

KARSUN DEVELOPERS LIMITED
PROPOSED BUSINESS PLAN
FOR
THE REAL ESTATE DEVELOPMENT PROJECT IN
ILEMELA DISTRICT, MWANZA REGION,
TANZANIA.

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List of Abbreviations

4WD - Four Wheel Driver
CAPEX - Capital Expenditure
EU - European Union
GDP - Growth Domestic Products
IRR - Internal rate of return
Kg - kilo gram
LTD - Limited
MIS - Management Information System
MT - Metric Ton
MW - Mega Watts
MWAUWASA- Mwanza Urban Water Supply Authority
NBS - National Bureau of standard
NEMC - National Environment Management Council
OPEX - Operating Expenditure
SIDO- Small Development Organization
SWOC - Strength Weakness Opportunity Challenge
TANESCO - Tanzania Electric Supply Company
TIC- Tanzania Investment Centre
TZS - Tanzania Shilling
UK - United Kingdom
US\$ - United State Dollar
VAT - Value Added tax
VETA - Vocation Education Training Authority

1.0. BUSINESS OVERVIEW AND BACK GROUND INFORMATION.

1.1. Overview – Tanzania’s property market growth

Tanzania’s property market is set to grow sharply in coming years, supported by strong, uninterrupted economic growth. Tanzania’s economy grew by 7% in 2018, following an average real GDP growth rate 6.5% from 2000 to 2017, primarily driven by its booming construction sector. Since taking office in November 2015, the fifth Government has embarked on an ambitious program of industrialization, investing billions of dollars in infrastructure and various housing projects. The construction sector grew by more than 17% annually from 2016 to 2018. Despite this, housing demand still far outstrips supply. The country is experiencing rapid population growth of 3.11% annually and an urbanization rate of 5.22%, according to the Centre for Affordable Housing Finance in Africa (CAHF), create strong demand for housing¹, especially in the city Centre.

Housing demand is increasing by about 200,000 units annually, with the current housing deficit estimated at about 3 million units, according to Tanzania Ministry of Lands, Housing and Human Settlements Development. The Tanzanian housing sector’s fast-growing demand is mainly driven by the strong and sustained economic growth with GDP growth averaging 6-7% over the past decade, the fast-growing Tanzanian population which is estimated to be 55 million and is expected to more than double in 2050 and efforts by the Government in partnership with global non-profit institutions and foreign Governments to meet the growing demand of affordable housing².

The expatriate market in Dar es Salaam is relatively small and dominated by employees of donor agencies and other multilateral institutions. Although experiencing rapid economic growth, Tanzania remains one of the developing countries in the world, with GDP per capita of just US\$1,040 in 2018, according to the International Monetary Fund (IMF). But still housing is a major factor the state to think off.

All land in Tanzania is owned by the state, and can only be leased to individuals for five to 99 years. The most expensive residential properties are in the Oyster Bay and the Msasani Peninsula in Dar es Salaam, and on the Lake Victoria shores of **Capri Point in Mwanza**. In Dar es Salaam, Tanzania’s largest city and the economic capital, a 3-bedroom residential property located near a beach or in a prime location is priced between US\$300,000 to US\$500,000.³ However in other areas, 3-bedroom houses are priced starting US\$50,000. While in Mwanza might be half price of mentioned prime areas in Dar es Salaam.

¹ <https://www.globalpropertyguide.com/Africa/Tanzania/Price-History>

² **Monthly Economic Review October 2019** (Bank of Tanzania):

https://www.bot.go.tz/Publications/MonthlyEconomicReviews/OCTOBER%202019%20MER_PRG_DERP.pdf

³ **Tanzania** (Housing Finance Africa): <http://housingfinanceafrica.org/countries/tanzania/>

1.2. Rapid urbanization transforming the country

Tanzania has seen rapid urbanization in the past two decades, amidst unbroken economic growth. Today, at least 32.6% of the country's 55 million population (almost 18 million people) live in urban areas. Dar es Salaam has seen the fastest urbanization. All Government offices are headquartered there and all diplomatic missions and private organizations have a presence in the city. Not surprisingly, Dar es Salaam has the country's most expensive housing and land. For instance at the PSPF Towers, the tallest building in Tanzania, and three-bedroom apartments are priced between US\$350,000 and US\$500,000. The Southern port city of Mwanza, Tanzania's second largest city, is also experiencing a strong rise in land prices due to natural resource discoveries and the influx of foreign investors. *"There have been gas finds there so you have got an influx of foreign investors that are going there, [with] no places to stay and in a nutshell that is what is making the whole place interesting,"* of Fusion Capital Tanzania.

Most of the affordable housing in Dar es Salaam and Mwanza are in unplanned areas. This informal settlement has its problems, but as things stand formal housing is too scarce and costly for most residents, and with populations growing at almost 6 per cent a year this has meant a declining share of people in both cities living in formal housing. With decades of infilling and crowding, the density of consolidated informal settlements is considerably higher than in planned settlements, though particularly in the early stages it takes the form of sprawl, and even in highly consolidated settlements in accessible locations there is comparably little vertical development – an issue that deserves more attention.

