

**TIGERESA DEVELOPMENT AND
INVESTMENT COMPANY LIMITED**

Feasibility Report

For

**Set Up of Manufacturing Unit of
Building Materials**

By;

TIGERESA DEVELOPMENT AND INVESTMENT COMPANY LIMITED

P O Box 36795

Dodoma

Executive Summary

1 Introduction

This study is done with an objective of preparing a Feasibility Report for M/s TIGERESA DEVELOPMENT AND INVESTMENT COMPANY LIMITED, of Dar es Salaam for a project of setting up of Manufacturing Unit of Building Material in Dar es Salaam, Tanzania.

The scope of services for the proposal feasibility report for development of manufacturing unit for the production of building materials in Dar es Salaam include: Market assessment, Development program, land and civil works, project implementation schedule, project cost, financial projections, and conclusion & recommendations.

The overall approach comprised a combination of secondary and primary research. A multi-disciplinary team of appropriate personnel with experience in techno economic studies and market research were deployed for undertaking this assignment.

The assignment commenced with a planning for the primary and secondary research. Initially, our team interacted with TIGERESA DEVELOPMENT AND INVESTMENT COMPANY LIMITED officials to understand the requirements of the study.

Later, the team continuously interacted with TIGERESA DEVELOPMENT AND INVESTMENT COMPANY LIMITED for their inputs on the plan of the unit, machinery, the constructing cost, project cost, financing etc.

The data obtained from the secondary and primary research has been analyzed and incorporated in the report. A worksheet model has been prepared for feasibility calculations.

The report is prepared on the basis of best of the information provided by the various stakeholders and associations/agencies. The information in the report should not be claimed and be used as evidence for any purpose.

2 Demographic Indicators & Development – Tanzania

Tanzania has been showing an appreciate growth in the past few years. The development taking place in the country has been in pace with the other

developing nations. The GDP in real terms grew by 7.1 % in 2017, compared to 6.7 % in 2016. Over the years the construction has shown a decent increase.

Since the country started to implement economic and institutional reforms, there has been a steady increase of Foreign Direct Investment (FDI) inflows in the economy. Tanzania is among top three recipients of foreign direct investments (FDI) in non-oil producing African countries after South Africa and Ethiopia. Inflows of FDI have risen from US \$ 463.40 million in 2020 to US \$ 12.50 million in 2017.

3 Genesis & Details of the Project

The project involves set up of manufacturing unit of building materials at Dar es Salaam

M/s. TIGERESA DEVELOPMENT AND INVESTMENT COMPANY LIMITED of Dar es Salaam, was incorporated on the 23rd April, 2024 as private limited liability company under the Companies Ordinance (Cap 212 of the Laws of Tanzania).

The day to day activities would be managed by an individual appointed for the said purpose. It is expected that a significant number of people will be employed, during the construction of the commercial complex and about 20 local citizens would be employed permanently, excluding the security guards, once it becomes operational.

5 Project Cost and Means of Finance

The development cost of the entire project has been estimated to be around US \$ 2 million. The major factors contributing towards the cost of the project is the cost of machinery and building construction.

The table below indicates the detailed cost of project:

Table 1: Cost of Project

INVESTMENT BREAKDOWN

COST STRUCTUR	AMOUNTS USD
PARTICULAR	
Land and Buildings	240,000
Plant & Machines	1,160,000
Motor Vehicles	28,000
Pre Expenses	160,000
Working Capital	412,000
TOTAL	2,000,000

It has been conveyed to us that the promoters have already had consent from the bank. Considering the size of this project, and also keeping in mind the 3 months of implementation period, the contingencies and pre-operational expenses have been estimated at US\$ 160,000/-

The finance for the project is already arranged for by the promoters. The table below indicated in details the manner in which the investment is going to be arranged:

Table 2: Means of Finance

NO.	MEANS OF FINANCE	TOTAL
1	Equity	2,000,000
2	Loan	0
	TOTAL	2,000,000

7 Financial Projections

Details of financial projections are attached as appendices to this report. However, in brief the annexed project financials show that the project will be one with a full proof financing scheme.

For the purpose of calculations and projections the following assumptions were made:

1. Long term loan is availed @ 8% per annum

The detailed calculations of the projected financial are given in the annexure. The Net Present Value for the project comes out to be US\$ 1,109,296/= and the IRR is reasonably good at 19%. Pay Back for the project is estimated to be around 4.59 years.

The next annexure indicates the calculation for the Break Even Analysis and the Margin of Safety. It must be noticed that the average Return on Investment for the five years is more than 22%, which is a very good sign for the investors.

