

ZAMILA CONTRACTORS (T) LIMITED

P.O BOX 333, SONGEA, TANZANIA

BUSINESS PLAN

December 24
2023

ZAMILA CONTRACTOR (T) LIMITED

Table of Contents

S/n	Item	Page
1.	Executive Summary	2
2.	Company Description	3
3.	Construction Sector of Tanzania	5
4.	Market Analysis	7
5.	Management Summary	8
6.	Investment Cost & Financing Plan	9
7.	Implementation Plan	9
8.	Financial Projections	10
9.	Economic and Social Impact	12
10.	Conclusion	12

1. EXECUTIVE SUMMARY

Zamila Contractors (T) Limited ("ZCL") is planning to be a class four civil contractor based in Songea Municipality, Ruvuma Region, Tanzania. The company is intending to successfully operate in the construction industry for the coming ten years working on both small and medium scale construction, repair and maintenance projects focusing on road contracting. The construction industry of Tanzania has been growing and therefore the company is expecting to operate a profitable and sustainable construction business. ZCL is a start-up company and is planning to acquire a fleet of construction equipment and motor vehicles in order to operate successfully in the construction industry. After acquiring construction equipment and motor vehicles, the company will be able to be registered by Contractors Registration Board (CRB) and be granted civil construction license and be eligible to operate construction business. This business plan lays out goals and tasks to make this business successful and create enough market shares to succeed in the construction industry.

The company was founded as a limited liability company on 19th December 2023 by Mr. Abdallah Ally Selemani and Hussein Abdallah Ally and granted with Certificate of Incorporation No. 170904680 and has authorized share capital of TZS 10 billion. The company is planning to bid and execute not less than 5 projects contracts per annum worth not less than TZS 5 billion after starting business operation. ZCL is planning to acquire additional construction equipment within the period of two years and will be promoted to a higher class and will be able to secure and execute big projects and increase efficient as well.

ZCL will offer a comprehensive services allowing to do whatever it takes to finish projects. Some of these services include; design work, mobilization, site preparation and road constructions works. In addition, skills and equipment ZCL lacks can be subcontracted from other contractors.

The construction sector is booming at this moment; overall business growth will be from USD 5.37 billion in 2023 to USD 6.75 billion in 2028 at CAGR of 4.67% during the forecasted period from 2023-2028 due to increase in infrastructures projects. This makes a very attractive market for ZCL as a contractor.

ZCL will be concentrating on the customers that provide with the greatest margin, in other words TANROADS and TARURA are the major clients for the company because this is the fastest growing segment of commercial clients requiring construction services.

ZCL is planning to invest TZS 3.399 billion in order to set up and operating construction business. The table below indicates details of investment cost

Table 1: Details of Investment Cost

Sn	Item	Amount-USD	Amount-TZS
1	Construction Equipment	233,160	573,437,880
2	Motor Vehicles	882,353	2,250,000,000
3	Furniture & Fittings	20,000	51,000,000
4	Pre-Operation Expenses	10,000	25,500,000
5	Working Capital	196,078	500,000,000
	Total	1,341,591	3,399,937,880

The total investment cost will be financed by promoters' equity amounting to TZS 1,009,937,880 equivalent to 30% and debt from bank amounting to TZS 2,390,000,000 equivalent to 70%

2. COMPANY DESCRIPTION

2.1 Promoters and Shareholders

Zamila Contractors (T) Limited (Zamila) is a family owned company which has operating office at Plot No. 842, Block "FF" Bombambili, Songea Municipality, Ruvuma Region, Tanzania. The company is owned by Tanzanians, namely Mr. Abdallah Ally Selemani (60%) and Mr. Hussein Abdallah Ally (40%) in the shareholding structure. Mr. Abdallah Ally Selemani is the Founder and Managing Director of the company with more than 30 years' experience in the transportation business and trading of various commodities including cereals and petroleum products. The shareholders are planning to operate construction business as a new business venture and the plan is to recruit competent and skilled personnel in the field of engineering and project management to manage day to day business operation.

ZCL will provide construction services in the construction sector in Tanzania and will be registered by Contractor Registration Board of Tanzania (CRB) as a class four civil work contractor after acquiring construction equipment.

2.2 Service Description

ZCL will offer a comprehensive services designed to do whatever it takes to finish projects offered by clients including design work, remodeling and alterations, site preparation, construction and project management. In addition, skills ZCL lacks can be subcontracted.

