

SILAWE COMPANY LIMITED

BUSINESS PLAN

FOR

DEVELOPMENT OF COMMERCIAL COMPLEX

At Plot P16728, Tegeta Area- Kinondoni District, Dar Es Salaam Region,

Prepared by:
SILAWE COMPANY LIMITED
DAR ES SALAAM

1.0. EXECUTIVE SUMMARY

This report gives details on a proposal to construct a Modern Commercial Complex Consisting of Multi-businesses such as Shopping Arcades, Offices, Conference centers, single units' apartments, etc., **at Plot P16728, Tegeta Area– Kinondoni District, Dar Es Salaam Region**, the project will also accommodate shopping mall/Banking Hall, Hotel.

The proposed Commercial complex entails the construction of multi-shop arcades together with internal roads, stormwater drainage, wastewater system, fire hydrant installations security walls, standby power house, water tank, land reclamation, and landscaping.

The total project area is approximately 1,043 square meters. The commercial building will consist;

- The basement to be used for parking, Ground floor for Banking Hall, Supermarket Hall, Stair cases,
- The First floor is proposed for 40 shop frames and Stair cases,
- The Second floor is for 35 offices and Stair cases,
- The third floor is for 35 offices and Stair cases,
- The fourth floor is for Hall and Stair cases
- The fifth is upper lounge

The project document presents a proposal by **SILAWE COMPANY LIMITED** the company that is planning to set up a modern commercial complex owned by Tanzanian investors,

The project promoters are confident of mobilizing financial resources through owners' equity and cash flows from the business.

This study is a guiding tool and will be presented to TIC for obtaining a certificate of incentives to facilitate the smooth implementation of the project

1.2. Sponsors.

The project is being sponsored by SILAWE COMPANY LIMITED, a private limited liability company incorporated in Tanzania with Certificate of Incorporation No.92940 issued on 13rd August,2012.

SILAWE COMPANY LIMITED is owned by three shareholders mentioned below:

Shareholders' Names	% of Shares	Nationality
Gideon William Silawe	60	Tanzanian
Mary Gedeon Silawe	140	Tanzanian

1.3 Location

The project will be located at **Plot P16728, Tegeta Area– Kinondoni District, Dar Es Salaam Region**

1.4 The Project

The project involves the construction of shopping arcades, which comprise fifth floors that can accommodate multi-modern business malls, upon completion of this project, the Complex will be available for letting, and complete with all facilities the complex will be fully furnished and well-equipped.

1.5 Design Requirements

There is growing competition in apartments, shopping arcades, and high quality and excellent commercial complex sector in DAR ES SALAAM will be applied especially after the liberalization of the economy. The commercial project to be realized should therefore take into consideration all amenities befitting the sector to attract the right customers. Therefore,

the architects and engineers have been careful in the following during the design and preparations of the project:

- i. Since the Plots, although prime are of moderate size, the architects have the maximum usage of the area, i.e. each centimeter of the available land has been accounted for, of course without compromising the government design regulations or limits,
- ii. All vital amenities for the provision of comfort for occupants have been included.
- iii. The project will have enough car parking space for each unit and will provide social facilities including internal roads, stormwater drainage, a wastewater system, fire hydrants installations, security lights, a reserve water tank, and a standby generator.

1.6 Estimated Capital Costs

The total investment cost of the project is estimated at US\$1,350,000, broken down as follows

SILAWE COMPANY LIMITED PROJECTED INVESTMENT COST US\$

PARTICULAR	
Land and Buildings	1,000,000.00
Machinery & Equipment	200,000.00
Motor Vehicles	70,000.00
Furniture & Fixtures	25,000.00
Pre exp	10,000.00
Others	20,000.00
Working Capital	25,000.00
TOTAL	1,350,000.00

1.7 Management and Staff

The said commercial complex will be managed by a competent real estate management company to be appointed by the holding company on

completion of construction works at a rate of 5% of the gross income excluding service charges, the estate management company will be answerable to the holding company's Management for operational and policy decisions.

Although SILAWE COMPANY LIMITED will own the project complex for letting, it is intended to hire a competent real estate manager company to run and manage the property on a day-to-day basis, a total of 15 people to be employed by the project

The real estate managers will be responsible for the preparation of annual budgets, maintenance, cleanliness, preparation of annual accounts, debt collection, submission of statutory payments and returns, marketing, liaising with government authorities, and performing other day-to-day management functions.

The Management of SILAWE COMPANY LIMITED will oversee Policy issues which will be the responsibility of the Board of Directors headed by a chairman.

2.0 Market and Demand

Due to the nationalization of private commercial buildings and residential houses in 1967, the country witnessed a sudden halt in the construction industry. The present residential houses available in the City are by large as old as over thirty-five years now. Construction of private houses resumed about fifteen years ago on a small scale brought about by the liberalization policy. This has been carried out by civil servants and parastatal organizations for their consumption, although some have been forced to rent out to service mortgages and other personal financial obligations.

