

**NCT INTERNATIONAL LIMITED**

**BUSINESS PLAN**

**FOR CONSTRUCTION OF INDUSTRIAL PARK  
AND**

**WAREHOUSE FACILITIES**

## 1.0. SUMMARY

### 1.1 Project Concept

This project document presents a proposal by **NCT INTERNATIONAL LIMITED**, a locally registered company with Certificate of Incorporation **No. 57043** Dated **17th July 2006** intending to construct commercial building for industrial premises and warehouse for cargo storage. The project promoters are confident of mobilizing financial resources through equity financing and long-term loan. The objective of this study is to assess the commercial and operational feasibility of the project undertaken by **NCT INTERNATIONAL LIMITED** This study will be used as guiding tool and will be presented to TIC for obtaining certificate of incentives to facilitate smooth implementation of the project.

### 1.2 Location

The project will be located at Plot No 3461, Mivule, Mwanambaya Mkuranga Coast Region.

### 1.3 The Sponsors

**NCT INTERNATIONAL LIMITED** will be sponsoring this project. The Company is jointly owned by the following shareholders.

No	Name of Subscribers	Number of Shares	Percent Shareholding
1.	CHE ZHEN	300	30
2.	HUI JIANXI	200	20
	UNALLOTTED	500	50
			100

The company is locally registered and is all owned by Chinese investors

### 1.4 Project Management and Manpower requirements

**NCT INTERNATIONAL LIMITED** will be under the Management of Mr. Chen Zhen and Mr. Hui Jianxi who have international experience managing various businesses will be directly managing the project. The Managing Director will be assisted by properly trained managers in areas of specialty, who will together comprise the management team. 20 staff will be directly employed.

## 1.5 Project description

Significant measures have been taken to liberalize the Tanzania economy so that to encourage private sector to take a lead as engine of economic growth; The Government of Tanzania embarked on adjustment program to give the private sector the leading role.

It is in view of the above that **NCT INTERNATIONAL LIMITED** came up with a proposal to construct industrial park and warehouse facilities for commercial uses. The project will involve among others acquiring necessary building materials, trucks, and pick up, the company plan to inject capital of US \$2m. It is expected that the construction of a modern industrial park and warehouse will be completed within 3 years time and the company will apply to be exempted from paying import duty and VAT on Capital good and deemed capital good, the project will aid and contribute significantly toward the construction sector and manufacturing sector, because the ware house will be used as storage and industrial park for industrial premises as well.

## 1.6 Definition of Warehouse

**A warehouse** is a commercial building for storage of goods, warehouse by manufacturers, importers, exporters, whole sellers, transporters, customs etc, they are usually large plain buildings in industrial areas of cities and towns, they can be equipped with loading docks to load and unload trucks, or sometimes are loaded directly from railways, airports, or seaports. They often have cranes and fork lifts for moving goods, which are usually placed on ISO standard pallets loaded into pallets racks

## 1.7 Types of Warehouses

Some of the most common types of warehouse storage facilities are:

- Pallet rack including selective, drive-in, drive-through, double-deep, pushback, and gravity flow

- Cantilever rack including structural and roll formed
- Automated storage and retrieval system (ASRS) including vertical carousels, vertical lift modules, horizontal carousels, robotics, mini load and compact 3D
- Industrial shelving including metal, steel, wire, and formed
- Mezzanine including structural and roll formed

## **1.8 Storage Systems**

Technological development taking place has contributed quite significantly in the development of warehouses systems in the world to day. Some warehouses are completely automated, with no workers working inside. The pallets and products are moved with a system of automated conveyors and automated storage and retrieval machines coordinated by programmable logic controllers and computer running logistics automation software. These systems are often installed in refrigerated warehouses where temperatures are kept very cold to keep the product from spoiling, and also where land is expensive, as automated storage systems can use vertical space efficiently. These high-by storage areas are often more than 10 meters high, with some over 20 meters high.

