

MULTI CABLE LIMITED

FEASIBILITY STUDY

FOR THE ESTABLISHMENT

OF

MANUFACTURING FACILITIES

FOR

WIRE AND STEEL NAILS

Prepared by
MULTI CABLE LIMITED
P.O.BOX.....
Dar-ES-salaam

July 2024

A blue notary seal for Datus Mutalemwa Novath, Advocate, Notary Public & Commissioner for Oath. The seal includes a QR code and fields for 'Sign:' and 'Date:'. The signature 'Datus Mutalemwa Novath' and the date '25/07/2024' are handwritten in blue ink over the seal.

Certified as True Copy of the Original
Datus Mutalemwa Novath
Advocate, Notary Public & Commissioner
for Oath
Sign:
Date:

1.0. Executive Summary

1.1. Introduction

The overall industrial performance of various steel products such as Wire Nails over the last decade has not been very satisfactory. The main impediments for rapid development of such products are lack of financing as it requires huge investments and also advanced technology. However, the supplying capacity of variety of such products are not the same as the demand side. Wire and Steel Nails products are used by various sectors, especially in the construction and have very high demand. The Wire and Steel Nails products has acquired the status of a Basic items. These products provide board-based support to the development of an economy especially in all important parts of the economy especially construction sector.

1.2 The Company

MULTI CABLE LIMITED is a private limited liability company registered on 060964 in Dar es Salaam. MULTI CABLE LIMITED intends to be one of the leading manufacturers of Wire and Steel Nails in Tanzania, Central, South and East Africa.

1.3 Value of the Investment

The value of the current investment is estimated as follows: -

| ITEM | Amount |
|------------------------------|------------------|
| Land & Buildings | 100,000 |
| Plant, Machinery & Equipment | 500,000 |
| Vehicles | 200,000 |
| Furniture & Fittings | 50,000 |
| Others | 350,000 |
| Pre operational Expenses | 50,000 |
| Initial Working Capital | 200,000 |
| Grand Total | 1,450,000 |

1.4 Proposed Sources of Finance

Funds for the execution of the programme will be own source and injection of funds from the sponsors and the term loan from various banks.

1.5 The Project

After the company has been able to establish that there is unsatisfied market of the Wire and Steel Nails products, the company has decided to fulfil their medium and long-term objective of manufacturing the products here in Tanzania locally for local distribution and excess to sold outside the country.

1.6 Markets

The market demand for Wire and Steel Nails is high and increasing. Most of the products produced are expected to be sold in Tanzania, Uganda, Kenya, Ethiopia, Burundi, Rwanda and Central Africa, which include Zambia and Malawi. Products from the intended manufacturing facility are substantially more stable and serve basic building materials in the construction sector and in the economy as a whole.

1.7 Sponsors and Management

The project is being sponsored by Messrs. MULTI CABLE LIMITED. whose directors and share holdings are as follows:

| NAME | NATIONALITY | Percentage |
|-------------------------------|-------------|------------|
| Hassan ZakirHussein Alibhai | Tanzanian | 20 |
| Akberali ZakirHussein Alibhai | Tanzanian | 20 |
| Hussein ZakirHussein Alibhai | Tanzanian | 20 |
| Shabir ZakirHussein Alibhai | Tanzanian | 20 |
| Murtaza Zakir Hussein Alibhai | Tanzanian | 20 |

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1.8 Projections

Projected Profit and Loss

On the basis of the operating assumptions and costs, the project will be profitable throughout the projected review period of 10 years.

Liquidity Projections

These projections show the ability of the company to meet financial commitments and capital expenditure requirements.

2.0 THE PROJECT

2.1 PRODUCTS AND ITS MANUFACTURING PROCESS

The main objective of the company is to establish a manufacturing facility of Wire and Steel Nails of various sizes.

Welding & Wire Nails;

Wire and welding nails are mostly used for very rough and heavy-duty woodwork. Manufacture of these nails starts with a coil of wire which is fed into a machine that cuts it into predetermined lengths. Once the wire is cut, the machine creates the nail's head and point.

2.2 Production Facilities

Various facilities are required in order to establish such a processing plant. This will include main building with floor-roof clearance of above 4 meters for equipment installation, warehousing for raw materials and yard for finished goods storage, electrical power supply (3 phases), water supply, compressed air supply. Other facilities include a generator, 300 to 600 KVA will also be included including the following fleet of cars; delivery and distribution trucks, and pick-ups.