When the Tanzania Government decided to shift its capital from Dar es Salaam to Dodoma. For the private companies, it was clear from the start they would remain in Dar es Salaam as the City would have continued to

be the main industrial and commercial center of Tanzania. Most of the multinational companies investing in mining, tourism, and agriculture have their headquarters in Dar es Salaam.

Taking into consideration the above observations it is obvious that Dar es Salaam will remain an industrial and commercial center indefinitely. Against this background, industrial and commercial activities in Dar Es Salaam have continued to grow accompanied by growing demand for quality residential houses, shopping arcades, and office accommodation, not being matched by the corresponding supply.

This project will be one of the best in Dar es Salaam and it is expected to alleviate, albeit modestly, the present situation of the shortage of modern quality commercial complexes, well secured and constructed in up-market areas.

Construction of commercial houses started again about seven years ago but on a small scale due to the unavailability of suitable Plots within the City and the well-planned areas.

Most of the constructed quality houses are replacements of the old commercial houses, which means in real terms there has been no increase in several houses required. To alleviate this situation of a severe shortage of quality houses within the City's premium areas such as Oysterbay, and Masaki, the investors have to fully utilize the big Plots by building several well-designed units as proposed in this project. Nevertheless, while this process is taking place, demand will increase because of the demolition of occupied old houses until when new houses are completed. It is therefore paramount that this project is implemented quickly to cash on the current trend created and the normal demand for quality commercial complexes.

This project aims to cater to the requirements of the upper-income group, a major portion or about 90% of which would come from the population living in Mbweni and neighboring areas,

. According to the recent report by the Tanzania Investment Centre (TIC), the Centre has approved projects of which about 75% are based in Dar es Salaam. These projects covering various sectors of the economy will create additional demand for quality residential houses adding to the already existing shortage. According to the Consultants' discussion with the National Housing Corporation is the major landlord in Tanzania, it was discovered that since the inception of the Corporation, which is now merged with the Registrar of Buildings, no quality residential houses for upper-income groups have been built as it was thought to be luxury and not a necessity.

It can be observed that most of the Multinational Organizations doing business in Tanzania have their offices in the neighboring country of Kenya, neither because they want to operate from there, nor is it cheaper or secure to them but due to lack of suitable and quality accommodation to house their executives and technical personnel families among others

2.1 **Supply and Competition**

The proposed commercial complex at Tegeta will compete with all commercial complexes in the neighboring area such as Bunju, Tegeta, Kunduchi, and Mbezi Beach,

2.2 **Market Strategy**

According to experts, personal selling is the most effective method for marketing packaging accommodation, training, and conference services because of the customers and institutions. To reduce sunk costs, the project will use marketing agents who will be paid commissions on successful deals. Marketing in all types of media and publicity will support and enhance personal selling

The project will use the internet for advertising to potential customers in the world.

2.3 Pricing

The pricing policy for the project will be based on the service cost and competition levels considering various variables namely:

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

The recommended market entry tariffs, the average rent is USD 20 per square meter per month

2.4 Monitoring and Evaluation

The Management has full commitment to ensuring good use of the resourced and sustainable environment and the well-being of the community with which they do business. Thus, the management philosophy is through business processes, managers will strive to ensure compliance with standards and the safety of the products and customers they serve.

2.5 Aspect of Project Sustainability

The project sponsors having studied market conditions and the infrastructure in Tanzania are convinced that the project will be able to operate undisturbed. The growth of the economic activities in Dar es Salaam City assures them of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

3.0 Project Investment Cost

In arriving at the total estimated cost of the project of US\$1,350,000.the quantity surveyor's estimates based on architects' preliminary designs, the

cost of acquisition of Plots, and quotations for equipment have been taken into consideration.

Based on construction costs provided by the quantity surveyors and the project designers (architects) total capital outlay for the completion of the estimated complex including the cost of the Plots is estimated at US\$1,350,000 broken down as follows:

SILAWE COMPANY LIMITED PROJECTED INVESTMENT COST US\$

PARTICULAR	US\$
Land and Buildings	1,000,000.00
Machinery & Equipment	200,000.00
Motor Vehicles	70,000.00
Furniture & Fixtures	25,000.00
Pre exp	10,000.00
Others	20,000.00
Working Capital	25,000.00
TOTAL	1,350,000.00

For the project to be a reality a total investment amounting to US \$ 1,350,000 is needed

(i) Land and Building: Us \$1,000,000

The project has opted for the construction of a modern commercial complex estimated to cost US \$1,000,000.

