

ASK ENGINEERING CO. LIMITED

BUSINESS PLAN

TIC Registration for an Expansion Project of Warehouse Development

Microsoft account

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A. EXECUTIVE SUMMARY

Specialized in Engineering and logistics, ASK Engineering Company Limited, local company with an authorized share capital of TShs. 400,000,000 divided into 40,000 shares of TShs 10,000/= each, is expanding its warehousing project. The share capital is equivalent to about USD 151,515.15. Of the authorized shares only 33,000 have been issued.

The company has already established and run a project for construction of warehouses in Kahama and Tabora, now it is expanding its project in Tabora and additional location in Urambo District in Tabora Region. The same will focus on expansion of warehousing facilities of tobacco before it is transported to Morogoro and Dar es Salaam. Total expansion capital for this project is **USD 6,818,182.00** where equity is **USD 2,386,364** and loan is **USD 4,431,818**. In terms of employment the project will employ a total minimum of 45 Tanzanians.

From the financial analyses conducted this project is a promising one. As such the shareholders have decided to implement it. This business plan is aimed at securing TIC registration so that the company can enjoy the incentives offered and take off more smoothly.



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1.0 INTRODUCTION

1.1 Company Overview

ASK ENGINEERING COMPANY LIMITED is a company registered under the Companies Act (2002) of the United Republic of Tanzania. It was registered on 11th January 2017 and granted Certificate of Incorporation No. 132442 issued by the Senior Assistant Registrar of Companies pursuant to the quoted law.

For tax purposes this company is registered and given Tan Payer Identification Number (TIN) 135-152-846. It was registered on 16th November 2017. The company is located at Nyasubi area in Kahama, Shinyanga region.

ASK Engineering Company Limited has an authorized share capital of **TShs. 400,000,000** divided into **40,000 shares** of **TShs 10,000/=** each. The share capital is equivalent to about **USD 170,945.94**. Of the authorized share capital only **33,000** shares have been issued and all are owned by Tanzanians. It is thus a local project so far as detailed under **table 1** below.

Table 1: Shareholding Details

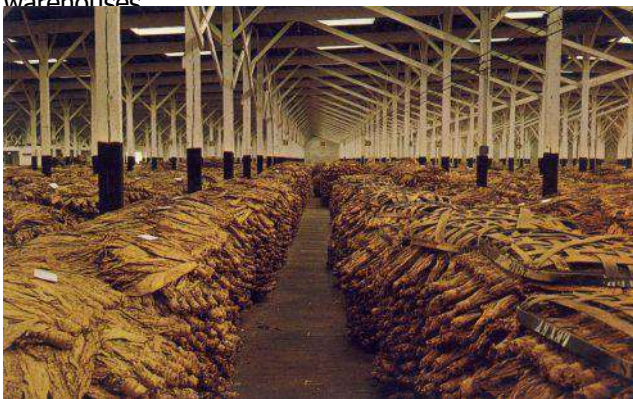
Shareholder	Nationality	Shares Taken	Shareholding
Azan Said Salum	Tanzanian	25,000	75.76%
Vincent Donald Kashindye	Tanzanian	5,000	15.15%
Saburi Mikidadi Msuna	Tanzanian	3,000	9.09%
TOTALS		33,000	100.00%

1.2 Project Overview

ASK Engineering Company Limited has a number of objectives which carries out in the market. For purposes of this business idea and business plan focus is on the expansion of construction and operationalization of a warehouses project. The company looks forward to erect another additional two warehouses, 1 in Tabora 6,000 square metres and 1 in Urambo with 6,000 square metres. All these added

