

SPECIALIZED HAULIERS LIMITED

FEASIBILITY STUDY

FOR THE

**CONSTRUCTION OF SEVERAL WAREHOUSES AND
WORKSHOPS IN DAR-ES SALAAM, PWANI AND MTWARA**

**SPECIALIZED HAULIERS LIMITED
P.O. Box 222
DAR ES SALAAM**

June 2024

1.0 EXECUTIVE SUMMARY BACKGROUND

This study covers the construction of several warehouses, workshops and well-constructed trucks parking facilities in Dar-es salaam and Mtwara. The warehouses will be constructed together with workshops comprising of modern equipment and well-constructed trucks parking facilities. The warehouses will be for their own use and some will be leased at later stages to various investors/companies who will carrying various activities in Tanzania. Warehousing facilities is useful instrument for attracting investment, fostering technological learning and innovation, and for creating jobs. These warehouses, trucks parking facility and workshops when completed will attract various businesses leading to both more jobs and a larger tax base and also will offer an environment where local and international firms can interact.

1.2 THE PROJECT

This report is for ***Specialized Hauliers Limited*** who intends to construct several warehouses, workshops facilities and well-constructed trucks facilities in Dar-es salaam and Mtwara. The warehouses will be constructed together with workshops with modern equipment and well-constructed trucks parking facility for own use and some will be rented out. The proposed Project will be constructed in an area which is estimated to be **40,366sq.** meters for both Mtwara and Dar-es salaam. The warehouses to be constructed will be equipped with up to- date equipment and will be supported by well-constructed yard with well managed security.

1.3 THE PROMOTERS

The promoter of the project is ***Specialized Hauliers Limited*** and its shareholders ***Specialized Hauliers Limited*** is a sponsor of this project and its shareholder/ directors has several years of experience in initiating/running different types of projects. The shareholders are as follows;

FULL NAME	NATIONALITY	SHAREHOLDING%
Mr. Sharath Krishna Gottipati	Tanzanian	51.61
Mr. Sivarama Krishna Gottipati	Indian	25.81
Mr. Arun Gottipati	Indian	19.35
Mrs. Nishtha Arora	Indian	3.23

1.4 MARKETING

The government of Tanzania is promoting various economic activities of which will drive towards middle income economy by 2025 with the aim of job creation and economic growth. Tanzania's real estate sector continued to recover from the pandemic-induced challenges at the past 2 years with commercial property occupancy rate increasing, reflecting the recovery of businesses from the pandemic such as the COVID-19 pandemic and relocation of Government offices to Dodoma," resulting in a trend of tenants affected. ***Specialized Hauliers Limited*** marketing objective as a fully serviced warehousing facilities with a yard, workshops facilities and well-constructed trucks facilities in Dar-es salaam and Mtwara is to appeal to potential private sector investors and the whole country as a desirable location in which to invest via either business establishment or relocation. ***Specialized Hauliers Limited*** will put in place the marketing strategy of which will be comprehensive, cohesive and cooperative to external and internal marketing and also targeting both

inward investment from business prospects outside the country, and internal investment from existing businesses, stakeholders and allies within the area.

1.5 LOCATIONS AND SITE

The warehouses will be located at **Plot no 29 Vikindu**, Mkuranga District, Pwani Region, **Plot No 492 Block C and Hiyari Area**, Mtwara District.

1.6 MANPOWER AND TRAINING PROGRAM

The whole project intends to employ **56** people including **6** expatriates' people. This again has been derived taking into account the types of activities that are intended to be undertaken. However, when the project is in full swing the no of people to be employed will be reduced as major construction works will cease.

1.7 IMPLEMENTATION SCHEDULE

It is estimated that the project will take about 5 years for the whole phases to be completed once the decision for implementation has been reached.

1.8 INVESTMENT STRUCTURE

The total initial investment in fixed assets and working capital is estimated at USD **6,000,000**. The breakdown of which are as follows:

ITEM	US\$
Fixed Asset	
Civil Works	5,000,000
Machinery and Equipment	300,000
Vehicles	150,000
Furniture and Fittings	30,000
Pre-Operational Expenses	20,000
Others	400,000
Sub total	5,900,000
Initial working capital	100,000
GRAND TOTAL	6,000,000

1.9 FINANCING PATTERN

The total initial investment of **US \$ 6,000,000** will be financed from various shareholders as local equity and a term loan from local banks.