As the populations increase and the land nexus changes, densification rises, creating crowding and congestion, with little vertical expansion. Especially in more central locations, old informal settlements compete for land with new, more formal, commercial and residential developments and this is rarely a smooth or equitable contestation.

KARSUN DEVELOPERS LIMITED in Ilemela Municipality tap this opportunity by establish a complex Real Estate development project, the project will offer housing options for area residents and newcomers. But what if this is the case for growing towns and cities, depicting low rate of vacancy, limited settlement options and poor housing conditions. While all these are happening in growing towns and cities, demand for quality decent housing of all kinds is growing due to immigration increase across the province, investments increase, growth of tourism sector and advocacy for decent housing and living. The rising demand for it, are putting pressure on development experts both public and private as Government institutions and Real Estate companies respectively to come up with decent housing especially apartments, shopping and office solutions.

1.3. Project concept in Mwanza Region

Due to Government efforts outweighed by decent towns design and planning and decent housing demand supply, means that Real Estate private companies should take the lead to design, plan, build and find affordable, decent, quality housing options in a creative way. Sustainable housing and urban development has a key role in the quality of human life. The development of sustainable housing in the lake zone faces multiple challenges resulting mainly from unsatisfactory proper land planning and use, climate change and the economic crisis. Poor land planning has been a challenge for years and has led to the random residences in different regions, creating infrastructural problems.

KARSUN DEVELOPERS LIMITED is a Real Estate investment company launched as integrated Real Estate project encompasses number of Real Estate facilities at Ghana areas, Ilemela District in Mwanza region. The project cover 2000 meter square with a vertical development project along Airport road, the project will offers the best investment which accommodates shopping, Office and 36 apartment's for both 3 and 2 rooms accommodations in a single structure.

The oriented structure in Mixed Use Character. This includes; Residential /Apartments; Commercial; Office; Conference Center/Hotels in different floor. The structure will offers the best living environment that elevates the quality of life, and enriches the life-depending ecosystem networks. The project is located along the airport road 4.5Km from Mwanza city zero point and walking distance from the main road to airport.

Objectively KDL aimed at making proper land planning for different beneficiaries including residential customers, the Government and social development, business as well as industrial investments. For the next 10 - 15 years, the company's purpose is to create a portfolio of Real Estate assets that, when rented, will provide an affirmative annual stream of income. Presently, in progress to enhance nationwide emphasis on infrastructure and growth policy with support for economic development.

1.4. KARSUN DEVELOPERS LIMITED

The Karsun Developers Limited project does not intend to increase housing options for residents and new arrivals only but aims to make Mwanza gain anticipated prominence. Providing exceptional apartments, surroundings and a tourist destination. Satisfying quality housing, housing options, raising demands for creative the underdone identified area will be transformed into a modernized, sustainable and luxurious with mixed use settlement.

High-end and upscale all kinds of social-economic, physical as well as spiritual services will be provided making a one stop center for inhabitants, and will be provided to address the growing demand in the business for luxurious urban living. The project creates a sparkling and livable community, offering conveniences and services for the tenants.

2.0. PROJECT OVERVIEW

2.1. The company

KARSUN DEVELOPERS LIMITED is a Tanzanian company registered in Tanzania with certificate of incorporation number 172971822 of 13th March 2024. The office of the company is located in Mwanza, Ilemela Municipality. The objectives for which the company is established, among others is to establish, construct, manage and maintain Real Estate development in Mwanza city especially Ilemela Municipality for all Real Estate facilities excluding light and heavy industries. The project will be carried out in Ghana opposite Kingdom Hotel, on an area of 2000sq. Meter which is a private land property owned by Karsun Developers Limited. The company has proved experience of designing and developing Real Estates; Given this experience, Karsun Developers Limited is currently planning to establish and develop a private state of the art structure with international quality and sufficient infrastructure network, which will encompass variety of Apartments; Commercial services and Office structure to a 10 storeys Buildings; whereas as the ground floor will be for commercial business and parking, first and second floor is for office premises while third floor to the tenth floor is for 36 residential/apartments that will be leased.

The proposed structure will be comprehensively planned by offering wide range of different housing options. The building will be a solid, workable community, with distinctive spaces and architecture. The structure will also offer attractive living standard supported by well distributed public facilities and efficient infrastructure.

The initial Authorized Share Capital of the company is Tshs 1,000,000,000/= divided into 1,000 shares of Tshs 1,000,000 each and the company have the power to divide the original or any increased capital into several classes, and to attach thereto any preferential, deferred, qualified or other special rights privileges, restrictions or conditions. Unless the conditions of issues shall otherwise expressly declare, every issue of shares, whether preference or otherwise, or any such rights, privileges or conditions shall not be altered or modified except in accordance with the registered Articles or Association. The liability of the members is limited and the following names compromise the company ownership and principal shareholding as illustrated on Table 1 below.