2.3 Quality Control

A variety of measures are taken to ensure that the finished products meet specifications. For example, x-ray gauges are used to regulate the thickness of the products. The gauges will work by utilizing two x rays. One ray is directed at a product of known thickness. The other is directed at the passing steel on the production line. If there is any variance between the two rays, the gauge will automatically trigger a resizing of the rollers to

compensate. Products will also be inspected for defects at the end of the process.

3.0 Site location and ownership

The site of the operations is located at Kerege Plot No 36&37, Bagamoyo District Coast Region. The current site is accessible by a good tarmac road. A 3-phase power supply from TANESCO and water supply from a main pipe also services it. The site has stand-by facilities for water and diesel fuel storage.

4.0 Manpower

The total manpower for the project is expected to initially be 55 people; Out of these the company is expected to employ 5 expatriates.

5.0 Development and implementation programme

The implementation schedule shows that the development of the project will take about 36 months. The full commissioning of the plant will be in the year 2027

6.0 Production forecast

At its peak the plant will be able to produce about 150 metric tons of nails per month.

7.0 Development and Social Impact

The project has several impacts both in social economic and environmental terms. The project will

- create employment for about 50 Tanzanians, supply its intended products to various sector of economies.
- The project will contribute to government revenue through various taxes that will be paid.

8.0 Markets –

The Products to be produced will remain by and large, a seller's market. The country's effective capacity to produce such products continues to be far below the demand. Under these circumstances customer demand does not influence production options of manufacture. Customers simply take what is offered for sale.

8.1 Market Environment

Given trade liberalisation, deconfinement and prices decontrol, the national market environment is generally expected to be competitive. Market survey indicates that there is assured market as most of this product is imported and the continued shortage of these products limits competition in the industry. The market is not competitive on the basis of price. Competition is limited of that ability of an individual producer to make particular products available on the market. The ability depends on possession of such products, functioning equipment and labour.

9.0 FINANCIAL ANALYSIS

The financial analysis of MULTI CABLE LIMITED shows that the operations can run profitably and that there will be sufficient cash to meet both short and long-term obligations.

9.1 Fundamental Assumptions

The preparations of the financial projections took into account the following main assumptions;

- i) The operating period under which the project will be reviewed is 10 years
- ii) The Capital Cost Summary of the establishment is as given in Appendix 1 and is reproduced below for ease of reference.

VALUE IS US \$

| ITEM | Amount |
|------------------------------|------------------|
| Land & Buildings | 100,000 |
| Plant, Machinery & Equipment | 500,000 |
| Vehicles | 200,000 |
| Furniture & Fittings | 50,000 |
| Others | 350,000 |
| Pre operational Expenses | 50,000 |
| Initial Working Capital | 200,000 |
| Grand Total | 1,450,000 |

The above cost estimates consider the cost of installing new machinery and equipment in the new building on site.

9.1 Working Capital Assumptions

Working capital requirements have been determined keeping in tune with the turnover of the businesses. In this respect the following parameters were adopted.

| Current Assets | Period |
|---------------------|----------|
| Debtors | 1month |
| Stocks | 2months |
| Cash | 1Month |
| Current Liabilities | |
| Sundry Creditors | 3 months |

9.2 Proposed Sources of Finance

The sponsors of the company will finance the whole enterprise of MULTI CABLE LIMITED operations and the proposed processing programmes. The sponsors will also look for the term loan from various banks both internal and abroad if the need arises.

10.0 Financial Analysis

10.1 Operating Costs

The operating costs have been estimated to be 75% of the total revenue. Costs include salaries and wages and administrative overheads.

10.2 Projected Profitability

On the basis of the assumptions the operations of the project are profitable throughout the projected period of 10 years. Net profit rises from US\$.0.247ml. in the first year and rises to US \$ 0.394ml in the tenth year. Over the same period the revenue reserves build up to US 2.325 ml in the tenth year.

10.3 Liquidity Projections

The projections take into account the assumed sources and applications for funds over the planned period and show the ability of the project to meet capital expenditure. Net cash generation is a modest of US\$0.348 ml in the first year of operation

10.4 Financial Review

- The Financial review of the project demonstrates that: -
- The project is profitable
- The liquidity position of the project is sound and that it should be able to meet its loan commitment easily;
- The operations are financially and technically viable.

11.0 Conclusion and Recommendation

The above study of the project reveals that the project is technically, commercially and economically viable and is desirable for country's economy. In light of anticipated financial, social and development benefits the project qualifies for positive recommendation for immediate implementation. Since the promoters are confident of arranging the required funds and of establishing the project within the committed time frame the conclusion is to recommend to all concerned authorities to accord utmost support to this project so as to enable the country to realize the benefits as perceived in this report.

