

**SUPREME WATER WELL DRILLING
LIMITED**

BUSINESS PLAN

FOR

WATER DRILLING PROJECT

1.0. EXECUTIVE SUMMARY.

SUPREME WATER WELL DRILLING LIMITED is a company incorporated under the Companies Act 2002, the company shareholders are experienced businessmen. The history and track record of the shareholders rests on its two founders, who are well-known experts specializing in water drilling development.

SUPREME WATER WELL DRILLING LIMITED recently registered company with experienced, skilled, and vested water drilling.

The shareholders of **SUPREME WATER WELL DRILLING LIMITED** are all trained professionals with diverse professional and business backgrounds. The company is owned by 2 shareholders, namely:-

Name	%of ownership	Nationality
Sridhar Reddy Reddygari	80	India
Pranitha Reddygari	20	India

1.1 LOCATION.

SUPREME WATER WELL DRILLING LIMITED head office will be located at Plot No. 353 Block A, Bwiru, Mwanza City, Tanzania

1.2 PRODUCTS AND SERVICES

The shareholders of **SUPREME WATER WELL DRILLING LIMITED** are well-established water drilling and water infrastructure development based in Mwanza City

1.3 THE STUDY OBJECTIVE

This document has been prepared to serve as a business plan for **SUPREME WATER WELL DRILLING LIMITED** for Certificate of Incentives application

1.4 MISSION STATEMENT

SUPREME WATER WELL DRILLING LIMITED's mission is to provide customized drilling services.

1.5 BANKERS

The firm is currently maintaining bank accounts with various banks in Tanzania

1.6 AUDITED REPORTS

SUPREME WATER WELL DRILLING LIMITED financial reports will be audited by a reputable auditor firm

1.7 MANAGEMENT TEAM

The firm has been formed by **two** shareholders who are well-known water drilling experts in India apart from the founder partners, the firm will be served by **25** employees. To ensure timely delivery and provision of high-quality service to customers, Management will provide on-the-job training in the specified field and will provide bonuses and other incentives as a means of instilling and boosting employee work morale.

2.0 INDUSTRY ANALYSIS

At present, there are many companies' internationals and local providing water drilling services from government-owned institutions to a much larger community of private companies, local government, NGOs, and private people. The growth of the private sector after the economic liberalization of the late 1980's and new development have contributed to the need for water drilling services in

Tanzania, demand for water infrastructure is rising every day and these developments have stimulated new demand in the market to cope with the turbulent business environment and stiff competitions.

2.1 CUSTOMER PROFILE

SUPREME WATER WELL DRILLING LIMITED is a company whose founders have been in the market almost for 10 years hence, the partners have managed to acquire several customers and a business network.

2.2 COMPETITIVE ANALYSIS

The firm is expecting to face stiff competition from other international and local firms offering and serving the same industry.

SUPREME WATER WELL DRILLING LIMITED is confident to grow from a small firm to a larger firm within 10 years of its operations. The great firm's assets are better quality services, customized services, flexibility, commitment, and affordable cost.

3.0 MARKETING PLAN

SUPREME WATER WELL DRILLING LIMITED intends to maintain and improve an extensive marketing campaign that will ensure maximum visibility for business in its targeted market. Below is a brief overview of the marketing strategies and objectives of the Firm.

3.1 MARKETING OBJECTIVES

Establishing a business network with;

- Corporate and Banking sector, Education, Government, and Non-Government Organizations who are potential customers within the targeted market, local government
- Develop an online presence by developing a website and placing the firm's name and contact information in online directories
- Implement a local campaign with the firm's target market via flyers and word-of-mouth advertising

3.2 MARKETING STRATEGIES

SUPREME WATER WELL DRILLING LIMITED intends on using a number of marketing strategies to maintain

existing customers and attract new customers up on ten years from now. The firm will use yellow books listings, publications and referrals from other companies that will allow the business to generate sustainable revenues. The firm will be having website to showcase the firm and will provide contact information for services. This static page website will be developed along with the Firm's other marketing materials. As explained above the Firm will also keep listings in the Yellow Books, within target market-based search websites, and among selected publications that target business, Shareholders expect that the marketing budget will not exceed 5% of the company's revenues

