

TOKYO IN DAR LIMITED

BUSINESS PLAN

FOR

LEASING HEAVY CONSTRUCTION EQUIPMENTS

1.0 EXECUTIVE SUMMARY

TOKYO IN DAR LIMITED is having Certificate of Compliance No. 87750 issued on 13th April 2012. The directors to this company are two Tanzanians and one Japanese with vast international business experience.

Through years of experience and innovation, the company shareholders have obviously created an advantage in the market network, product, technology, and cost and established a unique enterprise culture. The shareholders are ready to establish a physical presence in Tanzania by leasing construction equipment

1.1 The Project

TOKYO IN DAR LIMITED is planning to set up a business of leasing heavy construction equipment which will be leased to Tanzanian companies who are dealing with construction business. Potential customers will be required to provide the followings:

- Legal documents such as a Certificate of registration from BRELA
- Contractors Registration Certificate from CRS
- TIN and VAT Registration from TRA
- Lease agreement showing the location of the office

- Evidence of tender or any works to be performed by the company
- Guarantor certificate
- Bank statements to financial records of the company
- The C.V of company directors
- Records of the previously performed works in Tanzania or out of Tanzania etc

The project office will be located at **Mikocheni Industrial area coca cola road plot 19/20, Kinondoni District, Dar es Salaam Region** The company will import Machinery, equipment, and other facilities from Japan to facilitate the establishment of the proposed project in the country. Depending on the market consumption rate, the Initial capacity is proposed to be **20 heavy construction equipment**; this capacity will increase gradually reaching **40** units.

This project will make available quality heavy construction equipment from Japan international brand that will be used for:

- Mining projects
- Water projects
- Road construction project
- Ports and airport construction projects etc

- Provision of standard and affordable prices products.

The macro objectives of establishing the project are to support economic, social, and administrative activities in Tanzania

1.2 The Project Promoters

The project is being promoted by **TOKYO IN DAR LIMITED**

Name	%of shareholders	Nationality
Mr. Hideo Tokiyoshi	90	Japanese
Mr. Obedie S. Kimaro	5	Tanzania
Mr. Lawrence G. Mwakyambiki	5	Tanzania

2.0 Construction Sector Overview

The construction sector in Tanzania is growing fast. This growth is one of the main drivers of the country's fast-growing economy. Undoubtedly, this presents more business opportunities in the construction sector.

The opportunities are mainly in the following areas:

- Manufacturing of construction and hardware materials.
- Trading of hardware materials (retail and wholesale).
- Importation and sale of construction and hardware materials.

- Contracting or subcontracting (building, civil, mechanical, electrical, and specialist).
- Architect and design.
- Real estate.
- Renting out construction equipment

2.1 Performance and Growth of Tanzania Construction Sector

The construction sector in the country was determined to be worth USD 6.7 billion in 2018 compared to USD 4 billion in 2014. In other words, the sector grew by an average of 17% per year.

That growth was driven by infrastructure development and an increase in the manufacturing of hardware and construction materials.

2.2 Regulation of the Construction Sector in Tanzania

The construction sector in Tanzania is regulated by the Ministry of Works, Transport, and Communication (MoWTC) and its agencies, bodies, and boards. MoWTC is responsible for formulating policies, planning, overseeing, and overall coordination of the sector.

The institutions under the MoWTC that deal directly with the construction sector include:

Tanzania Building Agency (TBA)

Tanzania Buildings Agency (TBA) is a government's Executive Agency under the Ministry of Works (MoW). The Agency has been primarily mandated to provide quality accommodation to Government and public servants. It's also mandated to provide building consultancy services to the Government.

The Agency was established in May 2002 in accordance with the Executive Agencies Act No. 30 of 1997 as a transformation of the Building Department (BD) within the Ministry of Works (formerly known as the Ministry of Infrastructure Development).

Tanzania National Roads Agency (TANROADS)

The Tanzania National Roads Agency (TANROADS) is an Executive Agency under the Ministry of Works, Transport and Communications.

It was established under section 3(1) of the Executive Agencies Act (Cap 245).

The agency came into operation in July 2000. The Agency is responsible for the maintenance and development of the trunk and regional road network in Tanzania Mainland Classified Road Network. The total classified road network in Tanzania's Mainland is estimated to be 86,472 km based on the Road Act 2007.

Tanzania Rural and Urban Roads Agency (TARURA)

The Tanzania Rural and Urban Roads Agency (TARURA) is an executive agency under the President's Office of Regional Administration and Local Government (PORALG). The agency was established under the Executive Agencies Act Cap. 245. The primary objective of the agency is to develop and maintain the District roads network (Collector, Feeder, and community) in the Tanzania mainland.

Tanzania Electrical, Mechanical, and Service Agency (TEMESA)

The Tanzania Electrical, Mechanical, and Electronics Services Agency (TEMESA) is an executive agency under the President's Office of Regional Administration and Local Governance (PORALG).

