

MAC GROUP LIMITED

REVISED BUSINESS PLAN FOR THE CONSTRUCTION OF THE MWENGE INDUSTRIAL PARK



AT PLOT NO. 3 KINGOLWIRA, MOROGORO REGION

1.0. SUMMARY

1.1 Project Concept

This project document presents a proposal by **MAC GROUP LIMITED**, a locally registered company with Certificate of Incorporation No. 10009 Dated 10/02/1984 constructing an industrial park named **Mwenge Industrial Park** for industrial premises and a warehouse. The project promoters are confident of mobilizing financial resources through equity financing and long-term loans.

This study aims to assess the commercial and operational feasibility of the Mwenge Industrial Park project. This study will be used as a guiding tool. It will be presented to TIC for upgrading project investment value and name change to obtain a certificate of incentives to facilitate the smooth implementation of the project.

1.2 Location

The project will be located at Plot No.3 Kingolwira, Morogoro Region.

1.3 The Sponsors

MAC GROUP LIMITED will be sponsoring this project. The company is locally registered and is jointly owned by Tanzanians and Indian investors. The following are the shareholders:

Name of Subscribers	%Shareholdin g	Nationalit y
YOGESH MAGANLAL KANJI MANEK, Email: operations@mactz.com, Mob No: 255222600000, P. O. Box 2552, Dar es Salaam	99.77	Tanzania
PRADIP MAGANLAL MANEK, Email: operations@mactz.com, Mob No: 255222600000, P. O. Box 2552, Dar es Salaam	0.22	Tanzania
GEETHA SIVAKUMAR Email: operations@mactz.com, Mob No: 255222600000, P. O. Box 2552, Dar es Salaam	0.01	India

1.4 Project Management and Manpower Requirements

MAC GROUP LIMITED is under the Chief Executive Officer with no less than 38 years in managing industrial parks and experience managing various businesses. Properly trained managers will assist the CEO in areas of specialty, who will together comprise the management team. A total of **10** staff will be directly employed including 1 Property Manager, 2 Maintenance Technicians (Plumber and Electrical), 3 Security Guards, and 4 supporting staff.

1.5 Project description

MAC GROUP LIMITED plans to add 13 warehouses, which will cost **US\$25,343,545** in an area of **233,000 square meters** (55 acres). Out of the total area, warehouses will cover an area of 108,200 square meters and the remaining area will be for open spaces for parking yards and circulation areas.

The industrial park is planned for industrial development and the company will put all the basic infrastructure needed it

will be leased for investors who are interested in setting up various factories and warehouses, the Park's including the "One Station" Center for integrated investor services for more than 50 tenants.

Given the above **MAC GROUP LIMITED** came up with a proposal to construct additional industrial parks and warehouse facilities for commercial uses. The project will involve among others acquiring necessary building materials such as Prefabricated structures, trucks, pick-ups, etc.

It is expected that the construction of a modern industrial park and warehouse will be completed within a year time and the company will apply to be exempted from paying import duty and VAT on Capital goods and deemed capital goods, the project will aid and contribute significantly toward the construction sector and manufacturing sector.

1.6 **Definition of an industrial park**

An industrial park (also known as an industrial estate, or trading estate) is an area zoned and planned for industrial

development. An industrial park can be thought of as a more "heavyweight" version of a business park or office park, which has offices and light industry, rather than heavy industry. Industrial parks are notable for being relatively simple to build; they often feature speedily erected single-space steel sheds, occasionally in bright colours.

This idea of setting land aside through this type of zoning has several purposes:

- By concentrating dedicated infrastructure in a delimited area, to reduce the per-business cost of that infrastructure. Such infrastructure includes roadways, railroad sidings, ports, high-power electric supplies (often including three-phase electric power), high-end communications cables, large-volume water supplies, and high-volume gas lines.
- To attract new business by providing an integrated infrastructure in one location.
- Eligibility of Industrial Parks for benefits.

- To set apart industrial uses from urban areas to try to reduce the environmental and social impact of the industrial uses.
- To provide for localized environmental controls that are specific to the needs of an industrial area.



An Aerial view of the Mwenge Industrial Park in Kingolwira, Morogoro

1.7 **Price for leasing**

MAC GROUP LIMITED has estimated the cost for leasing to be between US \$3.5 to US \$5.8 per square meter per month.