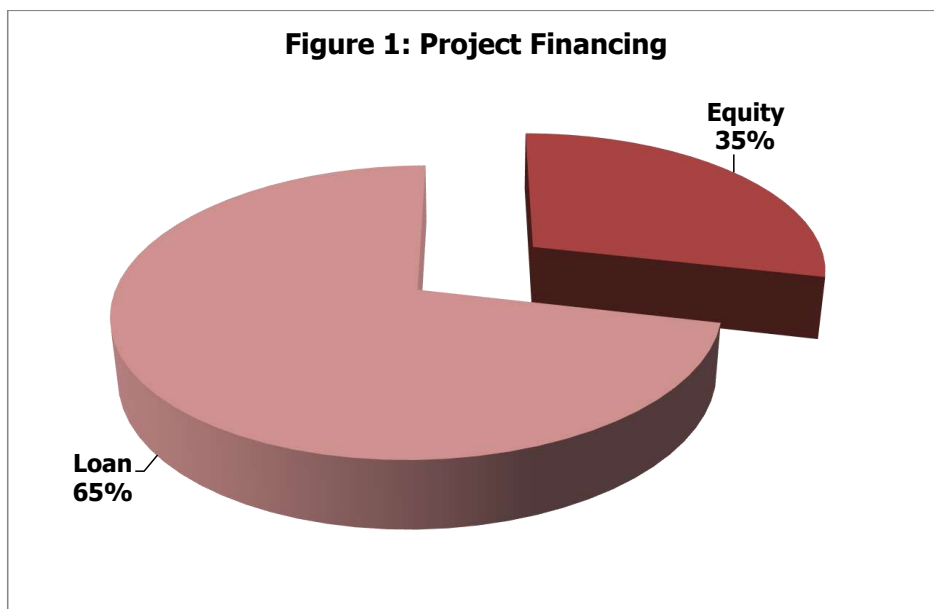
warehouses will be used as storage points for harvested tobacco before its ferrying to Morogoro and Dar es Salaam for further processing to produce cigarettes and related products in the value chain. The expansion project will therefore be added to Plot no 484, Block M Inala area, Tabora municipal, Tabora and Plot 149,151, Block P Majengo ya Tabora, Urambo District, Tabora as the new location where tobacco is cultivated, and where the company will build warehouses

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1.2.1 Project Financing

The project will be financed by equity to the tune of **USD 2,386,364** (an equivalent of about **TShs 6,300,000,000**) and by a loan amounting to **USD 4,431,818** (an equivalent of **TShs 11,700,000,000**). The financing is totally local (Tanzanian) where the equity accounts for about 35% as loan accounts for 65% as depicted on **figure 1** below.



This is a local project owned by Tanzanians. Although it does not bring in FDI it gives Tanzanians a chance to be employed and, for the owners, an opportunity to exploit their business idea. To the lending local bank it provides a promising business deal via the loan.

1.2.2 Financing of Items

The total planned investment in this project is **USD 6,818,182** (an equivalent of **TShs 18,000,000,000**). This amount goes to finance acquisition of various items as detailed under **table 2** below.

Table 2: Financing of Items

ITEMS	FINANCING IN USD
Land & Buildings	3,220,000
Plant	1,260,000
Vehicles	610,000
Furniture & Fittings	1,020,000
Pre Expenses	320,000
Others	-
Working Capital	388,182
GRAND TOTAL	6,818,182
TOTAL FIXED CAPITAL	6,430,000
TOTAL WORKING CAPITAL	388,182

The investment capital will finance the procurement of the following items which are crucial for the project:-

1. Prefabricated Building Materials
2. Equipment
3. Two Trailers and their horses
4. Four Dump trucks
5. Two Pickups
6. Two cranes
7. Generator
8. Ten Welding machines
9. Ten Drills and Cutting machines
10. Welding rods, cutting and grinding discs
11. Paints - Red oxide
12. Electrical cables, electrical items ie switches, connectors, etc

13. Security lights, ordinary lights
14. Twenty Office A/c units
15. Cement
16. Grader - HIRED
17. Compactor - HIRED
18. Wheel loader - HIRED
19. Two low-bed trailers - HIRED

Of the **USD 6,818,182** total investment in this warehouse erection project, **75%** goes into the development of the warehouses and the facilities within, establishments which are core to the roll-out of the project. The investment plan/ schedule is shown on **Table 3** below.

Table 3: Investment Plan

INVESTMENT BREAKDOWN ITEMS	INVESTMENT PLAN					TOTAL INVESTMENT Y1+Y2+Y3+Y4+Y5
	Y1	Y2	Y3	Y4	Y5	
Land & Buildings	900,000	900,000	900,000	520,000		3,220,000
Plant	1,260,000					1,260,000
Vehicles	220,000	210,000	180,000			610,000
Furniture & Fittings	255,000	255,000	255,000	255,000		1,020,000
Pre Expenses	320,000					320,000
Others						-
Working Capital	388,182					388,182
TOTAL	3,343,182	1,365,000	1,335,000	775,000	-	6,818,182

Investment in this project is planned to be done over the first four years of operation. Most of the investment will be done during the first, followed by the second and third years. There will be no additional investment in Year 5.

