

**FEASIBILITY STUDY FOR
IMPLEMENTATION PROGRAMME
OF**

**M/S RUGAO NDEFU INVESMENT LIMITED
COMMERCIAL BUILDING PROJECT**

**M/S RUGAO NDEFU INVESTMENT LIMITED
(RESIDENTIAL/ COMMERCIAL BUILDING PROJECT)
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M/S RUGAO NDEFU INVESTMENT LIMITED COMMERCIAL BUILDING FOR LEASE

1. INTRODUCTION

The feasibility study has been prepared by **M/S RUGAO NDEFU INVESTMENT LIMITED** for the implementation of the commercial building project. The proposed project intends to construct and operate high quality and modern commercial/residential building for leasing.

The study was prepared to show the financial, economic and other resources required for the implementation of the residential/ commercial building project and also assess its economic and commercial viability for presentation to company's promoters (shareholders) for allocation of funds and machinery as well as equipment to supplement the equity contribution.

2. COMPANY'S BACKGROUND

RUGAO NDEFU INVESTMENT LIMITED is a private limited liability company incorporated and registered under Companies Ordinance (**Cap 212**) by Registrar of companies on 11 day of **October, 2024** with Certificate of Incorporation Number **178714279**.

The proposed residential/ commercial housing project is basically aimed at constructing and operating high quality and modern residential/ commercial building for leasing to individuals, businessmen and companies, whether local or foreign. As result the company can earn the local and foreign currency.

There is acute problem of residential/ commercial building in Coast Region due to increased population coming to urban area for work, business etc these reasons the promoters (shareholder) in their board meeting resolved to invest in erecting, constructing a high quality and modern residential development.

The intended residential/ commercial building project in its implementation programme is estimated to be **USD\$ 3,500,000.0** on construction building materials, finishing materials, residential/ commercial housing development facilities, utility vehicles, generators and other facilities.

3. POTENTIAL MARKET

The market survey undertaken by the company has revealed that there is acute shortage of high quality and modern facilities for commercial/residential accommodation at **Plot No.28 Block A Zegereni Industrial Area Kibaha-Coast Region**.

There are few commercial/residential buildings in Coast Region. And there are also guest houses and hotels in Coast Region which are providing accommodation to visitors who are coming to Coast Region on different reasons like work or business. However, most of these hotels and guest houses are intended for the visitors who are coming to Coast Region for short period besides they are of low standard facilities. The proposed residential/ commercial building will provide high quality facilities for residential as well as commercial accommodation.

The Nine floor building will have lettable office, Bank Hall and residential apartments to be leased to businessmen, companies, banks, corporate entities as well as individuals. The residential apartment will be made suitable for residential purposes for the families in long & short-term basis.

The improvement and growth in agricultural, industrial and commercial sectors has proved that there is a need for the high quality and modern commercial/residential accommodation facilities. Businessmen and visitors who come for business or work in Coast Region sometimes may decide to look for the residential apartments if they want to stay longer and hotel accommodation will not be to their convenience.

There is a need high quality and modern facilities for commercial and residential housing estate development due to high population and increased economic activities in Coast Region which are Trade, industry and agriculture.

Due to these reasons the management decided to put the proper facilities for offices and residential housing accommodation. This being the case the proposed project is assured of ready market for its intended quality facilities. The proposed commercial & residential development is in the good location as the goodwill.

4. THE COMPANY'S OBJECTIVES

M/S RUGAO NDEFU INVESTMENT LIMITED was registered with multi activities, among other activities there is construction of residential/ commercial housing project-real estate development. The company has determined to construct and erect commercial buildings aimed at providing the high quality and modern residential accommodation and commercial development like offices, bank halls, shops, residential apartments for leasing to businessmen, organizations, companies, banks, corporate entities, individuals or families both local and foreign.

The mission of the intended commercial building project in its implementation programme is not only to provide quality residential and commercial

accommodation but also marketing of the project so as to generate the much needed local and foreign earnings.

