

XIANCHENG INTERNATIONAL LTD

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DAR ES SALAAM – TANZANIA

BUSINESS PLAN

OF

**XIANCHENG INTERNATIONAL STONES
FACTORY PROJECT**

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Index

S/No	Subject	Page NO. 1
1	Introduction	3
	Back ground & Necessity	3
	Environmental Assessment	4
2	Company Details	4
3.	The Project	4
4.	Company Details: Registration	4
5.	Cost of the Project & Means of Finance	5
6.	Financial Projections	5
7.	Social Development Benefits	7
8.	Conclusion & Recommendations	9

1.1.1.1 List of Appendices:-

- ◆ *Cost of the Project & Means of Finance*
- ◆ *Projected Five Years Profit & Loss Account*
- ◆ *Project Five Years Balance Sheet*
- ◆ *Projected Five Years Funds Flow Statement*
- ◆ *Projected Taxation Schedule*
- ◆ *Projected Depreciation Statement*
- ◆ *Chart on Projected Profits for Five Years*
- ◆ *Chart on Cash-Profits for Five Years*
- ◆ *Implementation Schedule*

1. INTRODUCTION

This feasibility study report is being prepared for **XIAN CHENG INTERNATIONAL LIMITED** of **P.O. Box 11858 DAR ES SALAAM - TANZANIA**, Tanzania hereinafter referred to as Xian Cheng, which has undertaken a project to venture into the Stone processing field and other allied products. The promoters are well experienced in the envisaged line of business. The promoters have enough financial resources to see through the project and will bring in foreign exchange right from the inception stage of the project. The purpose of this study is to assess the commercial viability and operational feasibility of the project being undertaken by Xian Cheng. Most of the data has been compiled by the promoters' own research and study in Tanzania and is first-hand information. The financials have also been worked out based on market and cost information provided by the promoters of the project.

This report has additionally deliberated upon the social and related economic benefits (net) that will accrue to the nation and has given adequate weightage for the same in the conclusion & recommendation paragraph.

2. BACKGROUND AND NECESSITY

Socio-economic conditions in the project area: Tanzania is a rapidly developing country. With the construction of the Belt and Road Initiative and the deepening of China-Africa development cooperation, Tanzania has a huge demand for infrastructure, which in turn drives the growth of demand for stone materials and engineering equipment.

Necessity: Stone processing is a typical resource-intensive industry. Taking advantage of Tanzania's natural resources and scientifically developing and utilizing mineral resources will not only strengthen the development of enterprises, but also provide options for local industrial development.

The rapid development of the stone processing industry as a building materials industry has created conditions for the rapid development of the mining industry. The construction of the project is to adapt to the needs of the new situation of economic and social development and the needs of Tanzania's industrial and economic development. After the completion of the project, it will engage in stone processing on the basis of sales, services, and information feedback, provide a full range of services, and benefit more customers. At the same time, it can also promote Tanzania's economic development, increase government tax revenue, create jobs

for surrounding villagers, increase villagers' income, and increase local employment rates. The construction of this project is conducive to the development of the local economy. The development of stone processing is in line with the trend of enriching the people and strengthening the town.

3. ENVIRONMENTAL IMPACT ASSESSMENT

The Lugoba mountain site is at a high altitude. The project operation area is a concentrated mining area. There are no farmers or farmlands around it. The vegetation in the mountain is mainly weeds and thorns, and the soil layer is thin. The mining method is open-pit mining, with little mining waste, little vegetation damage, little soil erosion, and very limited impact on the surrounding areas. Therefore, the project site selection meets the requirements.

4. COMPANY OVERVIEW & REGISTRATION DETAILS:

Xiancheng International is a large multinational mining group, mainly engaged in mineral resource exploration, development, mining engineering research, road engineering construction, etc., and is committed to providing low-carbon mineral raw materials for mankind. Its main business is distributed in Uzbekistan, Nigeria, Guinea, Ghana, Liberia and Tanzania.

XIAN CHENG INTERNATIONAL LIMITED has been registered with the Registrar of Companies on 28th of June, 2024 as a limited liability company with registration number **175856102**.

5. THE PROJECT:

As stated in the paragraph on introduction, the project is “Stone processing, by utilizing local inputs to its maximum and thereby contribute towards the manufacturing sector of the economy and create wealth and employment resulting into a positive cascading impact on the entire economy”.

The basic purpose of the entire project is to add value to the production of high-quality building material, to support complex and high structure, rivalling the international market exploits not been adequately exploited.

The project will create more wealth for the nation and shall endeavor to bring more prosperity and economic independence.

