected Cash Flow .....	15
3.4	IRR Analysis.....	16
4.0	PROJECT RATIONALE .....	16
5.0	CONCLUSION .....	18
6.0	ANNEXES.....	19

# 1.0 INTRODUCTION

## 1.1 Company Overview

**Timber & Hardwares Limited** is a company limited by shares and registered under the Companies Ordinance (Cap. 212) of the Tanzania mainland. It was registered on 1<sup>st</sup> April 1953 and granted Certificate of Incorporation No. 1555 issued by the Assistant Registrar of Companies pursuant to the quoted decree.

For tax purposes this company is registered and given Tax Payer Identification Number (TIN) 100-150-751. It was registered on 1<sup>st</sup> July, 1999. The project is located at Plot No. 170 Block No. 171 House No. 334 Postal code 15103, Chang'ombe 'A', Mbozi Road Temeke District, Dar es Salaam region

Timber & Hardwares Limited has an authorized share capital of **TShs. 5,000,000** divided into **5,000 shares** of **TShs 1,000/=** each. The share capital, at present exchange rate of USD 2,331 implies a total amount of **USD 2,145**. Of the authorized share capital of **5,000 shares** only **4,000** have been issued and taken, and all are owned by a majority Tanzanian and a minority British. It is thus a JV project so far as detailed under **table 1** below.

**Table 1: Shareholding Details**

Shareholder	Nationality	Shares Taken	Shareholding
Rimit Babubhai Ladwa	Tanzanian	3,980	99.50%
Bhavti Ladwa	British	20	0.50%
<b>TOTALS</b>		<b>4,000</b>	<b>100.00%</b>

## 1.2 Project Overview

Timber & Hardwares Limited has a number of business ideas which it can implement as shown in the MEMARTS. The most prominent business idea is that of manufacturing of furniture and related products. The company looks forward to

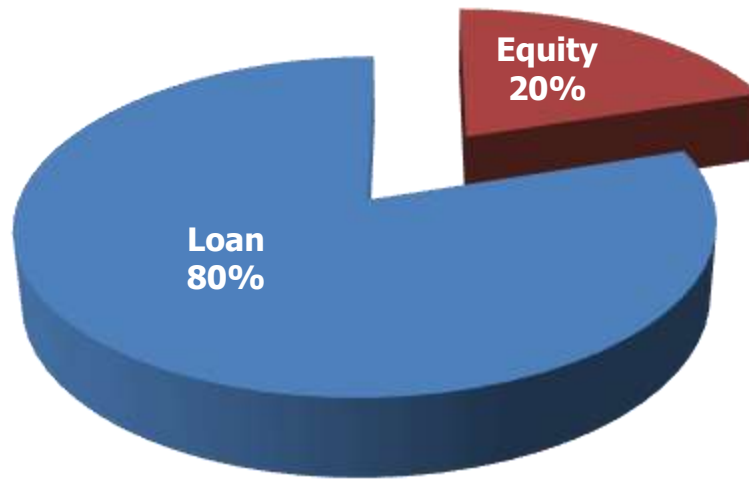
growing its business by constructing a four-stored building for office, factory and showrooms.



### 1.2.1 Project Financing

The project will be financed by equity and loan totaling to the tune of **TShs. 5,300,000,000** (an equivalent of about **USD 2,273,702**). The equity is **USD 454,740** and the projected loan is **USD 1,818,962**. The financing is a joint venture between a Tanzanian (majority shareholder) with 99.5% and a British with 0.5% and the equity accounts for about 20% as loan accounts for 80% as depicted on **figure 1** below.

**Figure 1: Project Financing**



### 1.2.2 Financing of Items

The total planned investment in this project is **USD 2,591,396**. This amount goes to finance acquisition of various items as detailed under **table 2** below.

**Table 2: Financing of Items**

ITEMS	FINANCING IN USD
Land & Buildings	821,444
Plant	1,248,508
Vehicles	302,637
Furniture & Fittings	10,600

Pre Expenses	58,206
Others	-
Working Capital	150,000
<b>TOTAL</b>	<b>2,591,396</b>
FIXED CAPITAL	2,441,396
WORKING CAPITAL	150,000

Of the **USD 2,591,396** total investment in this project **79.88%** goes into land, buildings and erection of the plants, establishments which are core to the roll-out of the project. The investment plan/ schedule is as shown on **table 3** below.