SOURCE	US \$
Fixed Assets	
Long term Loan	3,000,000
Equity	3,000,000
Total Financing	6,000,000

1.10 Profitability

The business as indicated in the projected cash flow is commercially and financially viable. It will earn the company an average revenue of **US\$ 1.2 million** annual from year 4 before tax profits and depreciation.

1.11 Economic Development Considerations

1.11.1 Employment Creation

The project will create approximately **56** jobs with capacity to establish the employment levels in the later years upon.

1.11.2 Government revenue

The government and other agencies will benefit from various taxes, fees and commissions that will be paid to the Treasury.

1.11.3 Social and Economic Impact

The proposed project will increase the provision of high-quality warehousing facility in the country and will result in increased healthy competition among real estate companies

1.11.4 Economies of Scale

Profitability is greatly affected by economies of scale. The project will be profitable and also will be able to support other sectors such as in manufacturing and transport as it will need a lot of building materials and transportation facilities. It will increase profitability dramatically hence guaranteeing higher returns in the long run.

1.12 Conclusion and Recommendations

The executive summary highlights indicate that the proposed project will be financially and economic viable. It is recommended that the project be accorded the required institutional and financial support to pave the way for its expeditious establishment and development.

2.0 THE PROJECT

2.1 PROJECT DESCRIPTION

Specialized Hauliers Limited intends to construct several warehouses, workshops and well-constructed trucks parking facilities in Dar-es salaam and Mtwara. The warehouses will be constructed together with workshops comprising of modern equipment and well-constructed trucks parking facilities. The warehouses will be for their own use and some will be leased at later stages to various investors/companies who will carrying various activities in Tanzania. The proposed warehouses will be built in an area which is estimated to be **40,366 SQ** Meters for both Mtwara, Pwani and Dar-es salaam. The warehouses will comprise of pre-fabricated structures and also other important building materials such as cement, iron bars, windows etc. windows, doors, electrical and plumbing fixtures, ironmonger, glazing and ceiling. There will also be modern workshop equipment's and the like. Wide inlet/entrance will be provided so as to facilitate smooth passage of vehicles and also the complex will be provided with a parking space adequate to accommodate not less than **200** vehicles at any given time. Security will be of prime importance surveillance cameras and access control will be installed. The envisaged project site will be easily accessible, and can easily be reached through the tarmac road. The warehouses will also consist of the following;

2.2 POWER SUPPLY SYSTEM

An independent transformer will be provided to cater for the whole Complex and also a standby generator will be provided to supply the essential loads in an event of TANESCO power failure. The Power distribution through the state will be via underground cables installed with TANESCO requirements.

2.3 FIRE PROTECTION

It is proposed to provide fire detection and firefighting system with consist of automatic and manual detection devises, alarm and communication system whereas firefighting system will feature portable extinguishers, hose reels, wet and dry rises and automatic sprinkler system.

2.4 AIR CONDITIONING & VENTILATION

An individual/separate air conditioning system mainly split units and window type is proposed for the complex

2.5 WATER SUPPLY

The source of water for the proposed complex will be from the nearest main supply line serving the area. There will be a Provision for both group and overhead storage tanks to boost the water pressure and for availability whenever the pipes go dry. The tanks capacity will depend on the number of users, which will be determined by the design concept and scheme.

2.6 SEWERAGE SYSTEM

Waste and foul water will be collected from each building by means of UPVCP pipes of different sizes.

2.7 MACHINERY/EQUIPMENT

These will be in the form of air conditioners ceiling fans, warehouse, complete steel structures facilities and various warehousing various equipment's.

FURNITURE AND FITTINGS

These will comprise of sofa sets, office chairs and tables, curtains etc. Such furbishing with proper interior finishing touches will make the warehouses for rent assume an acceptable international standard.

3.0 SITE AND LOCATION

M/S Specialized Hauliers Limited contemplates construction of modern warehouses for leasing. The warehouses will be located at **Plot no 29 Vikindu**, Mkuranga District, Pwani Region, Plot **No 492 Block C, Hiyari Area** and Mtwara District, Mtwara Region.

4.0 ENVIRONMENTAL CONSIDERATIONS

The design of the warehouses complex will be carried out with maximum consideration of environmental impact assessment. The building will be designed to receive maximum natural ventilation and light. Mechanical ventilation should be an alternative only in the absence of natural one. Another area where the environmental impact has to be considered is at the project surroundings whereby the already grown trees should be retained and included in the landscaping as part of the species of trees to be proposed by the architects. Also, environmental consideration shall be given priority during landscaping so that maximum presentation of soil erosion is observed.

