



B U S I N E S S P L A N

L T L T r a n s f o r m e r s T a n z a n i a (P v t) L t d

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I. EXECUTIVE SUMMARY

LTL Transformers (Pvt) Ltd, established in 1980, is the sole manufacturer of power and distribution transformers in Sri Lanka. Since venturing into exports in 2003, LTLT has successfully supplied over 15,000 distribution transformers to various regions worldwide, with Africa serving as its primary export market. Notably, LTL Transformers (Pvt) Ltd has provided over 10,000 transformers to countries such as Kenya, Mozambique, Uganda, Ethiopia, and Tanzania.

To further expand its business, the management of LTL Transformers (Pvt) Ltd (LTLT), the parent company of LTL Transformers Tanzania (Pvt) Ltd (LTLTT) has proposed the establishment of a new transformer manufacturing facility beyond the local boundaries, with a primary focus on the African region. This strategic decision is driven by the abundance of opportunities and the company's prior experience in the African transformer market. Following an initial feasibility study, Tanzania emerged as the preferred location for the new facility due to its favorable economic conditions, robust infrastructure, and conducive environment for foreign businesses. Moreover, Tanzania's rapid growth in electricity demand presents an excellent opportunity for meeting the rising need for distribution transformers.

The Tanzanian government has undertaken several initiatives to improve electricity accessibility across the country, with a key priority being rural electrification aimed at providing electricity to remote and underserved areas. The government has set an ambitious target of achieving 75 percent electrification by 2030, up from 36 percent in 2019.

Distribution transformers play a crucial role in the electricity supply chain, facilitating the conversion of high-voltage power from the transmission network to lower voltage levels suitable for households and businesses. Consequently, the demand for distribution transformers is directly linked to the growth of the electricity sector. With Tanzania's ambitious energy plans, there exists a significant opportunity for LTLTT to establish a local manufacturing facility and meet the growing demand for distribution transformers in the country.

In conclusion, Tanzania's rapidly expanding electricity demand presents a substantial opportunity for LTLT to expand its business by establishing a new transformer manufacturing facility in the country. Tanzania's business-friendly environment and ambitious energy plans make it an ideal location for LTLTT to set up a manufacturing facility. As Tanzania continues to improve access to electricity, the demand for distribution transformers is poised to increase, providing a significant opportunity for LTLTT to contribute to Tanzania's energy sector while simultaneously

growing its business in the region.

SCOPE OF WORK

LTL Transformers Tanzania (Pvt) Ltd (LTLTT) intends to establish itself as a premier provider in the field of electrical engineering, specifically focusing on the design, manufacture, and servicing of distribution and power transformers. Our business model encompasses a broad spectrum of services and products tailored to meet the diverse needs of the energy sector in Tanzania, as well as to cater to the demands of international markets.

DESIGN AND MANUFACTURE

Our core activity involves the design and manufacturing/ assembly of various types of distribution and power transformers. This process will be underpinned by cutting-edge technology and adherence to international quality standards, ensuring our products meet the specific needs of our clients.

REPAIR AND MAINTENANCE SERVICES

In addition to manufacturing, we will provide comprehensive repair and maintenance services for transformers. This will include routine servicing, emergency repairs, and long-term maintenance contracts, ensuring the longevity and optimal performance of these critical components in the power infrastructure.

TESTING AND INSTALLATION

Our service offerings will also encompass the testing and installation of transformers. We will employ advanced techniques and tools to ensure that all products are rigorously tested for performance and safety before being installed at the client's site.

MARKET COVERAGE

The primary market for our services and products will be local utilities and private customers within Tanzania. We aim to establish strong relationships with these entities to become a key player in the domestic energy sector.

EXPORT STRATEGY

A significant aspect of our business strategy is to expand beyond Tanzania by exporting our products and services to neighboring countries and other potential international markets. This export component is envisioned to play a crucial role in our growth and expansion plan

II. BUSINESS DESCRIPTION

The proposed transformer manufacturing plant project aims to establish a state-of-the-art facility in Dar Es Salaam, Tanzania. The facility will specialize in the production of distribution transformers, with capacities ranging from 25kVA up to 500kVA with High Voltage levels 11kV, 33kV and Low voltage level 400V. This strategic move by LTLT is driven by the increasing demand for distribution transformers in Tanzania and neighboring countries, including Uganda, Kenya, Mozambique, and Ethiopia.

