



FARAI RETRADING ENTERPRISES LIMITED
BUSINESS PLAN
FOR CONSTRUCTION OF WAREHOUSES

FOR CONSTRUCTION OF A

1.0. SUMMARY

1.1 Project Concept

This project document presents a proposal by Farai Retrading Enterprises Limited, a locally registered company with Certificate of Incorporation No. **164826082 Dated 03th April, 2023** intending to establish Warehouses. The project promoters are confident of mobilizing financial resources through equity financing and long term loan from financial institutions operating in Tanzania.

The objective of this study is to assess the commercial and operational feasibility of the project undertaken by **FARAI RETRADING ENTERPRISES 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 Mwanza Region.

1.3 The Sponsors

FARAI RETRADING ENTERPRISES LIMITED will be sponsoring this project. The Company is jointly owned by the following shareholders.

Name	Nationality	Shares %
NASSOR ALLY NASSOR	TANZANIAN	80
ALLY NASSOR ALLY	TANZANIAN	20

1.4 Project Management and Manpower requirements

FARAI RETRADING ENTERPRISES LIMITED will be under the Chief Executive Officer assisted by Deputy Chief Executive Officer who will be in charge of Finance and Administration and will have a Chief Sales and marketing Director who will be responsible with Marketing Department.

The company is locally registered and is all owned Tanzanian shareholders.

1.5 Project description

The ambitious project encompasses the development of seven state-of-the-art warehouses strategically engineered for advanced industrial set up, logistics and comprehensive storage solutions. These cutting-edge facilities will be designed to support diverse operational needs, featuring infrastructure that enables flexible logistics management and high-capacity storage capabilities. Configured to meet evolving industrial requirements, the warehouses will provide a robust network of specialized spaces that can adapt to dynamic market demands and support efficient commercial and industrial processes. Each

warehouse will be meticulously planned to maximize functionality, optimize spatial utilization, and deliver innovative storage solutions that align with contemporary industrial standards and technological advancements. The ambitious project encompasses the development of seven state-of-the-art warehouses strategically engineered for advanced industrial logistics and comprehensive storage solutions. These cutting-edge facilities will be designed to support diverse operational needs, featuring infrastructure that enables flexible logistics management and high-capacity storage capabilities. Configured to meet evolving industrial requirements, the warehouses will provide a robust network of specialized spaces that can adapt to dynamic market demands and support efficient commercial and industrial processes. Each warehouse will be meticulously planned to maximize functionality, optimize spatial utilization, and deliver innovative storage solutions that align with contemporary industrial standards and technological advancements. 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 **FARAI RETRADING ENTERPRISES LIMITED** came up with a proposal to establish Warehouses which is Dar es salaam city of Tanzania, the facilities will be used for industrial purposes and for storage of different items.

The project will involve among others acquiring necessary building materials, tanks, pumps, trucks, and pick up, and other equipment the company plan to inject capital of US \$ 2,500,000.

It is expected that the establishment of the premises facilities 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.

1.6 Project Description

A company plan to establish Warehouses which aims to start storage facilities and industrial purposes. To this due to high demand of the products.

1.7 Storage Systems

Technological development taking place has contributed quite significantly in the development of storage systems in the world to day. Some depots are completely automated, with no workers working inside. This storage will have a unit for accommodating the storage facilities for different and related products. Automated storage and retrieval machines coordinated by programmable logic controllers and computer running logistics automation software.

Modern storage 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. Storage 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 \$ 2,500,000 out of which US \$2,420,000 will be fixed investment costs. Pre-production expenditures have been budgeted at US \$30,000; other cost will be \$20,000, while working capital is put at \$180,000.

FARAI RETRADING ENTERPRISES LIMITED

INVESTMENT BREAKDOWN

PARTICULAR	AMOUNTS USD
Land and Buildings	2,240,000
Machinery & Equipment	123,000
Motor Vehicles	228,000
Furniture & Fixtures	11,000
Pre expenses	18,000
Working Capital	80,000
TOTAL	2,700,000

For the project to be a reality a total investment amounting to US \$2,500,000 USD is needed

(i) Land and Building: Us \$2,240,000

The project has opted for construction of facility estimated to cost US \$2,240,000

(ii) Machinery and Equipment: US\$ 123,000

Some US \$123,000 is anticipated to be spent on the purchase of various cold storage facility tools and equipment which will accommodate new technology

(iii) Motor Vehicles:US\$228,000

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

(iv) Office Furniture and Equipment: US \$11,000

This investment cost item has been estimated to cost US \$11,000. It will consist of office tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

(v) Pre-Operational Expenses: US\$ 18,000

They cover things like company registration, expenses spent in exploring the viability of the project, especially the market/client identification exercise. This Pre-operational coast 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\$80,000

Calculations as well as assumptions for working capital requirements, it is estimated that it will cost US \$ 80,000.

3.0 FINANCING PATTERN

The project will be financed by equity by; constituting US\$~~270~~,000

4.0 PROJECT OPERATING COSTS

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

(i) Salaries and Wages US \$70,000

The project will engage 50 employees.

(ii) Utilities US \$10,000

Considered here are water and electricity which together will cost US \$30,000 annually respectively.

(iii) Motor vehicle running Expenseus\$10,000

Petrol/diesel and lubricant requirement for the project's motor vehicles, this cost element will amount to US\$10,000 annually.

(iv) Insurance: US\$5,000

Each vehicle will be covered by third party insurance of US\$ 5,000 annually

(v) Marketing cost US \$20800

A portion of US\$20800 is to be used in advertising the project

(vi) Depreciation cost US \$77,000

For the day to day depreciation of fixed asset of the project US \$77,000 will be required annually for depreciation cost.