The direction and tracking of materials in the warehouse is coordinated by VMS, or Warehouse Management System, a database driven computer programme. The WMS is used by logistics personnel to improve the efficiency of the warehouse by directing put ways and maintaining accurate inventory by recording warehouse transactions.

Traditional warehouse has been declining since the last decades of the 20<sup>th</sup> century with the gradual introduction of just In Time (JIT) technique designated to improve the return on investment of a business by reducing in-process inventory. The JIT system promotes the delivery of products directly from the factory to the retail merchant or from parts manufacturers directly to a large-scale factory such as an automobile assembly plant, without the use of warehouses. However, with the gradual implementation of offshore

outsourcing and off shoring in about the same time period, the distance between the manufacturer and retailer (or the parts manufacturer and the industrial plant) grew considerably in many domains, necessitating at least one warehouse per country or per region in any typical supply chain for a given range of products.

Recent developments in marketing have led to the development of warehouse-style retail stores with extremely high ceilings where decorative shelving is replaced by tall heavy duty industrial racks, with the items ready for sale being placed in the bottom parts of the racks and the crated or palletized and wrapped inventory items being usually placed in the top parts. In this way the same building is used both as a retail and warehouse.

Modern warehouses are also used at large by exporters/ manufacturers as a point of developing retail outlets in particular region or country. This concept reduces the end cost of the product to the consumer and thus enhances the production sale ratio. Warehousing is an age old concept which can be used as sharp tool by original manufacturers to reach out directly to consumers leaving aside or bypassing importers or any other agencies or person

## **2.0 PROJECT'S INVESTMENT COST**

The estimated capital investment cost of the project is US **\$1,775,500** out of which US \$1,635,000 will be fixed investment costs. Pre-production expenditures have been budgeted at US \$20,500; other cost will be \$50,000, while working capital is put at \$70,000.

## SCHIDULE 2.0: COST STRUCTURE

<b>PARTICULAR</b>	<b>US\$</b>
Land and Buildings	1,280,000.00
Machinery & Equipment	250,000.00
Motor Vehicles	100,000.00
Furniture & Fittings	5,000.00
Pre exp	20,500.00
Others	50,000.00
Working Capital	70,000.00
<b>TOTAL</b>	<b>1,775,500.00</b>

For the project to be a reality a total investment amounting to US \$1,775,500 is needed

**(i) Land and Building: Us \$1,280,0,000**

**NCT INTERNATIONAL LIMITED** has opted for construction of commercial building and warehouse in Mkuranga District that estimated to cost US \$1,280,000 once the al project is fully completed

**(ii) Machinery and Equipment: US\$ 250,000**

Some US \$250,000 is anticipated to be spent on the purchase of various warehouse tools, equipment, fork lift, standby generator etc which will accommodate new technology

**(iii) Motor Vehicles:US\$100,000**

The project will need 2 heavy trucks, 2 light tucks and 1double cabin pick. These vehicles will be used in transportation of cargo to warehouse and double cabin pick up for administrative purposes.

**(iv) Office Furniture: US \$5,000**

This investment cost item has been estimated to cost US \$5,000. It will consist of office tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

**(v) Pre-Operational Expenses: US\$ 50,000**

They cover things like company registration, expenses spent in exploring the viability of the project, especially the market/client identification exercise. This pre-operational cost item also covers the architectural designs of project buildings and other engineering services. Also included under this item are issues like consultancy fees, legal fees and recruitment and training costs of personnel.

**(vi) Initial Working Capital: US\$70,000**

Calculations as well as assumptions for working capital requirements, it is estimated that it will cost US \$ 70,000.

**3.0 FINANCING PATTERN**

The project will be financed by equity by 80%; constituting US\$ 1,420,400 and loan 20% being US \$ 355,100

**4.0 PROJECT OPERATING COSTS**

In order to realize its intended objective, the project will have to meet the following operating costs.