5.0 MARKET ANALYSIS

5.1-Introduction

There is a high demand for warehouse and logistics operations to meet the needs of local and international businesses. Warehouse operations in Tanzania vary significantly in size and complexity. Some warehouses are small and focus on the storage of goods and materials, while larger warehouses take on a more complex role. Warehousing and its related facilities are crucial in supply chain management, offering benefits beyond just storing goods. With strategic placement and efficient inventory management systems, warehousing helps businesses reduce transportation costs, improve delivery times, and ensure accurate shipments.

5.2 THE MARKET

5.2.1 The project will be designed to meet all warehousing, workshops and truck parking demand. Dar es salaam which remains the country's commercial and industrial town, is experiencing an increased inflow of commercial activities, factors that influence demand for warehouses in urban center. Because of the growing business population, efforts are now directed towards construction of modern warehousing facilities to keep pace with the economic activities' expulsions.

5.2.2 The target market for M/S Specialized Hauliers Limited are transporters, clearing and forwarding companies, farmers and other various types of business. Like any property development in the world, the proposed project faces the risk of low occupancy in the initial months; however, extensive marketing, sales promotion and direct contract will mitigate this with potential clients. It is therefore reasonable to conclude that M/S Specialized Hauliers Limited warehouses facilities will not face

any marketing problems due its locations However, the evaluation assumes a conservative occupancy level of 70% during the first year rising to 80% during the second year and a maximum of 90% by the third and 100% in the fourth year for planning and contingency purposes.

5.2.3 CURRENT SUPPLY

The supply of warehouses with workshops and well build truck parking facility for leasing is affected by three main factors namely availability of surveyed plots, availability of masons and lack of a well development real warehouses industry in Tanzania. The Government controls the delivery system of urban plots and are delivered without development of infrastructure and utilities making newly surveyed plots long and cumbersome process.

The number of warehouses is very low due to limited resource as the Ministry of Lands and Human Settlements Development can supply very few plots and the local business community is also unable to implement large warehouses projects for leasing or outright sale due to the absence of finance institutions at a time as interest rate for loans from existing commercial banks are exorbitantly high. Up to now it is only the publicly owned pension funds (NSSF and NPF) that have been constructing buildings for hire at a large scale. However, these also have their financial limitations and at times they may have other priority project to implement other than real warehouses development.

5.2.4 COMPETITION

There is very few up to date warehousing facilities with workshops in Dar es Salaam or for that matter in the country. This situation limits supply of modern warehouses for hire or outright purchase. On the whole, the supply of warehouses for leasing faces little competition especially in the

planned prime areas where no empty plots for development of new modern warehouses units. The high cost of purchasing an old building, demolishing it and construction modern and warehouses put off many would be investors. Furthermore, since the warehouses business in Tanzania is still young, participants are few and therefore competition is low.

By international standards the services provided by most of the competitors are not adequate. Successful implementation of the proposed project will therefore increase the availability of quality warehousing facilities in Dar es Salaam and Mtwara. Experience from comparable establishments in the area indicate that the warehousing is inadequate and hence there will not face any competition. M/S Specialized Hauliers Limited is seen as an additional and more affordable outlet in Dar-es salaam & Mtwara.

5.2.3 Conclusion

Considering the location of M/S Specialized Hauliers Limited and the complimentary nature of the concept, it can be concluded that the overall proposal would not face any serious competition that would threaten its viability and that the facility would be highly sought by the business community in Tanzania.

. 6.0 MANPOWER REQUIREMENTS AND ORGANISATION

6.1. MANAGEMENT

The success of a venture of this kind depends on the competence of the personnel recruited to manage. It is assumed that relevant personnel with requisite skills shall be available within the country. There will be a need of recruiting expatriates in some key positions. It is envisaged that the proposed manpower structure would give an effective control of the activities. Board of Directors will manage the warehouses. This board will operate through the project director who would be the Chief Executive of the warehouse's operations.

In Order to streamline the warehouses operations, it is proposed to engage two key figures; Operational officer and the Project Accountant. These two along with the Project Manager will form the central operational core that will ensure the success of the project

6.2 MANPOWER REQUIREMENTS

Based on the proposed organization structure the project will initially employ a total of 56 people including 6 expatriates. All new staff would be recruited as the construction activities will be going on while the permanent staff will be recruited at least one month before the and warehouses operations are commenced

7.0. IMPLEMENTATION SCHEDULE

Both local and external factors have been taken into account when drawing out the proposed schedule of implementation. Factors such as finalization of civil works, survey, acquisition of machinery and equipment, recruitment of qualified personnel and other factors has been looked into.