(ii) Machinery and Equipment: US\$ 200,000

Some US \$200,000 is anticipated to be spent on the purchase of various commercial complex tools and equipment that will accommodate new technology

(iii) Motor Vehicles: US\$70,000

The project will need 2 double cabin picks. These vehicles will be used to facilitate project business and for administrative purposes.

(iv) Furniture and Equipment: US \$25,000

This investment cost item has been estimated to cost US \$25,000. It will consist of beds, tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

(v) Pre-Operational Expenses: US\$ 10,000

They cover things like company registration, and expenses spent in exploring the viability of the project, especially the market/client identification exercise. This pre-operational cost item also covers the architectural designs of project buildings and other engineering services. Also included under this item are issues like consultancy fees, legal fees, and recruitment and training costs of personnel.

(vi) Initial Working Capital: US\$25,000

Calculations as well as assumptions for working capital requirements, it is estimated that it will cost US \$ 25,000.

5.0 Financing pattern

The project will be financed by equity of US\$ 600,000 and a loan US \$750,000

5.0 Project operating costs

To realize its intended objective the project will have to meet the operating costs estimated to be 15% of the total revenue

6.0 Financial Analysis

6.1 Considerations and Assumptions:

The corporate tax charged is 30% of the profits. The capital investment allowance is 50%. The capital assets are exempted from customs duty and

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

It is assumed that the major building raw material will be procured from the local market and others will be imported. Revenues have been conservatively estimated based on the experience of the promoters and trends in the real estate industry.

8.2 Financial Statements:

8.3 Projected Revenue

For projection purposes, it is assumed that the economic life of the project is 10 years and that revenue from business commences from the first year of operation.

SILAWE COMPANY LIMITED PROJECTED SUMMARY OF REVENUE " US\$"

	1	2	3	4	5	6	7	8	9	10
Revenue	240,000	252,000	264,600	277,830	291,722	306,308	321,623	337,704	354,589	372,319

8.4 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 10 years. The position depicted is that the project earns profit throughout its life. Accumulated after-tax profits grow from. US **\$106,750** in the first year to US **\$1,699,432** in the 10-year

SILAWE COMPANY LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

	1	2	3	4	5	6	7	8	9	10
Revenue	240,000	252,000	264,600	277,830	291,722	306,308	321,623	337,704	354,589	372,319
Operating Expenses:	12,000	12,600	13,230	13,892	14,586	15,315	16,081	16,885	17,729	18,616
Profit before Depreciation & Interest	228,000	239,400	251,370	263,939	277,135	290,992	305,542	320,819	336,860	353,703
Interest	45,000	36,000	27,000	18,000	9,000	0	0	0		0
Depreciation	30,500	30,500	30,500	30,500	30,500	30,500	30,500	30,500	30,500	30,500
Gross Profit	152,500	172,900	193,870	215,439	237,635	260,492	275,042	290,319	306,360	323,203
Tax (30%)	45,750	51,870	58,161	64,632	71,291	78,148	82,513	87,096	91,908	96,961
Profit After Tax	106,750	121,030	135,709	150,807	166,345	182,345	192,529	203,223	214,452	226,242
Accumulated Profit	106,750	227,780	363,489	514,296	680,641	862,985	1,055,515	1,258,738	1,473,190	1,699,432

8.5 Projected Cash Flows

This is shown in the financial statements. The project has a positive end-of-year cash flow from year 1st, i.e. US\$**182,250** of operation to the 10th year i.e. US \$**2,139,432**

SILAWE COMPANY LIMITED PROJECTED CASH FLOW " US\$"

SOURCES:		1	2	3	4	5	6	7	8	9	10
Profit before interest and depreciation		228,000	239,400	251,370	263,939	277,135	290,992	305,542	320,819	336,860	353,703
Equity	600,000										
Loan	750,000										
Total Sources	1,350,000	228,000	239,400	251,370	263,939	277,135	290,992	305,542	320,819	336,860	353,703
Applications:											
Capital expenditure	1,295,000	-	-	-	-	-					
working Capital & Others	55,000										
Cash	-	182,250	187,530	193,209	199,307	205,845	212,845	223,029	233,723	244,952	256,742
Tax	-	45,750	51,870	58,161	64,632	71,291	78,148	82,513	87,096	91,908	96,961
Sub total	1,350,000	228,000	239,400	251,370	263,939	277,135	290,992	305,542	320,819	336,860	353,703
Total applications	1,350,000	228,000	239,400	251,370	263,939	277,135	290,992	305,542	320,819	336,860	353,703
Accumulated cash		182,250	369,780	562,989	762,296	968,141	1,180,985	1,404,015	1,637,738	1,882,690	2,139,432

8.6 Projected Balance Sheet

The projected Balance Sheet of the project is shown in the financial statements under the same heading. Net worth of the project increases from US\$600,000 in the first year of operation to US \$2,299,432 in the 10th year

