

Business Plan

Integrated CKD Project

Project Owner:

S&Q Group International Limited

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INTRODUCTION

S & Q Group International Limited is a limited company legally operating in Tanzania for over two years now. It was incorporated on 7th January 2022 vide registration number 154647589 with the Business Registration and Licensing Authority of Tanzania (BRELA). The company is also registered with various other authorities for business or investment projects and compliance purposes.

The company has its main office in Dar Es Salaam, Kijitonyama area, off Bagamoyo Road at Victoria Noble Center Building, 15th Floor. According to the Memorandum and Articles of Association, the company was established with the objectives of conducting various business operations. Preliminarily, the focus areas interest has been in poultry, manufacturing and sale, maintenance and repair of motorcycles and related parts and accessories including motorcycles tires.

In the scope of these areas, the company is already running a breeder hatching line in the Coast Region, Mkuranga District Council within Kididimo-Mkwali Area at Kitumbo Village. Other businesses have been import and import and selling of roofing sheets, automobile sales and dealings in agricultural products such as sesame as trials.

The Business Idea

Subject to the outcome of assessment of investment factors in Tanzania which the company commissioned since its establishment, it has resolved now to invest and operate a CKD Project to leverage on the positive factors in the Tanzania investment and regulatory environment and the convenience of logistics to import assorted parts of various vehicles into Tanzania.

The project will mainly focus on importing parts from China and across other parts abroad where the needed parts are readily available. The project's operations are planned to be able to achieve at least a market share of 15% in the automotive sector within 5 years.

The main concern will therefore be how to expand the company from the start to a nationally recognized brand and achieve this market share. Along the objectives, the project gears to promote sustainability by including electric vehicles in our product lineup which is going to be among the newest in the market and by utilizing adequately the opportunity of the available incentive schemes in Tanzania,



BUSINESS PLAN FOR THE INTEGRATED CKD ASSEMBLY PROJECT

Location:

Within the land premises known as Plot No.2, Block F situated at Mkwalia Kitumbo, Mkuranga District Council, in Coast Region. The land is held under Lease Title Agreement between Tanzania Investment Center and the sister company of S & Q; M/s PING DA Group International of P.O. Box 11885 Dar Es Salaam as registered on 26th September 2023.

Vision Statement

To become a leading and innovative CKD assembly facility in Tanzania, revolutionizing the transportation and agricultural sectors by providing high-quality, affordable, and eco-friendly vehicles that drive economic growth and sustainable development.

Mission Statement and Objectives

- i. **High-Quality Assembly:** To establish a state-of-the-art assembly line that adheres to the highest standards, ensuring the production of reliable and durable motorcycles, agricultural vehicles, tractors, automobiles, and electric cars.
- ii. **Economic Growth:** To contribute to the local economy by creating job opportunities, promoting local manufacturing, and reducing dependency on imported fully assembled vehicles.
- iii. **Sustainable Development:** To champion sustainability by focusing on the assembly of electric vehicles and promoting eco-friendly transportation solutions.
- iv. **Technological Advancement:** To foster technological innovation and knowledge transfer by collaborating with partners in China and the globe's other parts of advanced technologies and training local talent in advanced assembly techniques.
- v. **Customer Satisfaction:** To prioritize customer needs by offering a diverse range of high-quality vehicles that meet various demands and provide exceptional value.
- vi. **Community Engagement:** To support community development through corporate social responsibility initiatives and active participation in local economic activities.

Values

- i. **Integrity:** Upholding the highest standards of honesty and transparency in all operations and interactions.
- ii. **Quality:** Committing to highest possible standard in every aspect of the assembly process to ensure superior products.
- iii. **Innovation:** Embracing new technologies and ideas to stay at the forefront of the automotive industry.
- iv. **Sustainability:** Promoting eco-friendly practices and the production of electric vehicles to protect the environment.
- v. **Customer Focus:** Dedication to understanding and meeting the needs of customers with tailored solutions.



- vi. **Community:** Supporting local communities and contributing positively to the socioeconomic development of the region.
- vii. **Collaboration:** Fostering partnerships and teamwork to achieve common goals and drive mutual success.

Executive Summary

The Integrated CKD Assembly Project aims to establish an Integrated CKD facility in Mkuranga District to assemble various vehicles from imported knocked-down kits and sell them in the whole of hotspot markets in Tanzania.

The initial project investment value is USD 5,000,000 and is projected to grow to USD 10,000,000 in 5 years.

Business Model:

The project facility targets to import and assemble CKD parts of various vehicles including motorcycles, agricultural vehicles, tractors, automobiles, and electric cars.

Subsequently, the project aims to tap into the growing automotive market in Tanzania by offering a diverse range of assembled vehicles. By focusing on quality, affordability, and local production, the company is well-positioned to meet the needs of Tanzanian consumers and contribute to the country's economic development.