Table 2.1. Company Ownership and Principal Shareholders

S/No.	Shareholder's Name	Address	Occupation of Subscriber	Number of Shares
1.	SUNDEEP SINGH BACHU (TANZANIAN)	P O BOX 707, MWANZA, TANZANIA	Private Company By Share, Domicile In Tanzania- Incorporate Number 172971822	500
2.	KARANVEER SINGH BACHU (TANZANIAN)	P O BOX 707, MWANZA TANZANIA	Private Company By Share, Domicile In Tanzania- Incorporate Number 172971822	500

2.2. Business Plan Objectives

The objectives of this study are three-fold. First is to determine the viability of the proposed project and serve as a business plan for the company's development program. Secondly, the business plan will act as a supporting document in the company's application for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferments and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997).

Thirdly, it will be used as a guideline for smooth implementation and running of the proposed projects. The project promoters have commissioned a reputable engineering and project planning consulting firm to advice on detailed technical and economic evaluation of the project and in determining its viability. As the report will be used to raise debt financing for the project, it is tailored to meet standard requirements of financial institutions in the region.

2.3. Project site analysis

Based on physical inspection of the proposed site Ilemela along airport on the availability of basic and essential Real Estate infrastructure need such as transport, water supply, effluent disposal, electric power supply, telecommunication system and security were all checked out and are ok for project establishment. The realization of the project development requires successful completion of a number of necessary activities and facilities to enable a successful development of the project. The project location is already installed necessary utilities such as reliable supplies of energy, water, transportation, telecommunications services and other services are in place.

2.3.1. Availability of land

Owners of Karsun Developers Limited have enough land 2000 square Meter in Ilemela District, privately owned, all surveyed with title Deeds hence making the best expertise in supporting the development and expansion of Real Estate under Tanzania Investment Centre Scheme. There is no any payment for compensation and the resolution of all land issues including local population and settlement relocations were done during the process of acquiring the land. This unencumbered land, now privately owned by Karsun Developers Limited and other stakeholders around the project.

2.3.2. Electricity Supply

There is an existing power plant within Mwanza City, the 60MW plant is located on 1.8ha of land in Nyakato it uses diesel to generate electricity, the plant is supplying the generated power to National Grid. The city has five distribution substations which are located to Nyakato, Mwanza South, Sabasaba, Nyasaka and Iseni. The power supplied to Nyakato main station from the nation grid is 220KV main transmission line whereas the whole Mwanza City including the will be installed. The existing demand in Mwanza city is 45MW and the project anticipates to consumer very minor of city electric demand. Alternately, the project will install a standby generator that will provide electricity when the power went off.

2.3.3. Water Supply

Apart from the needs of electric power, water is also required for the actual process and other social needs. The proposed project/site has close to MWAUWASA water network, the agency is major supplier of water to urban and peri urban area in the city. While depending on water supply from MWAUWASA, the main line is close to the proposed industry from Mwanza city to Ghana area. The main line from this source will be tapped and let to the land site and water collected in an overhead reservoir provided at the top of the building commercial structure. Adequate provision has been made in the project cost for the overhead tank and supply and laying of pipelines etc.

2.4. Project site analysis.

2.4.1. Buildings and related fixed cost.

The floor plan and elevation of buildings and other related structures will be constructed to Ghana area in Mwanza downtown owned by shareholders. However, the total major development will involves, structure has been developed. The development of private, development of buildings, and other facilities amenities the estimated cost is 1.905Million US\$, the cost includes the

whole structure for the ground and the tenth floor, But the cost in purchasing the land is approximately to 220,000US\$ to an exchange rate of 2540US\$

2.4.2. Machinery and Equipment.

Proper machinery equipments and tools selection is one of the key problems in the development of an industry. The machinery must suit the two-fold requirements of the developing countries, i.e. it should be up-to-date to allow for competitive specially growth and sustainable reliable service supply to the project. The company intend to purchase a standby generators worth 60,000US\$ others includes; water pump steal lift, CCTV Camera and electrical wire fence system, Water pump and accessories, collection and clearing machine, and Alarm and detectors for fire/emergency which will be included in building cost and materials for finishing of the project.

2.5.6. Pre-Operational Expenses

Under pre-operational expenses are considered costs like company formation, preliminary project studies, business plan preparation costs, licenses, permits and authorization, including processing of TIC Certificate of Incentives, and legal fees, travelling expenses, initial recruitment and training expenses, and interest accrued during project construction period. Budget allocated for 0.1% of a fixed cost which is estimated to 1975US\$

2.5.7. Initial Working Capital

This item will mainly cover initial imports of raw materials estimated to last for the first three months of operations. Otherwise, raw materials will generally be maintained at one month's stock and debtors at one month's sales volume constitute the biggest portion of current assets. The Initial working capital 5% of a fixed cost which is anticipated to allocated budget is 98,764US\$.

3.0. MANPOWER AND SALARY BUDGET

3.1. Employment

The whole lines is looking at providing direct employment to at least 25 permanent jobs on full implementation and operation of the project. The industry is divided into 5 Departments; Administration (6) Management and finance (4) maintenance (5) Operation (8) and store and logistic (2).