Of the **USD 6,818,182** planned investment **USD 3,343,182** will be invested during the first year of expansion of the project. In this year 2024 this massive investment accounts for **49.03%** of the total investment.

1.2.3 Employment Details

This local project expects to employ a total of 45 staff, 44 of whom are local as shown on **table 4** below. Should there be a need to engage more foreigners, the company will do the needful.

Table 4: Employment Details

CATEGORY	MALE	FEMALE	TOTAL
Local	35	9	44
Foreign	1	0	1
TOTAL	36	9	45

The project expects to employ mostly local Tanzanians at this point. If there will be a need to employ more foreigners the company will do so. Of the employed locals, males account for 77.77% while females account for 20%. Detailed projections are given under **Annex 1**.

1.2.4 Project Capacity

This is an expansion project for construction and leasing of warehouses for storage of tobacco before it is transported to Morogoro and Dar es Salaam for final processing. At full capacity i.e. at year 5 the project will have 12,000 square meters holding capacity for tobacco.

1.2.5 Supplies and Targeted Market

This highly targeted project has a single market – Alliance One Tobacco Corporation which is a tobacco processor. It plans to source its inputs from within Tanzania but for those inputs which are not available within the country they will be sourced from outside the country.

1.3 Project Implementation Plan

This is an expansion of the 5 years project which has taken-off since last year May 2023. But now is the expansion to add another two warehouses. The roll-out plan is detailed under **figure 2** below.

Figure 2: Project Roll-Out Plan

No.	Activity	Time																		
		2022			2023												2024	2025	2026	2027
		Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec						
1	Registrations - TIC and others	█	█	█																
2	Market Analysis	█	█	█																
3	Land Acquisition	█	█																	
4	Business Development Analysis				█	█	█	█	█	█	█	█	█	█	█	█	█	█		
5	Warehouses Construction				█	█	█	█	█	█	█	█	█	█	█	█	█	█		
6	Assets Acquisition				█	█	█	█	█	█	█	█	█	█	█	█	█	█		
7	Staff Recruitment				█	█	█	█	█	█	█	█	█	█	█	█	█	█		

2.0 MARKET ANALYSIS

This section focuses on market analysis for this project. It covers SWOC analysis, PESTEL analysis, and the market strategy for the project.

2.1 SWOC Analysis

This sub-section covers an overview of the organizational strengths and weaknesses as well as environmental opportunities and challenges. This analysis will give the way forward in the form of strategies for the business.

Strengths

- i) The Promoters of ASK Engineering Company Limited have enough muscle to fund the project as their equity amounts to 35.00% of the financing. The company also can be lent funds by a local commercial bank to the tune of **USD 4,431,818** which is equivalent to 65.00% of the financing. As such the company's liquidity is assured.

ii)



The company has staffs who are experienced in the business of construction of warehouses for leasing. They make a competitive team that delivers quality services

- iii) The management is well acquainted with the general Tanzanian market and specifically with the construction and leasing of warehouses.
- iv) The company has secured assured market as Alliance One is prepared to use the warehouses it is going to construct.

Weaknesses

- i) ASK Engineering Company Limited is not the sole giant in the market. As such it might be lacking some levels of muscles in the market. However, having consulted experts in the business arena it has secured a single customer who will use its warehouses.

Opportunities

- i) There is assurance of market in the sector within the areas of Tabora and Kahama wherefrom Alliance One gets its tobacco.
- ii) In governance Tanzania is characterized by peace and tranquility. This provides the business with assurance that we will operate smoothly resting assured that the promoters' property security is guaranteed.
- iii) With good investment act shareholders of ASK engineering Company Limited are guaranteed of freedom from nationalization of their stake in the company.
- iv) There is assurance of power supply which is crucial in preservation of the raw tobacco before it is transported to Dar es Salaam and Morogoro for further processing.

Challenges

- i) Business procedures in the country are many and relatively complex. The company engages experienced business consultants to overcome this impediment.
- ii) Tobacco is a sensitive product which can be degraded if not properly cared for. The company has taken care of this by incurring additional costs in the construction and by buying temperature and moisture regulating equipment.

From the SWOC analysis conducted of the company and of the operating environment the promoters are confident that the project will be a success. The main strategy adopted is a retention strategy where the client – Alliance One will be offered quality facilities.

