

MREFU INVESTMENT LIMITED

**BUSINESS PLAN FOR
CONSTRUCTION OF A WAREHOUSE**

1.0. SUMMARY

1.1 Project Concept

This project document presents a proposal by , a locally registered company with Certificate of Incorporation No. **177363669 Dated 23rd August 2024**, intending to establish a warehouse. 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 **MREFU INVESTMENT 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 Dar es Salaam.

1.3 The Sponsors

MREFU INVESTMENT LIMITED will be sponsoring this project. The Company is jointly owned by the following shareholders.

S/NO:	NAME AND ADDRESS OF SHAREHOLDER	NATIONALITY	SHAREHOLDING (%)
1.	YOUJIAN LI	CHINESE	50
2.	ZHU HUALING	Chinese	50

1.4 Project Management and Manpower requirements

MREFU INVESTMENT LIMITED will be under the General Manager assisted by Deputy General Manager who will be in charge of Finance and Administration and will have a marketer will be responsible with Marketing Department. 10 staff will be directly employed.

The company is locally registered and is all owned by two shareholders who are Tanzanians

1.5 Project description

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 **MREFU INVESTMENT LIMITED** came up with a proposal to establish a warehouse 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 equipments the company plan to inject capital of US \$1,860,000.

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 a warehouse 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 cold 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 \$ 1,860,000 out of which US \$1,630,000 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.

MREFU INVESTMENT LIMITED

PARTICULAR	US\$
Land and Buildings	1,300,000
Machinery & Equipment	220,000
Motor Vehicles	100,000
Furniture & Fixtures	10,000
Pre expenses	30,000
Others	20,000
Working Capital	180,000
TOTAL	1,860,000

For the project to be a reality a total investment amounting to US \$1.86 m is needed

(i) Land and Building: Us \$1,300,000

The project has opted for construction of facility estimated to cost US \$1,300,000

(ii) Machinery and Equipment: US\$ 220,000

Some US \$20,000 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\$100,000

The project will need 2 heavy trucks, 2 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 \$10,000

This investment cost item has been estimated to cost US \$10,000. It will consist of office tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

(v) Pre-Operational Expenses: US\$ 30,000

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\$180,000

Calculations as well as assumptions for working capital requirements, it is estimated that it will cost US \$ 180,000.

3.0 FINANCING PATTERN

The project will be financed by equity by; constituting US\$ 1,400,000 and loan being US \$460,000

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 \$220,000

The project will engage 10 employees.

(ii) Utilities US \$30,000

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 \$2800

A portion of US\$2800 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.

MREFU INVESTMENT LIMITED

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Revenue	1,630,700	1,640,780	1,649,800	1,655,820	1,700,860

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 \$ **579,110** in first year to US \$ **616,578** in the 5 year

MREFU INVESTMENT LIMITED

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Sales Revenue	1,630,700	1,640,780	1,649,800	1,655,820	1,700,860
Cost of Sales	410,000	412,000	418,000	420,000	425,000
Gross Profit	1,220,700	1,228,780	1,231,800	1,235,820	1,275,860
Operating Expenses:					
Administrative Expenses	4,200	4,205	5,000	5,200	5,800
Motor vehicle running expenses	10,000	10,000	10,000	10,000	10,000
Salaries and Wages	220,000	220,000	220,000	220,000	220,000
Donation	1,000	1,000	1,000	1,000	1,000
Depreciation	77,000	77,000	77,000	77,000	77,000
Marketing Costs	2,800	2,800	2,810	2,812	2,815
Maintenance	10,000	10,000	10,000	10,000	10,000
Utility costs	30,000	30,000	30,000	30,000	30,000
Insurance	5,000	5,000	5,000	5,000	5,000
Communication	5,400	5,406	5,410	5,415	5,418
Pension Contribution	22,000	22,000	22,000	22,000	22,000
Loan Interest (3%)	6,000	6,000	6,000	6,000	6,000
Total Expenses	393,400	393,411	394,220	394,427	395,033
Profit before tax	827,300	835,369	837,580	841,393	880,827
Tax (30%)	248,190	250,610	251,274	252,417	264,248
Profit After Tax	579,110	584,758	586,306	588,975	616,578