This business plan provides a comprehensive overview of setting up an import and assembly operation for CKD parts in Dar Es Salaam. However, the plan is at this stage provisional. A call for adjustments and detailed analyses may be required based on further research outcomes and specific dynamics of local conditions in Tanzania.

Financial Plan

- a. *Initial Investment:* This is planned for Facility setup covering construction, equipment, and initial inventory.
 - b. *Operating Capital:* This is planned to cover costs of initial import, staff salaries, and marketing.
2. Revenue Streams:
- a. *Vehicle Sales:* Income from assembled vehicles.
 - b. *After-Sales Services:* Maintenance and spare parts sales.
3. Financial Projections:
- a. *Revenue Forecast:* This will present projected sales based on market research and capacity.
 - b. *Expense Forecast:* this will cover costs of operations, including import duties, salaries, and utilities.
 - c. *Profitability:* These will feature expected profit margins and breakeven analysis.
4. Funding Requirements:
- a. *Sources:* Equity investment, bank loans, and potential government grants or incentives.
 - b. *Usage:* this is expected to cover allocation of funds for setup, working capital, and growth initiatives.



Financial Summary

Investment Breakdown

Initial Investment: USD 5,000,000

Expected Capital Investment in 5 Years: USD 10,000,000

Source of Funds

Own Equity: 60% of total investment which is USD 5,000,000 = USD 3,000,000

Borrowing: 40% of total investment which is USD 5,000,000 = USD 2,000,000

Total Assembly and Sales Capacity (Yearly and Cumulative)

A: Motorcycles

a) 3 -Wheeled Motorcycles:

Year 1: 350 units

Year 2: 700 units (1050 cumulative)

Year 3: 1400 units (2450 cumulative)

Year 4: 2800 units (5250 cumulative)

Year 5: 5600 units (10850 cumulative)

b) 2-Wheeled Motorcycles:

Year 1: 400 units

Year 2: 800 units (1200 cumulative)

Year 3: 1600 units (2800 cumulative)

Year 4: 3200 units (6000 cumulative)

Year 5: 6400 units (12400 cumulative)

B: Agricultural Vehicles:

Year 1: 500 units

Year 2: 1000 units (1500 cumulative)

Year 3: 2000 units (3500 cumulative)

Year 4: 2500 units (6000 cumulative)

Year 5: 3000 units (9000 cumulative)

C: Tractors:

Year 1: 400 units

Year 2: 1000 units (1400 cumulative)

Year 3: 2000 units (3400 cumulative)

Year 4: 2500 units (5900 cumulative)

Year 5: 3500 units (9400 cumulative)

D: Automobiles:

Year 1: 250 units

Year 2: 500 units (750 cumulative)

Year 3: 1000 units (1750 cumulative)

Year 4: 1500 units (3250 cumulative)

Year 5: 2000 units (5250 cumulative)



E: Electric Cars

i. 2-Wheeled Electric Cars:

Year 1: 200 units

Year 2: 400 units (600 cumulative)

Year 3: 400 units (1000 cumulative)

Year 4: 800 units (1800 cumulative)

Year 5: 1600 units (3400 cumulative)

ii. 3-Wheeled Electric Vehicles:

Year 1: 250 units

Year 2: 500 units (750 cumulative)

Year 3: 1000 units (1750 cumulative)

Year 4: 2000 units (3750 cumulative)

Year 5: 4000 units (7750 cumulative)

iii. 4-Wheeled Electric Vehicles:

i. Year 1: 60 units

ii. Year 2: 120 units (180 cumulative)

iii. Year 3: 240 units (420 cumulative)

iv. Year 4: 480 units (900 cumulative)

v. Year 5: 960 units (1860 cumulative)

Cost Distribution based on prevailing sample quotations (Yearly and Cumulative)

- i. 3-Wheeled Motorcycles: Average cost of importing is USD 900
- ii. 2-Wheeled Motorcycles: Average cost of importing is USD 700
- iii. Agricultural Vehicles: Average cost of importing is USD 7,900
- iv. Tractors: Average cost of importing is USD 15,000
- v. Automobiles: Average cost of importing is USD 12,000
- vi. 2-Wheeled Electric Cars: Average cost of importing is USD 3,500
- vii. 3-Wheeled Electric Vehicles: Average cost of importing is USD 750
- viii. 4-Wheeled Electric Vehicles: Average cost of importing is USD 5,000

