R.K. CHUDASAMA LIMITED

FEASIBILITY STUDY

FOR THE

CONSTRUCTION OF THE INDUSTRIAL PARK

R.K. CHUDASAMA
P.O. Box 12101
DAR ES SALAAM

November 2023

1.0 EXECUTIVE SUMMARY

1.1 BACKGROUND

This study covers the establishment of an industrial park by constructing warehouses which will be leased to various investors/companies for carrying manufacturing activities in Tanzania. The company vision is to provide economic growth opportunities such as job creation, business retention and attraction and investment extraction. Industrial parks are useful instrument for attracting investment, fostering technological learning and innovation, and for creating jobs. Industrial parks when completed will attract innovative businesses leading to both more jobs and a larger tax base and also will offer an environment where local and international firms can interact.

1.2 THE PROJECT

This report is for ***R.K. CHUDASAMA LIMITED*** who intends to establish industrial park comprising of several warehouses to be constructed for lease to be based in Dar es Salaam. The proposed Fully Serviced Industrial Park will be built in an area which is estimated to be **182,250 sq. meters.** The project promoters, ***R.K. CHUDASAMA LIMITED*** have vast experience in the setting up/operating multi projects especially in the sector of Transportation, construction and commercial buildings. The Industrial Park will comprise of common facilities for the use of a group of industries who will be leasing the warehouses for carrying various manufacturing activities. The warehouses to be constructed will be equipped with up to- date equipment and will be supported by well-constructed car park facilities. ***R.K. CHUDASAMA LIMITED*** is a

sponsor of this project and its shareholder/ directors has several years of experience in initiating/running different types of projects.

1.3 THE PROMOTERS

The promoter of the project is ***R.K. CHUDASAMA LIMITED*** and its shareholders are as follows;

FULL NAME	NATIONALITY	SHAREHOLDING
KISHOR KHIMJI CHUDASAMA	TANZANIAN	17%
RASIKLAL KHIMJI CHUDASAMA	TANZANIAN	17%
JASWANT KHIMJI CHUDASAMA	TANZANIAN	17%
VIJAYKUMAR KHIMJI CHUDASAMA	TANZANIAN	17%
DHIREN RAMESH CHUDASAMA	TANZANIAN	17%
SUNDEEP VASANTLAL CHUDASAMA	TANZANIAN	17%

1.4 MARKETING

The government of Tanzania is promoting industrialization of which will drive towards middle income economy by 2025 with the aim of job creation and economic growth. The manufacturing sector in Tanzania consists mainly of food processing (24%), textiles and clothing (10%), chemicals (8.5%), and others, including beverages, leather and leather products, paper and paper products, publishing and printing, and plastics. (*Internet*).

R.K. CHUDASAMA LIMITED marketing objective as a fully serviced industrial park is to appeal to potential private sector investors and the whole country as a desirable location in which to invest via either business establishment or relocation. In Dar es Salaam a well-organized facility

found in prime locations are unable to cater to the growing business population and efforts are now directed to private investors like ***R.K. CHUDASAMA LIMITED*** to construct modern industrial park of several warehousing facilities to keep pace with the economic activities' expulsions.

R.K. CHUDASAMA LIMITED will put in place the marketing strategy of which will be comprehensive, cohesive and cooperative to external and internal marketing and also targeting both inward investment from business prospects outside the country, and internal investment from existing businesses, stakeholders and allies within the area.

1.5 LOCATIONS AND SITE

The Industrial Park complex comprising of several warehouses will be located at **Farm no 2184 Kisemvule, Mkuranga District & Plot No98, Mbagala Industrial Area, Temeke District,** Dar-es salaam respectively

1.6 MANPOWER AND TRAINING PROGRAM

The whole project intends to employ 20 people. This again has been derived taking into account the types of activities that are intended to be undertaken. However, when the project is in full swing the no of people to be employed will be reduced as major construction works will cease.

1.7 IMPLEMENTATION SCHEDULE

It is estimated that the project will take about 5 years for the whole phases to be completed once the decision for implementation has been reached.

1.8 INVESTMENT STRUCTURE

The total initial investment in fixed assets and working capital is estimated at USD **3,659,509**. The breakdown of which are as follows:

INVESTMENT STRUCTURE

ITEM	US$
Fixed Asset	
Civil Works	2,979,509
Machinery and Equipment	200,000
Vehicles	150,000
Furniture and Fittings	20,000
Pre-Operational Expenses	10,000
Others	200,000
Sub total	**3,559,509**
Initial working capital	100,000
GRAND TOTAL	**3,659,509**

1.9 FINANCING PATTERN

The total initial investment of US $ **3,659,509** will be financed from various shareholders as equity and a term loan from local banks .