The chosen location of Dar Es Salaam offers several advantages, including easy access to the Port, key suppliers, target market, transportation, and robust infrastructure. The manufacturing plant will occupy approximately 5 acres of land and will be equipped with advanced machinery, equipment, and specialized production lines to cater to the specific requirements of the manufacturing process.

The primary goals of this extension of the LTLT are multi-fold. Firstly, it aims to create an additional revenue stream for the parent company by tapping into the growing transformer market in Tanzania and the East African region. Secondly, it seeks to enhance brand recognition and establish LTLT as a trusted and prominent name in the local and regional markets. Lastly, the project aims to capitalize on the frequent opportunities arising in the African transformer market and deliver high-quality products that surpass customer expectations.

The selection of product capacities is based on careful analysis of the transformer capacity requirements in the African region, taking into account LTLT's prior experience and successful supply history. This ensures that the manufacturing plant can effectively meet the diverse demands of the market and provide tailored solutions to customers.

Operating with a strong focus on efficiency, productivity, and sustainability, the manufacturing plant will employ cutting-edge manufacturing technologies and processes. This approach will optimize production output, minimize waste generation, and reduce the environmental impact of operations. Furthermore, the plant will prioritize the safety and well-being of its workforce, strictly adhering to rigorous health and safety protocols.

To realize the project objectives, a skilled and dedicated workforce will be assembled, comprising production staff, technicians, engineers, and management personnel. The team will

be responsible for overseeing all manufacturing operations, maintaining strict quality control measures, and driving continuous improvement initiatives. The staffing structure will involve a mix of local Tanzanian employees and Sri Lankan experts, with Sri Lankans also serving in key management positions. This approach aims to contribute to the local economy by creating job opportunities, promoting skills development, and fostering overall economic growth in Tanzania.

In line with seamless operations, the manufacturing plant will establish robust supply chain management systems. This entails sourcing high-quality raw materials from trusted suppliers, implementing effective inventory management practices, and forging strong partnerships with reliable logistics providers to ensure timely delivery of finished products to customers.

The project will be executed in well-defined phases, starting with the design and construction of the manufacturing facility. This will be followed by the installation of machinery and equipment, and ultimately, the commencement of production operations. To ensure efficient execution and timely completion, a detailed project timeline and comprehensive implementation plan will be developed.

In conclusion, the proposed transformer manufacturing plant project represents a significant venture for LTLT to tap into the growing demand for distribution transformers in Tanzania and the East African region. By establishing a modern and efficient manufacturing facility, LTLTT aims to solidify its presence in the local market, explore export opportunities, and contribute to the economic development of Tanzania. The project's focus on quality, sustainability, and customer satisfaction positions it for success in a dynamic and competitive industry.

WHAT WE OFFER

At LTLTT, we take pride in offering a comprehensive range of services and products tailored to meet the diverse needs of our clients. Here's what we bring to the table:

Design and Manufacture: Our expertise lies in the design and assembly of various types of distribution and power transformers. Utilizing cutting-edge technology and adhering to international quality standards, we ensure that our products are customized to suit the specific requirements of our clients.

Repair and Maintenance Services: In addition to manufacturing, we provide extensive repair and maintenance services for transformers. From routine servicing to emergency repairs and long-

term maintenance contracts, we ensure the longevity and optimal performance of these critical components in the power infrastructure.

Testing and Installation: Our service offerings extend to the meticulous testing and installation of transformers. Employing advanced techniques and tools, we rigorously test each product for performance and safety before installation at the client's site, ensuring reliability and peace of mind.

Market Coverage: Our primary focus is on serving local utilities and private customers within Tanzania. By establishing strong relationships with these entities, we aim to become a leading player in the domestic energy sector, offering unparalleled solutions and support.

Export Strategy: Looking beyond Tanzania, we have a robust export strategy in place to expand our footprint into neighboring countries and other international markets. This strategic approach is integral to our growth and expansion plans, allowing us to showcase our expertise and solutions on a global scale.

At LTLTT, we are committed to delivering excellence in every aspect of our offerings, ensuring satisfaction and success for our clients both locally and globally.

OUR COMPETENCIES

The transformer manufacturing facility in Tanzania will leverage the existing design team at LTLT for the initial design phase and bidding process. Since the manufacturing operations will primarily be based on tender opportunities, it is not necessary to establish a separate design team in Tanzania. The experienced design team at the LTLT will handle the initial design requirements for bidding purposes and continue to provide design support throughout the projects undertaken in Tanzania.