2.3 Long Term Aim of Business

ZCL is planning to provide construction service by acquiring more construction equipment and becoming one of the leading class one construction company in Tanzania by 2030.

2.4 Objectives

ZCL as a Contractor has the following objectives:

- Significantly enter into the civil works construction business to make profit and obtain local market share of at least 5% in the construction industry.
- Expanding construction services by acquiring more construction equipment within the period of two years in order to undertake various road construction works and promoted to higher class.
- Begin to market and offer construction services in Ruvuma and its neighbouring Regions.
- To employ 50 professional, skilled and unskilled people
- To pay various taxes of at least TZS 100 million per annum after commencement of business operations

2.5 Mission

ZCL will strive to offer the highest quality of construction services and maintains the highest standards of service in the construction industry.

2.6 Vision

- To invest in high quality staff and equipment to generate sufficient revenues and profitability.
- To provide construction services that exceed expectations of clients by giving them a beautiful experience and high quality services to their projects on time and within budget.

2.7 Keys to Success

The local construction market is booming at the moment. In order to achieve a defensible position in the construction industry, ZCL will be concentrating on the following tasks.

- Secure at least five contracts worth TZS 5 billion per annum for a period of five years.
- Expand customer base through expansion into other geographic areas to retain a sufficient level of profitability.
- Increase marketing expenditures by 15% to capture more customers.
- Increase fleet of equipment within the period of two years

2.8 S.W.O.T. Analysis

2.8.1 Strengths

- Skilled and experienced managerial and technical personnel will be employed
- Adequate construction equipment will be acquired

2.8.2 Weakness

- It is a start-up company venturing into construction business.
- Capital intensive project which requires adequate finance to acquire construction equipment.

2.8.3 Opportunities:

- The construction sector in Tanzania is growing very fast which provide opportunity for local and foreign contractors to do business.
- The construction sector is given priority by the Government of Tanzania through investment in infrastructure project to enhance economic and social development.

2.8.4 Threats:

- High competition is expected from the local and foreign contractors who possess similar and higher classes.
- Delay to get paid by clients especially TANROAD and TARURA

3. CONSTRUCTION SECTOR OF TANZANIA

3.1 Overview

Tanzania was under developed in terms of road network and construction industry. Construction sector accounts for more than 50% of Gross Fixed Capital Formation (GFCF) and consumes more than 10% of Gross Domestic Product (GDP). More than 9% of population is employed in construction sector. The sector is fully fledged with multitude of players including consultants, contractors, government institution, regulators and associations. The major player in the construction sector is government.

The industry and construction sector, which includes manufacturing, mining and quarrying, electricity and gas, water supply and construction of roads, residential and non-residential buildings, was posed for higher growth. The overall business growth will be from USD 5.37 billion in 2023 to USD 6.75 billion in 2028 at CAGR of 4.67% during the forecasted period from 2023-2028 due to increase in infrastructures projects.

The construction continues to exhibit a positive growth trend into the medium term, exemplified by increased infrastructure developments including roads, bridges, power, water supply projects, commercial and residential buildings and other land developments.

The establishment of the Contractor Registration Board (CRB) remains as one of the success factors of the country's construction industry policy. The current government policy is to use registered contractors in all construction works instead of using government agencies in order to participate in active construction works paved way for contractors with good qualifications to get contractual works. The Contractors Registration Board (CRB) is also struggling to see that local contractors are empowered so that they can play big role in the construction industry in the country and thus reducing dependency on foreign contractors.

Tanzania has been increasing budget allocation for infrastructure development projects including roads from TZS 47.759 billion in 2000-2001 to TZS 14 trillion in 2022-2023.

3.2 Road network

The strategic plan of TANROADS is to increase the percentage of roads in good condition to provide social and economic services efficiently. This implies that the government is increasing road network.

Table: 2 Tanzania Road Network

Year	Trunk Roads		Regional Roads		Local Roads		Total
	Paved (Km)	Unpaved (Km)	Paved (Km)	Unpaved (Km)	Paved (Km)	Unpaved (Km)	Total (Km)
2018	7,989	2,500	1,516	20,845	NA	NA	32,850
2019	7,990	2,492	1,517	21,179	NA	NA	33,178
2020	8,172	2,472	1,651	21,354	NA	NA	33,646
2021	9,058	3,157	2,128	22,018	2474	141,956	180,792
2022	9,332	2,891	2,344	22,193	NA	NA	36,760

Source: Ministry of Works and Transport

Challenges:

The implementation of Government Strategic Plan to increase road network faced challenge due to the following reasons

- The Government had no sufficient funds to finance road construction works as a results some contractors were not paid on time and other were not paid at all.
- Funds from the donors were not released as promised.

