

TOP OIL PETROLEUM COMPANY LIMITED

Business Plan

For

Stone Aggregates Production

BRIEF SUMMARY PROJECT

COMPANY: TOP OIL PETROLEUM COMPANY LIMITED

LOCATION: CHAMWINO DISTRICT, DODOMA REGION

OBJECTIVE: TO ESTABLISH PRODUCTION OF STONE AGGREGATES

FINANCING: INVESTORS' EQUITY USD 481,000 AND (LONG-TERM
LOAN OF USD 500,000

BENEFITS: AVAILABILITY OF CONSTRUCTION MATERIALS,
TECHNOLOGY TRANSFER, JOBS CREATION,
GOVERNMENT INCOME,

IMPLEMENTATION PERIOD: 3YEARS

CAPACITY: 200 TONS OF AGGREGATES PER DAY

1.0. EXECUTIVE SUMMARY.

TOP OIL PETROLEUM COMPANY LIMITED is registered in Tanzania under Companies Act 2002 with Certificate of Incorporation **No.115554** issued on **27th February 2015**.

The project promoters are well established business in Tanzania carrying out various businesses. Having been in the business in for 10 years decided to invest in Tanzania, the directors are now well prepared to venture into production of stone aggregates to be used for construction of roads and buildings.

The business plan has been prepared for TOP OIL PETROLEUM COMPANY LIMITED for production of building materials (stones aggregates). The implementation of this project will include the following activities:

- Registration of project to TIC
- Obtaining various permit and license
- Construction of industrial building
- Ordering machines
- Recruiting
- The purchase of 4 Single Cabins Pick Up

- Purchasing 6 light trucks
- Purchasing of machines and equipment's
- Equipping the company with relevant facilities

The proposed project is estimated to cost about US\$ 981,000.00. The project is sponsored by shareholders equity US\$ 555,000 and the remaining will be secured from financial institutions about US\$ 800,000

1.1 THE PROJECT PROMOTERS

The shareholders of this project are all entrepreneurs with a diverse professional and business backgrounds. The company is owned by 4shareholders, namely: -

| Name | No. of Shares | Nationality |
|-----------------------|----------------------|--------------------|
| Mbarak Bawazir Salim | 40 | Tanzania |
| Khalid Mbarak Bawazir | 20 | Tanzania |
| Antar Mbarak Bawazir | 20 | Tanzania |
| Dahir Mbarak Bawazir | 20 | Tanzania |

1.2 LOCATION.

The project head office will be located **Lugoba Area, Bagamoyo district, Coastal Region**

1.3 Management and work force

The company plan to recruit 25 employees

1.4 OBJECTIVE OF STUDY

The main objective of this study is to work out the technical and commercial feasibility of the project.

2.0 MARKET POTENTIAL

Tanzania is among of producers of dimension stones, while Italy is the world leader in marble, granite and stone industry. Italy export over 38% of finished materials and importing 18% of the world trade. Tanzania' s production is not yet advanced even though there are some companies who have invested on dimension stones but many of them have invested in stone aggregates production. China is the biggest importer of raw and finished marble slabs and tiles (nearly double that of USA) in the world. The internal markets for dimension stone are growing due to booming of construction sector taking place in the country.

Aggregates products demand in the local market is huge due to rapid growth of construction sector in Tanzania

The booming construction sector last year attracted investments whose total value almost exceeded a quarter of the government's 2010/2011 national budget of over 11 trillion/-, with industry analysts describing the outstanding performance of the sector as sign of vibrant and healthy economy.

Data from the Contractors Registration Board (CRB), which registers and regulates contractors, indicate that construction projects with total value of 2.8 trillion/- were registered in 2010, with building works accounting for half of the total value of the projects.

The value of registered building works totaled 1.44 trillion, while that of civil works, specialist electrical and electrical works reached 884bn/-, 231bn/- and 187bn/-. Other projects involved mechanical works, specialist civil, specialist building and specialist mechanical.

“The expansive construction sector is good for the national economy because construction works uncover untapped potentials in other economic sectors and thus stimulating economic growth and improved living standard of the people,”

The construction sector has seen a good number of investments especially in roads, bridges residential and non-residential blocks. The government as major employer of contractors spends about 60 per cent of the development budget to improve the infrastructure.

At present a growing demand for office and residential spaces places. This is a reflection of revamped business activities. The completion of roads projects currently underway especially in the rural areas, transportation costs will definitely decrease, thus calling for decreased costs of doing business.

