

BUSINESS PLAN

FOR A

COMMERCIAL BUILDING PROJECT

NEW MSIMBAZI KEROSENE LIMITED

NEW MSIMBAZI KEROSENE LIMITED

P O BOX 21531

DAR ES SALAAM

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PROJECT SUMMARY

PROMOTING COMPANY: NEW MSIMBAZI KEROSENE LIMITED

PROJECT PURPOSE: A Commercial Building for Shops, offices and Apartments

COUNTRY OF ORIGIN: Tanzania

COUNTRY OF DESTIN: Tanzania

PROJECT OWNERS: NEW MSIMBAZI KEROSENE LIMITED

PROJECT VALUE: US \$ 18 Million

Financing: Owners equity and Loans

1.0 INTRODUCTION

Dar es Salaam Region is one of the fast growing commercial and business centers in Central, Southern and Eastern Africa. As a result the region is inhabited by an ever increasing population which and a diversified demand of dally plus durable basic needs which are either imported or locally sourced but stocked in shops and supermarkets. The business people need offices and accommodation for their daily activities running. This report is a product of a thoroughly done research on the feasibility level of owning and running a premise of shopping places, office spaces and apartments to serve business people, workers and other people who may wish to hire and stay around the city. This report is a true idea coming out to underline available opportunities of productive capital investment for income generation as desires of investing entities and entities who own a limited company which in turn is now the owner of this plan. It is a company tool intended to be presented to stakeholders for permits, resources and authoritative credentials acquisition for the project development.

1.1 THE PROMOTING AND OWNING COMPANY

NEW MSIMBAZI KEROSENE LIMITED is a project promoting company. The company will promote a project which is being located at, Dar es Salaam. The contacts will be P.O. Box 21531 Dar es Salaam. The is a venture project under two shareholders which by names are

Name	% shareholding
AHMED SALIM BAHASHWAN	80.5
MOHAMED SALIM BAHASHWAN	19.5

The above mentioned entities are shareholders who have pulled together their resources including capital to invest and carry out planned project. Their intention is to construct a fifteen storey commercial building.

1.2 Company objective:

This venture was established with the objective of carrying on the business of establishing, owning and operating a commercial premise with shopping places, office spaces and apartments.

1.3 POLICIES

Tanzania has a National Trade Policy of February, 2003. The Mission of the policy is centred on the need to “...stimulate the development and growth of trade through enhancing competitiveness aiming at rapid social economic development”.

Among the policy objective is:

- i. To stimulate a process of trade development as the means of triggering higher performance and capacity to withstand intensifying competition within the domestic market. This includes the establishment of improved physical market place infrastructure and stimulating dissemination of market information and increasing access to the market.

To go in line with that policy objectives, the company has made it planned to make it possible that the premise will help people make trade links in and outside the country for its in and out supplies. The company has therefore made it a direct to concerns of this company one objective is: ‘to promote capacity building (i.e. technical, financial and managerial) of all actors involved in services delivery and economic development.’

Reference has been also made to The National Investment Promotion Policy of October 1996, whose one of the main objectives is the encouragement of development of the private sector. The company has taken the policy on two ways outlook. One is pro private sector development which needs the private sectors initiatives to support it, and the company has established this project to support it. Second the company takes the policy as an opportunity to work with in this project as it offers incentives for the projects’ implementation.

The last was the reference to the National Housing Corporation Policy allowed the joint venturing into commercial buildings to up-lift the face of the city of Dar es Salaam.

2.0 THE PROJECT PLANNED

The proposed project in this business plan is to construction and operation of the commercial building in Dar es Salaam Region. The structure will comprise fifteen storey for shops, offices and apartments. This will be built in a single compound with all basic facilities in a single structure.

The building will be constructed basing on locally sourced resources like architects, locally available construction materials and engineers. The idea is to lower the cost of construction but have a product of high quality and standard.

The structural design and location will be most convenient for shops, offices, business people and students in consideration of time and road queues. Other considerations will be of power supply and water supply. It will serve as ideal centre for those wishing to trade and have best goods' facilities in their vicinity while paying less than what they would have otherwise paid elsewhere for the same goods' value.

The investment plan is made to accommodate all these requirements so as to make sure that at last the customers find it easy to access to almost everything in the basic needs and non-basic needs.

This construction plan is expected to be implemented and completed in three years.