SOURCE	US $
Fixed Assets	
Long term Loan	**2,085,657**
Equity	**1,573,852**
Total Financing	**3,659,509**

1.10 ECONOMIC ADVANTAGES

Industrial parks provide an institutional framework, modern services and a physical infrastructure in the country. Buyers, producers, and suppliers can operate in the same location, thus cutting the transaction costs. Firms located in industrial parks often use the services of local companies, creating backward and forward linkages and also diffusing economic learning to the wider business community. Industrial parks can also become growth hubs, creating high growth regions and directing national economic development.

On the basis of the above analysis of overwhelming advantages to the economy , the project is financially sound and techno-economically viable. It is hereby recommended that the project be implemented.

2.0 THE PROJECT

2.1 PROJECT DESCRIPTION

R.K. CHUDASAMA LIMITED intends to establish an industrial park by constructing warehouses which will be leased to various investors/companies for carrying manufacturing activities in Tanzania. The warehouses will comprise of prefabricated structures and also other important building materials such as cement, iron bars, windows etc. windows, doors, electrical and plumbing fixtures, ironmonger, glazing and ceiling.

Wide inlet/entrance will be provided so as to facilitate smooth passenger of the tenants with their vehicles and also the complex will be provided with a parking space adequate to accommodate not less than 25 vehicles at any given time. Security will be of prime importance surveillance cameras and access control will protect both tenants and customers alike. This level space is anticipated to be adequate for purpose in question. The envisaged project site will be easily accessible, and can easily be reached through the tarmac road. The warehouses will also consist of the following;

2.2 POWER SUPPLY SYSTEM

An independent transformer will be provided to cater for the whole Complex and also a standby generator will be provided to supply the essential loads in an event of TANESCO power failure. The Power distribution through the state will be via underground cables installed with TANESCO requirements.

2.3 FIRE PROTECTION

It is proposed to provide fire detection and firefighting system with consist of automatic and manual detection devises, alarm and

communication system whereas firefighting system will feature portable extinguishers, hose reels, wet and dry rises and automatic sprinkler system.

2.4 Air conditioning & Ventilation An individual/separate air conditioning system mainly split units and window type is proposed for the complex. Proper ventilation system will be provided throughout the year.

2.5 WATER SUPPLY

The source of water for the proposed complex will be from the nearest main supply line serving the neighboring residential and commercial area. Provision for both group and overhead storage tanks will be of priority so as to boost the water pressure and for availability whenever the pipes go dry. The tanks capacity will depend on the number of users, which will be determined by the design concept and scheme.

2.6 SEWERAGE SYSTEM

Waste and foul water will be collected from each building by means of UPVCP pipes of different sizes.

2.7 MACHINERY/EQUIPMENT

These will be in the form of air conditioners ceiling fans, warehouse, complete steel structures facilities, various equipment's so as to make the building fully furnished with the appropriate enmities

2.8 FURNITURE AND FITTINGS

These will comprise of sofa sets, office chairs and tables, curtains etc. Such furbishing with proper interior finishing touches will make the warehouses for rent assume an acceptable international standard.

3.0 SITE AND LOCATION

M/S R.K. CHUDASAMA LIMITED contemplates construction of modern warehouses for leasing in **Farm no 2184 Kisemvule, Mkuranga District & Plot No98, Mbagala Industrial Area, Temeke District,** Dar-es salaam respectively

4.0 ENVIRONMENTAL CONSIDERATIONS

The design of the warehouses complex will be carried out with maximum consideration of environmental impact assessment. The building will be designed to receive maximum natural ventilation and light. Mechanical ventilation should be an alternative only in the absence of natural one. However, both cases should be considered according to the varying/changing climate. Another area where the environmental impact has to be considered is at the project surroundings whereby the already grown trees should be retained and included in the landscaping as part of the species of trees to be proposed by the architects. Also, environmental consideration shall be given priority during landscaping so that maximum presentation of soil erosion is observed.

5.0 MARKET ANALYSIS

5 .1 Introduction

The industrial park is essentially an operation of local economic development and, therefore faces strong competition from other sites. The industrial park must target future tenants by promoting and marketing the industrial park and its specialized services at national and international events that suits the needs of the tenants. The park managers also need to ensure that firms are maximizing the benefits of proximity to other enterprises, encouraging linkages between them and with service providers of similar organizations existing in local and regional areas.