The agency was established under the Executive Agencies Act Cap 245.

The primary objective of the agency is to provide:

- Efficient and effective electrical, mechanical, and electronic services.
- Reliable and safe ferry transport services.
- Hiring of equipment to government institutions and the public at large.

The agency has the following functions:

- Undertake effective maintenance of Government Owned Motor vehicles, motorcycles, and Plants;
- Undertake effective maintenance of Electrical, Electronics/ICTs, Air Conditioning, and Refrigeration systems in all Government Buildings;
- Operation and maintenance of Traffic Signals and Street Lights;
- Hiring of transport for Government VIPs;
- Hiring of Plants and Equipment to Government Institutions and the Public at large;
- Ensure safe operation and maintenance of all Government Owned Ferry Services;
- Provision of quality Technical Advice and Consultancy services in Engineering Works and related services to Government institutions and the Public at large;
- Provision of quality Technical Advice and Consultancy services on new installations related to Engineering Works and Services;
- Design and supervise new installations related to Engineering Works and Services.

Roads Fund Board (RFB)

Roads Fund Board was established by The Road Tolls (Amendment No.2) Act 19981 (RFB 2018). It started operations in 2000 with the mandate of:

- Advising the roads minister on new sources for road and fuel tolls.
- Adjustment of the rates of existing roads and fuel tolls.
- Regulations for the collection of road and fuel tolls for the purpose of ensuring an adequate and stable flow of funds to road operations.

The RFB is also the main source of funding for the maintenance of the road network in Tanzania.

National Construction Council (NCC)

National Construction Council is a consultative body responsible for promoting and providing strategic leadership for the growth, development, and expansion of the construction sector.

This is done with an emphasis on the development of local capacity.

Other functions of the council are:

- Advising the government on all matters relating to the development of the construction industry and formulating proposals and recommendations for their implementation;

- Provide advisory services and technical assistance to construction industry stakeholders on all matters related to the construction industry;
- Promoting and co-ordinate quality training for persons engaged, or to be engaged in the construction industry;
- Promoting, conducting, and coordinating research on all matters related to the construction industry;
- Providing and promoting the documentation and dissemination of construction industry-related information including the establishment of a register of projects and a directory of construction materials and equipment;
- Monitoring and promoting the development and implementation of standards, regulations, and codes of practice on all matters related to the construction industry;
- Promoting the use of innovative technologies and the application of best practices in the construction industry;
- Promoting and establishing forums for enhancing industry-wide coordination, collaboration, and discussion on matters related to the construction industry;
- Benchmarking, monitoring, and evaluating the performance of the construction industry;

- Soliciting and managing the fund for the training of personnel in the construction industry;
- Promote quality management including the provision of technical auditing services in the construction industry;
- Promoting environmentally sustainable construction practices including health and safety aspects;
- Promoting the export of goods and services related to the construction industry; and
- Facilitating efficient resolution of disputes in the construction industry.

Contractors' Registration Board (CRB)

CRB is a government agency that registers and regulates all types of **contractors** and subcontractors.

Under the laws of URT, you cannot operate any civil, mechanical, building, or electrical contracting or subcontracting activity without CRB registration. The Board keeps an online (publicly) accessible database of registered contractors. The said database shows that the board has registered a total of 9024 contractors as of July 2021.

Why the government started this board?

The board serves a very important purpose of protecting consumers of construction services in Tanzania.

How to register with Contractors Registration Board?

We have an article coming soon that will give details of the requirements and procedures to be followed to be registered with CRB.

Engineers Registration Board (ERB)

ERB is a government agency that registers and regulates **engineers and engineering firms**. The Board has the following functions:

- Maintaining and keeping a register of engineers, including consulting engineers or firms providing engineering services;
- To consider and decide on applications for registration;
- Promoting and providing opportunities and facilities for the study of and for professional training in engineering;
- To sponsor, arrange and provide facilities for conferences, seminars, workshops, and consultations on matters related to the field of engineering;
- To promote and maintain professional conduct and integrity of the engineering profession;
- Monitoring the conduct and activities of engineers, including consulting engineers or firms,

- To arrange for the publication and dissemination of materials produced in connection with the work and activities of the Board;
- Certifying academic awards given by training institutions for consideration in an application made under section 10;
- Planning, arranging, coordinating, and overseeing the professional training of local graduate engineers;
- To collaborate with the Tanzania Commission for Universities and other relevant institutions on the accreditation of programs for the training of engineers and facilitate the same;
- Inspecting sites where there is ongoing construction, installation, erection, alteration, renovation, maintenance, processing, or manufacturing works for the purpose of verifying that only appropriate engineers undertake the engineering activities.
- To enter and inspect business offices for verification purposes or for monitoring works, services, and goods rendered by engineers and engineering technicians;
- To suspend any works, projects, service, installation, process or other engineering activities that don't meet engineering professional requirements;

- Taking legal action against persons or firms that practice engineering without being valid registrations by the Board;
- To take legal action against engineers and Engineering Consulting Firms that practice engineering or offer engineering consultancy services in areas outside their registrations;

The market for the construction sector in Tanzania

The construction sector in Tanzania grew from USD 4 billion in 2014 to USD 6.7 billion in 2018 to USD 9.1 billion in 2021. The sector is expected to grow to USD 14.2 billion in 2025.