The Sale Value of assembled vehicles in Tanzania

- i. 3-Wheeled Motorcycles: Average cost of importing is USD 1,750
- ii. 2-Wheeled Motorcycles: Average cost of importing is USD 1,200
- iii. Agricultural Vehicles: Average cost of importing is USD 15,000
- iv. Tractors: Average cost of importing is USD 25,000
- v. Automobiles: Average cost of importing is USD 18,000
- vi. 2-Wheeled Electric Cars: Average cost of importing is USD 5,600
- vii. 3-Wheeled Electric Vehicles: Average cost of importing is USD 1,300
- viii. 4-Wheeled Electric Vehicles: Average cost of importing is USD 8,000



2. Standard Tax and Duties

The standard tax and duties will be calculated based on the cost of importing parts from China and the local tax regulations in Tanzania. The following have been in reference in the preparation of the business plan

- i. Import duty of 25%
- ii. Income tax of 10%
- iii. Value Added Tax of 18%
- iv. Corporate tax of 30%

3. Investment Cost Ratio

Based on the outcome of received and processed inputs, the plan has considered the following information ratios and other information

- i. Investment Capital (Deemed Capital Goods inclusive) : 25%
- ii. Construction Cost: 17.5%
- iii. Sales and Marketing Cost: 10%
- iv. Other Costs have represented 57.5% (inclusive of 5% of assembly cost per unit)
- v. The estimated market export price of knocked parts if assumed largely imported from China is 40% less than the assembled vehicle price in Tanzania.
- vi. Discount rate of between 4-10% was considered when working out the estimates of cash flows.
- vii. Tanzanian vehicle sales data has been extracted as estimate price reference for assembled vehicles

Sample Workings

4. Total Revenue Based on Sales Units and Prices

Formula: multiply the number of units sold by their respective sale values.

Example: Workings for Year 1:

a) 3- Wheeled Motorcycles:

Revenue = 350 units * USD 1750 = USD 612,500

b) 2-Wheeled Motorcycles:

Revenue = 400 units * USD 1200 = USD 480,000

c) Agricultural Vehicles:

Revenue = 500 units * USD 15,000 = USD 7,500,000

d) Tractors:

Revenue = 400 units * USD 25,000 = USD 10,000,000

e) Automobiles:

Revenue = 250 units * USD 18,000 = USD 4,500,000

f) 2-Wheeled Electric Cars:

Revenue = 200 units * USD 5600 = USD 1,120,000

g) 3-Wheeled Electric Vehicles:

Revenue = 250 units * USD 1300 = USD 325,000

h) 4-Wheeled Electric Vehicles:

Revenue = 60 units * USD 8000 = USD 480,000

Total Year 1 Revenue:= USD 25,017,500

*Note that in the financial projection, the same calculation has been used for the subsequent years to cover the entire project period and for all types of vehicles.



Due to limitation of some metric information whose value can be known or best forecasted only after commencement of operations, for purpose of projections for this upcoming project, the following information, being known or assumed have been used in preparation of this business plan for, where required, for reference purposes too.

1. Initial Investment capital of USD 5,000,000 and expected to grow up to USD 10,000,000 in 5 years for the project in Tanzania, Dar Es Salaam
2. Distribution on Source of Funds, that is Own Equity 60% of total investment and Borrowing 40% of total investment.
3. Market export price in China for knocked parts is 40% less than the assembled vehicle price value in Tanzania
4. Deemed cost of investment goods represents around 25% of total initial investment capital goods
5. Construction cost average 17.5 % of initial investment capital
6. Sales and marketing cost takes 10% of initial investment value
7. All other remaining costs such as salary and wages, taxes and statutory fees, consultancies, rentals, office expenses and working tools etc. represent the remaining 57.5% of the investment capital
8. Average salaries and wages is pegged at USD 450 for all classes of skilled and semi-skilled and non-skilled employees
9. Notarization fee of USD 5 per document for legal fees per documents
10. Maximum of 3 % fee charge on contract value for all applicable contracts to be entered
11. Discount rate of between 4-10% for cash flow projection
12. Assembly average coast of 5% for each unit's sale value in Tanzania after assembly

Although some of the following metrics have not been fully utilized quantitatively to produce real time outputs due to known limitations, they have instead been employed too to guide the implementation of this business plan with clarity, and as credible reference in the lifeline future of the project.

1. Total assembly and units for sale capacity yearly and cumulative
2. Standard tax and duties to be levied as per given inputs available public information
3. Average prices based on comparisons from reliable sources
4. Total revenue based on sales units and prices
5. Return on Investment (ROI)
6. Run rate of revenues against cost
7. Internal rate of Return
8. Profit Margins year on year and cumulative
9. Cost of Sales
10. Net Present Value (NPV) and Internal Rate of Return (IRR)
11. Estimated Cash Flows: Yearly revenues and costs
12. Average comparative costs between source price in China and sale value after assembling the vehicles in Tanzania.