To ensure the smooth running of the plant and effective communication between the design engineers in Sri Lanka and the Tanzania operations, the capacity of the LTLT's design team will be enhanced. Additionally, a dedicated team will be allocated specifically for overseeing the operations in Tanzania.

To strengthen the communication and coordination between the design engineers in Sri Lanka and the Tanzania plant, two Electrical Superintendents will be employed at the Tanzania facility. These Superintendents will serve as direct points of contact between the design engineers in Sri Lanka and the Tanzania plant, facilitating efficient communication, problem-solving, and

ensuring that the manufacturing plant operates smoothly.

By leveraging the expertise of the design team at the LTLT and establishing a dedicated team for Tanzania operations, LTLTT aims to ensure efficient design processes, effective project execution, and seamless coordination between the two locations. This approach will enhance the overall productivity and success of the transformer manufacturing facility in Tanzania.

QUALITY CONTROL & TESTING

- **Quality Control Procedures:**

The transformer manufacturing facility in Tanzania will implement rigorous quality control procedures throughout the assembly process. Similar to the practices followed at the LTLT, each stage of production will be subject to strict quality checks. These checks will ensure that the components used, the assembly process itself, and the final product meet the required quality standards. By implementing comprehensive quality control procedures, LTLTT aims to deliver transformers of the highest quality and reliability to its customers.

- **Certifications:**

To demonstrate its commitment to quality management, the manufacturing facility will aim to acquire ISO 9001, 14001, and 45001 certifications. ISO 9001 certification signifies compliance with internationally recognized quality management standards. ISO 14001 certification represents adherence to environmental management practices, while ISO 45001 certification demonstrates a commitment to occupational health and safety. These certifications will serve as evidence of the facility's dedication to maintaining high-quality standards, environmental sustainability, and worker safety.

- **Dedicated Quality Monitoring Team:**

A dedicated team will be employed at the manufacturing facility to monitor and ensure the quality of the assembly process. This team will oversee material quality control, verifying that all materials used in transformer production meet the required specifications and standards. By closely monitoring the quality of materials and the assembly process, the facility can identify and rectify any potential issues early on, preventing quality deviations and ensuring the production of reliable and durable transformers.

- **Testing as per IEC Standards:**

Testing is a crucial aspect of the transformer manufacturing process. The facility will conduct testing in accordance with the International Electrotechnical Commission (IEC) standards, which are globally recognized as the benchmark for electrical and electronic equipment testing. Adhering to these standards ensures that the transformers manufactured at the facility meet the necessary performance and safety requirements.

- **Dedicated Testing Facility and Personnel:**

To facilitate efficient and accurate testing procedures, a dedicated testing facility will be established within the factory premises. This facility will house the necessary equipment and infrastructure to carry out comprehensive transformer testing. To oversee the testing operations, a qualified testing engineer will be employed. Additionally, an electrical superintendent and a worker will support the testing engineer, ensuring smooth testing processes and adherence to the prescribed standards.

- **Relocation of Test Setup and New Equipment:**

To leverage existing resources and expertise, the excess test setup from the LTLT will be relocated to the new facility in Tanzania. This will ensure continuity in testing procedures and maintain consistency in the quality control process. Furthermore, any additional test equipment required for enhanced testing capabilities or specific customer requirements will be procured to complement the existing setup.

III. MARKET ANALYSIS

The market analysis conducted for the proposed transformer manufacturing plant project provides valuable insights into the current and future demand for distribution transformers in Tanzania and the surrounding East African region. This analysis serves as a foundation for understanding the market dynamics, identifying opportunities, and making informed decisions regarding production capacities and market strategies.

The market analysis indicates a significant growth trajectory in the demand for distribution transformers in Tanzania and neighboring countries. The region's rapid urbanization, industrialization, and infrastructure development initiatives are driving the need for reliable and efficient power distribution systems. Additionally, rural electrification programs implemented by governments to extend electricity access to remote areas contribute to the growing demand for distribution transformers. Based on historical data and future projections, the market size for distribution transformers is expected to expand at a steady rate over the next several years.