**Table 3: Investment Plan**

INVESTMENT BREAKDOWN ITEMS	INVESTMENT PLAN					TOTAL INVESTMENT
	Y1	Y2	Y3	Y4	Y5	Y1+Y2+Y3+Y4+Y5
Land & Buildings	700,000	121,444				821,444
Plant	1,258,508					1,258,508
Vehicles	200,000	102,638				302,638
Furniture & Fittings	10,600					10,600
Pre Expenses	58,206					58,206
Others						-
Working Capital	150,000					150,000
<b>TOTAL</b>	<b>2,377,314</b>	<b>224,082</b>	-	-	-	<b>2,591,396</b>

Investment in this project is planned to be done over the first two years of operation. Most of the investment will be done during the first, followed by the second year. There will be no additional investment in Years 3 – 5.

Of the **USD 2,591,396** planned investment **USD 2,377,314** will be invested during the first year of operation of the project. This is the year 2023. This massive investment accounts for **91.74%** of the total investment.

### 1.2.3 Employment Details

This local project expects to employ, directly, a total of 30 staff, all of whom are local as shown on **table 4** below. Should there be a need to engage more staff – local or foreigners; the company will do the needful.

**Table 4: Employment Details**

<b>CATEGORY</b>	<b>MALE</b>	<b>FEMALE</b>	<b>TOTAL</b>
Local	24	6	<b>30</b>
Foreign	0	0	<b>0</b>
<b>TOTAL</b>	<b>24</b>	<b>6</b>	<b>30</b>

The project expects to employ mostly local Tanzanians at this point in time. If there will be need to employ more staff including foreigners the company will do so. Of the employed locals, male account for 80% while females account for 20%. Detailed projections are given under **annex 1**.

### 1.2.4 Project Capacity

This is a project for manufacturing of furniture – wooden and steel. At full capacity i.e. at year 5 the project will have a 8,000 cubic meters per annum.

### 1.2.5 Supplies and Targeted Market

This project has a special focus on the Tanzanian local market. Should there be need for expansion geographically the company will expand to other EAC member countries first. The company plans to source its inputs from within Tanzania but for those inputs which are not available within the country they will be sourced from outside the country.

### 1.3 Project Implementation Plan

This is a 5 year project which expects to take-off within the month of May 2023. Acquisition of items will be done over the first two years of operation. There will be no acquisition of items during years 3 – 5 as all acquisition will be done over the first 2 years. The roll-out plan is detailed under **figure 2** below.

**Figure 2: Project Roll-Out Plan**

No.	Activity	Time																	
		2022	2023											2024	2025	2026	2027		
		Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec					
1	TIC Registration																		
2	Market Analysis																		
3	Land Acquisition																		
4	Business Development Analysis																		
5	Construction of Plants																		
6	Assets Acquisition																		
7	Staff Recruitment																		

## 2.0 MARKET ANALYSIS

This section focuses on market analysis for this project. It covers SWOC analysis, PESTEL analysis and the market strategy for the project. This is a crucial part as it gives the way forward for the project, and the company in general.

### 2.1 SWOC Analysis

This sub-section covers an overview of the organizational strengths and weaknesses as well as environmental opportunities and challenges. This analysis will give the way forward in the form of strategies for the business.

#### Strengths

- i) The Promoters of Timber & Hardware Limited have enough muscle to fund the project as their equity amounts to 20% of the financing. The company also can be lent funds by a local commercial bank to the tune of **USD**

**1,818,962** which is equivalent to 80% of the financing. As such the company's liquidity is assured.

- ii) The company has staffs who are experienced in the business of furniture, both wooden and metal. They make a competitive team that delivers quality and competitive products for both domestic and official purposes.
- iii) The management is well acquainted with the general Tanzanian market and specifically with the manufacturing of furniture.
- iv) The company has spotted and is focused on the local Tanzanian market with which it is highly acquainted and from which it can develop its niche there.

### **Weaknesses**

- i) Although the company is 70 years old, it is not well known amount the general public. The company need to implement a marketing and communications strategy that would make it popular within and outside Tanzania.