We have also analyzed the possible outcomes of the following important financial metrics for viability confirmation;

- i. Return on Investment (ROI) by looking at the values of Net Profit and Total Investment,
- ii. Run Rate of Revenues (RRR) based on the yearly revenue and cost projections to compare and track profitability over time.
- iii. Internal Rate of Return (IRR) by a discounting rate (using the projected cash flows and initial investment) that ideally makes the NPV of cash flows from the investment equal to zero.
- iv. Profit Margins Year on Year and Cumulative by examining estimated profit margins and net profit margins,
- v. Cost of Sales by integrating the cost of imported parts and the assembly (Year 1 to Year 5) in the picture of sum of revenues for all vehicles per year and sum of costs for all vehicles per year respectively.
- vi. Net Present Value (NPV) by looking at the picture of Net Cash Flow and Revenue less of Costs of a specific time period and;
- vii. Estimated Cash Flows based on revenue projections, cost of sales, operational expenses, and other costs.

13. Market Rates for Parts and Assembled Vehicles

Rates have been fetched based on the current market data.

14. Comparison between costs of importing parts from China vs. Assembling in Tanzania

For purpose of establishing basic grounds for viability and ultimately profitability, we have worked out the cost of importing a compound of parts in a single unit of product from China versus the sales value after assembly with the picture of total cost per unit.

Sample workings for 3-Wheeled Motorcycles:

Import Cost: USD 900 per unit

Assembly Cost: 5% of Sale Value = 5% of USD 1,750 = USD 87.5 per unit

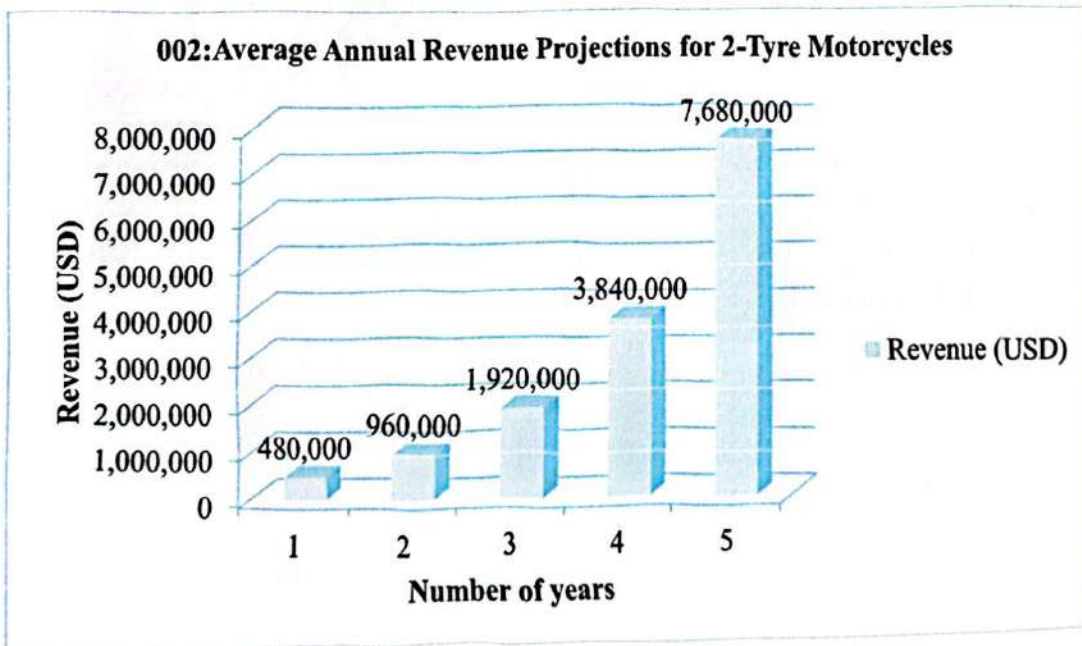
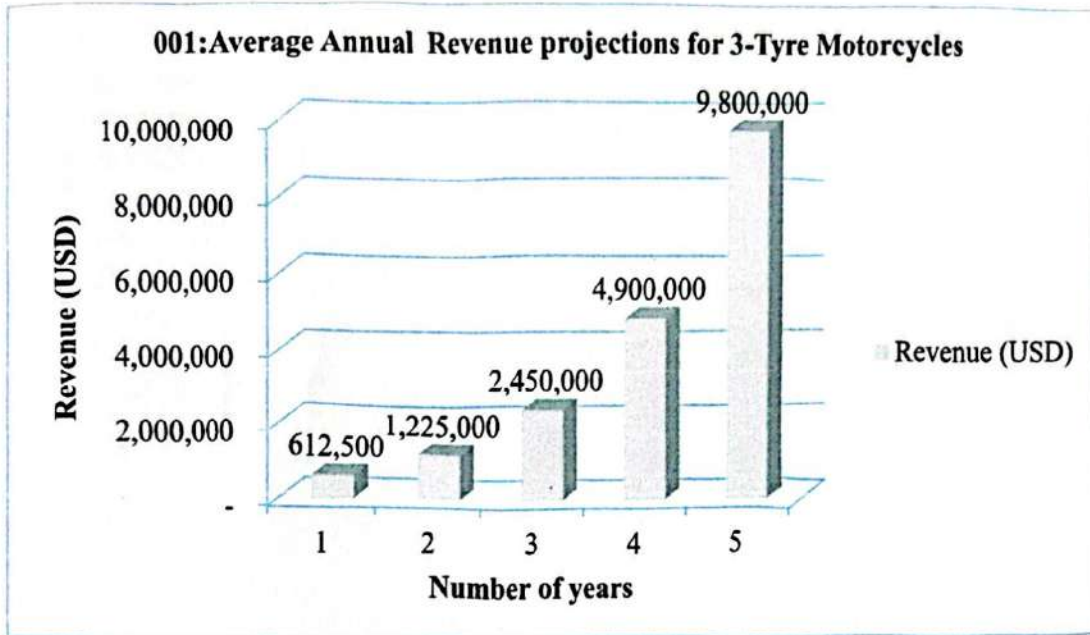
Total Cost per unit: USD 987.5