1.8 Operating cost

The operating cost has been budgeted to be 15% of the total annual revenue.

2.0 Project Investment Cost

The estimated capital investment cost for all projects is estimated to cost **US\$25,343,545**.

MWENGE INDUSTRIAL PARK COST STRUCTURE US\$

PARTICULAR	US\$
Land and Buildings	22,800,000
Machinery & Equipment	1,200,000
Motor Vehicles	1,100,000
Furniture & Fixtures	5,000
Pre exp	100,000
Others	15,000
Working Capital	123,545
TOTAL	25,343,545

3.0 Financing Pattern

The project will be financed by equity of US\$ 7,603,063 (30%) and a loan of US\$ 17,740,482 (70%). Source of financing will be mainly from within the country.

4.0 Aspect of Project Sustainability

The project sponsors having studied market conditions, and the infrastructure in Tanzania and being in the commercial buildings business for more than 10 years is convinced that the project will be able to operate undisturbed. The growing manufacturing sector and economic activities in Morogoro and proximity to the SGR Railway line assure them of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

5.0 Monitoring 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.



Mwenge Industrial Park

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.

7.2 Financial Statements:

7.3 Projected Rental Revenue

For projection purposes, it is assumed that the economic life of the project is 8 years and that revenue from the apartment business commences from the first year of operation.

7.4 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 8-year period. The position depicted is that the project earns profit throughout its life, refer to Appendix (I).

7.5 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.

7.5 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under **Appendix (III)** shareholder's equity increases from the first year to 8th year

7.6 **Projected payback period**

The initial investment cost is projected to be US\$25,343,545 and the total accumulated cash in the 7th year is US\$ 29,356,204 which is bigger than the initial investment cost, the payback period is within 7 years.

7.7 **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 significantly contribute to increasing of quality industrial parks in the Morogoro region

- The project will create direct employment for **45** people on a permanent contract basis let alone temporary employees.
- It will create more business opportunities for local suppliers, which will also have a trickle-down effect on the Tanzania economy as a whole.
- It will generate substantial revenue for the government in the form of corporate tax paid for 8 years, value-added tax and pay as you earn, etc.
- The project will have the transfer of knowledge and skills as far as managing of industrial park

9.0 Implementation Schedule

Project implementation is expected to be implemented in phases; the company will develop an industrial park and warehouse facilities. Once the project has been approved it is estimated that construction and equipping them with full facility for the project will take 1 year.

11.0 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 the 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

MWENGE INDUSTRIAL PARK PROJECTED INCOME & EXPENDITURE STATEMENT "US \$"

	1	2	3	4	5	6	7	8
Revenue	6,855,600	7,198,380	7,558,299	7,936,214	8,333,025	8,749,676	9,187,160	9,646,518
Operating Expenses:	1,028,340	1,079,757	1,133,745	1,190,432	1,249,954	1,312,451	1,378,074	1,446,978
Profit before Depreciation &Interest	5,827,260	6,118,623	6,424,554	6,745,782	7,083,071	7,437,224	7,809,086	8,199,540
Interest	1,200,000	1,050,000	900,000	750,000	600,000	450,000	300,000	150,000.00
Depreciation	460,000	460,000	460,000	460,000	460,000	460,000	460,000	460,000
Gross Profit	4,167,260	4,608,623	5,064,554	5,535,782	6,023,071	6,527,224	7,049,086	7,589,540
Tax (30%)	1,250,178	1,382,587	1,519,366	1,660,735	1,806,921	1,958,167	2,114,726	2,276,862
Profit After Tax	2,917,082	3,226,036	3,545,188	3,875,047	4,216,150	4,569,057	4,934,360	5,312,678
Accumulated Profit	2,917,082	6,143,118	9,688,306	13,563,353	17,779,503	22,348,560	27,282,920	32,595,598

