

HAMSTEAD INVESTMENT LIMITED

FEASIBILITY STUDY

FOR THE

CONSTRUCTION OF COMMERCIAL WAREHOUSING

AUGUST 2023

1.0 EXECUTIVE SUMMARY

1.1 THE COMPANY

HAMSTEAD INVESTMENT LIMITED is a company limited by shares mainly dealing with commercial buildings especially in warehouses and various type of commercially buildings for rent. The company was registered on **25th October 2013** with registration no **103379**. The shareholders due to the fire calamity which occurred in several of its warehouses have decided to rehabilitate, refurbish and expand its warehouse and also build a new one. The company will use equity financing and the term loan in order to make their project successfully.

1.2 Company Shareholders

Currently the company has three shareholders as follows: -

FULL NAME	NATIONALITY	SHAREHOLDING
Manojkumar k. Suchak	Tanzanian	26
Nimesh K. Suchak	Tanzanian	25
Jambo Plastics LTD	Tanzanian	49

The shareholders of **Hamstead Investment Limited** have vast experience in the setting up/operating multi projects especially in the sector of manufacturing and commercial building.

1.2 THE PROJECT

The Project will involve rehabilitation, refurbishment and expansion of several warehouses for rent and their own use. Warehouses will be equipped with up to- date equipment's of high-quality of International Standards. The total builds up area is estimated to be **14864.47 sq.**

meters. The serviced warehouses will be supported by well-constructed car park facilities. Essentially the ultimate purpose of the proposed venture is to rehabilitate and refurbish warehouse which were destroyed by fire which occurred sometimes back.

1.3 LOCATIONS AND SITE

The warehouses complex will be located at **plot no 85,86 & 87** Vingunguti, Ilala area, Dar-es-salaam. The warehouses complex will be established in phases starting September 2023. The layout proposed is the one deemed appropriate for the roles of warehouses.

1.4 CAPITAL INVESTMENT PLAN AND SOURCING OF FUNDS

M/S **Hamstead Investment Limited** proposes to invest **USD 1,500,000** for this project. The breakdown of the relevant costs is as shown below:

Item	Amount	Total
Land/Building	1,200,000	1,200,000
Plant		
Vehicles	-	-
Furniture & Fittings	50,000	50,000
Pre-expenses	-	-
Others	250,000	250,000
Working Capital	-	-
TOTAL	1,500,000	1,500,000

1.5 FINANCING

The total investment cost of the project is planned to be financed by the shareholders retained earnings and shareholders contribution equity. The shareholders will seek for the loan if the need arises.

USD

	Amount	Total
Owners' Equity	1,500,000	1,500,000
Long term loan	-	-
Grand Total	1,500,000	1,500,000

1.6 MARKETING AND COMPLEX CAPACITY

Dares salaam remains the country's commercial and industrial town and is experiencing an increase in the inflow of investors of which are major factors that influence demand for commercial buildings, warehouses and office blocks. The demand pressure has unfortunately not been matched by supply. The company will establish an extensive network which will comprise of dedicated and shared warehousing and distribution operations, to enable the company to fulfil its commitments and deliver the products safely. As the warehouses will comprise of modern equipment's, it will make the company to be efficiency driven and will provide multiple client facilities which will enable the company to create turnkey warehousing solutions to help intended clients to exceed their customer's expectations.

1.7 MANPOWER

Estimated manpower according to the proposed level set up has been estimated at **34** people. This again has been derived taking into account the types of activities that are intended to be undertaken.

1.8 IMPLEMENTATION SCHEDULE

It is estimated that the project will take about **36 Months** to completion once the decision for implementation has been reached. It is planned that the project will be implemented in phases. **.Hamstead Investment Limited** shall appoint a team comprising of a competent building contractors, mechanical engineers and chemical engineers in order to achieve the set implementation time.

1.9 FINANCIAL PROFITABILITY:

Based on a set of assumptions given here in the project, it demonstrates a profitable trend in its future operations. The project's Income Statement and Cash flow indicate that M/S **Hamstead Investment Limited** project would be able to recoup the planned investment funds for its investment programme. This indicates that the project is financially and economically viable.

1.10 ECONOMIC ADVANTAGES

The implementation of the project will lead to following economic benefits: -

- The project will contribute towards the establishment of high-class warehousing facilities in Dar es Salaam;
- Efficient operation of the project will increase foreign exchange earning capacity
- Enable the creation of forward linkages between production and distribution sector.
- will provide both direct and indirect employment
- The government will earn substantial revenue from the operation of the project in the form of taxation.

1.11 CONCLUSION AND RECOMMENDATIONS

The short implementation period combined with the envisaged financial returns makes the proposal highly attractive and ideal for supporting. This study recommends timely implementation of the proposal.