SILAWE COMPANY LIMITED PROJECTED BALANCE SHEET " US \$"

Fixed Assets		1	2	3	4	5	6	7	8	9	10
Opening balance	–	1,295,000	1,263,500	1,232,000	1,200,500	1,169,000	1,137,500	1,106,000	1,074,500	1,043,000	1,011,500
Total Long-term Assets	–	1,295,000	1,263,500	1,232,000	1,200,500	1,169,000	1,137,500	1,106,000	1,074,500	150,000	
Less depreciation	–	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500	31,500
Closing balance	–	1,263,500	1,232,000	1,200,500	1,169,000	1,137,500	1,106,000	1,074,500	1,043,000	118,500	(31,500)
Working capital	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Accumulated cash	–	182,250	369,780	562,989	762,296	968,141	1,180,985	1,404,015	1,637,738	1,882,690	2,139,432
Total assets	55,000	1,500,750	1,656,780	1,818,489	1,986,296	2,160,641	2,341,985	2,533,515	2,735,738	2,056,190	2,162,932
Financed by											
Equity	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Accumulated profit	–	106,750	227,780	363,489	514,296	680,641	862,985	1,055,515	1,258,738	1,473,190	1,699,432
Total equity	600,000	706,750	827,780	963,489	1,114,296	1,280,641	1,462,985	1,655,515	1,858,738	2,073,190	2,299,432
Long term loan	750,000	600,000	450,000	300,000	150,000	–	–	–	–	–	–
Total debts	750,000	600,000	450,000	300,000	150,000	–	–	–	–		
Total equity and debts	1,350,000	1,306,750	1,277,780	1,263,489	1,264,296	1,280,641	1,462,985	1,655,515	1,858,738	2,073,190	2,299,432

8.7 Projected payback period

Total investment is US \$ 1,350,000, cash accumulation in 8 years is US\$ 1,674,591 which is more than the initial investment of US\$324,591, the project payback Period is exactly 8 years, only
The project has a relatively short payback period.

SILAWE COMPANY LIMITED PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	106,750	31,500	138,250	138,250
2	121,030	31,500	152,530	290,780
3	135,709	31,500	167,209	457,989
4	150,807	31,500	182,307	640,296
5	166,345	31,500	197,845	838,141
6	182,345	31,500	213,845	1,051,985
7	203,223	31,500	234,723	1,286,709
8	330,400	31,500	387882.25	1,674,591
9	214,452	31,500	387882.25	2,062,473
10	226,242	31,500	387882.25	2,450,355

8.8 Projected loan repayments

The loan borrowed from a financial institution is expected to be fully paid within 5 years of projection operation

SILAWE COMPANY LIMITED PAYBACK PERIOD

Year	Principle	Loan Interest (6%)	Total Amount Paid	Loan Balance
1	150,000.00	45,000.00	195,000.00	750,000.00
2	150,000.00	36,000.00	186,000.00	600,000.00
3	150,000.00	27,000.00	177,000.00	450,000.00
4	150,000.00	18,000.00	168,000.00	300,000.00
5	150,000.00	9,000.00	159,000.00	150,000.00

8.9 Projected Risks

This is a real estate investment; no major risks have been identified for this kind of project so far. Unless a change in the country's political and economic stability occurs, the project is more likely to prosper very fast for a very long period. Like any other project, one such risk factor could be competition. As the country continues to liberalize its economy more investments will take place in the real estate sector. More supply of real estate facilities will tend to lower the demand for residential accommodation. However, market saturation will take place over a longer time since as explained above demands right now are fairly high and it will take time before it is satisfied. The other unlikely factor is gradually improving its quality of governance. It is therefore hoped that peace will be sustained indefinitely.

9.0 Economic Aspects

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

- The project is an ideal option for utilization of the recently acquired prime site
- The project will increase the share value of shareholders
- The project will create employment for 15 people on a permanent contract basis as well as temporarily.
- It will create more business opportunities for local suppliers and transporters, which will also have a trickle-down effect on environmental issues.
- It will generate substantial revenue for the government in the form of corporate tax, value-added tax, and pay-as-you-earn.
- The project will transfer knowledge and skills to the local investor as far as managing a big project

10.0 Implementation

Project implementation is expected to be relatively very short once the project has been approved it is estimated that the construction of the commercial complex will be completed within one year: –

11.0 Recommendations

The project is technically feasible, financially viable, and economically sound, provided the sponsors will manage it efficiently.

It is recommended that the project be approved by the Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 1997.

12 Conclusion

Given the above explanations and arguments, it is clear that the project is in time and the proposed modern Commercial complex will just be a drop in the ocean compared to the current demand

It is therefore recommended that the project take off as planned and designed. It is paramount that quality finishing and materials must be used and all architects, engineers, and designer's instructions have to be carried out as specified to achieve the international standard acceptable to the market being aimed at