3.2. Recruitment

Recruitment of the 4 persons (maintenance) will be carried out by giving first preference to ex-technician from our local technical institutes such as Vocation Education Training Authority "VETA" and employees of KARSUN DEVELOPERS LIMITED in Tanzania, based on demonstration of skills and aptitude basis and their willingness to work for Karsun Developers Limited. Careful methodology is being worked out by a competent management consultant who will set the job descriptions. To ensure that the right calibre is recruited. Recruitment of expatriate personnel will be carried out in consultation with the relevant authorities in Government and the collaborating agencies.

3.3. Training and the use of Consultants

The Company plans to initially carry out on the job training for most of the technical staff to be dispatched to the project site by the suppliers of the plant which will be specified under sales agreement. In general the company will ensure that employees acquire new skills and procedures to increase their productivity fourfold. Educational materials will be subsidized or paid for to motivate the workers to develop themselves.

Whereas the company will endeavor to obtain the best talents to fill the permanent posts in the organization, it is intended where necessary, to continue with the policy of hiring out some specialized skills by way of consultants. Alternatively, those skills not required throughout the year will be left to consultants. These include legal counsels, systems and management consultants. To ensure efficient and scientific management, operational manuals will be prepared for the core functions of the company.

3.4. Organization and Management

The project will be managed by qualified professionals given the vast experience that the promoters have acquired over years in running and managing similar businesses. The Board of Directors formulates policy and offer strategic business guidance to management and regularly monitor and evaluate performance of the company.

All the leasing line will be under the administrator under which the day to day leader/management of real estate line will be vested in the management team headed by a Administrator. The Administrator is to be assisted by qualified and experienced personnel.

Table 3.1. Proposed organization and manpower requirement for the plant is as follows:

S/No.	DEPARTMENT	STRENGTH /NUMBERS	MONTHLY SALARY US\$	ANNUAL BUDGET US\$
A	ADMINISTRATION			
	Project manager	2	1,086.96	26,086.96
	Office Administrator	2	782.61	18,782.64
	Tenants	2	652.17	15,652.17
	SUB TOTAL	6	2,956.52	60,521.77
B	MANAGEMENT AND FINANCE			
	Marketing officer	1	391.30	4,695.60
	Accountant	1	652.17	7,826.04
	Asst. Accountant	1	521.74	6,260.88
	Drivers	1	330.43	3,965.16
	SUB TOTAL	4	1,895.64	22,747.68
C	MAINTAINANCE			
	Technician	1	913.00	10,956.00
	Maintenance Planners	3	761.00	27,396.00
	Drivers	1	326.09	3,913.08
D	SUB TOTAL	5	2,000.09	42,265.08
	OPERATION			
	Supervisors	2	373.91	8,973.91
	Supporting staffs	6	86.96	6,260.87
	SUB TOTAL	8	4,635.48	15,234.78
E	STORE AND LOGISTIC			
	Logistic Liaison	1	957.00	11,484.00
	Store supervisor	1	652.00	7,824.00
	SUB TOTAL	2	2,848.39	19,308.00
GRAND TOTAL		25	14,336.12	160,077.31

4.0. PROJECT FINANCING AND CAPITAL INVESTMENT SUMMARY

4.1. Project Cost & Financing Pattern

The proposed integrated project is estimated to cost a total of US\$ 2,076,019.28 as proceeds from capital contribution of the project. The Current asset of US\$ 100,739 during the first year of operation and it increase as the project will be in full operation (see income statement), fixed assets 1,975,280US\$ and with total liquidity of 511,507US\$. The project will be implemented within 10 years.

4.2. Project Capital Investment Summary

S/No.	COST ANALYSIS OF THE PROJECT	TOTAL AREA M ²	NUMBER OF FACILITIES	CONSTRUCTION/ MSQ IN US\$	TOTAL COST IN A CONSTRUCTION AREA IN US\$
A	LAND AND BUILDINGS				
1	Cost of purchasing Land	2,000.00	0	110.00	220,000.00
2	Ground Floor show room	1,600.00	N/A	94.00	150,400.00
3	1st & 2nd Floor	1,600.00	2.00	94.00	300,800.00
4	3rd Floor to 10th floor - Apartments 36 with 2 and 3 bed rooms	1,600.00	36.00	18.30	1,054,080.00
5	Finishing of surrounding Environment and fencing	300.00	N/A	600.00	180,000.00
SUB TOTAL - BUILDINGS STRUCTURES					1,905,280.00
B	MACHINARIES AND EQUIPMENTS				
6	Stand by generator		1	60,000.00	60,000.00
SUB TOTAL - MACHINERIES AND EQUIPMENTS					60,000.00
C	MOTOR VEHICLES				
	Heavy truck	Will be hired			
	Light Vehicles				
D	OTHER FACILITIES				
E	OTHER COST				
7	other cost	N/A			10,000.00
SUB TOTAL OTHER COST					10,000.00
TOTAL FIXED ASSET					1,975,280.00
F	CURRENT ASSETS				
8	Initial working capital 5% Fixed cost				98,764.00
9	Pre Operational cost 0.1% Fixed cost				1,975.28
SUB TOTAL					100,739.28
GRAND TOTAL PROJECT INVESTMENT					2,076,019.28

5.0. RISK ANALYSIS

5.1. Risk Analysis

Risk is the probability that an event or action will adversely affect the organization. Risk assessment is the identification and analysis of risks associated with the achievement of operations, financial reporting and compliance goals and objectives. Risk management is a central part of the KARSUN DEVELOPERS LIMITED. The Industry's management will determine the level of operations, financial and compliance risk they are willing to assume. Risk assessment is one of the Company's management responsibilities.