3.0 TECHNICAL REQUIREMENTS

So far several basic requirements for the project initial stage of implementation have been acquired, including the land which is ready acquired, the company is registered, the business license will be acquired, Tax Identification Number (TIN) also acquired and the headquarters for company operations is established, the implementation technical requirements are in place, constructors contracted; and the current requirements are:

CONSTRUCTION REQUIREMENTS

3.1 Additional Capital

From their savings, the shareholder (investors) have prepared about USD 18 million as capital for the project implementation the summary of which is presented below in the table.

PARTICULAR	AMOUNTS USD
Land and Buildings	14,000,000.00
Plant & Machines	810,000.00
Motor Vehicles	360,000.00
Furniture & Fixtures	1,010,000.00
Pre Expenses	20,000.00
Working Capital	1,800,000.00
TOTAL	18,000,000.00

Much of the capital will be spent on a building construction and finishing because that is the main company's investment.

The project promoter plans to work together with the construction to source some less costly but high quality construction materials from outside which will have the effect of lowering the overall construction costs. Much innovation will be sought with incentives/bonus for peculiar materials with proven quality and strength to be used in the construction process. With the exception of cement ,nails, cables and timber, almost all other materials will be imported. These include heavy floor and wall tiles, toilet fittings, aluminum fixtures and fittings, electrical fittings, decorative wall glass, security system equipment and fire fighting equipment.

4.1.3 Building Construction Rates

The usual or common rates range from US\$ 250 per m2 to US\$400 per m2 as already put by unions of constructors. In consideration of the above factor requirements, the average construction cost for the proposed project will be in the reach of US\$ 300 per m2.

4.1.4 Construction Procedures

- a) Civil Construction: structure, water systems, power system, drainage systems, auxiliary systems and structure; then fencing
- b) Finishing: Ceiling, colors, fixtures, tiles, Installation etc.

The construction progress assessment will be carried out using the agreed program of works submitted prior to work progress of the project just immediately after agreements with the contractor are done.

The following program of work will be adhered to at site for smooth execution of the project:

- a) Mobilization of materials and other resources
- b) Construction of the framed additions on buildings
- c) Fixtures, fittings, finishes and decoration
- d) External works including plumbing, water supply, parking, roads, gardening and landscaping.

4.1.5 Review of the Working Drawings

The consultancy team will be reviewing the drawings to fit the locality and construction schedule, any alterations and any client's needs in the course of construction. The contractor will immediately be informed of the reviews and recommendations. Also the client will be advised of the cost (time materials and funds) implication on the effected alterations.

4.1.6 Costing Details

The quantity surveyors have been doing using the standard format of bills of quantities basing on the part going prices with factors of anticipated changes in the market prices and time required for the project implementation period, plus details of the document comprising drawings and specification of the building.

5.0 INVESTMENT AND FINANCING

5.1 Assumptions

All prices and costs used in this project are based on December 2023 market levels and are in the real value assumptions. The budgets have been incremented by 20% to cover the possible changes in real prices due to inflationary effects likely to fall in. Only the construction costs have and are kept constant for the entire project development. The project operation costs are also fixed for the all life on the assumption that when real costs rise, they affect both buyer, seller and income-expenditure at the same proportional levels within means the profit margin will be maintained constant.

The project's life span is planned to be 25 years assumed that construction will take 4 years and after construction the operation will have be in the next 20 years period a period considered long enough to scale the impact of the project to the communities.

To bring all costs to a conservative level, capital and operating costs estimates have been increased by a contingent allowance of capital financing.

5.2 Summary of Investment Funds Allocation

The total capital investment is estimated at US\$ 18,000,000.00 and is itemized as follows:

ITEMS	US DOLLAR
Fixed Investments	16,200,000.00
Working Capital	1,800,000.00
Total Investment	18,000,000.00

Financing Plan

The project is expected to be financed by owner's equity contributions at 66%, (US\$ 12 million) and, loans at 33%, (US\$ 6 million).

6.0 MARKET ANALYSIS AND STRATEGIES

6.1 The Market

Dar es Salaam Region as Ilala Municipal has no less than three million residents, it is a upcoming commercial centre of Tanzania, it is a trading centre attracting visitors from all over the world, it links seven countries with cross border trade, it is a headquarter of the government which brings together five developing countries the delegates of which meet regularly in the city. All these factors make it an ideal location of a modern investment building with offices to cater for the day to day, time to time requirement of all those communities which range from smallest business to biggest ones etc. This is one side of the operational sell market.