**SCHEDULE 4.0: OPERATING COSTS (US\$)**

YEAR	1	2	3	4	5
Salaries and Wages	100,000.00	100,000.00	100,000.00	100,000.00	100,000.00
Vehicle running expenses	20,000.00	20,000.00	20,000.00	20,000.00	20,000.00
Electricity	300,000.00	300,000.00	300,000.00	300,000.00	300,000.00
Water	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00
Insurance	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00
Maintenance (Furniture)	100.00	100.00	100.00	100.00	100.00
Maintenance (Machinery)	50,000.00	70,000.00	90,000.00	100,000.00	120,000.00
Maintenance (Building)	100,000.00	150,000.00	160,000.00	170,000.00	180,000.00
Loan interest	31,959.00	31,959.00	31,959.00	31,959.00	
Administrative overheads	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Marketing cost	9,000.00	9,000.00	9,000.00	9,000.00	9,000.00
<b>TOTAL</b>	<b>635,259.00</b>	<b>705,259.00</b>	<b>735,259.00</b>	<b>755,259.00</b>	<b>753,300.00</b>

**5.0 ASPECTS OF PROJECT SUSTAINABILITY**

The project sponsors having studied market conditions and the infrastructure in Tanzania are convinced that the project will be able to operate undisturbed. The growing demand for quality industrial park and warehouses due to growth of manufacturing and

transportation sectors gives them assurance of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

## **6.0 MONITERING AND EVALUATION**

The monitoring and evaluation tools will be applied in running this project as well, the project sponsors are determined to cooperate fully with the government and other stakeholders for smooth business running.

## **7.0 FINANCIAL ANALYSIS**

### **7.1. Considerations and Assumptions:**

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are exempted from custom duty and Value Added Tax. The straight-line method to depreciate the project's capital items has been applied.

It is assumed that the major building raw material will be procured from local market and other will be imported. Revenues have been conservatively estimated based on experience of the promoters and trends in the manufacturing industry.

### **7.2 Financial Statements:**

### **7.3 Projected Warehouse Revenue**

For projection purposes, it is assumed that the economic life of the project is five years, and that revenue from warehouse commence from the first year of operation.

**SCHEDULE 7.3: REVENUE SCHEDULE**

	<b>US \$ 1</b>	<b>US\$ 2</b>	<b>US\$ 3</b>	<b>US\$ 4</b>	<b>US\$ 5</b>
Sales Revenue	1,375,000.00	1,550,000.00	1,732,000.00	1,921,280.00	1,118,131.00

**7.4 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. After tax profits grow from. US \$ **420,687** in first year to US \$ **797,930** in the 5 years

**SCHEDULE 7.4: NCT INTERNATIONAL LIMITED PROJECTED INCOME AND EXPENDITURE STATEMENT**

	<b>US \$ 1</b>	<b>US\$ 2</b>	<b>US\$ 3</b>	<b>US\$ 4</b>	<b>US\$ 5</b>
Sales Revenue	1,375,000.00	1,550,000.00	1,732,000.00	1,921,280.00	2,000,000.00
<b>less Operating Expenses:</b>	635,259.00	705,259.00	735,259.00	755,259.00	753,300.00
<b>PROFIT BEFORE INTEREST AND DEPRECIATION</b>	<b>739,741.00</b>	<b>844,741.00</b>	<b>996,741.00</b>	<b>1,166,021.00</b>	<b>1,246,700.00</b>
Depreciation	106,800.00	106,800.00	106,800.00	106,800.00	106,800.00
Interest	31,959.00	31,959.00	31,959.00	31,959.00	-
<b>SUBTOTAL</b>	<b>138,759.00</b>	<b>138,759.00</b>	<b>138,759.00</b>	<b>138,759.00</b>	<b>106,800.00</b>
<b>PROFIT BEFORE TAX</b>	<b>600,982.00</b>	<b>705,982.00</b>	<b>857,982.00</b>	<b>1,027,262.00</b>	<b>1,139,900.00</b>
TAX (30%)	180,294.60	211,794.60	257,394.60	308,178.60	341,970.00
<b>PROFIT AFTER TAX</b>	<b>420,687.40</b>	<b>494,187.40</b>	<b>600,587.40</b>	<b>719,083.40</b>	<b>797,930.00</b>
<b>ACCUMULATED PROFIT</b>	<b>420,840.00</b>	<b>915,027.40</b>	<b>1,515,614.80</b>	<b>2,234,698.20</b>	<b>3,032,628.20</b>