### **Opportunities**

- i) There is assurance of market in the sector within the Tanzanian market and opportunities of expansion to the other EAC member countries.
- ii) In governance Tanzania is characterized by peace and tranquility. This provides the business with assurance that it will operate smoothly resting assured that the promoters' property security is guaranteed.
- iii) With good investment act shareholders of the Company are guaranteed of freedom from nationalization of their stake in the company.
- iv) There is assurance of power supply which is crucial in the operationalization of the manufacturing project.

### **Challenges**

- i) Business procedures in the country are many and relatively complex. The company engages experienced business consultants to overcome this impediment.

From the SWOC analysis conducted of the company and of the operating environment the promoters are confident that the project will be a success. The main strategy adopted is a penetrative and retentive one, anchored on quality product, competitive price and proper and timely placing of the products.

## **2.2 PESTLE Analysis**

This subsection studies the key external factors namely Political, Economic, Sociological, Technological, Legal and Environmental that influence the organization in the transportation sector.

Politically Tanzania is very stable country characterized by smooth transition of power from regime to another. There have been no civil wars in the country and there are no indications of any wars in any time near.

Economically Tanzania is growing and developing. With a population of around 62 million and having attained the mid-income level the country is a promising in any business. The country has a well-established network of tarmac all-weather roads that run across regions and districts as well as neighboring countries.

Technologically Tanzania is well advanced especially in ICT. With broadly available internet connectivity and mobile phone extension communication has been made a lot easier. Upon leveraging on ICT the company can be engaged by clients through social media and its own website.

The sixth phase government has made them more friendly, laws governing investment and business. The new investment act for example has green lighted

projects worth USD 50,000 to be registered by the TIC and enjoy the benefits offered by the act.

The business environment in the country is excellent. It is encouraging to investors. With good laws and political will projects can flourish in the country. Timber & Hardwares Limited sees the environment being highly conducive for investors, both foreign and local alike.

### **2.3 Market Strategy**

As part of our marketing strategy, we will engage both entry and persistence strategies. The entry strategy will employ digital technology in conducting a social awareness teaser campaign. This will be done using social media and an excellent website. It will push the way for our products into the markets, starting and focusing on local, and then if there be need – foreign market.

As for the persistence strategy, considering the facts that there are both importers of the products we produce, the company has developed a special focus on the 4Ps mix in order to have a good share of the markets. This strategy will enable the company stay in the market and develop a niche of its own. Here is the company's view on the 4Ps promotional mix:-

**Product:** The project will produce best quality furniture. The company will abide by all international standards in order to win the local, and later on the global market.

**Price:** Through the Marketing and Production Departments the company will develop a pricing mix that will make the products price-competitive in order to gain entry into the market, acquire a larger share of the market and develop a niche to be retained starting with Tanzanian market and in the global markets.

**Place:** The project is strategically located within reach of the harbor city of Dar es Salaam which is a logistic hub of Tanzania. This scenario gives the company an upper hand in accessing the market of furniture in the country starting from this largest city to the inland cities and communities.

**Promotion:** Through the qualified marketing personnel the company will design excellent promotion campaigns that will pull consumer toward the products. We will use social awareness teaser campaigns by leveraging on information communication technology.

### **3.0 FINANCIAL PROJECTIONS**

This is a **USD 2,591,396** project. Shareholders of the company have much expectation of having a successful project. Upon financial analyses conducted, the project is promising to be a success. This section covers projections on sales, income, cash flow and IRR analysis.

#### **3.1 Sales Projections**

Sales are expected to be rising through the first five years climaxing during year 5 of operation. At full capacity sales are projected to be at **USD 2,342,560** as shown on **table 5** below.

**Table 5: Sales Projections**

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Annual Sales in cubic meters	6,000	6,500	7,000	7,500	8,000
Estimated Charge per cubic meter (10% inflation)	200	220	242	266	293
Sales Revenue p.a.	1,200,000	1,430,000	1,694,000	1,996,500	2,342,560
Annual Revenue	1,200,000	1,430,000	1,694,000	1,996,500	2,342,560
<b>Sales Revenue</b>	<b>1,200,000</b>	<b>1,430,000</b>	<b>1,694,000</b>	<b>1,996,500</b>	<b>2,342,560</b>

Cost of sales and gross profit projections, on the other hand, are as shown on **table 6**. The project is a promising venture, basing on these projections.