5.2. Macroeconomic risk analysis

Since early 1986, the Government of Tanzania has launched a comprehensive economic policy and stabilization plan with the aim to enhance the amount of infrastructure construction and improve the lives of the poor. During this time the main economic indicators significantly improved.

However, uneven development of various region in the country, lack of relevant infrastructure in transportation, telecommunications, networking, health facilities, electricity and water supplies have proven to be investment barriers. Overall, Tanzania has a weak economic foundation but the project can achieve a greater impact in attaining social and economic goals for the country.

5.3. Finance risk analysis

a) **Supply Risk:** The risk in Primary relates to supply of raw material, transportation and price fluctuations. There is no assurance of enough supply of raw materials in the local market instead mostly of raw materials are imported.

b) **Sales/market risk:** Placing in leasing on the consumer markets bears risk of demand fluctuations and rejections through retailers. Furthermore, consumer are not aware of the selling price mostly are controlled by world market.

5.4. Other potential external risk

a) **Lack of Governance:** the Governance mechanism in the value chain is underdeveloped, actors operate in an uncoordinated and unorganized fashion, and if rules exist they are often ignored;

b) **Lack of market coordination:** No lead organization has a coordinating role in relation to markets, technology and information

such that consumer have no incentives for improving neither their product that is real estate to promote sustainable income earning opportunities;

c) Unclear and conflicting roles regulatory authorities: Regulatory Agencies are responsible for quality control as well as enforcing TBA, Municipality, NEMC etc, are regulatory role in issuing licensing etc

d) Operating procedures: Standard procedures are inadequately enforced, or not enforced at all, because of relaxed investment and trade regulations.

5.4. Mitigating potential risk

The development of a large and complex project such as KARSUN DEVELOPERS LIMITED is necessarily accompanied by multiple risks during all the phases of the project development, construction, operation and maintenance. The right approach to manage the project in a manner which is fairly and adequately address the multiple risks in a comprehensive as well as systematic manner is to use the risk analysis and management methodology which identifies the risk issues and their instrumental cause. In this regard, the risk is eliminated or effectively managed by the party best suited with capacity to handle or deal with the risk factors.

6.0. ECONOMIC AND SOCIAL ASPECTS

The project is also likely to have a positive impact on the economy of Lake Zone regions and Tanzania as a whole by creating employment, and contributing to Government revenues through various taxes, which will be paid. It also has potential for substantial exporting to foreign markets especially to neighboring countries in the Great Lakes Region. In summary the following table will show impact investment index framework

6.1. Impact Investment Index Framework

Impact Investment Index		
Frame Work for KARSUN DEVELOPERS LIMITED		
Performance Area	Quantitative Indicator	Remarks
Investment Capital	Total investment capital, CAPEX and OPEX US\$ 2,076,019.28US\$	Substantial amount of capital invested into the domestic economy.
Export Earnings	Indicative Annual sales of earnings of \$821,600US\$ out of annual average collection	Increased foreign earnings.
Job requirements	Job creation after plant in operation 2024-2034. DIRECT TANZANIAN JOBS 25 local employed workers	<ul style="list-style-type: none"> • Reasonable number of direct job created to local Tanzanians with direct impact on poverty reduction through enhanced income generation; and • Improving skills development for real estate business
Technology applied	High Tech Environmentally friendly machinery	<ul style="list-style-type: none"> • Enhancing technological transfer; and • Applied technology which is free from environmental pollution,
Other Implied Project Benefits		
<ul style="list-style-type: none"> ▪ Increased sales to the Utility Companies providing services of electricity, water and sewerage, telecommunications; ▪ Increased business transacted by local banks and institutions providing financial services; ▪ Business opportunities for local entrepreneurs in market distribution channels, 		

- Business opportunities to contractors and sub-contractors during the minor construction phase;
- Increased regional intra-trade and international trade due to better infrastructure facility and links to markets;
- Increase of technology transfer & expertise to local employed staff,
- Capital spends in local economy over 2.076Million US\$ Millions and
- Contribution to GDP growth through increased economic activities

Based on the Impact Investment Index analysis, the company can develop projections that the project can deliver both value for money in the context of broad socioeconomic impact and return on investment while complying with governance requirements. In this regard therefore, KARSUN DEVELOPERS LIMITED will promote the industrialization process in the country, create employment, attract new technologies, expand foreign exchange earnings and ultimately contribute substantially to the country's economic growth.

7.0. FINANCIAL MODELLING AND ANALYSIS

The Financial Modelling and analysis, is the main source of information for assessing the potential financial viability of the KARSUN DEVELOPERS LIMITED. The analysis is based on the assumptions that have been taken for the implementation of the site development, demand and the associated potential investment requirements for a 10 year time period. The purpose of establishing this project is to speed up the country's economic development by being a catalyst for restructuring the existing local industrial set up and attracting new, both foreign and domestic entrepreneurs to a liberalized legal business framework.