According to the National Bureau of Statistics (NBS) Gross Domestic Product third quarter report, the construction industry grew at a rate of 11.2 per cent in the third quarter of 2010 compared to a negative growth

rate of 5.4 per cent in the third quarter of 2009.

The growth rate was attributed to an increase in the construction of residential and nonresidential buildings, roads and bridges; and land improvement activities. According to Contractors Registration Board (CRB) involvement of both public and private sectors in the construction industry, numerous projects have been accomplished and there is hope for the sector to do even much better.

2.1 PRODUCTS

The main products of the proposed project consist of construction material:

- Stone
- Stone aggregates,
- Capacity to produce 200 ton per day of stone aggregates.

2.2 MARKETS

Products are for the local markets. As mentioned above, the promoters are well versed in the business with well-established market contacts.

3.3 SUPPLY POSITION

Apparently, there is still limited production of stone aggregates due to poor technology used in production of aggregates and rapid growth of construction sector, the company will be of producing the high-quality using state of the art technology to be employed will enable the company produce very high-quality products

3.4 COMPETITION

Due to the limited and insufficient supply as aforementioned, no stiff competition is foreseen. However, production of sub-standard products or selling at prohibitive prices will immediately shift customers to substitute products.

3.5 PROMOTION

Appropriate promotion means will be employed after consultations with promotion experts to enable the company properly promote its products

4.0 ASPECTS OF PROJECT SUSTAINABILITY

The project sponsors having studied market conditions are convinced that the project will be able to operate undisturbed. The growing demand for quality stone aggregates materials gives assurance of a steady market.

4.1 QUALITY CONTROL SYSTEM

The required quality control system will be employed ensuring that products produced maintain the same standard

4.2 ENVIRONMENT PROTECTION

The company intends to make environment friendly; the company will save the country's environment in particular and global environment in general.

4.0 Project Investment Cost

The estimated capital investment cost of the project is **US\$ 981,000,**

TOP OIL PETROLEUM COMPANY LIMITED COST STRUCTURE

| PARTICULAR | US\$ |
|-----------------------|-------------------|
| Land and Buildings | 120,000.00 |
| Machinery & Equipment | 400,000.00 |
| Motor Vehicles | 150,000.00 |
| Furniture & Fixtures | 2,000.00 |
| Pre exp | 4,000.00 |
| Others | 5,000.00 |
| Working Capital | 300,000.00 |
| TOTAL | 981,000.00 |

For the project to be a reality a total investment amounting to **US\$981,000** is needed

(i) Land and Building: Us \$120,000

The Company is planning to construct industrial building and warehouse estimated to cost US\$ 120,000.

(ii) Machinery and Other equipment: US\$ 400,000

Some US \$ 400,000 is anticipated to be spent on the purchase of various machines, equipment and other tools which will accommodate new technology for stone aggregates production

(iii) Motor Vehicles:US\$150,000

The project will need 4 trucks, 1 double single pick up. These vehicles will be used to facilitate project business.

(iv) Furniture: US\$2,000

This investment cost item has been estimated to cost US\$2,000. It will consist of, tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

(v) Pre-Operational Expenses: US\$ 4,000

They cover things like company registration, expenses spent in exploring the viability of the project, especially the market/client identification exercise. Also included under this item are issues like consultancy fees, legal fees and recruitment and training costs of personnel.

(v) Initial Working Capital: US\$300,000 and others US\$ 5,000

An assumption for working capital requirements has been budgeted at US \$ 300,000 and unplanned expenses US£5,000

4.1 Financing pattern

The project will be financed by equity **US\$ 481,000 and US\$ 500,000**
long term **loan**

5.0 Project operating costs

In order to realize its intended objective, the project will have to meet production expenses amounting to 70% of total revenue.

6.0 Financial Analysis

6.1 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.

Revenues have been conservatively estimated based on experience of the promoters and trends in the stone aggregate production industry.