7.1.2 Construction of the warehouses

This undertaking will require a period of five years and will be carried in Phases to completion.

7.1.3 Ordering of Steel Structures, Machineries and Equipment's

Timely ordering will have to be executed to match the rate of development of the warehouses.

7.1.4 Plot Development Undertakings

These will comprise of activities such as plot clearing. The carrying out construction of drainage channels etc.

7.1.5 Construction of Building/related civil Works

The construction of buildings for the various purposes. These will be done in phases

7.1.6 Leasing Advertisement Efforts

These will be carrying out when 10 percent of civil works are completed.

7.1.7 Installation of Machinery/Equipment/Furniture

Once the buildings are constructed and then will follow the installation of machinery/equipment/furniture and fittings upon arrival at the project site.

7.1.8 Commercial leasing

These will be done as and when the warehouses are completed.

8.0 INVESTMENT AND FINANCING

8.1 ASSUMPTIONS

- The project construction time is assumed to be five years.
- The economic life of the project is 10 years
- The currency exchange rate of Tshs. 2500/- to one US\$ has been adopted
- Re-investment in vehicles shall be done after every four years.

8.2 INVESTMENT STRUCTURE

The total initial investment in fixed assets is estimated at **US\$ 6,000,000** and whose breakdown of which is as follows;

ITEM	US\$
Fixed Asset	
Civil Works	5,000,000
Machinery and Equipment	300,000
Vehicles	150,000
Furniture and Fittings	30,000
Pre-Operational Expenses	20,000
Others	400,000
Sub total	5,900,000
Initial working capital	100,000
GRAND TOTAL	6,000,000

8.2.1 Civil Works

The ultimate building to house the project is estimated at a cost of US\$ 5,000,000

8.2.2 Machinery and Equipment

Machinery /Equipment needs for the processing unit are estimated at cost of US\$ 300,000

8.2.3 Vehicles

These are estimated at US \$150,000

8.2.4 Furniture & Fittings

These are estimated at US\$ 30,000

8.2.5 Pre-operational

These are estimated at us\$ 20,000

8.2.6 The initial Working Capital

It is envisaged that for the project to take off the initial working capital could be at the level of US \$ 100,000.

8.3 FINANCING PATTERN

The total initial investment of US\$ **US\$ 6,000,000** shall be financed as follows. There will be a long-term loan of US\$ **3,000,000** and equity contribution of US\$ **3,000,000** covers the fixed assets.

SOURCE	US \$
Fixed Assets	
Long term Loan	3,000,000
Equity	3,000,000
Total Financing	6,000,000

9 .0 OPERATION COSTS

9.1. ASSUMPTIONS

The prices of inputs are assumed to remain constant over the ten years period because under rising inflation the prices and services will rise including those of outputs hence having the profit margin unchanged

9.2 OPERATION COST STRUCTURE

The cost items to be handled by the landlord include general maintenance of the warehouses for rent, insurance of building against fire etc. salaries and wages, electricity and water, security, management fees and other general administrative responsibilities.

9.2.1 Repairs and Maintenance

General repairs and maintenance costs for building and civil works vehicle and equipment are going to be undertaken by the land lord

9.2.2 Energy and Water

Electricity for general lighting/security will be used

10.2.4 Salaries and Wages

A total of **56** people will be employed to cater for the overall, construction, administrative, financial, security and cleaning functions of the complex.

9.2.3 Depreciation

Depreciation rates have been calculated as follows:

Land, Building and Civil Works	5% Straight line
Vehicle	25% Straight line
Pre-operational Expenses	20% Straight line
Equipment	12.5 % Straight line

9.2.4 Corporation tax is charged at 30% on profits before tax. Tax in year four is estimated at US\$26,175 rising to US\$ 51,000in year 9.

10.0 FINANCIAL AND ECONOMIC ANALYSIS

10.1. ASSUMPTION

- The prices of inputs and outputs are assumed to remain constant over the life of the project i.e., 10 years
- However, in case of changes in the costs of inputs, to maintain the desired profit margin the prices of the outputs will be accordingly adjusted
- The assumed capacity utilization levels are at 70%, 80%,90 % and 100% for years 1-4 and onwards to year 10 respectively.
- The operation costs are assumed to be **65%** of the total revenue.