7.1. Project investment inputs and revenue projects

7.2. Revenue and project viability

- ✚ The estimated revenue gain in provision of leasing of facilities per total project is 862,600US\$ investment, the sales volume increase positively.
- ✚ Net profit before tax is 464,750US\$, second year earnings increases to 495,747US\$ which shows increase of profit, (see Income statement)
- ✚ Net profit after tax for the first years in leasing is 326,725US\$ and second year is increasing to 347,023US\$ for remaining year increasing positively, (see Income statement).
- ✚ Gross sales contribution in the first year of service is quietly promising (see Income statement)
- ✚ The expected sales increase in a second year over by 5%, and leasing cost increase by 3%
- ✚ Total investment cost of the project is 2,076Millions US\$ whereas the own equity is 100% (see investment summary)
- ✚ The end balance of project in cash flow statement is positive and increases tremendous.(see cash flow statement)
- ✚ Testing the project viability is positive whereas IRR is positive 13.18% and payback period of project is within 6-7 years.
- ✚ Return on investment is posit positive and increases tremendously (see balance sheet)
- ✚ Breakeven point is positive from the first year of operation.
- ✚ Note: construction of each floor including the followings; Electrical installation system, Water installation system, Tiles/ceiling boards/plastering/window and doors, CCTV Camera and electrical wire fence system, Alarm and detectors for fire/emergency.

7.3. Objective and Scope of Financial Model

7.3.1. Objective

The main objective of the financial modelling and analysis is to setup a financial model framework for potential generated revenues and operational & maintenance costs for the full operation of KARSUN DEVELOPERS LIMITED based on the assumptions taken for the Market Analysis, the plan for the facility development, and other overhead and operational charges.

7.3.2. Scope

The scope consists of a financial model that will be used to analyse the potential financial viability of the project based on the assumptions taken for the concept and scope of the project on the Market Analysis. The financial model has been developed in excel spread sheet and include information on costs, expenses and the subsequent sales revenue based on the average market prices and linked to the financial cash flow.

7.3.3. Project financial plan.

The project financial plan primarily consists of income statement, cash flow projection and balance sheet. From these 3 financial statements the project will derive Break even points, internal rate of returns, loan payment schedules, payback period and other financial ratios. These reports constitute reasonable estimate of company financial future. More importantly, the process of thinking through the financial plan improves insight into inner financial working of company.

ANNEX I - INCOME STATEMENT

Income Statement Projections												
All numbers in US\$												
Revenue												
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	TOTAL
Total Leasing Income		821,600	862,680	905,814	951,105	951,105	998,660	998,660	1,048,593	1,048,593	1,101,023	9,687,832
Total Operating Revenue	-	821,600	862,680	905,814	951,105	951,105	998,660	998,660	1,048,593	1,048,593	1,101,023	9,687,832
Expected Expenses												
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Salaries		160,077	164,880	169,826	174,921	174,921	180,168	180,168	185,573	185,573	191,141	1,767,249
Social Charges & Pension Payments		32,015	32,976	33,965	34,984	34,984	36,034	36,034	37,115	37,115	38,228	353,450
campus consumable goods - raw materials		-	-	-	-	-	-	-	-	-	-	-
Administrative expences and collage management system		24,000	24,720	25,462	26,225	26,225	27,012	27,012	27,823	27,823	28,657	264,959
Fuel and lubricants for cars and generators		12,000	12,360	12,978	13,627	13,627	14,308	14,308	15,024	15,024	15,775	139,030
General Clearness and security services		14,400	14,832	15,277	15,735	15,735	16,207	16,207	16,694	16,694	17,194	158,976
Uniforms and other related facilities		-	-	-	-	-	-	-	-	-	-	-
Insurance/licensing/healthy premium/other charges		28,800	29,664	30,554	31,471	31,471	32,415	32,415	33,387	33,387	34,389	317,951
Utilities - Electricity and water services		28,800	29,664	30,554	31,471	31,471	32,415	32,415	33,387	33,387	34,389	317,951
Other Costs		10,000	10,300	10,609	10,927	10,927	11,255	11,255	11,593	11,593	11,941	110,400
Total Operating Costs		310,093	319,396	329,225	339,361	339,361	349,814	349,814	360,595	360,595	371,713	3,429,966

Operational Net Earnings before Depreciation, Interest & Tax	511,507	543,284	576,589	611,744	611,744	648,846	648,846	687,998	687,998	729,309	6,257,865
<i>%age Gross Contribution</i>	62	63	64	64	64	65	65	66	66	66	1
Depreciation at 12.5% (Machines, Equipment.)	44,757	47,537	50,452	53,528	53,528	56,774	56,774	60,200	60,200	63,815	563,208
Net Earnings before Tax & Interest	466,750	495,747	526,138	558,216	558,216	592,072	592,072	627,798	627,798	665,495	5,694,657
Interest Paid (Bank Loan)	-	-	-	-	-	-	-	-	-	-	-
Tax (30%)	140,025	148,724	157,841	167,465	167,465	177,621	177,621	188,339	188,339	199,648	1,713,091
Net Earnings	326,725	347,023	368,296	390,751	390,751	414,450	414,450	439,459	439,459	465,846	3,997,211