The company is expecting to produce 200 tons of stone aggregates per day. and selling price is estimated to be US\$ 20 per ton

6.2 Financial Statements:

6.3 Projected Revenue

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

TOP OIL PETROLEUM COMPANY LIMITED PROJECTED REVENUE LTD

| | 1 | 2 | 3 | 4 | 5 |
|---------|-----------|-----------|-----------|-----------|-----------|
| Revenue | 1,200,000 | 1,296,000 | 1,399,680 | 1,511,654 | 1,632,586 |

6.4 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\$293,930** in first year to **US \$321,773** in the 5 years, **Refer appendix III**

6.5 Projected Cash Flows

This is shown in the financial statements. The project has a positive end of year cash flow from year 1st, i.e., **US\$ 317,390** of operation to the 5th year i.e., **US\$ 2,311,529**, **Refer appendix IV**

6.6 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under same heading. Total equity of the project increases from **US\$ 481,000** in the first year of operation to **US \$ 802,773** in the 5th year. **Refer appendix V**

6.7 Projected payback period

Total investment is **US \$ 981,000** cash accumulation third year is **US\$ 1,245,575**. which is more than the initial investment by **US\$ US\$ 264,575** the project payback Period is within 3 years,

The project has a relatively short payback period. It is remarkably. **Refer appendix VI**

7.0 Economic Aspects

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

- The project is an ideal option for utilization business opportunity available in Tanzania market
- The project will create employment for 25 people 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 pay as you earn.
- The project will have transfer of knowledge and skills as far as manufacturing sector is concerned

8.0 Implementation

Project implementation is expected to be relatively very short once project has been approved, it is estimated that implementation of the projected will be as following: -

| S/N | ACTIVITY | PERIOD |
|------------|---|----------------------|
| 1 | Processing TIC Certificate of Incentive | November 2024 |
| 2 | Site clearance and constructing industrial premises | January -May 2025 |
| 3 | Machines ordering | August-December 2025 |
| 5 | Installation of machines | January - May 2026 |
| 6 | Testing operations | June -August 2026 |
| 7 | Commercial Operations | September 2026 |

9.0 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.

APPENDIX (I)

TOP OIL PETROLEUM COMPANY LIMITED COST STRUCTURE

| PARTICULAR | US\$ |
|-----------------------|-------------------|
| Land and Buildings | 120,000.00 |
| Machinery & Equipment | 400,000.00 |
| Motor Vehicles | 150,000.00 |
| Furniture & Fixtures | 2,000.00 |
| Pre exp | 4,000.00 |
| Others | 5,000.00 |
| Working Capital | 300,000.00 |
| TOTAL | 981,000.00 |

APPENDIX (II)

TOP OIL PETROLEUM COMPANY LIMITED PROJECTED REVENUE

| | 1 | 2 | 3 | 4 | 5 |
|---------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 1,200,000.00 | 1,296,000.00 | 1,399,680.00 | 1,511,654.40 | 1,632,586.75 |

APPENDIX (III)

TOP OIL PETROLEUM COMPANY LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT US\$

| | 1 | 2 | 3 | 4 | 5 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenue | 1,200,000.00 | 1,296,000.00 | 1,399,680.00 | 1,511,654.40 | 1,632,586.75 |
| Operating Expenses | 720,000.00 | 907,200.00 | 979,776.00 | 1,058,158.08 | 1,142,810.73 |
| Profit before Depreciation & Interest | 480,000.00 | 388,800.00 | 419,904.00 | 453,496.32 | 489,776.03 |
| Interest | 30,000.00 | 22,500.00 | 15,000.00 | 7,500.00 | - |
| Depreciation | 30,100.00 | | 30,100.00 | 30,100.00 | |

| | | | | | |
|-------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | 30,100.00 | | | 30,100.00 |
| Gross Profit | 419,900.00 | 336,200.00 | 374,804.00 | 415,896.32 | 459,676.03 |
| Tax (30%) | 125,970.00 | 100,860.00 | 112,441.20 | 124,768.90 | 137,902.81 |
| Profit After Tax | 293,930.00 | 235,340.00 | 262,362.80 | 291,127.42 | 321,773.22 |
| Accumulated Profit | 293,930.00 | 529,270.00 | 791,632.80 | 1,082,760.22 | 1,404,533.44 |

APPENDIX (IV)