5. THE IMPORTANCE OF THE RESIDENTIAL/ COMMERCIAL PROJECT

The real estate development project will improve Coast Region Township due to construction of high quality and modern buildings. The buildings will be attractive and eye catching. The Project will provide facilities for offices, shops, banks halls, residential apartments to be lease to businessmen, organizations, companies, banks, corporate entities, individuals or families both local and foreign which will result generating local and foreign currency. This will solve the acute shortage of residential housing and modern commercial facilities.

The project will contribute to the Government revenues through taxes and other levies. And stimulate residential/ commercial estate development and promote growth and expansion of private of sector. Among other economical values the project will foster the growth of residential housing and commercial estate development, alleviation of poverty and improvement of worker's social welfare, Income generation programme. The project being residential housing and commercial estate development will create employment to local people.

6. PROSPECTS/ PLAN

- In its future plan, the company intends to construct more high quality residential & commercial accommodation at affordable rent.
- Real Estate Developments in key locations which give the company the advantage.
- To expand the project for high quality and modern residential/ commercial buildings facilities for renting like serviced furnished apartments, offices, shop malls, flats etc.

7. PROJECT PROMOTERS (SHAREHOLDERS)

The following sponsors are promoting the intended commercial/residential housing project. These are the Directors and shareholders of **M/S RUGAO NDEFU INVESTMENT LIMITED** with their shareholders' position.

| No | Name of shareholders | No. of shares | Nationality | % shareholding structure |
|----|----------------------|---------------|-------------|--------------------------|
| 1. | Mr. MAO JINGJING | 50 | Chinese | 50% |

| | | | | |
|----|-------------------------|------------|----------------|-------------|
| 2. | Mr. ZHU MENGYUAN | 50 | Chinese | 50% |
| | TOTAL | 100 | | 100% |

Therefore, the authorized capital of the company is Tshs. 100,000,000,000/= divided into 10000 ordinary shares of Tshs. 100,000/= each.

8. LOCATION

The proposed residential buildings will **Plot No.28 Block A Zegereni Industrial Area Kibaha- Coast Region.**

9. DESIGN AND CIVIL WORK

The layout and drawings of the commercial and residential housing estate development has been prepared. The construction of the high quality and modern residential/ commercial building in **Plot No.28 Block A Zegereni Industrial Area Kibaha- Coast Region.** The residential/ commercial housing project in the mentioned plot will be seven floor building.

In the ground floor there will be lettable offices and Bank Hall & strong room, ATM Machine room, bank arcade. Mezzanine Floor will be for Bank, offices, strong room. And the first & second floors will be for lettable offices. In Third Floor up to Nineth floor will be for residential apartments. There will be forty-eight modern luxury apartments. All the apartments will be self-contained with toilet and bathroom, kitchens, dining rooms, sitting rooms, laundry, balcony etc.

The residential apartments will be with deluxe rooms fully furnished and self contained. The rooms will be fully equipped/ air-conditioned, built-in cupboards/ wardrobes, ceiling fans, table lamps, toilets, bath tubs etc. The project will also install the standby heavy-duty generator in order to save the residents from darkness when there is no electricity or power rationing.

The proposed residential/ commercial housing project will be surrounded by nice pavements. The entire proposed residential buildings when construction is completed is for renting / leasing to local and foreign companies as well as individuals and it is going to be attractive and eye catching. It will have good water drainage. The intended residential project is accessed by a good tarmac road and the whole area has been connected to the urban electricity, water supply and sewerage system.

The whole commercial/residential housing estate will be fenced, guarded and gated. It will have car parking facilities outside and in the basement for the tenants as well as their guests.

10. COMPANY'S IMPLEMENTATION SCHEDULE

10.1 NOV - 2024

- Preparing feasibility study for the proposed commercial/residential housing project in its implementation programme.
- Registration with Tanzania Investment Centre (TIC) i.e. application for the Certificate of Incentives.
- Getting the Certificate of Incentives.