To the other side of supplies, the policies of Tanzania are market oriented because the country is now a business hub for the very fast growing and industrializing East African Community and countries around it. Several reasons are behind the wave.

- Since its capitalistic economy orientation initiative which started in 1990s, Tanzania has been able to create a young private sector driven economy whose executives are increasingly investing and employing resources.

- The Middle East and the Far East areas trade connections with Central and East African region which is now operating at the best of its time in Dar es Salaam.
- The other is peace and security of the Tanzania Harbours compared to the competing Somalis frustrates Mombasa harbor.
- The favorable policies of Tanzania on trading with its neighbors, are the main boost of the vibrant social economic operations we see now.

As an outcome, national and international business operators are increasingly putting pressure on seeking spaces to trade and do business with Tanzania especially in cities like Coast Region, Tanga, Dar es Salaam, Mwanza, Arusha, Mtwara, Mbeya and Dodoma. This new demand has caused an increasing market taste for eastern produced products like vehicles, electronics, clothing, furnishing, etc. The market of such items has grown to the extent of individuals going to China, Japan, Malaysia, Dubai to shop for personal and household items. Our project will help them cut the costs of traveling, time and risks down by giving them space of organizing things down here in the country.

6.2 Targeted Markets

As it has been learnt elsewhere, the targeted markets are all groups and class of business/economic actors and officials including residents and traders as populations which include both local and foreign people; public workers; as well as people in transit. No single community or group of people is left out of the target.

Prospects in the growth of this target market are quite good given the increasing prominence of Tanzania as both a commercial/industrial centre as well as the centre of government activities in making the country a trade link of the world with other member countries of the Great Lake Region, East Africa Community and SADC.

In addition to the above recognition and findings, the project promoters will have to engage marketing skills and financial resources to enable them to acquire a reasonable share of the market. Market knowledge and connections on the international sphere network are of special importance.

Our company plans to undertake a comprehensive and concerted marketing program in order to obtain the necessary networking connections. It will reach out to all relevant stakeholders both locally and internationally through missions and presentations at international and national potentials which may avail the company the requisite net workings. A focused aggressive marketing strategy is planned in this case to include outsourcing adequate working capital, hard ware, software and human to package to back up the marketing effort.

For the company establishment and consolidation, a considerable budget will be set aside over the period of the first five years towards the marketing and networking effort, which will be used largely in preparation of physical, media and internet, promotional and advertising materials.

6.4 Promotion and Advertising

The greater job is to promote and market in a qualitative channel that keeps the company reputation and credibility growing but with the objective of capturing new market segments and to attract faster responses in various market segments without stretching the company's human and financial resources too thin, a comprehensive marketing plan will be outlined in the creative promotion and advertising strategies.

7.0 FINANCIAL AND ECONOMIC ANALYSIS

Projecting for financial statement is based on the following assumptions:

- The project is evaluated for 5 years based on the useful life of major assets
- The implementation of the project will cost US\$ 18 million
- Capital expenditure will be spread over a period of 5 years.
- Economic depreciation rates are based on useful life of fixed assets and capital items.

Depreciating and Amortization Schedule

It is assumed that the project will be granted a 50% capital investment allowance on the year of acquisition of capital/deemed capital goods and thereafter the balance of 50% be subjected to the normal depreciation rates. This applies to Machinery, Equipment, Motor Vehicles and furniture for this particular case.

It then follows that the schedule will be:

DEPRECIATION SCHEDULE	
	RATE
Land & Buildings	4.00%
Equipment & Machinery	10.00%
Motor Vehicles	20.00%
Office Equipment	20.00%
Furniture & Fittings	12.50%
Preoperational Expenses	20.00%

7.1 Sales Projections and Expenses

Sales projections and expenses are based on the sale of space in the premise as a main revenue generating services. Though there may be a slight positive increase every year, the first three operating years give that picture as sales as annexed

7.2 Operating costs:

- Salaries, wages and allowances plus Social Benefits

7.3 Administrative Costs

- Director/Board fees
- Professional/audit fees
- Traveling
- Insurance: 2% of major capital assets (motor vehicles and Machinery/equipment)
- Licences
- Taxes/duties/levies
- Marketing and Advertisement

7.4 Financial Statements

7.4.1 Profits

Net profit increases from US\$ 264,042 in the first year growing to USD 353,0744 in the fourth year which will then rise to USD 360,395 in the fifth year and remain constant to the tenth year.