As far as DSCR is concerned we can see that for the coming years it is expected to be more than 1 which means that the company can repay the loan from its current profits only and not require to repay from its accumulated resources.

8 Development Value

The Project's development value to the country is as under:-

The project will generate employment to several people both during the development and after completion. It has been estimated that directly or indirectly this project will provide employment to nearly 20 individuals excluding the security guards.

Government will also earn revenue in terms of various levies on the Company associated with the operation of the complex. Further as indicated in the financial projections the total contribution for five years by way of income-tax itself will be to the tune of about US\$ 778,910. Last but not the least, the manufacturing units are always considered to be a national property and will therefore add to the national wealth.

It may be mentioned here that total investment of US\$ 2 million will play a good part in boosting the local economy. Considering all relevant factors it is being recommended that the grant of 0% import duty and VAT deferment on capital goods and deemed capital goods is granted to this project not only to make the project viable but also to catalyse other development benefits that may accrue to the country on acceptance of this project.

1.1 Approach and methodology

Approach

The overall approach comprised a combination of secondary and primary research. A multi-disciplinary team of appropriate personnel with experience in techno economic studies and market research were deployed for undertaking this assignment.

Methodology.

The assignment commenced with a detailed planning for the primary and secondary research. Initially, our team interacted with TIGERESA DEVELOPMENT AND INVESTMENT COMPANY LIMITED officials to understand the requirements of the study. Later, the team continuously interacted with TIGERESA DEVELOPMENT AND INVESTMENT COMPANY LIMITED for their inputs on the plan of the commercial complex, the material that would be used, the construction cost, project cost, financing etc.

➤ **Secondary Research**

A detailed desk research was undertaken to gain a fair understanding of the construction industry, its trends, market size, best practices etc. The sources from which the secondary data was collected included in-house database, internet, and various periodicals. The secondary research was used for planning the primary research for the study and identifying the data to be collected by way of primary research. A detailed desk research was undertaken to gain a fair understanding of the construction industry, its trends, market size, best practice etc. The sources from which the secondary data was collected included in-house database, internet, and various periodicals. The secondary research was used for planning the primary research for the study and identifying the data to be collected by way of Primary research.

➤ **Primary Research**

Interview guidelines were developed for the compilation of the necessary information by way of interview.

1.2 Data Analysis and Report Preparation

The data obtained from the secondary and primary research has been analyzed and incorporated in the report. A worksheet model has been prepared for feasibility calculations.

Report Format

The report is presented in 07 chapters.

Chapter 1 Introduction

This chapter outlines the objectives, scope, approach & methodology for the study.

Chapter 2 Demographic Indicators & Development – Tanzania

This chapter discusses about the demography of Tanzania and the macro-economic developments that are taking place in the Country.

Chapter 3 Genesis & Details of the Project

The chapter discusses the initiation of the project, the stakeholders, location, construction details, components of the projects, employment details and other relevant details.

Chapter 4 Project Cost and Means of Finance

The chapter presents the elements of the project cost and discusses the means of financing for the project.

Chapter 5 Financial Projections

Financial statements including projected income statement, projected cash flow statement and projected balance sheet for the first 05 years of operation and financial indicators such as IRR and payback period are given in this chapter.

The Return on Investment on annual basis for the project has also been calculated.

Chapter 6 Developmental Value

This chapter mentions about the benefits incurring to the nation and the citizens as a result of this implementation of the project in consideration.

Chapter 7 Conclusions and Recommendations

The chapter discusses the conclusions derived from the study and recommendations how to go ahead.

Annexure

1.3 Limitations

The report is prepared on the basis of best of the information provided by the various stakeholders and association/agencies. The information in the report shall not be claimed and be used as evidence for any purpose.

2. Demographic Indicators and Development – Tanzania.

2.1 Tanzania – The Developing Economy

In the African continent Tanzania is among the fastest developing economies. Tanzania has clinched the top slot in the improvement index as published by the Centre for International Development at Harvard University.

The report titled “The Africa Competitiveness Report 2000/2001” ranks Tanzania as first on improvement index. Investors in Tanzania are highly optimistic of the future of the economy.

Low inflation, a reasonable stable currency, friendly government and peaceful country are what most of the international company chiefs quoted as being economic driving force.

Tanzania has been showing an appreciable growth in the past few years. The development taking place in the country has been in pace with the other developing nations.

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3. Genesis & Details of the Project

3.1 Introduction

The project involves setting up of Manufacturing Plant for building materials at Dodoma region.