5.2 The market

The warehouses in the industrial park will be designed to meet the needs of industrial enterprises in Tanzania by offering modern business development services, such as information and Telecommunications. Dar es salaam which remains the country's commercial and industrial town, is experiencing an increased inflow of commercial activities, factors that influence demand for warehouses in urban center. Because of the growing business population, efforts are now directed towards construction of modern warehousing facilities to keep pace with the economic activities' expulsions. The target market for ***R.K. CHUDASAMA LIMITED*** warehouses for rent is up traders, companies, Public and private businessmen.

5.3 CURRENT SUPPLY

The supply of warehouses for leasing is affected by three main factors namely availability of surveyed plots, availability of masons and lack of a well development real warehouses industry in Tanzania. The Government

controls the delivery system of urban plots and are delivered without development of infrastructure and utilities making newly surveyed plots long and cumbersome process.

The number of industrial park is very low due to limited resource as the Ministry of Lands and Human Settlements Development can supply very few plots and the local business community is also unable to implement large warehouses projects for leasing or outright sale due to the absence of finance institutions at a time as interest rate for loans from existing commercial banks are exorbitantly high. Up to now it is only the publicly owned pension funds (NSSF and NPF) that have been constructing buildings for hire at a large scale. However, these also have their financial limitations and at times they may have other priority project to implement other than real warehouses development.

5.4 COMPETITION

There are very few serious and organized real estate developers in Dar es Salaam or for that matter in the country. This situation limits supply of modern warehouses for hire or outright purchase although one cannot say for certain the exact number of modern warehouses units in Dar es Salaam that are ready for occupation at any given time. On the whole, the supply of warehouses for leasing faces little competition especially in the planned prime areas where no empty plots for development of new modern warehouses units. The high cost of purchasing an old building, demolishing it and construction modern and warehouses put off many would be investors. Furthermore, since the warehouses business in Tanzania is still young, participants are few and therefore competition is low.

6.0 MANPOWER REQUIREMENTS AND ORGANISATION

6.1. MANAGEMENT

The success of a venture of this kind depends on the competence of the personnel recruited to manage. It is assumed that relevant personnel with requisite skills shall be available within the country. There will be a need of recruiting expatriates in some key positions. It is envisaged that the proposed manpower structure would give an effective control of the activities. Board of Directors will manage the warehouses. This board will operate through the project director who would be the Chief Executive of the warehouse's operations.

In Order to streamline the warehouses operations, it is proposed to engage two key figures; Operational officer and the Project Accountant. These two along with the Project Manager will form the central operational core that will ensure the success of the project

6.2 MANPOWER REQUIREMENTS

Based on the proposed organization structure the project will initially employ a total of at 20 people. All new staff would be recruited as the construction activities will be going on while the permanent staff will be recruited at least one month before the and warehouses operations are commenced

7.0. IMPLEMENTATION SCHEDULE

Both local and external factors have been taken into account when drawing out the proposed schedule of implementation. Factors such as finalization of civil works, survey, acquisition of machinery and equipment, recruitment of qualified personnel and other factors has been looked into.

7.1.2Construction of the industrial park

This undertaking will require a period of five years and will be carried in Phases to completion.

7.1.3 Ordering of Steel Structures, Machineries and Equipment's

Timely ordering will have to be executed to match the rate of development of the warehouses.

7.1.4 Plot Development Undertakings

These will comprise of activities such as plot clearing. The carrying out construction of drainage channels etc.

7.1.5Construction of Building/related civil Works

The construction of buildings for the various purposes. These will be done in phases

7.1.6Leasing Advertisement Efforts

These will be carrying out when 10 percent of civil works are completed. This is intended to facilitate prompt acquisition of potential customers.

7.1.7 Installation of Machinery/Equipment/Furniture

Once the buildings are constructed and then will follow the installation of machinery/equipment/furniture and fittings upon arrival at the project site.

7.1.8 Commercial leasing

These will be done as and when the warehouses are completed.

8.0 INVESTMENT AND FINANCING

8.1 ASSUMPTIONS

- The project construction time is assumed to be five years.
- The economic life of the project is 10 years
- The currency exchange rate of Tshs. 2500/- to one US$ has been adopted
- Re-investment in vehicles shall be done after every four years.

8.2 INVESTMENT STRUCTURE

The total initial investment is fixed assets is estimated at **US$ 3,659,509**and whose breakdown of which is as follows;

ITEM	US$
Fixed Asset	
Civil Works	2,979,509
Machinery and Equipment	200,000
Vehicles	150,000
Furniture and Fittings	20,000
Pre-Operational Expenses	10,000
Others	200,000
Sub total	**3,559,509**
Initial working capital	100,000
GRAND TOTAL	**3,659,509**

8.2.1 Civil Works

The ultimate building to house the project is estimated at a cost of US$ **3,659,509**

8.2.2 Machinery and Equipment

Machinery /Equipment needs for the processing unit are estimated at cost of US$ 200,000

8.2.3 Vehicles

These are estimated at US $150,000

8.2.4 Furniture & Fittings

These are estimated at US$1, 20,000

8.2.5 Pre-operational

These are estimated at us$ 10,000

8.2.6 The initial Working Capital

It is envisaged that for the project to take off the initial working capital could be at the level of US $ 100,000.