Due to those reasons, all contractors who owe the government were not paid their dues for a couple of years as results some contractors were not able to execute construction works because they lack working capital. In fact, TANROAD had civil works but the government had no funds to finance the construction works. As results most construction companies collapsed and their properties pledged to banks were repossessed and sold by bank.

Current development/Improvement

The construction sector is improving now and one of the main reasons is the government focus on infrastructure development projects to reach industrial economy by 2025. The development made by the government to improve construction sector are as follows

- Settlement of outstanding debts to contractors
- Strengthen TANROAD to administer all construction works in required standards
- Establishing TARURA as a vehicle to control funds for construction works to District Councils in Tanzania
- Increase budget allocation to infrastructure developments projects

- To make payment on time to all contractors who complete their works at the required standard

4. MARKET ANALYSIS

4.1 Overview

The construction sector is booming at the moment, overall growth over the past seven years has averaged approximately 9.5% and is expected to continue for at least the next five years. This constitutes an attractive market for Zamila Contractors (T) Limited.

The company will be concentrating on the TANROAD and TARURA that provide with the greatest margin, in other words these clients desiring for road construction in Tanzania. Road construction is the fastest growing segment in Tanzania requiring construction services.

4.2 Market Segmentation and Strategy

The prospective list of clients for ZCL will be TANROADS and TARURA who control and monitor road construction in Tanzania. Since road construction has the highest average profit margin, the company is focusing most of the marketing and servicing toward these customers. Usually these clients offered big projects in scope and they are most sensitive to completion times. Therefore, the company plan to accommodate these clients through a well-established and expeditious permitting program, strict cost accounting and supply management, and intensive and comprehensive project management capitalizing.

4.3 Service Business Analysis

In Tanzania, commercial construction industry is highly fragmented across the nation. More than 86% of all construction companies consist of small companies employing less than ten people. Contrasted to this are the large companies that engage in "heavy" construction such as roads, bridges, shopping malls, etc. who often have a nationwide scope and employ several thousands of workers and hence creating highly competitive market. Therefore, companies want to create a defensible position in this market need some form of competitive edge, such as fleet of equipment, brand name, low cost advantages, or size.

4.4 Competition

On basis of equipment to be acquired, ZCL will be a class four civil contractors who will compete with contractors either with the same class or higher class who have better construction equipment. Each of these contractors targets the same clients as ZCL and each has a fine reputation for customer satisfaction. However, the construction sector is growing so fast that the demand is currently greater than supply. This is an excellent opportunity to gain market share and a defensible position in the industry.

One of the greatest limiting factors in this industry is its strong seasonality. During the rainy months, road constructions activities stop, increasing the company's short-term risk of cash flow shortfall.

4.5 Marketing Strategy Summary

ZCL will be marketing itself through a variety of methods including use referral systems and pre-existing contacts with TANROADS and TARURA and industry contacts.

ZCL will be able to gain a very advantageous construction contract that allowed to obtain its materials at a significant discount. This allowed the company to underbid its rivals and achieve a low cost leadership role.

4.6 Competitive Edge

In the construction industry the primary ways to compete are through low cost or better project management. One of the most important processes for winning a contract is the bid process. ZCL will make sure to have a unique competitive edge over most of its competitors.

4.7 Marketing Plan Strategy

The most critical part of sales in the construction industry is not the marketing, but the bidding process, in which companies offer their designs, services, material quality, project timeline estimates, and costs. The company that offers the best combination of these variables is the most likely to get the contract. Therefore, very detailed project planning, including supply agreements, labor needs, subcontractors, presentation, and other factors, is crucial for ZCL in winning contracts. ZCL will be designing a standardized method for doing this with all contracts, with an emphasis on quality, timeliness, and low cost to outbid competitors.

5. MANAGEMENT SUMMARY

The Management team will consist of Mr. Abdallah Ally Selemani, Mr. Hussein Abdallah Ally. Mr. Abdallah Ally Selemani is the company Managing Director, responsible for client contacts and bidding along with overall management of the company. Mr. Hussein Abdallah Ally is the company's General Project Manager, coordinating all project management and concentrating on cost controls, suppliers, day-to-day project supervision, labor relations, etc. The company will recruit accountant, handling client satisfaction, invoicing, permitting, and general book keeping.