**Table 6: Gross Profit Projections**

Cost of Sales					
Details	Years				
	Y1	Y2	Y3	Y4	Y5
Supplies	120,000	143,000	169,400	199,650	234,256
Utilities	900	990	1,089	1,198	1,318
<b>Total Production Costs</b>	<b>120,900</b>	<b>143,990</b>	<b>170,489</b>	<b>200,848</b>	<b>235,574</b>
<b>Gross Profit Projections</b>					
Details	Years				
	Y1	Y2	Y3	Y4	Y5
Sales	1,200,000	1,430,000	1,694,000	1,996,500	2,342,560
Cost of Sales	120,900	143,990	170,489	200,848	235,574
<b>Gross Profit/ (Loss)</b>	<b>1,079,100</b>	<b>1,286,010</b>	<b>1,523,511</b>	<b>1,795,652</b>	<b>2,106,986</b>

### 3.2 Projected Income Statement

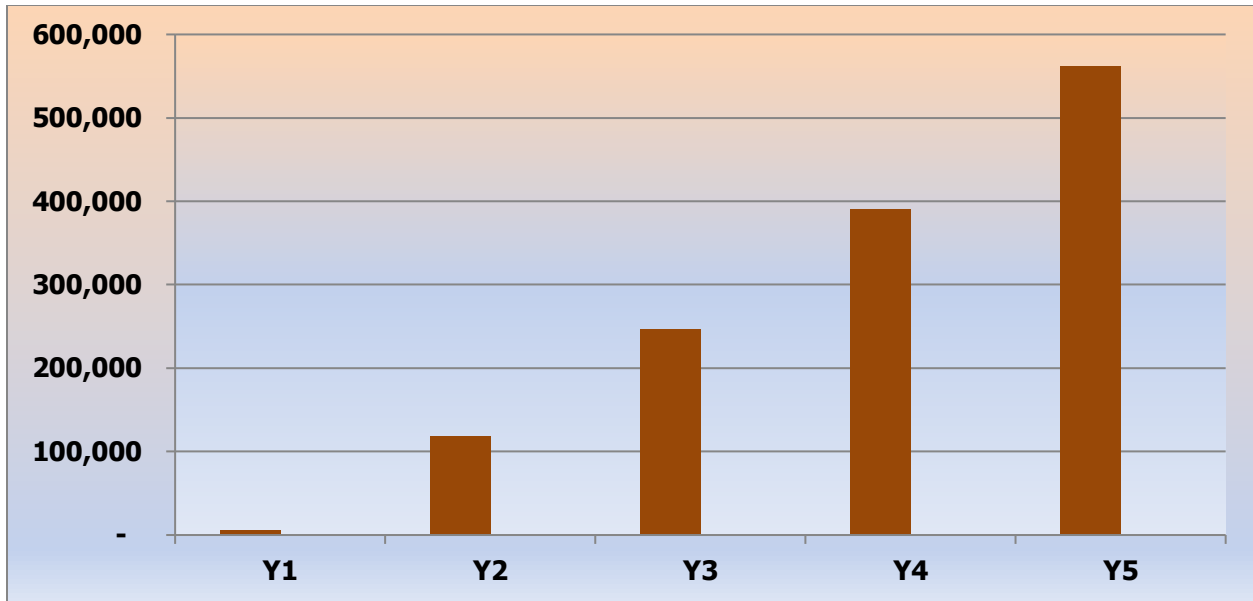
From **table 7** below, the projections show that the project will make profits from the onset of its roll-out in Year 1. Over the years 1 through 5, respectively, the projected profits are **USD 5,254; 117,764; 246,329; 390,398** and **562,179**.

**Table 7: Projected Income Statement**

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Total Sales	1,200,000	1,430,000	1,694,000	1,996,500	2,342,560
Less: Cost of Sales	120,900	143,990	170,489	200,848	235,574
Gross Profit	1,079,100	1,286,010	1,523,511	1,795,652	2,106,986
Less: Operating Expenses	65,000	71,000	78,920	93,795	98,377
EBIT	1,014,100	1,215,010	1,444,591	1,701,857	2,008,610
Less: Loan Interest	1,004,718	1,004,718	1,004,718	1,004,718	1,004,718
EBT	9,382	210,292	439,873	697,139	1,003,892
Less :Taxes (30%)	2,815	63,088	131,962	209,142	301,167
Net Profit/(Loss)	6,567	147,204	307,911	487,997	702,724
Dividend (20%)	1,313	29,441	61,582	97,599	140,545
<b>Retained Earnings</b>	<b>5,254</b>	<b>117,764</b>	<b>246,329</b>	<b>390,398</b>	<b>562,179</b>

Projected operating expenses are detailed under **annex 2** while retained earnings are shown on **figure 3** below.