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\$ **1,193,526** of operation to the 5th year i.e. US \$ **6,327,152**

MREFU INVESTMENT LIMITED

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
CASH FLOW FROM OPERATIONS:					
Cash Sales	1,500,000	1,540,000	1,555,000	1,600,000	1,680,000
VAT Receipt	293,526	295,340	296,964	298,047	306,154
Subtotal cash Received	1,793,526	1,835,340	1,851,964	1,898,047	1,986,154
Expenditures from Operations:					
Cash spent	500,000	510,000	515,000	519,000	522,000
VAT Payments	90,000	91,800	92,700	93,420	93,960
Subtotal Cash Payment	590,000	601,800	607,700	612,420	615,960
CASH FLOW FROM OPERATIONS:	1,203,526	1,233,540	1,244,264	1,285,627	1,370,194
CASH FLOW FROM INVESTMENTS:					
Purchase of Assets	(800,000)				
Working Capital and pre-expenses	(210,000)				
CASH FLOW FROM INVESTMENTS:	(1,010,000)				
CASH FLOW FROM FINANCING:					
Loan	200,000				
Owners' Equity Contribution	800,000				
CASH FLOW FROM FINANCING:	1,000,000				
NET CASH FLOW FOR PERIOD	1,193,526	1,233,540	1,244,264	1,285,627	1,370,194
CASH FLOW START OF YEAR	-	1,193,526	2,427,066	3,671,330	4,956,958
CASH FLOW AT THE END OF YEAR	1,193,526	2,427,066	3,671,330	4,956,958	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\$ **1,379,100** in the first year of operation to US \$**1,416,578** in the 5th year.

MREFU INVESTMENT LIMITED

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<u>Fixed Assets</u>					
Long-term Assets	790,000	713,000	636,000	559,000	482,000
Depreciation	77,000	77,000	77,000	77,000	77,000
Total Long-term Assets	713,000	636,000	559,000	482,000	405,000
<u>Current Assets</u>					
Cash	1,193,526	2,427,066	3,671,330	4,956,958	6,327,153
Accounts Receivable	130,700	100,780	94,800	55,800	20,860
Total Current Assets	1,324,226	2,527,846	3,766,130	5,012,758	6,348,013
Total Assets	2,037,226	3,163,846	4,325,130	5,494,758	6,753,013
<u>Current Liabilities</u>					
Accounts Payable	3,000	3,200	3,220	3,300	3,450
Other Current Liabilities	0	0	0	0	0
Subtotal Current Liabilities	3,000	3,200	3,220	3,300	3,450
<u>Long-term Liabilities</u>					
Long-term Liabilities	200,000	200,000	200,000	200,000	200,000
Total Liabilities	203,000	203,200	203,220	203,300	203,450
Net Assets	1,834,226	2,960,646	4,121,910	5,291,458	6,549,563
<u>Capital and Reserves</u>					
Owners Contribution	800,000	800,000	800,000	800,000	800,000
Retained Earnings	579,100	584,758	586,306	588,975	616,578
Total Capital	1,379,100	1,384,758	1,386,306	1,388,975	1,416,578

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\$ **713,000** in the first year of operation to US \$**405,000** in the 5th year.

MREFU INVESTMENT LIMITED FIXED ASSETS

NAME OF ASSETS	1 USD	2 USD	3 USD	4 USD	5 USD
Land And Buildings	1,300,000	1,230,000	1,100,000	960,000	840,000
Plant, Tools & Equipment	20,000	18,000	16,000	14,000	12,000
Motor Vehicles	100,000	90,000	80,000	70,000	60,000
Furniture & Fixtures	30,000	29,000	28,000	27,000	26,000
TOTAL	1,450,000	1,267,000	1,114,000	970,000	938,000
DEPRECIATION	1 USD	2 USD	3 USD	4 USD	5 USD
Land and buildings	64,000	64,000	64,000	64,000	64,000
Machinery tools & Equipment	2,000	2,000	2,000	2,000	2,000
Motor Vehicles	10,000	10,000	10,000	10,000	10,000
Furniture & Fixtures	1,000	1,000	1,000	1,000	1,000
ANNUAL DEPRECIATION	77,000	77,000	77,000	77,000	77,000
CLOSING FIXED ASSETS	713,000	636,000	559,000	482,000	405,000