ANNEX II – CASH FLOW

Cash Flow statement from Investing Activities for ten years

All numbers in USD

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>										
Cash receipts from Sales	821,600	862,680	905,814	951,105	951,105	998,660	998,660	1,048,593	1,048,593	1,101,023
Cash paid to suppliers and employees	(310,093)	(319,396)	(329,225)	(339,361)	(339,361)	(349,814)	(349,814)	(360,595)	(360,595)	(371,713)
Cash generated from operations	511,507	543,284	576,589	611,744	611,744	648,846	648,846	687,998	687,998	729,309
Dividends received*	0	0	0	0	0	0	0	0	0	0
Interest received	0	0	0	0	0	0	0	0	0	0
Interest paid	0	0	0	0	0	0	0	0	0	0
Tax paid	(140,025)	(148,724)	(157,841)	(167,465)	(167,465)	(177,621)	(177,621)	(188,339)	(188,339)	(199,648)
Net cash flow from operating activities	371,482	394,560	418,748	444,279	444,279	471,224	471,224	499,659	499,659	529,661
<u>CASH FLOW FROM INVESTING ACTIVITIES</u>										
Replacement of equipment	0	0	0	0	0	0	0	0	0	0
Proceeds** from sale of equipment	0	0	0	0	0	0	0	0	0	0
Net cash flow from investing activities	0	0	0	0	0	0	0	0	0	0
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>										
Proceeds from capital contributed	2,076,019	0	0	0	0					0
Proceeds from loan	0	0	0	0	0					0
Payment of loan	0	0	0	0	0	0	0	0	0	0
Net cash flow from financing activities	2,076,019	0	0	0	0	0	0	0	0	0
<u>NET INCREASE/ DECREASE IN CASH</u>	2,447,501	394,560	418,748	444,279	444,279	471,224	471,224	499,659	499,659	529,661
Cash at the beginning of the period	326,725	347,023	368,296	390,751	390,751	414,450	414,450	439,459	439,459	465,846
Cash at the end of the period	2,774,227	741,583	787,044	835,030	835,030	885,674	885,674	939,117	939,117	995,507

ANNEX III - BALANCE SHEET

Pro forma balance sheet										
US\$	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
ASSET										
Current asset	100,739	347,023	368,296	390,751	390,751	414,450	414,450	439,459	439,459	465,846
Fixed asset	1,975,280	2,014,786	2,055,081	2,096,183	2,138,107	2,180,869	2,224,486	2,268,976	2,314,355	2,360,642
Liquidity	511,507	543,284	576,589	611,744	611,744	648,846	648,846	687,998	687,998	729,309
TOTAL ASSET	2,587,527	2,905,093	2,999,967	3,098,678	3,140,602	3,244,165	3,287,782	3,396,433	3,441,812	3,555,798
NET ASSET MINUS DEPRECIATION	2,542,770	2,857,556	2,949,516	3,045,150	3,087,074	3,187,391	3,231,008	3,336,233	3,381,612	3,491,984
EQUITY & LIABILITIES										
Equity	2,076,019	2,130,826	2,319,703	2,525,321	2,749,166	2,992,852	3,258,138	3,546,939	3,861,340	4,203,609
Reserves	0	0	0	0	0	0	0	0	0	0
Total Own Equity	2,076,019	2,130,826	2,319,703	2,525,321	2,749,166	2,992,852	3,258,138	3,546,939	3,861,340	4,203,609
Provisions	281,968	530,468	421,520	298,837	116,916	(39,857)	(261,525)	(459,246)	(728,267)	(975,089)
Long term loan	0	0	0	0	0	0	0	0	0	0
Short term Liabilities	184,782	196,262	208,293	220,992	220,992	234,395	234,395	248,539	248,539	263,463
Total Equity & Liabilities	2,542,770	2,857,556	2,949,516	3,045,150	3,087,074	3,187,391	3,231,008	3,336,233	3,381,612	3,491,984
NET FA/CL	10.69	10.27	9.87	9.49	9.68	9.30	9.49	9.13	9.31	8.96
CL/CA	1.83	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57	0.57
DEBIT/CAPITAL RATIOS	0.18	0.25	0.21	0.17	0.11	0.06	-0.01	-0.06	-0.14	-0.20
ROI	4.9	16.3	15.9	15.5	14.2	13.8	12.7	12.4	11.4	11.1
BREAK EVEN POINT	3.86	3.71	3.56	3.43	3.50	3.36	3.43	3.30	3.36	3.24
BREAK EVEN RATIO	0.97	0.95	0.93	0.92	0.92	0.90	0.90	0.89	0.89	0.87
EQUITY/TOTAL LIABILITIES	82	75	79	83	89	94	101	106	114	120

ANNEX IV = INTERNAL RATE OF RETURN

IRR for the Project

(all numbers in US\$)

	Initial Investment	-2,076,019
Year 1	Additional Annual Net Profit	326,725
Year 2	Additional Annual Net Profit	347,023
Year 3	Additional Annual Net Profit	368,296
Year 4	Additional Annual Net Profit	390,751
Year 5	Additional Annual Net Profit	390,751
Year 6	Additional Annual Net Profit	414,450
Year 7	Additional Annual Net Profit	414,450
Year 8	Additional Annual Net Profit	439,459
Year 9	Additional Annual Net Profit	439,459
Year 10	Additional Annual Net Profit	465,846
	IRR (in 10 years)	13.18%

The IRR above indicates that the expected return on the US\$ 2076,019 initial investment after 10 years is 13.18%.