8.3 RE-INVESTMENT

There shall be need for re-investment in vehicles after every four years i.e., in year 4 and year 8.

8.4 FINANCING PATTERN

The total initial investment of US$ **3,659,509**shall be financed as follows. There will be a long-term loan of US$ **2,085,657** and equity contribution of US$ **1,573,852** covers the fixed assets.

SOURCE	US $
Fixed Assets	
Long term Loan	**2,085,657**
Equity	**1,573,852**
Total Financing	**3,659,509**

9 .0 OPERATION COSTS

9.1. ASSUMPTIONS

The prices of inputs are assumed to remain constant over the ten years period because under rising inflation the prices and services will rise including those of outputs hence having the profit margin unchanged

9.2 OPERATION COST STRUCTURE

The cost items to be handled by the landlord include general maintenance of the warehouses for rent, insurance of building against fire etc. salaries and wages, electricity and water, security, management fees and other general administrative responsibilities.

9.2.1 Repairs and Maintenance

General repairs and maintenance costs for building and civil woks vehicle and equipment are going to be undertaken by the land lord

9.2.2 Energy and Water

Electricity for general lighting/security will be used

10.2.4 Salaries and Wages

A total of 20people will be employed to cater for the overall, construction, administrative, financial, security and cleaning functions of the complex.

9.2.3 Depreciation

Depreciation rates have been calculated as follows:

Land, Building and Civil Works	5% Straight line
Vehicle	25% Straight line
Pre-operational Expenses	20% Straight line
Equipment	12.5 % Straight line

9.2.4 Tax

Corporation tax is charged at 30% on profits before tax. Tax in year four is estimated at US$0.486m rising to US$ 0.636m in year 8.

10.0 FINANCIAL AND ECONOMIC ANALYSIS

10.1. ASSUMPTION

- The prices of inputs and outputs are assumed to remain constant over the life of the project i.e., 10 years
- However, in case of changes in the costs of inputs, to maintain the desired profit margin the prices of the outputs will be accordingly adjusted
- The assumed capacity utilization levels are at 60%, 70%, 80%, % and 100% for years 1-4 and onwards to year 10 respectively.
- The operation costs are assumed to be 65% of the total revenue.

10.2 INCOME

The project's income at full capacity utilization is estimated to average at US$ **6.5 million** per Year as presented in the income statement.

10.3 PROJECTED CASH FLOWS

The project has a positive net cash flow from year of operation to the tenth year when the long-term loan will have been paid in full.

10.4 FINANCIAL REVIEW

The Financial review of the project demonstrates that: -

The project is profitable

The liquidity position of the project is sound and that is should be able to meet its loan commitment easily;

11.0.CONCLUSION AND RECOMMENDATIONS

Analysis of the viability of the R.K. CHUDASAMA LIMITED project aimed at establishing an industrial Park is financially viable and commercially attractive. From a national point of view, the timely implementation of the project will lead to following economic benefits: -

- The project will contribute towards the establishment of high-class industrial park facilities in Dar es Salaam;
- Efficient operation of the project will increase foreign exchange earning capacity;
- R.K. CHUDASAMA LIMITED will provide indirect employment;
- The government will earn substantial revenue from the operation of the project in the form of value added tax.
- Industrial parks can contribute to the realization of many goals of national innovation and sustainable development strategies. Well-planned and equipped parks stimulate the relocation of industries to semi-urban or rural areas, help to relieve congestion and pollution in the urban areas
- Industrial parks use modern services, such as information and telecommunications as well as extension services that are critical for innovation, technological learning and company growth.
- Costs are reduced through economies of scale in the provision of common services and facilities. Furthermore, A concentration of certain types of companies attracts innovation and investors and may facilitate the development of clusters

This study recommends timely implementation of the project proposal.