7.4.2 Projected Cash Flows

As shown in the cash flow, the project has a positive net cash flow from year 1 of operation to the 5th year.

7.4.3 Revenue Reserves

Revenue Reserves Increasing the company value are increasing all over the project life span, at a multiplier of about eight times in the period of ten years (from USD 264,042 to USD 3,072,325 in the fifth year) meaning the project multiplier move on its wealth is high.

7.5 Financial Indicators

Financials indicators showing the financial viability of the project are summarized below:

7.5.1 Internal Rate of Return (IRR)

The project' internal rate of return (IRR) after tax is computed as annexed at the discount rate of 4%

7.5.2 Net Present Value

The Net Present Value will as per schedule annexed

7.5.3 Payback Period

The payback period is computed at 3 years

8.0 ECONOMIC BENEFITS OF THE PROJECT

The successful operation of the Project will contribute significantly to the economic and benefits to Tanzania people. In summary, the benefits that will be realized are as follows:-

- Job offer to professionals and non professional workers
- It will serve to provide more standard, modern and quality working space in the county.
- Provision of market to other Input (local producers) and services providers, thus contributing to their income creation.
- The income to be earned will help in improving standard of living of the workers and other people residing in the area.
- The direct income for the workers, combined with other social benefits that the will provide and help in overall efforts of alleviation of poverty in the country.
- Provision of a market for goods demanded, services demanded
- Investment tax will add up on tax revenue of the Treasury and local Government authorities.
- The Government earns considerable revenue from the workers and investors in terms tax collections.

8.0 MANAGEMENT AND STAFF

To perform a professional job in the services industry a company requires a team of skilled and well-motivated personnel. Under the implementation program the project envisages undertaking a deliberate 2 prolonged plan.

- Out – Sourcing staff with relevant and adequate industry skills capable of strategizing and operationalizing growth and profit oriented marketing and operational plans and strategies. The local labour market has enough personnel with relevant skills and experience in the fields of marketing, operations and information technology. In case of short falls, more effort will be spared in looking for requisite skills elsewhere including on the neighbouring labour market.
- Motivation and retention scheme: Continuity being a vital element in any efficient operation, focus will be given to minimize frequent manpower run out. In order to achieve this, an attractive incentive package will be part of the expansion program. The objective is to attract the best-qualified personnel to the company labour force and to retain them for a reasonable period of service in order to achieve continuity and harmony in the company's operations.

11.0 SWOT ANALYSIS

9.1 Strengths

The strengths of this project will be the same as those that have served the project promoters other businesses operations in good stead. These are:

- Sound and credible management and financial policies
- All incredible determination and perseverance of the directors against immense odds
- A fairly well skilled, committed and efficient labor force
- A quality maintenance.

9.2 Weaknesses

- No weaknesses are anticipated so far

9.3 Opportunities

The company is focused to take optimum possible advantage on the following:

The increased attractiveness of the country as a quality investors' destination through available policies including:

- Market liberalization
- Lucrative investment incentive package
- Duty exemption on capital goods
- 50% capital investment allowance with indefinite loss carry over period against future profits
- A stable economic and political environment
- Heavy investments in infrastructural development in roads (all weather)

9.4 Threats

The main, profound and most likely threat to the company's well being in the market includes:

- Unfair competitive practices among stakeholders such as negative (publicity, skilled manpower draining and agent/client poaching).

10.0 CONCLUSION AND RECOMMENDATIONS

10.1 Conclusion

The project as analyzed in this report is both economically and technically viable. The project has come at the right time to provide the much needed quality goods and living facilities for all living communities in Tanzania and neighbors.

10.2 Recommendations

A fast implementation of this venture is therefore highly recommended especially at this juncture when the Government in collaboration with donor communities is implementing a program of boosting investment in trade, improving living standards, and free movements of goods in the East African Community.