2.2 PESTLE Analysis

This subsection studies the key external factors namely Political, Economic, Sociological, Technological, Legal and Environmental that influence the organization in the transportation sector.

Politically Tanzania is very stable characterized with smooth transition of power from regime to another. There have been no civil wars in the country and there are no indications of any wars in any time near.

Economically Tanzania is growing and developing. With a population of around 62 million and having attained the mid-income level the country is a promising in any business. The country has a well-established network of tarmac all-weather roads that run across regions and districts.

Socially, the community of Tanzania is developed to the level of engaging third parties in their dealings. A person in a region within the inter-lacustrine region can order consignment from the coastal cities without moving to the place and engage transporter to deliver it at his premises. With this level of business evolution the



company can exploit opportunities offered by the social status of the Tanzanian population.

Technologically Tanzania is well advanced, especially in ICT. With broadly available internet connectivity and mobile phone extension communication has been made a lot easier. Upon leveraging on ICT the company can be engaged by clients through social media and its own website.

The sixth phase government has made them more friendly, laws governing investment and business. The new investment act for example has green-lighted projects worth USD 50,000 to be registered by the TIC and enjoy the benefits offered by the act.

The business environment in the country is excellent. It is encouraging to investors. With good laws and political will, projects can flourish in the country. ASK Engineering Company Limited sees the environment as being highly conducive for investors, both foreign and local alike.

2.3 Market Strategy

The company, having conducted the analyses, sees the facts that there is an opportunity for the success of its business. Having secured a chance to lease the warehouses to a tobacco giant in Tanzania the company opts for quality warehouses in order to secure the deal for as long as Alliance One exists.

3.0 FINANCIAL PROJECTIONS

This is an expansion of **USD 6,818,182** project. Shareholders of the company have much expectation of having a successful project. Upon financial analyses conducted, the project is promising to be a success. This section covers projections on sales, income, cash flow and NPV analysis.

3.1 Sales Projections

Sales are have been rapidly raised from the first year up to now, but will grow steadily between years 4 and 5 of operation. At full capacity, sales are projected to be at **USD 7,666,400** as shown in **table 5** below.

Table 5: Sales Projections

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Rentable space (m2)	3,000	6,000	9,000	12,000	12,000
Estimated Charge per m ² per year (10% inflation)(USD 4 per sqm)	48.00	52.80	58.08	63.89	63.89
Storage Revenue p.a.	1,440,000	3,168,000	5,227,200	7,666,400	7,666,400
Annual Revenue	1,440,000	3,168,000	5,227,200	7,666,400	7,666,400
Sales Revenue	1,440,000	3,168,000	5,227,200	7,666,400	7,666,400

Cost of sales and gross profit projections, on the other hand, are as shown on **Table 6**. The project is a promising venture, based on these projections.

Table 6: Gross Profit Projections

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Supplies	3,343,182	1,365,000	1,335,000	775,000	0
Utilities	5,000	2,500	2,250	1,275	0
Total Production Costs	3,348,182	1,367,500	1,337,250	776,275	0
Gross Profit Projections					
Details	Years				
	Y1	Y2	Y3	Y4	Y5
Sales	1,440,000	3,168,000	5,227,200	7,666,400	7,666,400
Cost of Sales	3,348,182	1,367,500	1,337,250	776,275	0
Gross Profit/ (Loss)	(1,908,182)	1,800,500	3,889,950	6,890,125	7,666,400

3.2 Projected Income Statement

From **table 7** below, the projections show that the project will make profits from the third year due Investment constraints

Table 7: Projected Income Statement

	Notes	2024	2025	2026	2027	2028
		TZS'	TZS'	TZS'	TZS'	TZS'
Revenue	4	1,440,000	3,168,000	5,227,200	7,666,400	7,666,400
Direct costs		(3,632,982)	(1,714,740)	(1,753,418)	(1,275,157)	(598,138)
		(2,192,982)	1,453,260	3,473,782	6,391,243	7,068,262
Expenses						
Operating expenses	5	(100,100)	(105,105)	(110,360)	(115,878)	(121,672)
Depreciation	6	(337,000)	(85,000)	(85,000)	(85,000)	(85,000)
Operating Loss		(437,100)	(190,105)	-195,360	-200,878	-206,672
Finance Costs		-	-	-	-	-
Loss before tax		(2,630,082)	1,263,155	3,669,142	6,592,122	7,274,934
Taxation		789,025	(378,947)	(1,100,743)	(1,977,636)	(2,182,480)
Loss for the year		(1,841,057)	884,209	2,568,400	4,614,485	5,092,454
Dividend (20%)		-	0	322,310	922,897	1,018,491
Retained Earnings		-	0	1,289,242	3,691,588	4,073,963