According to TENASCO, Tanzania's sole electrical utility, the annual demand for distribution transformers in Tanzania alone is estimated to be around 7,000 units. The East African market, including countries like Uganda, Kenya, Mozambique, and Ethiopia, exhibits a similar demand pattern, with an estimated annual demand of over 50,000 units. The market has been growing at an average rate of 5% per year, driven by factors such as population growth, urbanization, industrialization, and infrastructure development.

MARKET OPPERTUNITIES

As of 2021, the installed capacity of Tanzania's power plants stands at 1,602.63 MW, while the peak demand reaches 1,361 MW. This creates a gap between installed capacity and peak demand, which is currently being addressed through the importation of power from neighboring countries. Tanzania presently imports 17 MW from Uganda and 8 MW from Zambia to bridge this shortfall.

To further compound the situation, the current electrification rate in Tanzania is approximately 38%, with rural electrification only reaching 14%. Recognizing the importance of access to electricity for economic development and social well-being, the government of Tanzania has set ambitious targets to increase electricity access to 100% and connectivity to 75% by 2030.

Achieving these targets requires substantial investments in expanding the country's power generation capacity.

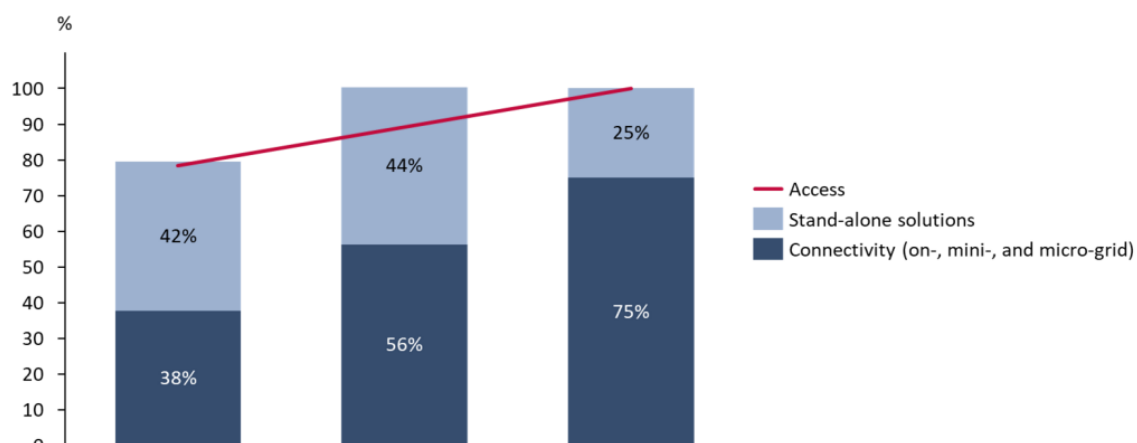


Figure 1: Target connectivity in Tanzania's rural areas by 2030

Tanzania has outlined its energy policy, which includes increasing installed capacity in the short, medium, and long term. In the short term, the country aims to add 3,971.4 MW of power generation capacity. Looking further ahead, the medium-term goal is to add 12,255.7 MW, followed by a long-term target of 20,200.6 MW. These expansion plans align with the national energy policy's objective of providing affordable, reliable, and sustainable energy to all Tanzanians.

Several factors contribute to the projected increase in power demand in Tanzania. Firstly, the government's industrialization agenda aims to promote the growth of the manufacturing sector and establish Special Economic Zones (SEZs) in different parts of the country. The establishment of SEZs requires a significant amount of electricity to power their operations, resulting in a substantial surge in power demand.

Furthermore, Tanzania has been experiencing a steady population growth rate. The increase in the number of households and commercial buildings further contributes to the rise in power demand. As urbanization and economic activities continue to expand, the demand for electricity in residential, commercial, and industrial sectors will continue to escalate.

In addition to urban areas, rural electrification efforts by the government play a crucial role in driving up power demand. The government's commitment to extending electricity access to rural communities leads to increased power consumption as more households, schools, healthcare facilities, and businesses are connected to the grid. These efforts are essential for bridging the electrification gap between urban and rural areas, improving living standards, and fostering economic growth in all regions of Tanzania.


THE PREDICTED INCREMENT OF POWER DEMAND

The Tanzanian government has identified the urgent need to address the escalating electricity demand in the country and has proposed a series of comprehensive strategies and investments in the power sector. With a focus on sustainable development, the government aims to expand the power generation capacity by leveraging diverse energy sources, including hydropower, natural gas, solar, and wind energy. Simultaneously, significant investments will be made in enhancing the transmission and distribution infrastructure.