3.4 PRICING

The pricing policy for the firm's services will be based on the nature of services required, the sophistication of training needed, and time consumed i.e. number of hours and competition levels considering various variables namely:

- Market positioning

- Gain market share from competitors
- Stimulating and increasing demand and
- Achieving profitability and liquidity financial performance goals

4.0 PROJECT INVESTMENT COST

PROJECT'S INVESTMENT CAPITAL INVESTMENT

The estimated capital investment cost of the project is US\$ 500,000 out of which US\$ 355,000 will be fixed investment costs. Pre-production expenditures have been budgeted at US\$ 70,000 while working capital is put at US\$ 550,000, other costs US\$20,000

SUPREME WATER WELL DRILLING LIMITED COST STRUCTURE US\$

PARTICULAR	
Land and Buildings	15,000.00
Machinery & Equipment	250,000.00
Motor Vehicles	80,000.00
Furniture & Fixtures	10,000.00
Pre exp	70,000.00
Others	20,000.00
Working Capital	55,000.00
TOTAL	500,000.00

4.1 Project Financing Plan

The shareholders of this company will finance the project using 55% equity and 45% loans as shown below.

Source/Type of financing	Foreign US\$	Local US\$
Equity (100%)	500,000	NIL

5.0 FINANCIAL ANALYSIS

5.1 Considerations and Assumptions:

Exchange Rate

The exchange rate for the financial analysis has been taken at Tshs. 2500 = US\$ 1.00 for all the period.

Taxation and Depreciation

The corporate tax charged is 30% of the profits. The capital assets are exempted from customs duty and Value

Added Tax. The straight line method to depreciate the project's capital items has been applied.

Production and Revenue Assumptions

It is assumed that the major raw material will be imported from abroad and sometimes from local dealers. Revenues have been conservatively estimated based on the experience of the promoters and trends in the industry in general

5.2 Financial Statements:

Project Profit and Loss Account

For projection purposes, it is assumed that the economic life of the project is five (5) years and that production of the different types of building materials commences from the first year of operation

5.3 Projected net income

This is shown in the income statements. The project net income after tax increases from year 1 up to year 5 end-of-year cash flow from year 1 of operation to the 5th year.

1 st Year	363,472
2 nd Year	366,135

3 rd Year	370,462
4 th Year	375,909
5 th Year	5371,970

Schedule 5.3:

SUPREME WATER WELL DRILLING LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

	1	2	3	4	5
Sales Revenue	840,000.00	850,000.00	860,000.00	870,000.00	880,000.00
Cost of Sales	210,233.00	213,593.00	216,600.00	218,606.00	233,620.00
Gross Profit	629,767.00	636,407.00	643,400.00	651,394.00	646,380.00
Operating Expenses:					
Administrative Expenses	1,400.00	4,205.00	5,000.00	5,200.00	5,800.00
Motor vehicle running expenses	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00
Salaries and Wages	22,000.00	22,000.00	22,000.00	22,000.00	22,000.00
Donation	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Depreciation	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00
Marketing Costs	9,320.00	9,345.00	9,358.00	9,365.00	9,375.00
Maintenance & Repair	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00
Utility costs	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Insurance	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00
Communication	5,400.00	5,406.00	5,410.00	5,415.00	5,418.00
Pension Contribution	2,200.00	2,200.00	2,200.00	2,200.00	2,200.00
Loan Interest (12%)	7,200.00	7,200.00	7,200.00	7,200.00	7,200.00

Total Expenses	110,520.00	113,356.00	114,168.00	114,380.00	114,993.00
Profit before tax	519,247.00	523,051.00	529,232.00	537,014.00	531,387.00
Tax (30%)	155,774.10	156,915.30	158,769.60	161,104.20	159,416.10
Profit After Tax	363,472.90	366,135.70	370,462.40	375,909.80	371,970.90

5.4 Projected Cash Flows

This is shown in the financial statements. The project has a positive end of year cash flow from year 1 of operation to the 5th year.