10.2 DEC - 2024

- Application for Duty and VAT exemption on capital/deemed capital good.
- Procuring/ importing the building materials, finishing materials, generators, utility vehicles and other equipment.
- Clearing the project goods from customs control (at the Port and Airport).

10.3 JAN 2025 – FEB 2025

- Construction of the commercial/residential buildings.
- Procurement and importation of the project goods continues.
- Clearing the goods from customs control (at the Port and Airport).

10.4 FEBRUARY -2025

- Recruiting staffs – attendants, cleaners, supervisor, manager, guards, accountant, gardeners, drivers
- On job training
- Fully commencement of operation (the commercial/residential housing will be ready for renting tenants/lessee)

11. CAPITAL INVESTMENT COST

| | | |
|------------------------|----------------|-------------------------|
| Land/Building | USD \$. | 2,700,000 |
| Building facilities | USD \$. | 500,000 |
| Vehicles | USD \$. | 100,000 |
| Furniture and fittings | USD \$. | - |
| Pre-expenses | USD \$. | 100,000 |
| Working capital | USD \$. | <u>100,000</u> |
| TOTAL | USD \$. | <u>3,500,000</u> |

In its implementation programme, The intended high quality and modern residential/ commercial building **Plot No.28 Block A Zegereni Industrial Area Kibaha- Coast Region.** is estimated to cost **USD \$. 3,500,000.0** will be implemented within a period of three years. The project's promoters (shareholders) have already allocated the funds and other resources for the residential/ commercial developments and they are waiting for the registration with Tanzania Investment Centre (TIC) and securing Certificate of Incentives.

The Certificate of incentives will enable the company to qualify for tax incentives i.e., import Duty and VAT exemption on capital/deemed capital goods for the project which are: - building materials, concrete and steel materials, plumbing materials, electrical materials, aluminum materials, finishing and glazing materials and consumable materials, generators, escalator/ lift etc

12. FINANCIAL PLAN (SOURCE OF FUNDS)

M/S RUGAO NDEFU INVESTMENT LIMITED has allocated funds for the project's implementation programme by its own fund (equity) and local loan.

| | | |
|----------------------|---------------|-------------------------|
| 1. Own fund (Equity) | USD \$. | 2,500,000 |
| 2. Local Loan | USD \$ | <u>1,000,000</u> |
| TOTAL | USD \$ | <u>3,500,000</u> |

13. CAPACITY

The high quality and modern residential/ commercial building will consist of: -

- Nine floors,
- There will be forty-eight apartments full equipped and well furnished, two bedrooms, sitting room, dining room, laundry, kitchen, balcony, Bathrooms/ toilets etc
- Lettable offices and Bank Hall,
- Bank arcades,
- Strong rooms,
- Parking lot at the basement and outside,
- Standby generator etc

14. PROJECT MANAGEMENT

M/S RUGAO NDEFU INVESTMENT LIMITED has the head office based in Coast Region. The company is run by experienced people in Real Estate business. The company is headed by the Managing Director Mr. Board of Directors: - **Mr Mao Jingjing and supported by Mr. Zhu Mengyuan** who oversee the day-to-day operation of the company supported by a team of professionals well versed in Real estate Development business.

The residential/ commercial building expects to create employment to about **15** to local people. These will include: Manager Supervisor, Accountant, Gardeners, Guards, Drivers, Attendant, Butlers, Secretary, and Cleaners etc.

15. COMPETITION/MARKET

There are many real estate projects in Tanzania both local and foreign based companies. However, the majority providers are in Dar es Salaam and their services are not reliable and are far below acceptable standards. They also lack, the competent management and staff. The company will provide the high quality and modern commercial/residential housing and high international standard services to its tenants in Coast Region.

Hence, the project ensures high quality and modern commercial/residential accommodation and allied services; promptness and goodwill will make the project to dominate the market. The location of the buildings is an added advantage.