5.1 Stone, stone sand Manufacturing Process

The basic steps in the manufacturing of stone & stone sand are generally as follows:

- a) *Extraction of raw stone – Mining the stone*
- b) *Transportation to the feeding hopper – Transporting the extracted stone to the feeding area*
- c) *Primary crushing with a jaw crusher – Coarse crushing using a jaw crusher*
- d) *Secondary crushing with a hammer crusher – Medium crushing using a hammer crusher*
- e) *Screening with a vibrating screen – Screening the crushed stone using a vibrating screen*
- f) *Final product – Obtaining the finished product*

6. COST OF THE PROJECT & MEANS OF FINANCE:-

6.1 Cost of the Project:-

S. No.	Details	US \$
1.	Land & Building	500,000
2.	Plant & Machinery	1,000,000
3.	Furniture, Computers & Fixtures	10,000
4.	Vehicles	100,000
5.	Others	
6.	Initial working capital	1,000,000
	TOTAL	2,610,000

6.2 Means of Finance

The total cost of the project consisting of has been estimated at US \$2,610,000/= As can be seen from the above chart, majority of the expenses involved will be on Plant & Machinery, Land & Building Nearly 73.33%. Besides considerable money will be required in the starting up of the unit which has been grouped under the head pre-operating and initial working capital costs. This will be implemented within a span of two years. Building will be a simple structure based on pillars with

sidewalls open to facilitate future as day will be achieved gradually, however optimum capacity will be reached within 2 years.

7. FINANCIAL PROJECTIONS

According to our market strategy, market investigation and comprehensive analysis on prices, through accounting of several items, we made the following forecast on financial results as shown in the tables:

7.1 Assumptions

- a) The rate of one (1) US \$ is equal to TZS 2730
- b) Required labor force will be available
- c) Required permits will be granted within the limited time schedule to ensure implementation as per schedule.
- d) The first phase will be operational within a span of six months.
- e) Import duty exemption and deferment of VAT will be available on import of plant and machinery.
- f) The introduction of the most advanced daily 20000 square sand production line, and the latest model of mining and loading equipment is available.

7.2 Statements Revenue forecasts and operational objectives.

In the 2021/22 fiscal year, the proportion of Tanzania's mining industry output value to GDP increased from 6.6% to 7.2% year-on-year. The growth rate rebounded from 7.2% in the 2020/21 fiscal year to 9.6%. With the recent successful convening of the Forum on China-Africa Cooperation and the restart of the Tanzania-Zambia Railway project, it is expected that Tanzania will usher in an explosive period of road infrastructure construction in the second half of 2024 and by 2030. In order to meet the development needs of the local market and in combination with Tanzania's specific national conditions, our company has introduced the most advanced sand and gravel production line with a daily output of 20,000 cubic meters and the latest models of excavation and loading equipment in China. It is planned to increase the annual output of local stone from 300,000 cubic meters to 8 million cubic meters. It is expected that the annual stone sales will reach 6 million cubic meters in 2025, and the annual revenue will reach 350 billion shillings. The annual net profit will reach 94.5 billion shillings.

7.3 Estimated Gains and Losses		in US \$ (1,000)				
S/No.	Item	2024	2025	2026	2027	2028
1	Qty(6m)	2,000	2,200	2,500	2,800	2,900
2	Qty(6m)	2,000	2,200	2,500	2,800	3,000
3	Qty(12m)	2,500	2,750	3,025	3,328	3,660
4	Qty(13m)	2,000	2,300	2,600	3,000	3,400
5	Qty(15m)	2,000	2,300	2,600	3,100	3,400
6	Qty(17m)	1,000	1,300	1,500	1,600	1,800
7	Quantity	11,500	13,050	14,725	16,628	18,160
8	Price (USD/PCS)	300	291	283	275	267
9	Sales Amount	3,450	3,797	4,167	4,572	4,848
10	Total Cost	3,278	3,608	3,959	4,344	4,606
11	Profit before Tax	173	190	209	229	242
12	Income Tax	52	57	63	69	73

7.4 Cash Flow Statement		in US \$ (1,000)				
S/No.	Item	2024	2025	2026	2027	2028
1	Investment	200	240	264	290	319
2	Cash in	3450	3797	4167	4572	4848
3	Purchase Payment	2760	3038	3334	3658	3878
4	Salary	104	114	125	137	145
5	Operation Expenses	414	456	500	549	582
4	Tax	52	57	63	69	73
5	Fix Assets Investment	400	120	132	145	160
6	Cash Surplus	121	133	146	160	169

7.5 Liabilities Chart of Assets		in USD (1,000)				
Item	2024	2025	2026	2027	2028	
Current Assets	200	820	282	326	372	
Fixed Assets	400	520	652	797	957	
Depreciation Accumulated	80	104	130	159	191	