## 7.5 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under same heading. Net worth of the project increases from US\$**1,775,500** in the first year of operation to US \$**3,859,703** in the 5<sup>th</sup> year.

### SCHEDULE 7.5: NCT INTERNATIONAL LIMITED PROJECTED BALANCE SHEET

“US\$”

	0	1	2	3	4	5
<b>Fixed Assets</b>	-					
Opening balance	-	1,635,000.00	1,528,200.00	1,421,400.00	1,314,600.00	1,207,800.00
Additions	1,635,000.00	0	0	0	0	0
<b>Total Long-term Assets</b>	<b>1,635,000.00</b>	<b>1,635,000.00</b>	<b>1,528,200.00</b>	<b>1,421,400.00</b>	<b>1,314,600.00</b>	<b>1,207,800.00</b>
<b>Less depreciation</b>	-	106,800.00	106,800.00	106,800.00	106,800.00	106,800.00
<b>Closing balance</b>	<b>1,635,000.00</b>	<b>1,528,200.00</b>	<b>1,421,400.00</b>	<b>1,314,600.00</b>	<b>1,207,800.00</b>	<b>1,101,000.00</b>
<b>Debtors</b>	-	<b>17,872.00</b>	<b>18,500.00</b>	<b>20,000.00</b>	<b>22,000.00</b>	<b>24,000.00</b>
Working capital	140,500.00	140,500.00	140,500.00	140,500.00	140,500.00	140,500.00
Accumulated cash	-	420,840.00	857,164.00	1,308,581.00	1,892,494.00	2,618,203.00
<b>Total assets</b>	<b>1,775,500.00</b>	<b>2,107,412.00</b>	<b>2,437,564.00</b>	<b>2,783,681.00</b>	<b>3,262,794.00</b>	<b>3,883,703.00</b>
Financed by						
Equity	1,420,400.00	1,420,400.00	1,420,400.00	1,420,400.00	1,420,400.00	1,420,400.00
Profit	-	420,687.00	494,187.00	600,587.00	719,083.00	797,930.00
Total equity	1,420,400.00	1,841,087.00	1,914,587.00	2,020,987.00	2,139,483.00	2,218,330.00
Long term loan	355,100.00	266,325.00	177,550.00	88,775.00	-	-
Creditors	-	-	326,927.00	653,919.00	1,101,311.00	1,641,373.00
<b>Total debts</b>	<b>355,100.00</b>	<b>266,325.00</b>	<b>504,477.00</b>	<b>742,694.00</b>	<b>1,101,311.00</b>	<b>1,641,373.00</b>
<b>Total equity and debts</b>	<b>1,775,500.00</b>	<b>2,107,412.00</b>	<b>2,419,064.00</b>	<b>2,763,681.00</b>	<b>3,240,794.00</b>	<b>3,859,703.00</b>

## 7.6 Projected pay back period

Total investment is US \$ **1,775,500**, cash accumulation in year 3 is US\$. **1,835,861** which are more than the initial investment costs by **US\$ 60361**, the project payback Period is almost 3 years.