Table 8; Projected Cash flow Statement

	2024	2025	2026	2027	2028
	TZS'	TZS'	TZS'	TZS'	TZS'
CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES					
Loss before taxation	(2,630,082)	1,263,155	3,669,142	6,592,122	7,274,934
Add: Non-cash items					
Depreciation	337,000	337,000	85,000	85,000	85,000
Change In Working Capital					
Increase in trade and other receivables	(576,000)	(691,200)	(823,680)	(975,680)	-
Increase in trade and other payables	4,000	200	210.00	220.50	231.53
	(2,865,082)	909,155	2,930,672	5,701,662	7,360,166
Tax		789,025	(378,947)	(1,100,743)	(1,977,636)
Net cash outflow from operating activities	2,865,082.00	1,698,180	2,551,726	4,600,919	5,382,529
INVESTING ACTIVITIES					
Purchase of fixed assets	(4,870,000)	-	-	-	-
Net cash used in investing activities	(4,870,000)	-	-	-	-
FINANCING ACTIVITIES					
capital injection	4,870,000	-	-	-	-
Net cash inflow from financing activities	4,870,000.00	-	-	-	-
Net movement in cash and equivalents	(2,865,082)	1,698,180	2,551,726	4,600,919	5,382,529
Cash balance at the beginning of the year	-	(2,865,082)	(1,166,902)	1,384,823	5,985,743
Cash and cash equivalent at the end of the year	(2,865,082)	(1,166,902)	1,384,823	5,985,743	11,368,272

3.3 Change in Equity

Shows that after the third year therefore the company will start earning profit

	Share Capital TZS'	Accumulated Loss TZS'	Total equity TZS'
Loss for the year	-	(1,841,057)	(1,841,057)
At 31 December 2024	4,870,000	(1,841,057)	3,028,943
At 1 January 2025	4,870,000	(1,841,057)	3,028,943
Loss for the year	-	884,209	884,209
At 31 December 2025	4,870,000	(956,849)	3,913,151
At 1 January 2026	4,870,000	(956,849)	3,913,151
Loss for the year	-	2,568,399.58	2,568,399.58
At 31 December 2026	4,870,000	1,611,551	6,481,551
At 1 January 2027	4,870,000	1,611,551	6,481,551
Loss for the year	-	4,614,485.16	4,614,485.16
At 31 December 2027	4,870,000	6,226,036	11,096,036
At 1 January 2028	4,870,000	6,226,036	11,096,036
Loss for the year	-	5,092,453.98	5,092,453.98
At 31 December 2028	4,870,000	11,318,490	16,188,490

4.0 PROJECT RATIONALE

The rationale for this project can be viewed in monetary, fiscal and social aspects. From the financial analysis conducted this project is worth a green light in the Tanzanian economy. Monetarily it will create income for SMEs supplying the project and serving the workers, fiscally it will pay taxes (both Income Tax and VAT on sales), and socially it will contribute to social development as detailed under subsequent sub-items. **Annex 3** gives details of the project's rationale.

Monetary Rationale

The project is expected to incur a total of USD 9,054,793 on supplies and operating expenses through its first five years of operation. This money will go to supplier SMEs and other companies that will be supplying to the project. The multiplier effect of this spending will go through SMEs down to the households and back to the government in form of taxes and levies.

Fiscal Rationale

Fiscally the project projects to pay a total of USD 8,623,127 as taxes to the government in its first five years of operation. Of this amount income tax is projected to be USD 4,092,887 while VAT is projected to total to USD 4,530,240. The VAT projections are for the sales at the company's level only and will multiply as the impact of the services changes hands. The same applies for the income tax. **Annex 3** gives the details on the projections.

Social Rationale

Socially the project will participate in various engagements as part of its Corporate Social Responsibility (CSR) program. Over the first five years it is expected to incur a total amount of USD 9,667 on CSR as shown on **annex 3**. In addition, the project will directly employ a total of at least 44 locals. Other locals will enjoy indirect



employment via the project. The indirect jobs will be for those supplying the project and other service providers including those who serve workers. **Annex 1** gives the details on employment.