3.0 THE PROJECT

3.1 Project Description

TOKYO IN DAR LIMITED sets out a proposal for Investment in the leasing of heavy construction equipment.

3.2 Project Location

The proposed project will be located at **Mikocheni Industrial area coca cola road plot 19/20, Kinondoni District, Dar es Salaam Region**. The company has rented a premise big enough to accommodate all services provided by the company.

3.3 Marketing Strategies

The company's target is construction and mining companies that will be leasing equipment

4.0 **MANAGEMENT AND ORGANIZATION STRUCTURE**

4.1 Management

The company policy is to have adequate manpower to manage its operations efficiently.

TOKYO IN DAR LIMITED believes in keeping on board only the very essential manpower strength, to develop them into a highly motivated and sincere company team for the best and most efficient operations of the company.

The company will have a team of qualified and experienced functional staff in the areas of Operations, Marketing, and Finance & Administration.

4.2 Management Policy

The day-to-day operations will be managed by General Manager, to be assisted by production Engineers who will be in charge of truck assembling operations. The Company will employ other professionals in the areas of marketing, Finance, Human Resources, logistics, and supplies, and others for the smooth Implementation of the project

The General Manager will manage the company under the policy guidance of the Board of Directors

4.3 Organizational Structure

It is proposed that the company's operations be headed by a General Manager who will assist the Mechanical Engineer and another professional in the areas of Marketing, Finance, Human Resources, Logistics, and Supplies, The General Manager will be functionally responsible for achieving the Business plan prepared every after five years. He will also be responsible for the entire function of the company subject to the policy guidance set. The Marketing officers will be responsible for both marketing. The job responsibilities will include market planning and development, sales promotion, and sales coordination.

4.4 Manpower Requirement and Emoluments

The estimated manpower requirement for the business is 8 locals and 4 foreigners.

5.0 Project Investment Cost

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

TOKYO IN DAR LIMITED COST STRUCTURE US\$

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

5.1 Financing Pattern

The project will be financed by equity and loan from financial institutions

	US\$
Equity	2,300,000
Total	2,300,000

6.0 Financial Analysis

6.1 Considerations and Assumptions:

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

6.2 Financial Statements:

6.3 Projected Rental Revenue

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

PROJECTED REVENUE

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

6.4 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 5 years period. The position depicted is that the project earns profit throughout its life. Accumulated after-tax profits grow from. US\$ 617,400 in the first year to US\$ **3,866,758** in the 5 years (refer to Appendix I)

6.5 Projected Cash Flows

This is shown in the Projected Cash Flows Statement in Appendix II. They indicate that the project will meet its entire financial obligation, the cash flow in the first year of **US\$ 743,400** and grow up to **US\$ 3,866,758.56** in the 5th year, (refer appendix II)

6.6 Projected Balance Sheet

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

7.0 Implementation Schedule

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

Project Implementation

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

The proposed project will result in the following social and economic impacts:

- Make available affordable, quality, and stress-free heavy construction equipment
- Increase the provision of high-quality services in the construction industry
- The project will result in the direct employment creation of 12 people many more indirectly
- The Government and other agencies will benefit from various taxes, fees, and commissions that will be paid by the company

8.0 Conclusion

TOKYO IN DAR LIMITED proposal to Invest in the leasing of heavy construction equipment,

The Executive Summary highlights indicate that the proposed project is financially and economically viable, The project will generate significant social and economic progress by way of increasing the provision of quality heavy construction equipment in the country. It is recommended that the project be accorded the required institutional support to pave the way for its expeditious establishment and development.

In that regard; we strongly recommended that the project be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under Tanzania Investment Act, 1997 to enable smooth implementation

9.0 Recommendations

The project is technically feasible, financially viable, and economically sound, provided the sponsors will manage it efficiently.

It is recommended that the project be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 1997.

APPENDIX I

TOKYO IN DAR LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

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

APPENDIX II

TOKYO IN DAR LIMITED PROJECTED CASH FLOW US\$

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

APPENDIX III

TOKYO IN DAR LIMITED PROJECTED BALANCE SHEET US \$

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

APPENDIX IV**TOKYO IN DAR LIMITED PAYBACK PERIOD SCHEDULE**

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

APPENDIX V**TOKYO IN DAR LIMITED COST STRUCTURE US\$**

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

APPENDIX VII

TOKYO IN DAR LIMITED FIXED ASSETS SCHEDULE (US\$)

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