The company is planning to expand it personnel to add a number of job superintendents and technical staff as soon as after securing projects. These superintendents and technical staff will have the following duties:

- Direct supervision of all work at the job site.
- Quality control.

- Scheduling subcontractors and material deliveries.
- Verifying and insuring that all work is done in accordance with plans.
- Insuring that all work is performed in accordance with all construction guidelines.

6. INVESTMENT COST AND FINANCING PLAN

6.1 Investment Cost

Table 3: Details of Investment Cost

Sn	Item	Existing Investment-TZS	Addition Investment-TZS	Total Investment-TZS
1	Construction Equipment		573,437,880	573,437,880
2	Motor Vehicles		2,250,000,000	2,250,000,000
3	Furniture & Fittings		51,000,000	51,000,000
4	Pre-Operation Expenses	12,750,000	12,750,000	25,500,000
5	Working Capital		500,000,000	500,000,000
	Total	12,750,000	3,387,187,880	3,399,937,880

6.2 Financing Plan

Sn	Source of Funds	Existing Investment-TZS	Addition Investment-TZS	Total Investment-TZS
1	Promoters	12,750,000	997,187,880	1,009,937,880
2	Bank Loan		2,390,000,000	2,390,000,000
	Total	12,750,000	3,387,187,880	3,399,937,880

Debt to Equity Ratio will be 70% by 30%

7. IMPLEMENTATION PLAN

The project implementation requires a period of 4 months and will involve the following activities and duration as indicated on the table below

Table 4: Implementation Plan

Sn	Particular/Activity	Time frame (Weeks)
1	Obtaining TIC Certificate of Incentive	1 Week
2	Importation of Construction Equipment from China	4 weeks
3	Acquiring Motor Vehicles	4 weeks
4	Arranging and obtaining license from Contractors Registration Board (CRB)	3 weeks
5	Bidding and contract execution	4 weeks
	Total	16 Weeks

8. FINANCIAL PROJECTIONS

8.1 Facts

The following facts has been used to establish financial projections to ensure that the company meets its financial obligations:

- The Government through TANROAD and TARURA will continue make payment to contractors as soon as they finish and inspected their contractual works without any delays.
- The construction equipment financed by owners and those owned by the company will be in a good condition and are adequate.
- The company will recruit experienced and committed management team to execute awarded contracts at a required standard and on time.
- The company will have Bid Bond, Performance Bond and working capital facilities with a total amount of TZS 500 million to support business operations.
- Through adding equipment, the company will continue to secure tenders from TANROADS and TARURA in order to increase volume of business.
- The company will also rent equipment to other contractors as additional income

8.2 Assumptions

- Interest rate is 20% per annum
- Tenure for the facility is 5 years
- Loan amount is TZS 1,890,000,000
- Direct Operate cost is 70% of the contracted income
- Monthly collection will be not less than TZS 70 million from the contracted income
- Monthly collection will be TZS 125 million from equipment rental
- Operating expenses will be 2% of total income

8.3 Financial Evaluation

8.3.1 Projected Income Statement (Amount in TZS)

Particulars/ Year	1	2	3	4	5
Total Revenue	4,550,000,000	5,720,000,000	7,078,500,000	7,786,350,000	8,564,985,000
Less: Direct Costs	3,185,000,000	3,640,000,000	4,095,000,000	4,095,000,000	4,095,000,000
Gross Profit	1,365,000,000	2,080,000,000	2,983,500,000	3,691,350,000	4,469,985,000
Less: Indirect Costs	122,713,491	134,984,840	148,483,324	163,331,657	179,664,822
Net Profit Before Interest & Tax	1,242,286,509	1,945,015,160	2,835,016,676	3,528,018,343	4,290,320,178
Less: Financial Costs/Interest	337,050,000	261,450,000	185,850,000	110,250,000	34,650,000
Less: Capital Costs/Depreciation	645,654,735	645,654,735	645,654,735	645,654,735	83,154,735
Net Profit Before Tax	259,581,774	1,037,910,425	2,003,511,941	2,772,113,608	4,172,515,443
Less: Corporate Tax (30%)	77,874,532	311,373,127	601,053,582	831,634,083	1,251,754,633
Net Profit After Tax	181,707,242	726,537,297	1,402,458,359	1,940,479,526	2,920,760,810
Net Profit/(Loss) b/f	-	181,707,242	908,244,539	2,310,702,898	4,251,182,424
Retained Profit	181,707,242	908,244,539	2,310,702,898	4,251,182,424	7,171,943,234