Sale Value: USD 1,750

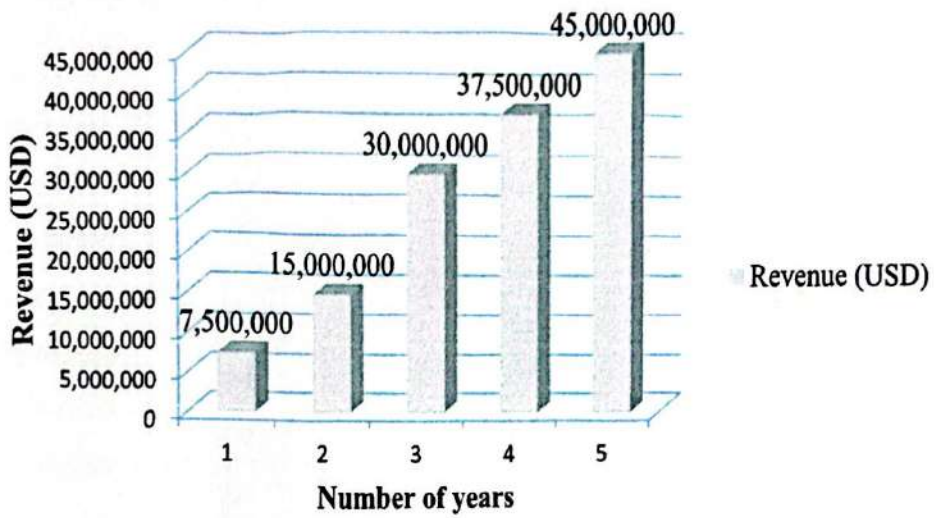
Gross Profit per unit: USD 762.5



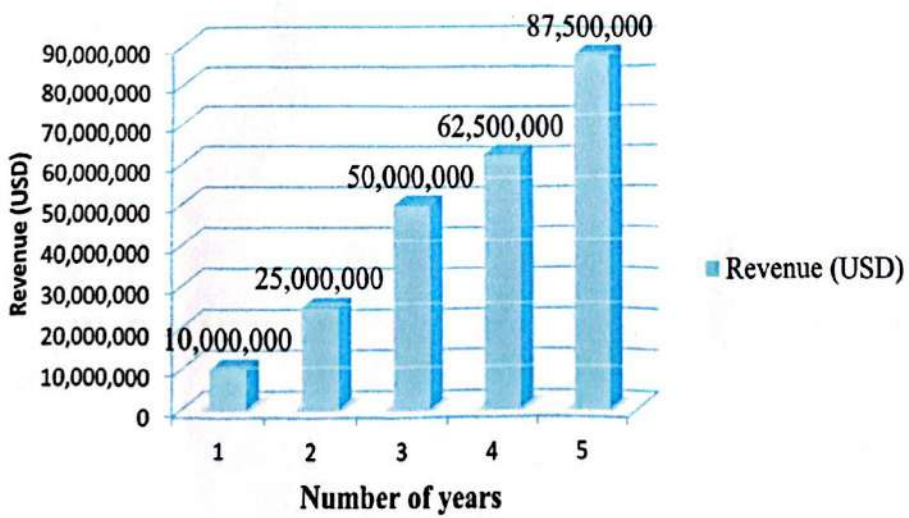
Graphical Presentation of Revenue Estimates