(vii) Pension contribution US \$ 22,000

The company has set a side US \$ 22,000 as pension contribution

(vii) Communication cost US\$ 5,400

(viii) Administrative cost US\$,4200

(ix) Maintenance cost US\$10,000

(x) Loan interest US\$6000

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 cold storage facility 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 bulk storage facilities Revenue

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

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. Accumulated after tax profits grow from. US \$ **2,579,110** in first year to US \$ **2,616,578** in the 5 year

7.5 Projected Cash Flows

This is shown in the financial statements. The project has a positive end of year cash flow from year1, i.e. e US\$ **3,193,526** of operation to the 5th year i.e. US \$ **2,6,327,152**

7.6 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\$ **3,379,100** in the first year of operation to US \$**3,416,578** in the 5th year.

7.7 Projected fixed schedule

The projected fixed schedule is shown in the schedule under same heading. Net worth of the fixed assets decreases from US\$ **2,713,000** in the first year of operation to US \$**2,405,000** in the 5th year.

7.8 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 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
- The project will involve transfer of technology in warehousing industry and manufacturing
- The project will create employment for 10 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.
- The project will earn substantial amounts of foreign exchange.

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.

FINANCIAL STATEMENTS

**FARAI RETRADING ENTERPRISES
LIMITED**

INVESTMENT BREAKDOWN

PARTICULAR	AMOUNTS USD
Land and Buildings	2,240,000
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Working Capital	80,000
TOTAL	2,700,000

PROJECTED INCOME STATEMENT							
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
Sales Revenue		2725,000	2870,000	3,044,000	3,252,800	3,503,360	
Cost of Sales		14,500	14,500	14,500	14,500	14,500	
Gross Profit		2,710,500	2,855,500	3,,029,500	3,238,300	3,488,860	
Operating Expenses							
Administrative Overhead							
Costs		8,000	8,080	8,161	8,242	8,325	
Motor Vehicle running		7,000	7,070	7,141	7,212	7,284	
Salaries and Wages		70,000	70,130	70,261	70,394	70,528	
Depreciation		46,775	47,243	47,715	48,192	48,674	
Utility Costs		12,000	12,120	12,241	12,364	12,487	
Insurance		12,500	12,625	12,751	12,879	13,008	
Interest on Loan		24,000	24,240	24,482	24,727	24,974	
Total Expenses		108,275	109,358	110,451	111,556	112,671	
Profit before Tax		602,225	746,142	919,049	1,126,744	1,376,189	
Tax (30%)		180,668	223,843	275,715	338,023	412,857	
Profit After Tax		421,558	522,300	643,334	788,721	963,332	

PROJECTED BALANCE SHEET						
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
Fixed Assets	2,402,000	3,295,450	4,269,225	3,297,313	4,394,849	
Long term Assets						
Depreciation	46,775	42,975	42,975	42,975	42,975	
Total long term assets	2,355,225	3,252,475	4,226,250	3,254,338	4,351,874	
Current Assets						
Cash	505,000	580,750	667,863	768,042	883,248	
Account Receivable	80,000	92,000	105,800	121,670	139,921	
Inventory	0	0	0	0	0	
Total Current Assets	585,000	672,750	773,663	889,712	1,023,169	
Total Assets	940,225	1,925,225	2,999,913	4,144,049	5,375,043	
Current Liabilities						
Accounts Payable	20,000	23,000	26,450	30,418	34,980	
Other Current Liablit	3,000	3,450	3,968	4,563	5,247	
Subtotal Current Liabi	23,000	26,450	30,418	34,980	40,227	
Long term Liabilities						
Long term Liabilitie	0	0	0	0	0	
Total Liabiities	23,000	26,450	30,418	34,980	40,227	
Captil and Reserves						
Owners Contribution	500,000	1,444,558	3,859,422	8,914,895	19,296,826	
Retained Earning	421,558	943,857	1,165,634	1,432,055	1,752,053	
Total Capital	2,944,558	4,414,865	7,055,473	12,381,930	23,089,106	

OTHER OPERATING COST						
Other Operations Cost	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
Motor Vehicle running expens	7,000	7,630	8,317	9,065	9,881	
Salaries and Wages	70,000	70,300	77,730	77,303	79,033	
Administrative Overhead Costs	8,000	8,800	9,680	10,648	11,713	
Utility Costs	12,000	13,200	14,520	15,972	17,569	
Interest on Loan	24,000	21,600	19,440	17,496	15,746	
Communication Exepnses	16,000	17,600	19,360	21,296	23,426	
Total Costs	137,000	150,130	154,047	158,780	164,368	

FIXED ASSETS SCHEDULE						
NAME OF ASSETS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
Land and Buildings	2,240,000	2,228,000	2,216,000	2,204,000	2,192,000	
Plant & Machines	123,000	98,400	73,800	49,200	24,600	
Motor Vehicle	228,000	19,200	14,200	9,200	4,200	
Furniture & Fixtures	11,000	9,625	40,000	35,000	30,000	
Total	2,602,000	2,355,225	2,344,000	2,297,400	2,250,800	
Depreciation	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
Land and Buildings	100,000	100,000	100,000	100,000	100,000	
Plant & Machines	24,600	24,600	24,600	24,600	24,600	
Motor Vehicles	8,800	5,000	5,000	5,000	5,000	
Furniture & Fixtures	1,375	1,375	1,375	1,375	1,375	
ANNUAL DEPRECIATION	46,775	42,975	42,975	42,975	42,975	
CLOSING FIXED ASSETS	443,225	400,250	389,025	342,425	295,825	