8.3.2 Projected Cashflow (Amount in TZS)

Particular/Year	1	2	3	4	5
INFLOWS:					
Net Profit Before Tax	259,581,774	1,037,910,425	2,003,511,941	2,772,113,608	4,172,515,443
Depreciation	645,654,735	645,654,735	645,654,735	645,654,735	83,154,735
Shareholders Equity	1,009,937,880				
Long Term Loan	1,890,000,000				
Total Inflows	3,805,174,389	1,683,565,160	2,649,166,676	3,417,768,343	4,255,670,178
OUTFLOWS:					
Corporate Tax	77,874,532	311,373,127	601,053,582	831,634,083	1,251,754,633
Working Capital Increase(Decrease)	497,900,000	110,500,000	118,040,000	28,314,000	31,145,400
Investments	2,899,937,880				
Loan Repayment-Long Term	378,000,000	378,000,000	378,000,000	378,000,000	378,000,000
Total outflows	3,853,712,412	799,873,127	1,097,093,582	1,237,948,083	1,660,900,033
Net Cashflow	-48,538,023	883,692,032	1,552,073,094	2,179,820,261	2,594,770,145
Balance b/f	0	-48,538,023	835,154,009	2,387,227,103	4,567,047,364
Closing Balance	-48,538,023	835,154,009	2,387,227,103	4,567,047,364	7,161,817,509

8.3.3 Projected balance sheet (Amount in TZS)

Particular/year	1	2	3	4	5
FIXED ASSETS:					
Total Fixed Assets Cost	2,874,437,880	2,874,437,880	2,874,437,880	2,874,437,880	2,874,437,880
Less: Accumulated Depreciation	640,554,735	1,281,109,470	1,921,664,205	2,562,218,940	2,640,273,675
Net Fixed Assets	2,233,883,145	1,593,328,410	952,773,675	312,218,940	234,164,205
CURRENT ASSETS:					
Cash	-48,538,023	835,154,009	2,387,227,103	4,567,047,364	7,161,817,509
Debtors	182,000,000	228,800,000	283,140,000	311,454,000	342,599,400
Stocks	445,900,000	509,600,000	573,300,000	573,300,000	573,300,000
Total Current Assets	579,361,977	1,573,554,009	3,243,667,103	5,451,801,364	8,077,716,909
CURRENT LIABILITIES:					
Trade creditors	39,000,000	39,000,000	39,000,000	39,000,000	39,000,000
Other current liabilities	91,000,000	91,000,000	91,000,000	91,000,000	91,000,000
Total Current Liabilities	130,000,000	130,000,000	130,000,000	130,000,000	130,000,000
Net Current Assets	449,361,977	1,443,554,009	3,113,667,103	5,321,801,364	7,947,716,909
Arnotised expenses	20,400,000	15,300,000	10,200,000	5,100,000	-
Total Net Assets	2,703,645,122	3,052,182,419	4,076,640,779	5,639,120,305	8,181,881,115
FINANCING:					
Promoters Equity	1,009,937,880	1,009,937,880	1,009,937,880	1,009,937,880	1,009,937,880
Retained Profit	181,707,242	908,244,539	2,310,702,898	4,251,182,424	7,171,943,234
Net Worth	1,191,645,122	1,918,182,419	3,320,640,778	5,261,120,304	8,181,881,114
Long Term Loan	1,512,000,000	1,134,000,000	756,000,000	378,000,000	-
Total Financing	2,703,645,122	3,052,182,419	4,076,640,779	5,639,120,305	8,181,881,115

9. SOCIAL AND ECONOMIC IMPACT

The Project has social-economic impacts as follows:

- The project is found to be financially viable and generate profit within the project life span.
- In the project life under consideration, the region will collect various taxes. Such results create additional fund for the government that will be used in expanding social and other basic services.
- The project is expected to create employment opportunity to several citizens of the country. That is will provide employment of at least 50 professionals as well as support staff.
- The project support social and economic services in Tanzania including education, housing, healthcare, financial etc.

10. CONCLUSION

It is recommended to invest in this project because

- a. The company has competent shareholders to run the project successfully.
- b. Currently, there is high demand for construction services due growth in infrastructure development projects in Tanzania
- c. The project is located at the strategic areas which is considered to be a strategic market location for the proposed project.
- d. The project will be managed by competent management team
- e. The project is technically, financially and commercially feasible and hence worth for implementation.