The project has a relatively short payback period. It is remarkably impressive for a project whose investment is as big as **US\$ 1,775,500** being recovered in 3 years as shown below:

### SCHEDULE 7.6: PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulative Cash Flow
1	420,687.00	106,800.00	527,487.00	527,487.00
2	494,187.00	106,800.00	600,987.00	1,128,474.00
3	600,587.00	106,800.00	707,387.00	1,835,861.00
4	719,083.00	106,800.00	825,883.00	2,661,744.00
5	797,930.00	106,800.00	904,730.00	3,566,474.00
<b>Initial Fixed Investment and Working capital = USD 1,775,500</b> <b>From above table, payback period is within 3 years</b>				

## 7.7 Projected loan repayments

The loan borrowed from financial institution is expected to be fully paid within 4 years,

## SCHEDULE 7.7: PROJECTED LONG TERM LOAN REPAYMENT

Year	Principle	Loan Interest (9%)	Repayments US\$	
			Total Amount Paid	Loan Balance
0				355,100
1	88,775	31,959	120,734	266,325
2	88,775	31,959	120,734	177,550
3	88,775	31,959	120,734	88,775
4	88,775	31,959	120,734	0
<b>TOTAL</b>	<b>355,100</b>	<b>127,836</b>	<b>482,936</b>	

### 7.8 Projected fixed schedule

The projected fixed schedule is shown in the schedule under same heading as shown below:

### SCHEDULE 7.8: NCT INTERNATIONAL LIMITED FIXED ASSETS SCHEDULE

NAME OF ASSETS	2011 USD	2012 USD	2013 USD	2014 USD	2015 USD
Land And Buildings	1,280,000	1,228,800	1,177,600	1,126,400	1,075,200
Machinery, Tools & Equipment	250,000	220,000	190,000	160,000	130,000
Motor Vehicles	100,000	75,000	50,000	25,000	0
Furniture & Fixtures	5,000	4,400	3,800	3,200	2,600
<b>Total</b>	<b>1,635,000</b>	<b>1,528,200</b>	<b>1,421,400</b>	<b>1,314,600</b>	<b>1,207,800</b>
DEPRECIATION	2011 USD	2012 USD	2013 USD	2014 USD	2015USD
Land and buildings	51,200	51,200	51,200	51,200	51,200
Machinery tools & Equipment	30,000	30,000	30,000	30,000	30,000
Motor Vehicles	25,000	25,000	25,000	25,000	25,000
Furniture & Fixtures	600	600	600	600	600
<b>ANNUAL DEPRECIATION</b>	<b>106,800</b>	<b>106,800</b>	<b>106,800</b>	<b>106,800</b>	<b>106,800</b>
<b>CLOSING FIXED ASSETS</b>	<b>1,528,200</b>	<b>1,421,400</b>	<b>1,314,600</b>	<b>1,207,800</b>	<b>1,101,000</b>

## **7.9 Projected Risks**

This is a real estate investment; no major risks have been identified for this kind of project so far. Unless a change in the country's political and economic stability occurs the project is more likely to prosper very fast for a very long period.

## **8.0 ECONOMIC ASPECTS**

Implementation of this project will have the following social and economic values

- The project will provide high quality industrial park and warehousing storage facilities with state of the art and company office to meet international standards required by the company and targeted clients
- The project is an ideal option for utilization of the recently acquired prime site in Kibaha and reducing congestion of industrial park in Dar es Salaam.
- The project will involve transfer of technology in warehousing and industrial park.
- The project will create direct employment for 20 people on permanent contract basis as well as on temporary basis.
- It will create more business opportunities to local transporters, which will also have a trickledown effect in the environmental issues.
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.

## **9.0 IMPLEMENTATION**

Project implementation is expected to be relatively very short once project has been approved it is estimated that once transfer of property is completed, the company will start immediately to implement the project

<b>S/N</b>	<b>ACTIVITY</b>	<b>PERIOD</b>
1	Processing TIC Certificate of Incentive	October 2024
2	Change of land ownership	Nov-December-2024
3	Contractor Procurement	Jan-Feb 2025
3	Site preparation and building permit approval	March -June2025
4	Co of and warehouse	July - Sep 2025
5	Equipping warehouse	October 2025
6	Commercial operations	Nov 2025

## **10.0 CONCLUSION AND 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.