ANNEX VI - PAY BACK PERIOD

	Year	Beginning Balance	Net Cash Flows	Ending Balance
Cost of investment	0.00	2,076,019.28	0.00	2,076,019.28
	1.00	2,076,019.28	326,725.24	1,749,294.04
	2.00	1,749,294.04	347,022.94	1,402,271.10
	3.00	1,402,271.10	368,296.46	1,033,974.64
	4.00	1,033,974.64	390,751.34	643,223.30
	5.00	643,223.30	390,751.34	252,471.97
	6.00	252,471.97	414,450.16	161,978.19
	7.00	161,978.19	414,450.16	576,428.34
	8.00	576,428.34	439,458.75	1,015,887.10
	9.00	1,015,887.10	439,458.75	1,455,345.85
	10.00	1,455,345.85	465,846.36	1,921,192.21

Payback Period =	6.00	Years
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8.0. CONCLUDING REMARKS AND WAY FORWARD

8.1. Evidence of project viability based on financial model and policy Framework support

On the basis of all the analysis done on this Business Plan on all aspects of assessment on both SWOC Analysis, market analysis, risk analysis and the financial analysis, the proposed investment options in the project as prescribed on this business plan have shown that the project is commercially viable. Nonetheless, KARSUN DEVELOPERS LIMITED through professional consultative manner, will continue to find ways of implementing cost effective options given time and financial resources that will be made available. Financial analysis results show that when the construction of plant facility is financed by shareholders, it gives an IRR of about 13.18%.which is technically interpreted that the project is financially viable. The payback period for the project is estimated at to 6years, which is within the range for this type of investment. Sensitivity analysis results also favor the project. Financial analysis for the project has shown feasible returns. Based on the investment scope and the assumptions taken in this Business Plan, the project will not face any difficulties during establishment, according to the projected cash flow be in a position to accomplish repayment of the loan and start generating profit.

8.2. Policy Framework Support

The development of the KARSUN DEVELOPERS LIMITED is designed to tape advantages of the current Tanzanian market-oriented reforms. The Project will be developed and established to accelerate the industrialization process. The vision 2025 emphasizes the importance of the allocation of public funds for strategic investments and private sector financing for development investments.

The 15 years Perspective Plan (2020-2025); Priotize private investment in the context of Public Private Partnership. The First Five Years Development Plan (2016-2021) recognizes the fundamental role of the private sector in enabling the Government to allocate its fund to strategic projects to facilitate a higher level of development. MKUKUTA III (2020-2025) identifies Public Private Partnership as a means of increasing the level of stakeholder participation and of easing the financial burden on the Government. It should be noted that existing public resources are clearly insufficient to meet Tanzanian's huge development needs. The increased use of private enterprises participation in development projects can help alleviate the financing gap. This approach is now applied by KARSUN DEVELOPERS LIMITED to ensure development of one among the ultra-modern plant in Mwanza Region. Private sector and investment have been recognized as

the most significant potential source of additional funding required to facilitate development projects.

8.3. Conclusive Remarks and Way Forward

The development of this project will be funded by private finances. The company acting through its various shareholders and structures will provide the initial risk capital amounting to 2.076 MilionsUS\$ will be used. The company will fund the development of the project and purchasing machines and other facilities as stated on this business plan. Before the Company engages into the development of this project as a private enterprise, it needs to accomplish the pre development activities to make way for the development of the designated project. The company has to accomplish the following;

a) Apply for TIC certificate

The company by using this Business Plan and other required supporting documents should apply for the TIC Certificate at Tanzania investment centre or Mwanza Zonal Office. With this certificate, the company will be able to access tax reliefs which to a large extent will help to in reducing project costs, particularly in the purchasing of machineries and major building of area of proposed industrial area.

b) Conduct Environmental Impact Assessment.

The company has to engage a consultant to conduct EIA in order to ensure that environmental and possibly other sustainability aspects are considered effectively in policy, plan and project development. The EIA Directive aims at introducing systematic assessment of the environmental effects of strategic land use related plans and programs. It typically applies to regional and local, development, waste and transport plans, within the country. EIA ensures that plans and programs take into consideration the environmental effects they cause.

c) Mobilizing Funds

As previously discussed on the Financial Analysis of this business plan, financing mechanism for plant should be scrutinized well before commencing the project implementation. There may be several options of financing the project development but the company will find the best option. The investment team should do consultation with relevant financial institutions (Banks and non-bank Financial Institutions), both within and outside the country. This exercise should be more effective if the team works closely with central Government agencies, particularly TIC and the Ministry of Land, Ministry of work, Ministry of Industry & Trade and Ministry of Investment.