Tanzania is growing commercially and is being viewed positively by outside world. The tourists are becoming more and more interested in viewing the national parks and hidden beauties. Tanzania depends largely on the performance of its agricultural sector for its social and economic development. Like many developing countries it is the agricultural sector that constitutes the major source of national food reserves and, at the same time is an engine for generating foreign exchange and raw materials for basic industries.

However, present economic reforms taking place in the country have started to show that other sectors of the economy like – general engineering and fabrication, tourism, general trade and commerce in non-tradition products, are becoming increasingly important sectors of the economy, especially considering their potential for generating foreign exchange earnings.

As a consequence it is imperative that the need for more and more manufacturing units will be felt and the fact is that there is shortage of such manufacturing units in Dar es Salaam which is the financial capital of the Country.

It is therefore inferred that such project should be undertaken. It is confirm that TIGERESA DEVELOPMENT AND INVESTMENT COMPANY LIMITED has the required expertise for the Project.

With ready market, availability of proven management expertise and availability of funding to the extent needed, the success of the project is guaranteed.

3.3 Ownership:

Hu Tang and Lichuan Li are the promoters and first directors of the TIGERESA DEVELOPMENT AND INVESTMENT COMPANY LIMITED. Its head office is in Dar es Salaam.

3.4 Location

The site is to be developed on, Dodoma region. This place is well served with the necessary utility facilities, including the central sewerage system for all liquid waste. Communication links are also available.

3.5 Day to day management.

The management of the company has the required expertise in-house. The day to day activities would be managed by an individual appointed for the said purpose.

3.6 Employment

It is expected that a significant number of people will be employed, during the construction of the commercial complex and about 20 local citizens would be employed permanently, excluding the security guards, once it becomes operational. Security personnel will be contracted from an outside security firm.

3.7 Strategies

In order to achieve the objectives it is planned to implement the following strategies;

- Establish an effective preventive maintenance programme of the equipment, which will ensure sustainable equipment availability for operation.
- Establish a quality assurance and control system that will ensure provision of quality products and services.
- Conduct regular evaluations of production and servicing processes to ensure optimum costs of products and services.
- Device and implement productivity improvement measures
- Develop and implement an effective marketing policy

- Develop and implement an advertising and promotion programme
- Establish effective financial and resources management.

3.8 Market

Recent reforms taking place in the economy indicate that there is an increase in demand for bolts/nuts and nails. The following are some of the factors that have contributed to such an increase in demand for these products in the country:-

- Increased level of rehabilitation and expansion of roads by the Government and international assistance agencies – which has subsequently resulted in increased kilometers of passable roads by small and heavy duty vehicles.
- Rise in people's standard of living and a change in people's consumption patterns;
- General improvement in the national economy, especially the balance of payments which has made it possible for the Government to achieve greater capability to import critical products into the country;
- Increased general level of investments in industrial activities which are the major users of industrial inputs;
- Increase in transit trade between Tanzania and its neighbours especially – Uganda, Rwanda, Burundi, Malawi, Zambia and the Democratic Republic of Congo.

These factors have led to increased demand for general engineering activities for products in the country. Furthermore, these factors have created the impetus for increased inflow of investment capital by foreign and local private investors who now have decided to venture in the importation and industrial raw materials.

The reforms which are now being introduced in this sector aim at influencing the inflow of and increased supply of both capital goods and other industrial productions and their distribution in the country and beyond national borders.

4. Project Cost and Means of Finance

4.1 Cost of Project

The development cost of the entire project has been estimated to be around US\$ 0.5 million. The major factors contributing towards the cost of the project is the cost of machinery and cost of equipments.

The table below indicates the detailed cost of project.

5. Financial Projections

Details of financial projections are attached as appendices to this report. However, in brief the annexed project financials show that the project will be one with a full proof financing scheme.

The financing is so prudently designed that the smooth cash flow position is guaranteed throughout the gestation period.

6. Developmental Values

The project's development value to the country is as under:-

1. The project will generate employment to several people both during the construction and after completion. It has been estimated that directly or indirectly this project will provide employment to nearly 20 individuals excluding the security guards.
2. Government will also earn revenue in terms of various levies on the Company associated with the operation of the complex. Further r as indicated in the financial projections the total contribution for five years by way of income-tax and withholding tax will be to the tune of about US\$ 778,910.
3. The project will also contribute directly and indirectly in the generation of foreign exchange.

4. Last but not least, the manufacturing units are always considered to be a national property and will therefore add to the national wealth.

7. Conclusions & Recommendations

The economic impact from implementing and operating it is also positive.

Since the project is technically feasible, financially and economically viable, socially and from nation's point of view desirable a fast implementation thereof is recommended. It is important that there are no cost overruns so as to enable the realization of the benefits as outlined above.