TOP OIL PETROLEUM COMPANY LIMITED PROJECTED CASH FLOW US\$

| | 0 | 1 | 2 | 3 | 4 | 5 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| SOURCES: | | | | | | |
| Profit before interest and depreciation | 0 | 443,360.00 | 491,388.00 | 559,238.00 | 626,839.00 | 701,785.00 |
| Equity | 481,000.00 | | | | | |
| Loan | 500,000.00 | | | | | |
| Total Sources | 981,000.00 | 443,360.00 | 491,388.00 | 559,238.00 | 626,839.00 | 701,785.00 |
| Applications: | | | | | | |
| Capital expenditure | 672,000.00 | | | | - | - |

| | | | | | | |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | - | - | - | | |
| working Capital &Others | 309,000.00 | - | - | - | - | - |
| Cash | 0 | 317,390.00 | 481,388.00 | 446,797.00 | 502,071.00 | 563,883.00 |
| Tax | - | 125,970.00 | 100,860.00 | 112,441.20 | 124,768.90 | 137,902.81 |
| Sub total | 981,000.00 | 443,360.00 | 582,248.00 | 559,238.20 | 626,839.90 | 701,785.81 |
| Total applications | 981,000.00 | 443,360.00 | 582,248.00 | 559,238.20 | 626,839.90 | 701,785.81 |
| Accumulated cash | | 317,390.00 | 798,778.00 | 1,245,575.00 | 1,747,646.00 | 2,311,529.00 |

APPENDIX (V)

TOP OIL PETROLEUM COMPANY LIMITED PROJECTED BALANCE SHEET US \$

| Fixed Assets | 0 | 1 | 2 | 3 | 4 | 5 |
|-------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Opening balance | - | 672,000 | 641,900 | 611,800 | 581,700 | 551,600 |
| Total Long-term Assets | - | 672,000.00 | 641,900.00 | 611,800.00 | 581,700.00 | 551,600.00 |
| Less depreciation | - | 30,100.00 | 30,100.00 | 30,100.00 | 30,100.00 | 30,100.00 |
| Closing balance | - | 641,900.00 | 611,800.00 | 581,700.00 | 551,600.00 | 521,500.00 |
| Working capital | 309,000.00 | 309,000.00 | 309,000.00 | 309,000.00 | 309,000.00 | 309,000.00 |
| Accumulated cash | - | 317,390.00 | 798,778.00 | 1,245,575.00 | 1,747,646.00 | 2,311,529.00 |
| Total assets | 309,000.00 | 1,268,290.00 | 1,719,578.00 | 2,136,275.00 | 2,608,246.00 | 3,142,029.00 |

| | | | | | | |
|-------------------------------|-------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| Financed by | | | | | | |
| Equity | 481,000.00 | 481,000.00 | 481,000.00 | 481,000.00 | 481,000.00 | 481,000.00 |
| Net profit | - | 293,930.00 | 235,340.00 | 262,362.80 | 291,127.42 | 321,773.22 |
| Total equity | 481,000.00 | 774,930.00 | 716,340.00 | 743,362.80 | 772,127.42 | 802,773.22 |
| Long term loan | 500,000 | 375,000 | 250,000 | 125,000 | 0 | 0 |
| Total debts | 500,000.00 | 375,000.00 | 250,000.00 | 125,000.00 | - | - |
| Total equity and debts | 981,000.00 | 1,149,930.00 | 966,340.00 | 868,362.80 | 772,127.42 | 802,773.22 |

APPENDIX (VII)

TOP OIL PETROLEUM COMPANY LIMITED PROJECTED LONG TERM LOAN REPAYMENT

| Year | principle | Loan Interest (6%) | Total Amount Paid | Loan Balance |
|----------|-----------|--------------------|-------------------|----------------|
| 0 | | | | |
| 1 | 125,000 | 30000 | 155,000 | 500,000 |
| 2 | 125,000 | 22500 | 147,500 | 375,000 |
| 3 | 125,000 | 15000 | 140,000 | 250,000 |
| 4 | 125,000 | 7500 | 132,500 | 125,000 |

APPENDIX (VIII)

TOP OIL PETROLEUM COMPANY LIMITED PROJECTED PAYBACK PERIOD

| Year | Profit After Tax | Depreciation | Total Cash Flow | Accumulated Cash Flow |
|-------------|-------------------------|---------------------|------------------------|------------------------------|
| 1 | 293,930.00 | 30,100.00 | 324,030.00 | 324,030.00 |
| 2 | 235,340.00 | 30,100.00 | 265,440.00 | 589,470.00 |
| 3 | 262,362.80 | 30,100.00 | 292,462.80 | 881,932.80 |
| 4 | 291,127.42 | 30,100.00 | 321,227.42 | 1,203,160.22 |

| | | | | |
|---|-------------------|-----------|------------|--------------|
| 5 | 321,773.22 | 30,100.00 | 351,873.22 | 1,555,033.44 |
|---|-------------------|-----------|------------|--------------|