16. ADVERTISEMENT

As company's objective is construction of the commercial buildings and marketing them. One of strategies in marketing is promotion/ advertisement,

which will make the project successful, will be embarked upon in the media like newspaper, street banners, televisions etc

17. BUSINESS STRATEGY

The company has set up some business strategies in order to make the project profitable both economically viable and financially viable. The following are the strategies: -

- Modern residential & commercial development facilities,
- Appointing qualified and experienced Civil works engineer,
- Advertisement/promotion,
- Business discipline.

18. CONCLUSION AND RECOMMENDATION

The market research undertaken by the projects promoter which revealed extensive market and the financial evaluation of the proposed commercial/residential housing estate project done so far indicates that the project will be profitable both economically and financially viable venture.

The projects promoters are experienced businessmen and have much managerial capabilities in carrying out real estate business. Based on the above factors, it is recommended that the company should be granted the Certificate of Incentives for the implementation of commercial/residential accommodation project at **Plot No.28 Block A Zegereni Industrial Area Kibaha- Coast Region.**

19. FINANCIAL AND ECONOMIC ANALYSIS

19.1 Project Profit and Loss Account

The company envisages generating a profit of **USD \$ 350,000** in the year one. The profit amount is expected to steadily rise to **USD \$ 360,000** in year two, **USD \$ 370,000** in year three and **USD \$ 380,000** in year four.

19.2 Project cash flows

The projected cash flows for the next five years indicate that the company will have enough funds to service/repay the loan and interest payments. Hence the financial obligations will be met in a timely fashion.

20. SENSITIVITY ANALYSIS

To assess further the viability of the implementation project, sensitivity analysis has been worked out on the basis of several unfavorable conditions that might negatively affect the operations of **M/S RUGAO NDEFU INVESTMENT LIMITED**

20.1 Effect of cost increase on profitability (on the basis year II rent income USD \$ '000')

| Rental Income | Costs | Increase | Profit before depreciation |
|----------------------|--------------|-----------------|-----------------------------------|
| 1,230.0 | 870.0 | % | 360.0 |
| 1,230.0 | 913.5 | 5% | 316.5 |
| 1,230.0 | 957.0 | 10% | 273.0 |

20.2 Effect of rental income decrease/drop on profitability (on the basis of year II cost in USD \$ '000')

| Rental Income | Income Decrease | Cost | Profit before depreciation |
|----------------------|------------------------|-------------|-----------------------------------|
| 1,230.0 | % | 870 | 360.0 |
| 1,168.5 | 5% | 870 | 317.5 |
| 1,107.0 | 10% | 870 | 237.0 |

The viability/profitability of the company operations appears more sensitive to rental income/revenue than increase in the operating costs.

M/S RUGAO NDEFU INVESTMENT LIMITED

PROJECTED INCOME STATEMENT

Fig. in USD \$ '000'

| Income | Year I | Year II | Year III | Year IV | Year V |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Rental Income | 1,200 | 1,230 | 1,265 | 1,290 | 1,320 |
| Total Income | 1,200 | 1,230 | 1,265 | 1,290 | 1,320 |
| Utilities | 700 | 700 | 700 | 700 | 700 |
| Water bills | 30 | 30 | 35 | 35 | 40 |
| Electricity | 40 | 45 | 50 | 55 | 60 |
| Salaries and Wages | 20 | 20 | | 25 | 30 |
| Transportation/fuel | 10 | 15 | 25 | 25 | 25 |
| Administrative expenses | 50 | 60 | 20 | | |
| | | | 65 | 70 | 75 |
| Total Expenditure | 850 | 870 | 895 | 910 | 930 |
| Net profit (Pre-tax and depreciation) | 350 | 360 | 370 | 380 | 390 |