APPENDIX II

MWENGE INDUSTRIAL PARK PROJECTED CASH FLOW US\$

SOURCES:		1	2	3	4	5	6	7	8
Profit before interest and depreciation	-	5,827,260	6,118,623	6,424,554	6,745,782	7,083,071	7,437,224	7,809,086	8,199,540
Equity	10,343,545								
Loan	15,000,000								
Total Sources	25,343,545	5,827,260	6,118,623	6,424,554	6,745,782	7,083,071	7,437,224	7,809,086	8,199,540
Applications:									
Capital expenditure	25,105,000	-	-	-	-	-			
working Capital & Others	238,545								
Cash	-	4,577,082	4,736,036	4,905,188	5,085,047	5,276,150	5,479,057	5,694,360	5,922,678
Tax	-	1,250,178	1,382,587	1,519,366	1,660,735	1,806,921	1,958,167	2,114,726	2,276,862
Subtotal	25,343,545	5,827,260	6,118,623	6,424,554	6,745,782	7,083,071	7,437,224	7,809,086	8,199,540
Total applications	25,343,545	5,827,260	6,118,623	6,424,554	6,745,782	7,083,071	7,437,224	7,809,086	8,199,540
Accumulated cash		4,577,082	9,313,118	14,218,306	19,303,353	24,579,503	30,058,560	35,752,920	41,675,598

APPENDIX III

MWENGE INDUSTRIAL PARK PROJECTED BALANCE SHEET US \$

Fixed Assets		1	2	3	4	5	6	7	8
Opening balance	-	25,105,000	24,526,500	23,948,000	23,369,500	22,791,000	22,212,500	21,634,000	21,055,500
Total Long-term Assets	-	25,105,000	24,526,500	23,948,000	23,369,500	22,791,000	22,212,500	21,634,000	21,055,500
Less depreciation	-	578,500	578,500	578,500	578,500	578,500	578,500	578,500	578,500
Closing balance	-	24,526,500	23,948,000	23,369,500	22,791,000	22,212,500	21,634,000	21,055,500	20,477,000
Working capital	238,545	238,545	238,545	238,545	238,545	238,545	238,545	238,545	238,545
Accumulated cash	-	4,577,082	9,313,118	14,218,306	19,303,353	24,579,503	30,058,560	35,752,920	41,675,598
Total assets	238,545	29,342,127	33,499,663	37,826,351	42,332,898	47,030,548	51,931,105	57,046,965	62,391,143
Financed by									
Equity	10,343,545	10,343,545	10,343,545	10,343,545	10,343,545	10,343,545	10,343,545	10,343,545	10,343,545
Accumulated profit	-	2,917,082	6,143,118	9,688,306	13,563,353	17,779,503	22,348,560	27,282,920	32,595,598
Total equity	10,343,545	13,260,627	16,486,663	20,031,851	23,906,898	28,123,048	32,692,105	37,626,465	42,939,143
Long term loan	15,000,000	13,125,000	11,250,000	9,375,000	7,500,000	5,625,000	3,750,000	1,875,000	-
Total debts	15,000,000	13,125,000	11,250,000	9,375,000	7,500,000	5,625,000	3,750,000	1,875,000	-
Total equity and debts	25,343,545	26,385,627	27,736,663	29,406,851	31,406,898	33,748,048	36,442,105	39,501,465	42,939,143

APPENDIX IV

MWENGE INDUSTRIAL PARK PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	2,917,082	578,500	3,495,582	1,141,048
2	3,226,036	578,500	3,804,536	4,945,584
3	3,545,188	578,500	4,123,688	9,069,272
4	3,875,047	578,500	4,453,547	13,522,819
5	4,216,150	578,500	4,794,650	18,317,469
6	4,569,057	578,500	5,147,557	23,465,026
7	5,312,678	578,500	5,891,178	29,356,204

APPENDIX IV

MWENGE INDUSTRIAL PARK PAYBACK PERIOD COST STRUCTURE US\$

PARTICULAR	
Land and Buildings	22,800,000
Machinery & Equipment	1,200,000
Motor Vehicles	1,100,000
Furniture & Fixtures	5,000
Pre exp	100,000
Others	15,000
Working Capital	123,545
TOTAL	25,343,545

APPENDIX VI**MWENGE INDUSTRIAL PARK PROJECTED LONG-TERM LOAN REPAYMENT**

Year	principle	Loan Interest (8%)	Total Amount Paid	Loan Balance
1	1,875,000	1,200,000	3,075,000	15,000,000
2	1,875,000	1,050,000	2,925,000	13,125,000
3	1,875,000	900,000	2,775,000	11,250,000
4	1,875,000	750,000	2,625,000	9,375,000
5	1,875,000	600,000	2,475,000	7,500,000
6	1,875,000	450,000	2,325,000	5,625,000
7	1,875,000	300,000	2,175,000	3,750,000
8	1,875,000	150,000	2,025,000	1,875,000