10.2 INCOME

The project's income at full capacity utilization is estimated to average at US\$ 1.2 M per Year as presented in the income statement.

10.3 PROJECTED CASH FLOWS

The project has a positive net cash flow from year of operation to the tenth year when the long-term loan will have been paid in full.

10.4 FINANCIAL REVIEW

The Financial review of the project demonstrates that: -

The project is profitable

The liquidity position of the project is sound and that is should be able to meet its loan commitment easily;

11.0.CONCLUSION AND RECOMMENDATIONS

Analysis of the viability of the Specialized Hauliers Limited project aimed at establishing warehouses is financially viable and commercially attractive. From a national point of view, the timely implementation of the project will lead to following economic benefits: -

- The project will contribute towards the establishment of high-class warehousing facilities in Dar es Salaam;
- Specialized Hauliers Limited will provide indirect employment;
- The government will earn substantial revenue from the operation of the project in the form of value added tax.
- Costs are reduced through economies of scale in the provision of common services and facilities.

This study recommends timely implementation of the project proposal.

ANNEXTURES AND APPENDICES

SPECIALIZED HAULIERS LIMITED

INVESTMENT COST

ITEM	US\$
Fixed Asset	
Civil Works	5,000,000
Machinery and Equipment	300,000
Vehicles	150,000
Furniture and Fittings	30,000
Pre-Operational Expenses	20,000
Others	400,000
Sub total	5,900,000
Initial working capital	100,000
GRAND TOTAL	6,000,000

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FINANCING PLAN

SOURCE	US \$
Fixed Assets	
Long term Loan	3,000,000
Equity	3,000,000
Total Financing	6,000,000

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DEPRECIATION SCHEDULE US\$

	Value	Rat e%	1	2	3	4	5	6	7	8	9	10
Land and Civil Works	5,000,000	5	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Machinery and Equipment	300,000	12.5	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	-	-
Vehicles	150,000	25	37,500	37,500	37,500	37,500	-	-	-	-	-	-
Furniture & fittings	30,000	12.5	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	-	-
Pre operational Expenses	20,000	20	4,000	4,000	4,000	4,000	4,000	-	-	-	-	-
Total			332,750	332,750	332,750	332,750	295,250	291,250	291,250	291,250	250,000	250,000

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PROJECTED INCOME AND EXPENDITURE STATEMENT

	1	2	3	4	5	6	7	8	9	10
Occupancy rate (%)	50	60	80	100						
Income	600,000	720,000	960,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Less Operating Cost	390,000	468,000	624,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000
Profit before interest and depreciation	210,000	252,000	336,000	420,000	420,000	420,000	420,000	420,000	420,000	420,000
Depreciation	332,750	332,750	332,750	332,750	295,250	291,250	291,250	291,250	250,000	250,000
Sub-total	(122,760)	(80,750)	3,250	87,250	124,754	128,750	128,750	128,750	170,000	170,000
Profit before tax	(122,760)	(80,750)	3,250	87,250	124,754	128,750	128,750	128,750	170,000	170,000
Tax (30%)	-	-	975	26,175	37,426	38,400	38,400	38,400	51,000	51,000
Profit after tax	(122,760)	(80,750)	2,275	61,075	87,426	90,350	90,350	90,350	119,000	119,000
Accumulated Profit	(122,760)	(203,510)	(201,235)	(140,160)	(52,734)	37,616	127,350	218,316	337,316	456,316

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SPECIALIZED HAULIERS LIMITED
CASHFLOWS PROJECTION **US\$**

	0	1	2	3	4	5	6	7	8	9	10
Sources											
Profit before interest and depreciation		210,000	252,000	336,000	420,000	420,000	420,000	420,000	420,000	420,000	420,000
Equity	6,000,000	-	-	-	-	-	-	-	-	-	-
Total sources	6,000,000	210,000	252,000	336,000	420,000	420,000	420,000	420,000	420,000	420,000	420,000
Applications											
Capital expenditure	6,000,000	-	-	-	-	-	-	-	-	-	-
Tax		-	-	975	26,175	37,426	38,400	38,400	38,400	51,000	51,000
Sub-Total	6,000,000	-	-	975	26,175	37,426	38,400	38,400	38,400	51,000	51,000
Total Applications	6,000,000	-	-	975	26,175	37,426	38,400	38,400	38,400	51,000	51,000
Net cash flows		210,000	252,000	335,025	393,825	382,574	382,574	382,574	369,000	369,000	369,000