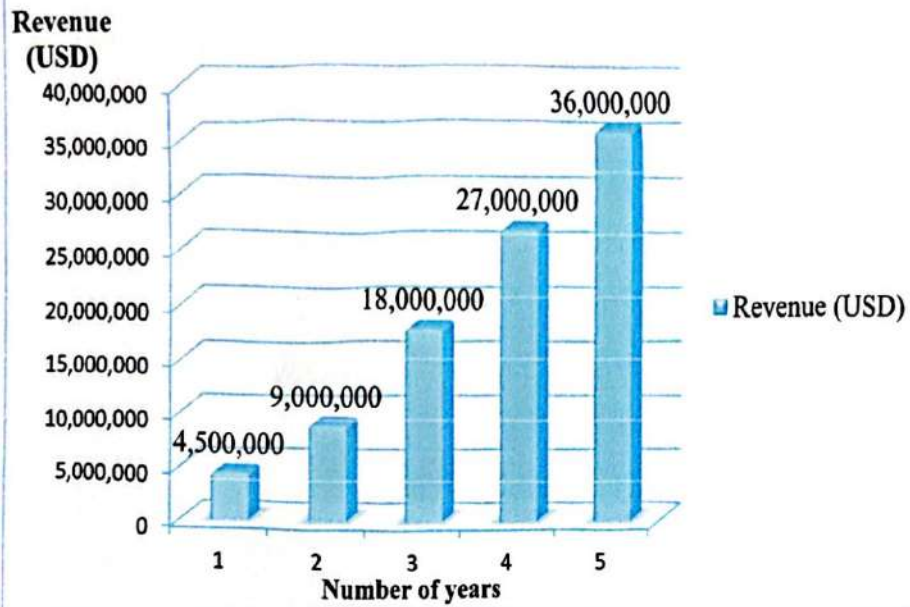
003: Average Annual Revenue Projections for Agricultural Vehicles



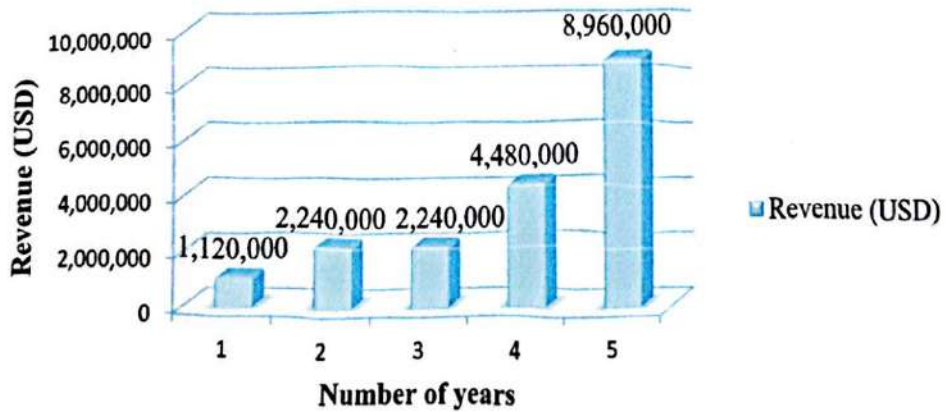
004: Average Annual Revenue Projections for Tractors



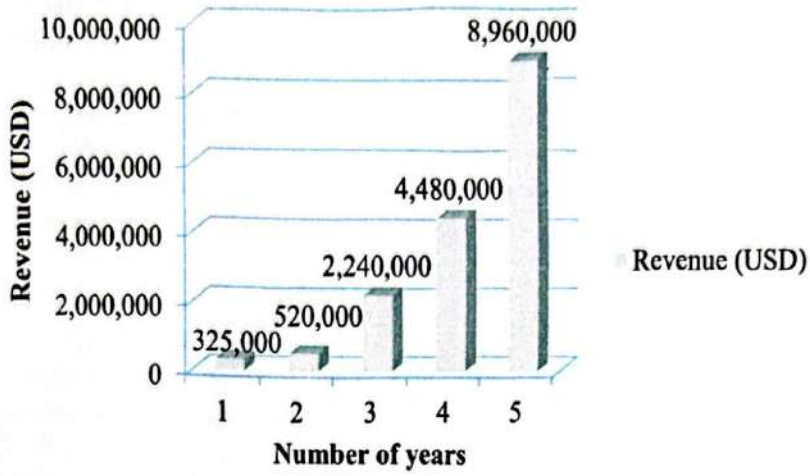
005: Average Annual Revenue Projections for Automobiles