MULTI CABLE LIMITED
Investment Cost

| | US \$ |
|------------------------------|------------------|
| ITEM | Amount |
| Land & Buildings | 100,000 |
| Plant, Machinery & Equipment | 500,000 |
| Vehicles | 200,000 |
| Furniture & Fittings | 50,000 |
| Others | 350,000 |
| Pre operational Expenses | 50,000 |
| Initial Working Capital | 200,000 |
| Grand Total | 1,450,000 |

MULTI CABLE LIMITED
Financing Pattern

US \$

| Equity | Total |
|---------------|--------------|
| Equity | 1,450,000 |
| Total equity | 1,450,000 |

MULTI CABLE LIMITED
Depreciation Schedule
US \$

| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|-----------------------------|----------------|--------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|-------------|--------------|
| Land Buildings | 50,000 | 2,000 | 2000 | 2000 | 2,000 | 2000 | 2000 | 2000 | 2000 | 2000 | 2000 |
| Plant Machinery & equipment | 600,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | - | 75,000 |
| Motor Vehicles | 100,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | - | - | - | - | 25,000 |
| Furniture & Fixtures | 20,000 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 | - | 2,500 |
| Pre-operational Expenses | 20,000 | 4,000 | 4,000 | 4,000 | 4,000 | 4,000 | - | - | - | - | 4,000 |
| | 790,000 | | 132,750 | 132,750 | 132,750 | 132,750 | 132,750 | 79,000 | 79,000 | 2000 | 2,000 |

MULTI CABLE LIMITED
PROJECTED SALES REVENUE US\$ 000

| YEAR | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| percentage | 70% | 80% | 90% | 100% | | | | | | |
| Sales in us\$ | 5,250 | 6,000 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 |
| Total Sales | 5,250 | 6,000 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 |


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 Sign: 
 Date: 25/07/2021

MULTI CABLE LIMITED

Projected Profit & Loss Account

US \$000

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|
| Revenue | 5,250 | 6,000 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 |
| Total revenue | 5,250 | 6,000 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 |
| Cost of sales | 3,150 | 3,600 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 | 4,500 |
| Gross Profit | 2100 | 2,400 | 3000 | 3000 | 3000 | 3000 | 3000 | 3000 | 3000 | 3000 |
| <i>Other costs</i> Depreciation | 133 | 133 | 133 | 133 | 133 | 79 | 79 | 79 | 2 | 2 |
| Profit Before Tax | 1,967 | 2,267 | 2,867 | 2,867 | 2,867 | 2,921 | 2,921 | 2,921 | 2,998 | 2,998 |
| Taxation 30% | 590 | 680 | 860 | 860 | 860 | 876 | 876 | 876 | 899 | 899 |
| Net Profit | 1,377 | 1,587 | 2007 | 2007 | 2007 | 2045 | 2045 | 2045 | 2,099 | 2,099 |
| Cumulative Profit | 1,377 | 2,964 | 4,971 | 6,978 | 8,985 | 11030 | 13,075 | 15,120 | 17,219 | 19,318 |

MULTI CABLE LIMITED

Projected Cash Flow

US \$ '000'

| | 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| INFLOWS | | | | | | | | | | | |
| Equity | 1,450 | | | | | | | | | | |
| Operating Inflow | | | | | | | | | | | |
| Profit Before Tax | - | 1,967 | 2,267 | 2,867 | 2,867 | 2,867 | 2,921 | 2,921 | 2,921 | 2,998 | 2,998 |
| Depreciation | - | 133 | 133 | 133 | 133 | 133 | 133 | 133 | 133 | 133 | 133 |
| Total Inflows | 1,450 | 2100 | 2,400 | 3000 | 3000 | 3000 | 3000 | 3000 | 3000 | 3000 | 3000 |
| | | | | | | | | | | | |
| OUTFLOWS | 1,450 | | | | | | | | | | |
| Investment | | | | | | | | | | | |
| Taxation | | 590 | 680 | 860 | 860 | 860 | 876 | 876 | 876 | 899 | 899 |
| Total Outflow | | 590 | 680 | 860 | 860 | 860 | 876 | 876 | 876 | 899 | 899 |
| Net Cash Flow | | 1,510 | 1720 | 2,140 | 2,140 | 2,140 | 2124 | 2124 | 2124 | 2101 | 2101 |