ANNEXTURES AND APPENDICES

R.K. CHUDASAMA LIMITED.
INVESTMENT COST

ITEM	US$
Fixed Asset	
Civil Works	2,979,509
Machinery and Equipment	200,000
Vehicles	150,000
Furniture and Fittings	20,000
Pre-Operational Expenses	10,000
Others	200,000
Sub total	**3,559,509**
Initial working capital	100,000
GRAND TOTAL	**3,659,509**

R.K. CHUDASAMA LIMITED.
FINANCING PLAN

SOURCE	US $
Fixed Assets	
Long term Loan	**2,085,657**
Equity	**1,573,852**
Total Financing	**3,659,509**

R.K. CHUDASAMA LIMITED

DEPRECIATION SCHEDULE US$

	Value	Rate %	1	2	3	4	5	6	7	8	9	10
Land and Civil Works	2,979,509	5	148,975	148,975	148,975	148,975	148,975	148,975	148,975	148,975	148,975	148,975
Machinery and Equipment	200,000	12.5	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	-	-
Vehicles	150,000	25	37,500	37,500	37,500	37,500	-	-	-	-	-	-
Furniture &fittings	20,000	12.5	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	-	-
Pre operational Expenses	10,000	20	2,000	2,000	2,000	2,000	2,000	-	-	-	-	-
Total			**215,975**	**215,975**	**215,975**	**215,975**	**178,475**	**176,475**	**176,475**	**176,475**	148,975	148,975

R.K. CHUDASAMA LIMITED

REVENUE SCHEDULE

USD

	1	2	3	4	5	6	7	8	9	10
Capacity in% age	40	50	60	80	100	100	100	100	100	100
Monthly charges in **USD 27,0000**	2,624,400	3,280,500	3,936,600	5,248,800	6,561,000	6,561,000	6,561,000	6,561,000	6,561,000	6,561,000

R.K. CHUDASAMA LIMITED
PROJECTED INCOME AND EXPENDITURE STATEMENT

	1	2	3	4	5	6	7	8	9	10
Occupancy rate (%	40	60	80	100						
Income	2,624,400	3,280,500	3,936,600	5,248,800	6,561,000	6,561,000	6,561,000	6,561,000	6,561,000	6,561,000
Less Operating Cost	1,705,860	2,132,325	2,558,790	3,411,720	4,264,650	4,264,650	4,264,650	4,264,650	4,264,650	4,264,650
Profit before interest and depreciation	**918,540**	**1,148,175**	**1,377,810**	**1,837,080**	**2,296,350**	**2,296,350**	**2,296,350**	**2,296,350**	**2,296,350**	**2,296,350**
Depreciation	**215,975**	**215,975**	**215,975**	**215,975**	**178,475**	**176,475**	**176,475**	**176,475**	148,975	148,975
Sub-total	**702,565**	**932,200**	**1,161,835**	**1,621,105**	**2,117,875**	**2,117,875**	**2,119,875**	**2,119,875**	**2,147,375**	**2,147,375**
Profit before tax	**702,565**	**932,200**	**1,161,835**	**1,621,105**	**2,117,875**	**2,117,875**	**2,119,875**	**2,119,875**	**2,147,375**	**2,147,375**
Tax (30%)	210,770	279,660	348,551	486,332	635,363	635,363	635,963	635,963	644,213	644,213
Profit after tax	491,795	652,540	813,284	1,134,773	1,482,512	1,482,512	1,483,912	1,483,912	1,503,162	1,503,162
Accumulated Profit	**491,795**	**1,144,335**	**1,957,619**	**3,092,392**	**4,574,904**	**6,057,416**	**7,541,328**	**9,025,240**	**10,528,402**	**12,031,564**

R.K. CHUDASAMA LIMITED

CASHFLOWS PROJECTION

US$

	0	1	2	3	4	5	6	7	8	9	10
Sources											
Profit before interest and depreciation		702,565	932,200	1,161,835	1,621,105	2,117,875	2,117,875	2,119,875	2,119,875	2,147,375	2,147,375
Equity	**3,659,509**	-	-	-	-	-	-	-	-	-	-
Total sources	**3,659,509**	702,565	932,200	1,161,835	1,621,105	2,117,875	2,117,875	2,119,875	2,119,875	2,147,375	2,147,375
Applications											
Capital expenditure	**3,659,509**	-	-	-	-	-	-	-	-	-	-
Tax		210,770	279,660	348,551	486,332	635,363	635,363	635,963	635,963	644,213	644,213
Sub-Total	**3,659,509**	210,770	279,660	348,551	486,332	635,363	635,363	635,963	635,963	644,213	644,213
Total Applications	**3,659,509**	210,770	279,660	348,551	486,332	635,363	635,363	635,963	635,963	644,213	644,213
Net cash flows		**491,795**	**652,540**	**813,284**	**1,134773**	**1,482,512**	**1,482,512**	**1,483,912**	**1,483,912**	**1,505,162**	**1,505,162**