**Figure 3: Retained Earnings**



### 3.3 Projected Cash Flow

Projected cash flow analysis shows that the project will have enough liquidity to carry out its activities as shown on **table 8** below.

**Table 8: Projected Cash Flow**

Details	Years				
	Y1	Y2	Y3	Y4	Y5
<b><i>Cash from Operations</i></b>					
Profit Before Tax	9,382	210,292	439,873	697,139	1,003,892
<b><i>Adjustment for Non-cash Items:</i></b>					
Capital Additions	2,585,000	2,574,000	2,574,000	2,574,000	2,574,000
Total	2,585,000	2,574,000	2,574,000	2,574,000	2,574,000
	2,585,000	2,574,000	2,574,000	2,574,000	2,574,000
Tax Payments	2,815	63,088	131,962	209,142	301,167
Total Cash Inflow from Operating Activities	2,587,815	2,637,088	2,705,962	2,783,142	2,875,167
Cash from Investing Activities:	3,555,156	3,555,156	3,555,156	3,555,156	3,555,156

Land Rent and development of Property	-	-	-	-	-
Net Cash Outflow from Investing Activities	967,341	- 918,068	849,194	772,014	679,989
Cash from Financing Activities:					
Dividends	1,313	29,441	61,582	97,599	140,545
Change in Cash and Cash Equivalents	968,655	- 947,509	910,776	869,614	820,533
Opening Cash Balance	13,500	12,000	5,000	8,500	7,500
Closing Cash Balance	12,000	5,000	8,500	7,500	5,800

### 3.4 IRR Analysis

The project will have a 37% Internal Rate of Return. This rate, although projected, is highly likely to be above the market rate of interest. This implies that the project will be a success as shown below.

Outlay	4,183,612
NPBT Y1	9,382
NPBT Y2	110,292
NPBT Y3	339,873
NPBT Y4	497,139
NPBT Y5	603,892
IRR	37%

### 4.0 PROJECT RATIONALE

The rationale for this project can be viewed in monetary, fiscal and social aspects. From the financial analysis conducted this project is promising to be a success in the Tanzanian economy. Monetarily it will create income for SMEs supplying the project and serving the workers, fiscally it will pay taxes (both Income Tax and VAT on sales), and socially it will contribute to social development as detailed under subsequent sub-items. **Annex 3** gives details of the project's rationale.

## **Monetary Rationale**

The project is expected to incur a total of USD 1,278,892 on supplies and operating expenses through its first five years of operation. This money will go to supplier SMEs and other companies that will be supplying to the project. The multiplier effect of this spending will go through SMEs down to the households and back to the government in form of taxes and levies. In addition to this, the project will help indirect employees earn money from serving the employees of the firm.

## **Fiscal Rationale**

Fiscally the project projects to pay a total of USD 2,440,785 as taxes to the government in its first five years of operation. Of this amount income tax is projected to be USD 708,173 while VAT is projected to total to USD 1,732,612. The VAT projections are for the sales at the company's level only and will multiply as the impact of the services changes hands. The same applies for the income tax.

**Annex 3** gives the details on the projections.

## **Social Rationale**

Socially the project will participate in various engagements as part of its Corporate Social Responsibility (CSR) program. Over the first five years it is expected to incur a total amount of USD 2,644 on CSR as shown on **annex 3**. In addition, the project will directly employ a total of at least 30 locals. Other locals will enjoy indirect employment via the project. These indirect jobs will total to around 300. The indirect jobs will be for those supplying the project and other service providers including those who serve workers. **Annex 1** gives the details on employment.

## 5.0 CONCLUSION

Timber & Hardwares Limited is a company registered under the laws of the United Republic of Tanzania. It plans to run a project of furniture, both wooden and metallic ones. This project aims to provide quality products as part of its strategy to develop and retain its niche in the market. The project is owned locally by 99.5% and by a foreigner by 0.5%. The planned capital for this project is USD 2,591,396 where 20% is equity and 80% is a local loan to be secured from a local commercial bank.

From our assessment of the business idea we have come up with this business plan with confidence of success. This project is highly likely to be a success and it is rational socio-economically, fiscally and monetarily. If it gets a soft landing via the TIC the promoters of the project look forward to a successful project.