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

MREFU INVESTMENT LIMITED
INVESTMENT BREAKDOWN

PARTICULAR	US\$
Land and Buildings	1,300,000
Machinery & Equipment	220,000
Motor Vehicles	100,000
Furniture & Fixtures	10,000
Pre expenses	30,000
Others	20,000
Working Capital	180,000
TOTAL	1,860,000

MREFU INVESTMENT LIMITED FIXED ASSETS

NAME OF ASSETS	1 USD	2 USD	3 USD	4 USD	5 USD
Land And Buildings	1,300,000	1,230,000	1,100,000	1,600,000	1,400,000
Plant, Tools & Equipment	20,000	18,000	16,000	14,000	12,000
Motor Vehicles	100,000	90,000	80,000	70,000	60,000
Furniture & Fixtures	30,000	29,000	28,000	26,000	26,000
TOTAL	1,450,000	1,367,000	1,224,000	1,170,000	1,138,000
				0	0
DEPRECIATION	1 USD	2 USD	3 USD	4 USD	5 USD
Land and buildings	64,000	64,000	64,000	64,000	64,000
Machinery tools & Equipment	2,000	2,000	2,000	2,000	2,000
Motor Vehicles	10,000	10,000	10,000	10,000	10,000
Furniture & Fixtures	1,000	1,000	1,000	1,000	1,000
ANNUAL DEPRECIATION	77,000	77,000	77,000	77,000	77,000
CLOSING FIXED ASSETS	713,000	636,000	559,000	482,000	405,000

MREFU INVESTMENT LIMITED PROJECTED BALANCE SHEET

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<u>Fixed Assets</u>					
Long-term Assets	790,000	713,000	636,000	559,000	482,000
Depreciation	77,000	77,000	77,000	77,000	77,000
Total Long-term Assets	713,000	636,000	559,000	482,000	405,000
<u>Current Assets</u>					
Cash	1,193,526	2,427,066	3,671,330	4,956,958	6,327,153
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<u>Current Liabilities</u>					
Accounts Payable	3,000	3,200	3,220	3,300	3,450
Other Current Liabilities	0	0	0	0	0
Subtotal Current Liabilities	3,000	3,200	3,220	3,300	3,450
<u>Long-term Liabilities</u>					
Long-term Liabilities	200,000	200,000	200,000	200,000	200,000
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<u>Capital and Reserves</u>					
Owners Contribution	800,000	800,000	800,000	800,000	800,000
Retained Earnings	579,100	584,758	586,306	588,975	616,578
Total Capital	1,379,100	1,384,758	1,386,306	1,388,975	1,416,578

MREFU INVESTMENT LIMITED PROJECTED CASH FLOW

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
CASH FLOW FROM OPERATIONS:					
Cash Sales	1,500,000	1,540,000	1,555,000	1,600,000	1,680,000
VAT Receipt	293,526	295,340	296,964	298,047	306,154
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MREFU INVESTMENT LIMITED PROFIT AND LOSS ACCOUNTS

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Sales Revenue	1,630,700	1,640,780	1,649,800	1,655,820	1,700,860
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Motor vehicle running expenses	10,000	10,000	10,000	10,000	10,000
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Donation	1,000	1,000	1,000	1,000	1,000
Depreciation	77,000	77,000	77,000	77,000	77,000
Marketing Costs	2,800	2,800	2,810	2,812	2,815
Maintenance	10,000	10,000	10,000	10,000	10,000
Utility costs	30,000	30,000	30,000	30,000	30,000
Insurance	5,000	5,000	5,000	5,000	5,000
Communication	5,400	5,406	5,410	5,415	5,418
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