M/S RUGAO NDEFU INVESTMENT LIMITED

PROJECTED CASHFLOW STATEMENT

Fig. in USD \$ '000'

| YEAR | I | II | III | IV | V |
|------------------------|------------|------------|------------|------------|------------|
| Cash Inflow | | | | | |
| Income from operation | 350 | 360 | 370 | 380 | 390 |
| | 350 | 360 | 370 | 380 | 390 |
| Cash Outflow | | | | | |
| Interest payments | 100 | 90 | 80 | 70 | 60 |
| Loan Re-payment | 100 | 100 | 100 | 100 | 100 |
| Wear & Tear | 40 | 40 | 40 | 40 | 40 |
| Taxes | 10 | 15 | 20 | 25 | 30 |
| | 250 | 245 | 240 | 235 | 230 |
| Surplus cash generated | 100 | 115 | 130 | 145 | 160 |

M/S RUGAO NDEFU INVESTMENT LIMITED**PROJECTED CASHFLOW STATEMENT**

Fig. in USD \$ '000'

| YEAR | VI | VII | VIII | IX | X | TOTAL |
|------------------------|------------|------------|-------------|------------|------------|--------------|
| Cash Inflow | | | | | | |
| Income from operation | 400 | 410 | 420 | 430 | 440 | 3,950 |
| | 400 | 410 | 420 | 430 | 440 | 3,950 |
| Cash Outflow | | | | | | |
| Interest payments | 50 | 40 | 30 | 20 | 10 | 550 |
| Loan Re-payment | 100 | 100 | 100 | 100 | 100 | 1000 |
| Wear & Tear | 40 | 40 | 40 | 40 | 40 | 400 |
| Taxes | 35 | 35 | 35 | 35 | 35 | 275 |
| | 225 | 215 | 205 | 195 | 185 | 2,225 |
| Surplus cash generated | 175 | 195 | 215 | 235 | 255 | 1,725 |

Fig. in USD \$ '000'

Appendix I II

M/S RUGAO NDEFU INVESTMENT LIMITED
PROJECTED LONG TERM LOAN REPAYMENT

Fig. in USD \$ '000'

| REPAYMENT | | | | |
|------------------|------------------|-----------------|--------------|----------------|
| YEAR | PRINCIPAL | INTEREST | TOTAL | AMOUNT |
| O | | | | 1,000.0 |
| I | 100.0 | 100.0 | 200.0 | 900.0 |
| II | 100.0 | 90.0 | 190.0 | 800.0 |
| III | 100.0 | 80.0 | 180.0 | 700.0 |
| IV | 100.0 | 70.0 | 170.0 | 600.0 |
| V | 100.0 | 60.0 | 160.0 | 500.0 |
| VI | 100.0 | 50.0 | 150.0 | 400.0 |
| VII | 100.0 | 40.0 | 140.0 | 300.0 |
| VIII | 100.0 | 30.0 | 130.0 | 200.0 |
| IX | 100.0 | 20.0 | 120.0 | 100.0 |
| X | 100.0 | 10.0 | 110.0 | 0.0 |

M/S RUGAO NDEFU INVESTMENT LIMITED

PROJECTED BALANCE SHEET

(Fig. in USD \$ '000')

| No. | ITEM | YEAR 1 | YEAR II | YEAR III | YEAR IV | YEAR V |
|-----|---|----------------|----------------|----------------|----------------|----------------|
| | Source of funds | | | | | |
| 1. | Shareholders | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 |
| 2. | funds | 200.0 | 190.0 | 180.0 | 170.0 | 160.0 |
| 3. | Long term Loan | 150.0 | 150.0 | 150.0 | 150.0 | 150.0 |
| 4. | Associated Cos/ Directors Current Liabilities | 400.0 | 450.0 | 500.0 | 550.0 | 600.0 |
| | | 1,150.0 | 1,190.0 | 1,230.0 | 1,270.0 | 1,310.0 |
| | Application of funds | | | | | |
| 1. | Fixed Assets | 600.0 | 600.0 | 600.0 | 600.0 | 600.0 |
| 2. | Current Assets | 550.0 | 590.0 | 630.0 | 670.0 | 710.0 |
| | | 1,150.0 | 1,190.0 | 1,230.0 | 1,270.0 | 1,310.0 |