It may be mentioned here that total investment of US\$ 2 million will play a good part in boosting the local economy.

Considering all relevant factors it is being recommended that the grant of 0% import duty & VAT deferments on capital goods and deemed capital goods is granted to this project not only to make the project viable but also to catalyze other development benefits that may accrue to the country on acceptance of this project.

FINANCIAL STATEMENTS

INVESTMENT BREAKDOWN

PARTICULAR	AMOUNT
Land and Buildings	240,000
Plant & Machines	1,160,000
Motor Vehicles	28,000
Pre Expenses	160,000
Working Capital	412,000
TOTAL	2,000,000

FIXED ASSETS SCHEDULE						
NAME OF ASSETS		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Land and Buildings		240,000	228,000	216,000	204,000	192,000
Plant & Machines		1,160,000	928,000	696,000	464,000	232,000
Motor Vehicle		28,000	28,000	23,000	18,000	13,000
Furniture & Fixtures		0	0	40,000	35,000	30,000
Total		1,428,000	1,184,000	975,000	721,000	467,000
Depreciation		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Land and Buildings		12,000	12,000	12,000	12,000	12,000
Plant & Machines		232,000	232,000	232,000	232,000	232,000
Motor Vehicles		0	5,000	5,000	5,000	5,000
Furniture & Fixtures		0	0	0	0	0
ANNUAL DEPRECIATION		244,000	249,000	249,000	249,000	249,000
CLOSING FIXED ASSETS		1,184,000	935,000	726,000	472,000	218,000

OTHER OPERATING COST						
Other Operations Cost		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Motor Vehicle running expens		66,000	71,940	78,415	85,472	93,164
Salaries and Wages		86,000	94,600	104,060	114,466	125,913
Adminitrative Overhead Costs		80,000	88,000	96,800	106,480	117,128
Utility Costs		93,000	102,300	112,530	123,783	136,161
Interest on Loan		62,000	55,800	50,220	45,198	40,678
Communication Exepnses		25,000	27,500	30,250	33,275	36,603
Total Costs		412,000	440,140	472,275	508,674	549,647

PROJECTED BALANCE SHEET						
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Fixed Assets		1,428,000	3,285,000	5,065,550	6,750,283	8,362,925
Long term Assets						
Depreciation		244,000	249,000	249,000	249,000	249,000
Total long term assets		1,184,000	3,036,000	4,816,550	6,501,283	8,113,925
Current Assets						
Cash		505,000	580,750	667,863	768,042	883,248
Account Receivable		412,000	473,800	544,870	626,601	720,591
Inventory		0	0	0	0	0
Total Current Assets		917,000	1,054,550	1,212,733	1,394,642	1,603,839
Total Assets		2,101,000	4,090,550	6,029,283	7,895,925	9,717,764
Current Liabilities						
Accounts Payable		103,000	118,450	136,218	156,650	180,148
Other Current Liablit		23,250	26,738	30,748	35,360	40,664
Subtotal Current Liabi		126,250	145,188	166,966	192,010	220,812
Long term Liabilities						
Long term Liabilitie		0	0	0	0	0
Total Liabilities		126,250	145,188	166,966	192,010	220,812
Captil and Reserves						
Owners Contribution		2,000,000	5,741,150	15,259,543	35,203,778	76,181,532
Retained Earning		1,614,900	3,632,055	4,517,728	5,581,965	6,860,494
Total Capital		3,741,150	9,518,393	19,944,236	40,977,753	83,262,838

PROJECTED INCOME STATEMENT						
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Sales Revenue		2,900,000	3,480,000	4,176,000	5,011,200	6,013,440
Cost of Sales		58,000	58,000	58,000	58,000	58,000
Gross Profit		2,842,000	3,422,000	4,118,000	4,953,200	5,955,440
Operating Expenses						
Administrative Overhead						
Costs		80,000	80,800	81,608	82,424	83,248
Motor Vehicle running		66,000	66,660	67,327	68,000	68,680
Salaries and Wages		86,000	86,860	87,729	88,606	89,492
Depreciation		244,000	246,440	248,904	251,393	253,907
Utility Costs		93,000	93,930	94,869	95,818	96,776
Insurance		50,000	50,500	51,005	51,515	52,030
Interest on Loan		62,000	62,620	63,246	63,879	64,517
Total Expenses		535,000	540,350	545,754	551,211	556,723
Profit before Tax		2,307,000	2,881,650	3,572,247	4,401,989	5,398,717
Tax (30%)		692,100	864,495	1,071,674	1,320,597	1,619,615
Profit After Tax		1,614,900	2,017,155	2,500,573	3,081,392	3,779,102