Equity	400	420	441	463	486
Liability	80	84	88	93	97
Total Assets	640	752	874	1,008	1,155

7.6 Profit & Loss Statement					
in USD (1,000)					
Description	The 1 st Year	the 2 nd Year	the 3 rd Year	the 4 th Year	the 5 th Year
Indicated Fiscal Year	2024	2025	2026	2027	2028
Total Sales Amount	3450	3797	4167	4572	4848
Cost of Sales	3278	3608	3959	4344	4606
Initial Inventory	660	813	1002	1235	1523
Purchase	627	772	952	1173	1447
Ending Balance	550	678	835	1029	1269
Total Investment	800	240	264	290	319
Productive Salary	84	92	102	112	123
Operation Fee	414	456	500	549	582
Salary of Management Staff	36	40	44	48	53
Management Cost	124	137	150	165	175
Other Cost	33	41	50	62	76
Operation Income (Loss)	173	190	208	229	242
Profit at the End of the Year/(Loss)	121	133	146	160	169

8. SOCIAL & DEVELOPMEN BENEFITS

8.1 Employment creation

As has been observed earlier this project will provide direct employment opportunities to more than 100 locals inclusive of skilled, semi- skilled and un-skilled class. A few expatriates will also be employed as per the requirement of the project.

This direct employment of more than 100 individuals will generate indirect employment for more

than 1,000 individuals. It can be concluded that this project will have a very positive impact on the level of employment in the country and will be a welcome change.

8.2 Transfer of technology

This project, being a manufacturing project will usher in the country technology. Although the technology is simple the advantages to the country are quite significant. The country will get the advantage of value addition due to such incoming technology. Further the country can reduce its dependence on imports for the finished products manufactured by this project. Local employees will get on-the-job training from the experts (expatriates) employed and in the long run will improve the technical competence of the local population.

8.3 Inflow of foreign currency

The majority of the output will be exported out of the country. This will have two positive effects on the foreign exchange reserves of the country. In the first place the imports of similar products will be reduced, which will enable the country to save on the outgo of foreign currency and secondly the output produced will be exported, which will bring in the country's foreign currency. Thus, this project will have positive impact on the foreign currency reserves of the country.

8.4 Positive cascading impact on the nation's economy.

This project will have an overall positive impact on society. It will not only save the precious foreign currency reserves of the country by producing import substitute products, and by exporting the final product, but will also generate direct employment to more than 100 individuals and will provide means of livelihood to more than 1000 individuals. The cascading positive impact on society will be too great. This project will lead to the creation of national wealth. Its contribution to the exchequer will also be quite significant in terms of NSSF, PAYE, VAT and direct taxation apart from skills and development levy.

8.5 Lowering Construction Costs

The availability of locally sourced materials will contribute to a significant reduction in manufacturing costs within the country. This, in turn, will positively impact the production costs of various items that utilize these materials. By minimizing reliance on imports and transportation expenses, local industries can produce goods more affordably, ultimately benefiting the economy and the construction sector.

8.6 Contribution to the exchequer

This project will contribute substantially to the society in general and to the exchequer in particular. As has been observed the total turnover at 100% utilization will be in the range of US \$ 40 million. This will result into VAT outflow of substantial amounts. Besides the company will be contributing tremendously in terms of PAYE and NSSF. In addition the company will also be contributing in terms of corporate taxation from the year 2024 onwards.

8.7 Competitive edge

Our company has been engaged in the mining industry in China since 2002, and it has accumulated 22 years of deep experience in stone processing. In 2023, 18 million tons of stone production will be achieved in China. Compared with 2022, an increase of 28.72%, operating revenue of 360 million yuan, total profit of 126 million yuan, 20.09% compared with 2022. The company has the most advanced domestic stone production and processing line. Can realize the organic combination of loading, digging and transportation on the whole, effectively reduce production costs and improve profits.

CONCLUSION & RECOMMENDATION

The foregoing write-up indicates following benefits to the country, which in turn pleads for immediate acceptance of this project as a feasible project.

- a) The country will get a manufacturing unit, which will add to its scarce manufacturing base. As on date the country's manufacturing base is very low and thereby making the economy pre-dominantly agriculture oriented.
- b) The project will bring in the latest technology in the relevant field and will ensure training or development of skilled labour force in the country. The labour force will get on -job training and will thus make them more and more competent.
- c) All products envisaged to be manufactured are basically import substitute and will therefore save the scarce foreign currency for the country. Apart from that the country will save in terms of lowering of cost of manufacture and lower construction cost which will again lead to lower cost of other manufactured item.