5.0 CONCLUSION

ASK Engineering Company Limited is a company registered under the laws of the United Republic of Tanzania. It plans to run a project of construction of warehouses for leasing. This project is for warehouses to be constructed in Tabora and Kahama, aimed for storage of tobacco. This project aims to provide quality services as part of its strategy to retain its niche in the market – the big tobacco dealer called Alliance One. The project is owned locally by 100%. The planned capital for this project is USD 6,818,182 where 35% is equity and 65% is a local loan to be secured from a local commercial bank.

From our assessment of the business idea we have come up with this business plan with confidence of success. This project is highly likely to be a success and it is rational socio-economically, fiscally and monetarily. If it gets a soft landing via the TIC the promoters of the project look forward to a successful project.

6.0 ANNEXES

Annex 1: Detailed Employment Projections

CATEGORIES	LOCAL		FOREIGN		NUMBER
	Male	Female	Male	Female	
Senior Management Team:					
Managing Director	1				1
Deputy Managing Director		1			1
Managers:					
Accounts Manager		1			1
Marketing Manager	1				1
Supplies Manager		1			1
Preservation Specialist			1		1
Fleet Manager	1				1
Other Staff:					
Drivers and Operators	16				16
Accountants	2				2
Mechanics	14	6			20
TOTALS	34	9	1	0	45

Annex 2: Projected Operating Expenses

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Marketing Expenses	2,000	200	200	200	200
Bank Charges	6,000	6,000	6,000	6,000	6,000
Insurance	9,400	9,400	9,400	9,400	9,400
Office Expenses	8,400	8,400	8,400	8,400	8,400
Permits and Licenses	1,200	100	100	1,100	100
Vehicle Expenses	16,000	16,000	16,000	16,000	16,000
Miscellaneous Expenses	12,000	12,000	12,000	12,000	12,000
TOTAL OPERATING EXPENSES	55,000	52,100	52,100	53,100	52,100

Annex 3: Project Rationale

Details	Years					TOTALS
	Y1	Y2	Y3	Y4	Y5	
Total Production Cost	3,348,182	1,367,500	1,337,250	1,337,250	0	6,829,207
Total Operating Expenses	55,000	52,100	52,100	53,100	52,100	264,400
Income Tax	(789,025)	(378,947)	1,100,743	1,977,636	2,182,480	4,092,887
VAT on Sales	259,200	570,240	940,896	1,379,952	1,379,952	4,530,240
Provision for CSR	0	0	2,567	3500	3,600	9,667
TOTALS	2,880,357	1,610,893	3,433,556	4,751,438	3,618,132	15,726,401
SUMMARIES						
To the Government	259,200	570,240	940,896	3,290,359	3,562,432	8,623,127
To the Private Sector (SMEs)	3,403,182	1,419,600	1,389,350	1,390,350	52,100	7,654,582
To the Society (CSR)	0	0	2,567	3,500	3,600	9,667
TOTALS	3,662,382	1,989,840	3,433,556	4,751,438	3,618,132	15,726,401

Annex 4: Loan Details

DETAILS	LOAN SECURED	INTEREST RATE	ANNUAL PRINCIPAL REPAYMENT	ANNUAL PAYBACK (PRINCIPAL + INTEREST)					TOTAL
				Y1	Y2	Y3	Y4	Y5	
Local Loan	4,431,818	0.13	886,364	1,462,500	1,462,500	1,462,500	1,462,500	1,462,500	7,312,500
Foreign oan	-	0.14	-	-	-	-	-	-	-
TOTAL PRINCIPAL LOAN			886,364	1,462,500	1,462,500	1,462,500	1,462,500	1,462,500	7,312,500

ANNUAL INTEREST DETAILS

DETAILS	LOAN SECURED	INTEREST RATE	ANNUAL PRINCIPAL REPAYMENT	ANNUAL INTEREST PAYBACK					TOTAL
				Y1	Y2	Y3	Y4	Y5	
Local Loan	4,319,654	0.13	886,364	576,136	576,136	576,136	576,136	576,136	2,880,680
Foreign oan	-	0.14	-	-	-	-	-	-	-
TOTAL INTEREST ON LOAN			886,364	576,136	576,136	576,136	576,136	576,136	2,880,680