1 st Year	629,767
2 nd Year	1,270,506
3 rd Year	1,913,906
4 th Year	2,565,300
5 th Year	3,211,680

Schedule5.4: SUPREME WATER WELL DRILLING LIMITED PROJECTED CASH FLOW " US\$"

	1	2	3	4	5
CASH FLOW FROM OPERATIONS:					
Cash Sales	688,800.00	697,000.00	705,200.00	713,400.00	721,600.00
VAT Receipt	151,200.00	153,000.00	154,800.00	156,600.00	158,400.00
Subtotal cash Received	840,000.00	850,000.00	860,000.00	870,000.00	880,000.00
Expenditures from Operations:					
Cash spent	172,391.06	170,813.74	177,612.00	179,256.92	191,568.40
VAT Payments	37,841.94	38,446.74	38,988.00	39,349.08	42,051.60
Subtotal Cash Payment	210,233.00	209,260.48	216,600.00	218,606.00	233,620.00
CASH FLOW FROM OPERATIONS:	629,767.00	640,739.52	643,400.00	651,394.00	646,380.00
CASH FLOW FROM INVESTMENTS:					
Purchase of Assets	(355,000.00)				
Working Capital , pre-expenses and Others	(145,000.00)				
CASH FLOW FROM INVESTMENTS:	(500,000.00)				
CASH FLOW FROM FINANCING:					
Loan	-				
Owners Equity Contribution	500,000.00				
CASH FLOW FROM FINANCING:	500,000.00				
NET CASH FLOW FOR PERIOD	629,767.00	640,739.52	643,400.00	651,394.00	646,380.00
CASH FLOW START OF YEAR	-	629,767.00	1,270,506.52	1,913,906.52	2,565,300.52
CASH FLOW AT THE END OF YEAR	629,767.00	1,270,506.52	1,913,906.52	2,565,300.52	3,211,680.52

5.5 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\$ 863,472 in the first year of operation to US\$ 871,970 in the 5th y ear.

1st Year 863,472

2 nd Year	866,135
3 rd Year	870,462
4 th Year	875,909
5 th Year	871,970

Schedule 5.5:

SUPREME WATER WELL DRILLING LIMITED PROJECTED BALANCE SHEET " US \$"

	1	2	3	4	5
<u>Fixed Assets</u>					
Long-term Assets	355,000	319,500	288,000	248,500	213,000
Depreciation	35,500	35,500	35,500	35,500	35,500
Total Long-term Assets	319,500	284,000	252,500	213,000	177,500
<u>Current Assets</u>					
Cash	688,800	697,000	705,200	7,134,000	721,600
Accounts Receivable	27,174	33,440	39,336	37,523	74,350
Total Current Assets	715,974	730,440	744,536	7,171,523	795,950
Total Assets	1,035,474	1,014,440	997,036	7,384,523	973,450
<u>Current Liabilities</u>					
Accounts Payable	9,999	10,000	10,000	10,000	10,000
Other Current Liabilities	0	0	0	0	0
Subtotal Current Liabilities	9,999	10,000	10,000	10,000	10,000
<u>Long-term Liabilities</u>					
Long-term Liabilities	0	0	0	0	0
Total Liabilities	9,999	10,000	10,000	10,000	10,000
Net Assets	1,025,475	1,004,440	987,036	7,374,523	963,450
<u>Capital and Reserves</u>					
Owners Contribution	500,000	500,000	500,000	500,000	500,000
Retained Earnings	363,472	366,135	370,462	375,909	371,970
Total Capital	863,472	866,135	870,462	875,909	871,970

6.0 ECONOMIC ASPECTS

Implementation of this project will have the following social and economic values:

- The project will involve transfer of technology.
- The project will add more employments, **25** people will be employed on permanent contract basis as well as on temporary basis.
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and levies.

9.0 IMPLEMENTATION

Project implementation is expected to be relatively very short once project has been approved, it is estimated that once certificate of incentives obtained, the company will clear the goods and install the machines immediately. . It is expected that by early September 2015 production will start

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 granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 1997 and other laws of the land.