2.0 THE PROJECT

2.1 INTRODUCTION

The Project will involve rehabilitation, refurbishment and expansion of several warehouses for rent and their own use. Warehouses will be equipped with up to- date equipment's of high-quality of International Standards. The total builds up area is estimated to be **14864.47 sq. meters**. The company vision is to provide economic growth opportunities, such as job creation, business retention and attraction and investment extraction.

Warehouses can be used to accelerate economic development and also are useful instrument for attracting investment and for creating jobs. The intended warehouse when completed will attract innovative businesses leading to both more jobs and a larger tax base and also will offer an environment of various activity can use these warehouses

2.2 PROJECT CONCEPT

The company has embarked on a project which will involve rehabilitation, refurbishment and expansion of several warehouses for rent and for their own use to boost its investment at **plot no 85,86 & 87 Vingunguti, Ilala area , Dar-es-salaam** .This has been necessitated by the calamity of which the company faced when the major parts of its warehouses were destroyed by fire . The project will involve rehabilitating, refurbishing and expanding the warehouses. The warehouse will comprise of common facilities for the use 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. **Hamstead**

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

2.3 THE COMPANY

The project sponsors are **Hamstead Investment Limited** whose shareholder/ directors have vast experience in commercial buildings and manufacturing industry especially in the area of administration, finance, strategic planning and marketing. Being the members of various International and national organizations, they have gained knowledge in various type of industries, Government procedures and marketing strategies in all over the world. The intended warehousing project under their leadership and guidance will be a grand success. The overall governing body of **Hamstead Investment Limited** is the Board of Directors, who are also the shareholders. The present shareholders of the company comprise of the following: -

FULL NAME	NATIONALITY	SHAREHOLDING
Manojkumar k. Suchak	Tanzanian	26
Nimesh K. Suchak	Tanzanian	25
Jambo Plastics LTD	Tanzanian	49

2.5 MANPOWER AND TRAINING PROGRAM

Estimated manpower according to the proposed level set up has been estimated at **34** 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 indirect laborer's to be employed will be reduced as major construction works will cease.

2.6 IMPLEMENTATION PROGRAMME

The proposed project implementation is estimated to cover a period of 3 years beginning September 2023. The planned completion date is 2026. The main determining factor for the completion of the project is the availability of funds, granting of TIC certificate for the expansion programme and completion of tax exemption procedures. The main implementation activities include:

i) Construction of the warehouses

ii) Procurement of warehouse structure and related items .The implementation timetable is considered reasonable and achievable because the management of the company had requisite experience to implement the programme.

2.7 SITE AND LOCATION

M/S Nyanza Road works Limited contemplates construction of modern warehouses for leasing in **plot no 85,86 & 87** Vingunguti, Ilala area, Dar-es-salaam. This plot will accommodate warehouses for lease.

2.7.1 ACCESSIBILITY OF THE SITE

The envisaged project site will easily be accessible and it can easily be reached through the tarmac road and it can take about 20 minutes from the city centre to the area by car during time when the traffic is not heavy.

2.7.2 AUXILIARY SERVICES REQUIREMENT

1) Power Supply System

An independent transformer will be provided to cater for the whole complex. A standby generator will be provided to supply the essential

loads in an event of TANESCO power failure. Power distribution will be via underground cables installed with TANESCO requirements.

2) Fire Protection

The warehouses will have fire detection and firefighting system which will consist of automatic and manual detection devices, alarm and communication system. There will also be portable extinguishers, hose reels, wet and dry rises and automatic sprinkler system.

3) Air conditioning & Ventilation

An individual/separate air conditioning system is proposed for the complex. Proper ventilation system will be provided throughout the year.

4) Security

Security will be of prime importance surveillance cameras and access control will protect both tenants and customers alike.

5) Access Entrance

Wide inlet/entrance will be provided so as to facilitate smooth passage of the tenants with their vehicles.

6) A Parking Space for the Complex

The complex will be provided with a parking space adequate to accommodate not less than 50 vehicles at any given time. This level space is anticipated to be adequate for purpose in question.

2.8 Water supply

The source of water for the proposed complex will be from the nearest main supply line serving the neighbouring residential and commercial area. Material specification for pipes and fittings will be according to Tanzanian standards. Provision for both ground and overhead storage tanks will be of priority so as to boost the water pressure and for availability whenever the pipes go dry.

3 .0.CONSTRUCTION WORKS

3.1. THE PROPOSED WAREHOUSES

Proposed warehouses complex must be properly designed and the layout should conform to the specific standards to ensure the anticipated comfort. Provision of spacious rooms and other functional areas

3.2 ENVIRONMENTAL CONSIDERATIONS

The design of 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.