## 6.0 ANNEXES

### *Annex 1: Detailed Employment Projections*

CATEGORIES	LOCAL		FOREIGN		NUMBER
	Male	Female	Male	Female	
<b>Senior Management Team:</b>					
Managing Director	1				1
<b>Managers:</b>					
Accounts Manager		1			1
Marketing Manager	1				1
Supplies Manager		1			1
Plant Supervisors	1	1			2
Plant Manager	1				1
<b>Other Staff:</b>					
Drivers and Operators	12				12
Accountants	1				1
Mechanics	7	3			10
<b>TOTALS</b>	<b>24</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>30</b>

### *Annex 2: Projected Operating Expenses*

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Marketing Expenses	-	200	200	200	200
Bank Charges	1,200	1,200	1,200	6,000	1,200
Insurance	5,000	5,000	5,000	5,000	5,000
Office Expenses	5,400	5,400	5,400	5,400	5,400
Permits and Licenses	1,200	100	100	1,100	100
Vehicle Expenses	4,200	4,200	4,200	4,200	4,200
Provision for Bad Debts	36,000	42,900	50,820	59,895	70,277
Miscellaneous Expenses	12,000	12,000	12,000	12,000	12,000
<b>TOTAL OPERATING EXPENSES</b>	<b>65,000</b>	<b>71,000</b>	<b>78,920</b>	<b>93,795</b>	<b>98,377</b>

### ***Annex 3: Project Rationale***

<b>Details</b>	<b>Years</b>					
	<b>Y1</b>	<b>Y2</b>	<b>Y3</b>	<b>Y4</b>	<b>Y5</b>	<b>TOTALS</b>
Total Production Cost	120,900	143,990	170,489	200,848	235,574	<b>871,801</b>
Total Operating Expenses	65,000	71,000	78,920	93,795	98,377	<b>407,092</b>
Income Tax	2,815	63,088	131,962	209,142	301,167	<b>708,173</b>
VAT on Sales	240,000	286,000	338,800	399,300	468,512	<b>1,732,612</b>
Provision for CSR	11	236	493	781	1,124	<b>2,644</b>
<b>TOTALS</b>	<b>428,725</b>	<b>564,313</b>	<b>720,664</b>	<b>903,865</b>	<b>1,104,754</b>	<b>3,722,322</b>
<b>SUMMARIES</b>						
To the Government	242,815	349,088	470,762	608,442	769,679	<b>2,440,785</b>
To the Private Sector (SMEs)	185,900	214,990	249,409	294,643	333,950	<b>1,278,892</b>
To the Society (CSR)	11	236	493	781	1,124	<b>2,644</b>
<b>TOTALS</b>	<b>428,725</b>	<b>564,313</b>	<b>720,664</b>	<b>903,865</b>	<b>1,104,754</b>	<b>3,722,322</b>

### Annex 4: Loan Details

DETAILS	LOAN SECURED	INTEREST RATE	ANNUAL PRINCIPAL REPAYMENT	ANNUAL PAYBACK (PRINCIPAL + INTEREST)					TOTAL
				Y1	Y2	Y3	Y4	Y5	
Local Loan	1,818,962	0.13	363,792	600,257	600,257	600,257	600,257	600,257	3,001,287
Foreign oan	-	0.14	-	-	-	-	-	-	-
<b>TOTAL PRINCIPAL LOAN</b>			363,792	600,257	600,257	600,257	600,257	600,257	3,001,287
<b>ANNUAL INTEREST DETAILS</b>									
DETAILS	LOAN SECURED	INTEREST RATE	ANNUAL PRINCIPAL REPAYMENT	ANNUAL INTEREST PAYBACK					TOTAL
				Y1	Y2	Y3	Y4	Y5	
Local Loan	1,818,962	0.13	363,792	236,465	236,465	236,465	236,465	236,465	1,182,325
Foreign oan	-	0.14	-	-	-	-	-	-	-
<b>TOTAL INTEREST ON LOAN</b>			363,792	236,465	236,465	236,465	236,465	236,465	1,182,325
<b>TOTAL REPAYMENT</b>				<b>836,722</b>	<b>836,722</b>	<b>836,722</b>	<b>836,722</b>	<b>836,722</b>	<b>4,183,612</b>