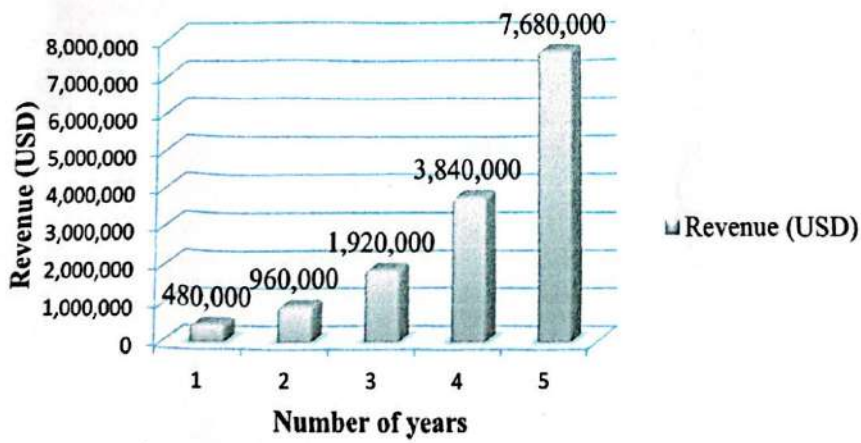
006: Average Annual Revenue Projections for 2- Wheelled Electric Cars



007: Average Annual Revenue Projections for 3-Wheeled Electric Vehicles



008: Average Annual Revenue Projections for 4-Wheeled Electric Vehicles



Financial Projections and Analysis

In order to arrive at sound revenue projections (yearly) we have integrated the cost analysis, profit margins, NPV and IRR calculations and cash flow analysis for all types of units for the covered periods.

Based on changing market conditions, competition and other factors, the presentation in the part of financial projections and customized analysis made for this Business Plan are made for provisional use and may be subject to review depending on the dynamics upon commencement and during execution periods.

Benefits Analysis

a) Employment Creation:

The project is planned to create direct employment of not less than 100 staff at full swing stages (for assembly, administration, sales, etc.)

b) Import Substitution:

There are expected reduction in import of finished vehicles and increased local production. This will translate to positive pricing impact and will contribute to affordability by more Tanzanian.

c) Foreign Currency Generation/Savings:

The country (Tanzania) will save expenditures on foreign currencies from reduced import of fully assembled vehicles. Depending on the local sales consumption capacity and market conditions, the sales of final products will be introduced to markets of neighboring countries which will bring in foreign earnings as well.

d) Business Linkage Benefits:

Due to nature and size of the project, the sales of home assembled vehicles will contribute to higher development of local suppliers and ancillary businesses.

e) Transfer of Technology:

There will be expansion in the use of technology that is applied in the assembly of vehicles with similar or related build up with other existing players. The project will further bring introduction of advanced assembly technologies and processes. The local manpower will therefore be empowered and contribute to the nation's base of skilled workforce.

f) Qualifications and Experience:

The project will consider employing experienced local management team, technical teams and a range of semi-skilled teams with a background in assembly and production, sales and related attributes who will work along with the a team of approved technical personnel from China and other parts as will be necessary.

g. Investment Cost:

I. Initial Investment Period

Expected foreign expenditure: USD 3,000,000

Expected local expenditure: USD 2,000,000

II. Subsequent investment Period

Expected foreign expenditure: USD 7,000,000

Expected local expenditure: USD 3,000,000

III. Investment –Initial Period



Equity: 60% (USD 3,000,000)

Borrowing: 40% (USD 2,000,000) at assumed interest rate of 8% per annum.

IV. Investment –Subsequent/Final Period

Equity: 60% (USD 6,000,000)

Borrowing: 40% (USD 4,000,000) at assumed interest rate of 8% per annum.

h) Technology Sources:

It is expected the project will import technology from Chinese manufacturers and leverage local technical experts.

j. Project Assembly Capacity:

Full capacity of assembly plant will meet annual production targets as specified. When the assembly capacity is fully met, there will be complete interplay of advantages to consumers of products from this project and other stakeholders.

k. Environmental Protection:

The project owners are committed to minimizing environmental impact, compliance with Tanzanian regulations, specifically adhering on guidelines of the facility's waste management.

Implementation Schedule:

The project is expected to commence initial operations during the first year on the first six months of construction and setup:

Construction as per assembly units are planned to be completed every after 12 months

Cost-Benefit Analysis:

Compare total costs against expected benefits (revenue, employment, local business growth).

Example: Extract Data Summary:

Estimated Year 1 Revenue: USD 2,800,000

Estimated Year 1 COGS: USD 1,775,000

Estimated Year 1 Net Profit: USD 225,000

Year 1 ROI: 4.5%

NPV Calculation:

NPV calculation using projected cash flows and discount rate has not been performed due to current undecided parameters.