Environmental consideration shall be given priority during landscaping so that maximum presentation of soil erosion is observed.

3.3 DESIGN CONCEPT AND FACILITIES

The proposed warehouses for lease will be of readymade panels. There will also be a provision of car park area. The layout will be appropriately set to facilitate the setting up concrete passage lanes.

3.4 EXTERNAL WORKS

The plot is expected to be landscaped with earth excavation. 1st or 2nd class contractor shall undertake construction of the building. All finishes will be of both locally available and imported materials.

3.5 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 equipments.

3.6 FURNITURE AND FITTINGS

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

4.0 MANPOWER REQUIREMENTS AND ORGANISATION

4.1. 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. In Order to streamline the warehousing 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.

4.2 MANPOWER REQUIREMENTS

4.2.1 TOTAL MANPOWER REQUIREMENTS

Based on the proposed organization structure the project will initially employ a total of **34** persons. However, it is anticipated that by the time the project attains maturity the envisaged employees will be in the region of 50 people.

4.2.3 RECRUITMENT AND TRAINING

All new staff would be recruited at least one month before the warehouse's operations are commenced. The Management of the warehouses would strive to employ competent and qualified personnel in the business. All other supporting staff will be trained on the job.

5.0 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.

I. Construction of the Building

This undertaking will require a period of 12 months to completion.

II. Machinery/Equipment/Vehicle/Furniture Ordering

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

III. Plot Development Undertakings

These will comprise of activities such as plot clearing. The carrying out construction of drainage channels etc. they will take 1 month to complete.

IV. Construction of Building/related civil Works

The construction of buildings for the various purposes. These will take 6 months

V. 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.

VI. Commercial Renting

On completion of the building/fitting of equipment/furniture then the warehouses for rent will be leased without further delay.

6.0 MARKET ANALYSIS

6.1 INTRODUCTION

The proposed project will involve warehouse development in Dar es Salaam. The company will establish extensive network which will comprise of dedicated and shared warehousing and distribution operations, to enable the company to fulfil its commitments and deliver the products safely.

The warehouses will comprise of modern equipment which will make the company to be efficiency driven and will provide multiple client facilities which will enable the company to create turnkey warehousing solutions to help intended clients to exceed their customer's expectations. The warehouse will be Close proximity to major ports, rail ramps and highways and will be expected to be flexible, scalable, reliable and cost effective.

6.2 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. Since land is national property, the Government controls the delivery system of urban plots. However, due to limited resources, the Ministry of Lands and Human Settlements Development can supply only limited number of plots per annual for the Dar es Salaam city.

Most of the plots are allocated without development of infrastructure and utilities making newly surveyed plots long and cumbersome process. It is also very difficult to obtain building permits from the city authorities. Consequently, the number of permits applied for as well as the number issued is very low.

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 when interest rate for loans from existing commercial banks are exorbitantly high. **Hamstead Investment Limited** is a very serious and organized real estate developer in Dar es Salaam and for that matter he will be able to cope with the marketing challenges

6.3 RENT RATES

Rent rates for modern warehouses/Dar es Salaam city depend among others on the location and quality of the house. Based on the current rent rates and the level of competition and given that the proposed building complex will be of high quality, it is expected that the rent charged will be reasonable and follows what the market dictates

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7.0. INVESTMENT AND FINANCING

7.1 ASSUMPTIONS

- The project construction time is assumed to be three years.
- The economic life of the project is 10 year
- The currency exchange rate of Tshs. **2400/-** to one US\$ has been adopted
- Re-investment in vehicles shall be done after every four years.

7.2 INVESTMENT STRUCTURE

The total initial investment in fixed assets is estimated at US\$ **1,500,000** whose breakdown of which is as follows

INVESTMENT STRUCTURE

Item	Amount	Total
Land/Building	1,200,000	1,200,000
Plant	-	-
Vehicles	-	-
Furniture & Fittings	50,000	50,000
Pre-expenses	-	-
Others	250,000	250,000
Working Capital	-	-
TOTAL	1,500,000	1,500,000

7.2.1 Civil Works

The ultimate building to house the project is estimated at a cost
US\$ 1,200,000

7.2.2 Furniture & Fittings

These are estimated at US\$ **50,000**

7.2.3 Others

These are estimated at **US\$ 250,000**. These includes the transformers, generators and the like

7.3 RE-INVESTMENT

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

7.4 FINANCING PATTERN

The total initial investment of US \$ **1,500,000** will be financed from the funds generated within the group companies.

SOURCE	US \$
Equity	1,500,000
Total	1,500,000

8 .0. OPERATION COSTS

8.1. 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. The operation costs have been estimated to be 65% of the total revenue.

8.1.1 Operating Expenses

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.