FINANCIAL ACCOUNTS

PARTICULAR	AMOUNTS USD
Land and Buildings	14,000,000.00
Plant & Machines	810,000.00
Motor Vehicles	360,000.00
Furniture & Fixtures	1,010,000.00
Pre Expenses	20,000.00
Working Capital	1,800,000.00
TOTAL	18,000,000.00

FIXED ASSETS SCHEDULE						
NAME OF ASSETS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
Land and Buildings	14,000,000	13,300,000	12,600,000	11,900,000	11,200,000	
Plant & Machines	810,000	648,000	486,000	324,000	162,000	
Motor Vehicle	360,000	-448,000	-453,000	-458,000	-463,000	
Furniture & Fixtures	1,010,000	883,750	40,000	35,000	30,000	
Total	16,180,000	14,383,750	12,673,000	11,801,000	10,929,000	
Depreciation	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
Land and Buildings	700,000	700,000	700,000	700,000	700,000	
Plant & Machines	162,000	162,000	162,000	162,000	162,000	
Motor Vehicles	808,000	5,000	5,000	5,000	5,000	
Furniture & Fixtures	126,250	126,250	126,250	126,250	126,250	
ANNUAL DEPRECIATION	1,796,250	993,250	993,250	993,250	993,250	
CLOSING FIXED ASSETS	14,383,750	13,390,500	11,679,750	10,807,750	9,935,750	

OTHER OPERATING COST						
Other Operations Cost	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
Motor Vehicle running expens	43,000	46,870	51,088	55,686	60,698	
Salaries and Wages	435,000	478,500	526,350	578,985	636,884	
Administrative Overhead Costs	92,000	101,200	111,320	122,452	134,697	
Utility Costs	54,000	59,400	65,340	71,874	79,061	
Interest on Loan	1,170,000	1,053,000	947,700	852,930	767,637	
Communication Exepnses	6,000	6,600	7,260	7,986	8,785	
Total Costs	1,800,000	1,745,570	1,709,058	1,689,913	1,687,762	

PROJECTED BALANCE SHEET						
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Fixed Assets		16,180,000	14,383,750	12,673,000	11,801,000	10,929,000
Long term Assets						
Depreciation		1,796,250	993,250	993,250	993,250	993,250
Total long term assets		14,383,750	13,390,500	11,679,750	10,807,750	9,935,750
Current Assets						
Cash		3,528,730	4,058,040	2,632,581	4,941,437	7,570,679
Account Receivable		1,800,000	2,070,000	2,380,500	2,737,575	3,148,211
Inventory		0	0	0	0	0
Total Current Assets		5,328,730	6,128,040	5,013,081	7,679,012	10,718,890
Total Assets		19,712,480	19,518,540	16,692,831	18,486,762	20,654,640
Current Liabilities						
Accounts Payable		450,000	517,500	595,125	684,394	787,053
Other Current Liabilit		13,500	15,525	17,854	20,532	23,612
Subtotal Current Liabi		463,500	533,025	612,979	704,926	810,664
Long term Liabilities						
Long term Liabilitie		0	0	0	0	0
Total Liabilities		463,500	533,025	612,979	704,926	810,664
Capitil and Reserves						
Owners Contribution		18,000,000	20,265,825	25,510,163	33,274,308	44,068,664
Retained Earning		1,802,325	4,711,313	7,151,166	10,089,430	13,625,891
Total Capital		20,265,825	25,510,163	33,274,308	44,068,664	58,505,219

PROJECTED INCOME STATEMENT						
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Sales Revenue		8,100,000	9,720,000	11,664,000	13,996,800	16,796,160
Cost of Sales		1,620,000	1,620,000	1,620,000	1,620,000	1,620,000
Gross Profit		6,480,000	8,100,000	10,044,000	12,376,800	15,176,160
Operating Expenses						
Administrative Overhead						
Costs		92,000	92,920	93,849	94,788	95,736
Motor Vehicle running		43,000	43,430	43,864	44,303	44,746
Salaries and Wages		435,000	439,350	443,744	448,181	452,663
Depreciation		1,796,250	1,814,213	1,832,355	1,850,678	1,869,185
Utility Costs		54,000	54,540	55,085	55,636	56,193
Insurance		450,000	454,500	459,045	463,635	468,272
Interest on Loan		1,170,000	1,181,700	1,193,517	1,205,452	1,217,507
Total Expenses		3,905,250	3,944,303	3,983,746	4,023,583	4,063,819
Profit before Tax		2,574,750	4,155,698	6,060,254	8,353,217	11,112,341
Tax (30%)		772,425	1,246,709	1,818,076	2,505,965	3,333,702
Profit After Tax		1,802,325	2,908,988	4,242,178	5,847,252	7,778,639