Market Analysis

1. Industry Overview:

The Tanzanian automotive market is growing, driven by increasing urbanization and infrastructure development.

There is a rising demand for affordable vehicles, including motorcycles, cars, and agricultural equipment.

2. Target Market:

Urban and rural individuals seeking affordable transportation.

Farmers and agricultural businesses needing tractors and specialized vehicles.



Growing interest in electric vehicles due to increasing environmental awareness.

3. Market Needs:

- a. Affordable transportation solutions.
- b. Reliable and durable agricultural machinery.
- c. Increased availability of electric vehicles as alternatives to traditional fuels.

4. Competition:

- a. Local and international vehicle importers.
- b. Existing assembly plants and used vehicle markets.

5. SWOT Analysis:

Strengths:

- a. Local assembly reduces costs
- b. Growing market demand,
- c. Potential for government incentives.

Weaknesses:

- a. Initial high capital investment
- b. Dependency on import regulations

Opportunities:

- a. Expanding vehicle types
- b. Electric vehicle market growth for which we are among the first entrants in the market
- c. Partnerships with local businesses.

Threats:

- a. Fluctuating import tariffs
- b. Economic instability
- c. Competition from established brands.

Business Operations

- a. Facility Setup: location of the project is within Mkuranga District Council, near its Bus Stand along the Kilwa Road which stretches from Dar Es Salaam to southern regions of Tanzania, presenting an ease for logistics and access.
- b. Size: adequate space for assembly lines, storage, and administrative offices.
- c. Equipment: assembly machinery, quality control tools, storage for CKD parts.

2. Supply Chain Management:

- a. Suppliers: Establish relationships with international suppliers of CKD parts.
- b. Logistics: Coordinate importation, customs clearance, and distribution.
- c. Inventory Management: Implement an efficient system to track parts and finished vehicles.

3. Assembly Process:

- a. Workflow: Set up assembly lines for different vehicle types.
- b. Quality Control: Regular inspections to ensure safety and performance standards.
- c. Workforce: Hire and train skilled workers for assembly and quality assurance.

4. Regulatory Compliance:

- a. Import Regulations: Adhere to Tanzanian import laws and customs regulations.



- b. **Safety Standards:** Comply with local and international vehicle safety standards.
- c. **Environmental Regulations:** Follow guidelines for emissions and waste management.
- d. **Marketing and Sales**

1. Marketing Strategy:

- a. **Brand Positioning:** We will market the project as a reliable and affordable vehicle provider.
- b. **Advertising:** We plan to utilize digital marketing, local media, and trade shows.
- c. **Sales Channels:** Establish showrooms, partner with local dealers, and offer direct sales.

2. Sales Strategy:

- a. **Pricing:** Competitive pricing strategy based on market research.
- b. **Promotions:** Discounts, financing options, and promotional events to attract customers.
- c. **Customer Service:** Provide excellent pre- and post-sales support.

d. Risk Management

1. Identified Risks are:

- a. **Import Delays:** *Plans are to mitigate with reliable suppliers and logistics partners.
- b. **Economic Fluctuations:** Plans are to mitigate with diversifying product offerings while maintaining financial flexibility.
- c. **Regulatory Changes:** The Company is conscious of staying updated on regulations and adapt as necessary.
- d. **Compliance Aptitude:** The Company is keen to engage key resources (individual or corporate) to keep the company affairs current and compliant as required by various authorities concerned with the operations of the project.

2. Contingency Plans in place are:

- a. **Financial Reserves:** for the purpose of maintaining a reserve fund for unexpected expenses, mainly for supporting continuity of production.
- b. **Supplier Diversification:** The Company has identified multiple suppliers for critical components.

General recommendation

It is important to note that specific data market rates for parts, specifically import and assembly costs, local construction cost estimates, and other operating local expenses may change from time to time which may subsequently change the outlook of the projections, marginally or significantly.

Conclusion

The planned Integrated CKD Assembly Project in Mkuranga, Coast Region- Tanzania, as presented herein presents a viable investment opportunity with relatively promising financial returns. The project is expected to double the initial investment within five years, driven by strategic cost management and efficient assembly operations and brand penetration. Swift approvals for incentives necessary and desired for by the project are also key anchor to the viability, profitability and sustainability of the project.



Since this plan has outlined the financial and operational aspects of the CKD assembly project, the project will make use of the projections as reference especially on the provided financial metrics so that stakeholders of the company can make informed decisions about the planned investment and operations.

In consideration of the diversity model this integrated project has adopted, tax structure in Tanzania and regulation environment, this business plan recommends that the company stakeholders continue with actively engaging local financial analysts, market experts and cost consultants along execution by both seeking and adequately utilizing the incentive schemes in appropriate and timely manner.

=====The End=====

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