8.2.1 Repairs and Maintenance

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

8.2.2 Energy and Water

Electricity for general lighting/security will be used will be taken care by the tenants

8.2.3 Salaries and Wages

A total of 34 people will be employed to cater for the overall administrative, financial, security and cleaning functions of the complex.

8.2.3 Tax

Corporation tax is charged at 30% on profits before tax. Tax in year two is estimated at **US\$102,000 rising** to **US\$ 115,000 in** year 3

9.0 FINANCIAL AND ECONOMIC ANALYSIS

9.1. ASSUMPTION

- The prices of inputs and outputs are assumed to remain constant over the life of the project i.e. 10 years from year 3
- 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 80%, 90% and 100% for years 1-3 and onwards to year 10 respectively. This is assumed for only phase 1 and warehouses for rent
- The operation costs have been estimated to be 65% of the total revenue

9.2 INCOME

The project's income at full capacity utilization is estimated to average at ***US\$ 1,250,000*** as presented in the income statement.

9.3 PROJECTED CASH FLOWS

The project has a positive net cash flow from year of operation to the tenth year.

9.4 FINANCIAL REVIEW

The Financial review of the project demonstrates that: -

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

10.0. CONCLUSION AND RECOMMENDATIONS

10.1 ECONOMIC ADVANTAGES

The implementation of the project will lead to following economic benefits: -

- The project will contribute towards the establishment of high-class warehousing facilities in Dar es Salaam.
- Efficient operation of the project will increase foreign exchange earning capacity.
- Enable the creation of forward linkages between production and distribution sector.
- will provide both direct and indirect employment
- The government will earn substantial revenue from the operation of the project in the form of taxation.

11.0 CONCLUSION

The project is promoted by strong sponsors who have the ability to manage all the activities efficiently. The short implementation period combined with the envisaged financial returns makes the proposal highly attractive and ideal for supporting. This study recommends timely implementation of the proposal.

HAMSTEAD INVESTMENT LIMITED

PROJECTED INVESTMENT COST

Item	Amount	Total
Land/Building	1,200,000	1,200,000
Plant	-	-
Vehicles	-	-
Furniture & Fittings	50,000	50,000
Pre-expenses	-	-
Others	250,000	250,000
Working Capital	-	-
TOTAL	1,500,000	1,500,000

HAMSTEAD INVESTMENT LIMITED
PROJECTED FINANCING STRUCTURE

		Local	Total
Equity		1,500,000	1,500,000
Total		1,500,000	1,500,000

HAMSTEAD INVESTMENT LIMITED

PROJECTED DEPRECIATION SCHEDULE

US\$

	Value	Rate %	1	2	3	4	5	6	7	8	9	10
Land and Civil Works	1,200,000	4	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000
Furniture and fixtures	50,000	12.5	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250		
			54,250	54,250	54,250	54,250	54,250	54,250	54,250	54,250	48,000	48,000

HAMSTEAD INVESTMENT LIMITED

PROJECTED INCOME AND EXPENDITURE STATEMENT

US\$ 000

	1	2	3	4	5	6	7	8	9	10
Occupancy rate (%)	80	90	100	100	100	100	100	100	100	100
Sales revenue	1000	1,125	1,250,	1,250	1,250	1,250	1,250	1,250	1,250	1,250
Less Operating Cost	650	731	813	813	813	813	813	813	813	813
Operating Profit	350	394	437	437	437	437	437	437	437	437
Profit before interest and depreciation	350	394	437	437	437	437	437	437	437	437
Depreciation	54	54	54	54	54	54	54	54	48	48
Sub-total	54	54	54	54	54	54	54	54	48	48
Profit before tax	296	340	383	383	383	383	383	383	389	389
Tax (30%)	89	102	115	115	115	115	115	115	117	117
Profit after tax	207	238	268	268	268	268	268	268	268	268
Accumulated Profit	207	445	713	981	1,249	1,517	1,785	2053	2321	2,589

HAMSTEAD INVESTMENT LIMITED

CASHFLOWS PROJECTION

US\$000

	0	1	2	3	4	5	6	7	8	9	10
Sources											
Profit before interest and depreciation		296	340	383	383	383	383	383	389	389	389
Equity	1,500	-	-	-	-	-	-	-	-	-	-
Total sources	1,500	296	340	383	383	383	383	383	389	389	389
Applications											
Capital expenditure	1,500	-	-	-	-	-	-	-	-	-	-
Tax		89	102	115	115	115	115	115	117	117	117
Sub-Total	1,500	89	102	115	115	115	115	115	117	117	117
Total Applications	1,500	89	102	115	115	115	115	115	117	117	117
Net cash flows		207	238	268	268	268	268	268	268	268	268
Accumulated cash	--	207	445	713	981	1,249	1,517	1,785	2,053	2,321	2,589