To address the identified capacity constraints in the national grid, which could potentially result in severe supply problems for both existing and future grid-connected consumers in rural areas, the government has introduced the National Grid Alleviation Program (NGAP). This program aims to mitigate the constraints through a targeted approach based on detailed analyses conducted as part of the Renewable Energy and Energy Efficiency Support Program (RESP).

3.2.1 National Grid Alleviation Programme (NGAP)

The objective of the NGAP is to mitigate the capacity constraints in the national grid that were identified through the RESP grid analyses and which, if left unaddressed, will lead to severe supply problems for existing and future grid-connected consumers in rural areas.



NGAP
National Grid Alleviation Programme

Under NGAP the Tanzanian power grid will be strengthened to meet the increased load from new connections and increased economic activity in rural areas.

Location(s)	TANESCO headquarters and respective regions
Planned start date	July 2022
Duration	5 years
Government institutions	MoE, TANESCO, REA
Target beneficiaries	Existing and future grid-connected customers
Budget	USD 1,553 million

Figure 2: National Grid Alleviation Program (NGAP) summary

The NGAP is an extensive initiative that is projected to span a duration of five years and is divided into seven distinct project phases. The total funding allocation for the program amounts to USD 1553 Million, demonstrating the government's commitment to ensuring a robust and reliable electricity supply for the nation.

Table 2. NGAP – Projects and Activities.

Activities	Location(s)	Timing	Partners
Project 1: Transformer capacity upgrade project			
The RESP identifies 26 substations that need to be upgraded in parallel with the corresponding projects in RGAP to handle the increased demand resulting from rural electrification and increased economic activity. The relevant investments are included in the PSMP 2020.			
1.1 Validation of transformer upgrade needs	TANESCO HQ	Year 1	TANESCO, REA, consultants
1.2 Preparation of tender documents and tendering for relevant contractors	TANESCO HQ	Year 1	TANESCO, consultants
1.3 Construction work and commissioning	Target areas	Year 2-5	TANESCO, contractors
Project 2: North-East Project (400 kV lines Kinyerezi-Chalinze-Segera-Arusha)			

Figure 3: Transformer Capacity Upgrade Project scope under NGAP

One of the key phases within the NGAP is the Transformer Capacity Upgrade Project, which specifically addresses the growing demand resulting from rural electrification and increased economic activity. With an allocated budget of USD 159 Million, this project aims to enhance the capacity of transformers, allowing them to efficiently handle the amplified electricity requirements in the targeted areas.

To ensure the successful implementation of the Transformer Capacity Upgrade Project, the responsibility for tender preparation and project management has been entrusted to TANESCO, an experienced and reputable entity with expertise in managing complex infrastructure projects. TANESCO will oversee the entire project lifecycle, ensuring adherence to timelines, quality standards, and efficient utilization of allocated resources.

Costs

The table below contains high-level budget estimates for the seven projects under NGAP. 10 percent have been added to the capital expenditure to cover feasibility studies, project management, construction supervision, contingencies and other related costs. Please refer to the PSMP 2020 for further details on capital costs. Project financing is discussed in chapter 6 of this report.

Table 3. NGAP - High-level budget estimates.

Project	Cost (USD million)
1: Transformer capacity upgrade project	159
2: North-East Project (400 kV lines Kinyerezi-Chalinze-Segera-Arusha)	320
3: 400 kV line Mwanza-Musoma	100

Figure 4: Estimated cost for Transformer Capacity Upgrade Project

COMPETITIVE LANDSCAPE

In the competitive realm of transformer manufacturing within the African region, LTLT, the parent company of LTLTT, has emerged as a significant player, boasting a robust market presence cultivated over the years. Particularly in Tanzania, the company has solidified its standing as a reputable supplier, demonstrating a commendable track record in delivering transformers with minimal failures in past projects. This positive reputation is anticipated to bode well for LTLTT as it continues to establish itself in the market.

However, it is important to note that the market in Tanzania is highly competitive, with several existing local transformer manufacturers already operating in the country. Competitors such as Tanelec, Honley, Everwell, Macroplast, Africab, and Euro Inc. have established their presence and cater to the local demand for transformers.

Furthermore, the recent distribution transformer tender by TENASCO, the Tanzania Electric Supply Company, was allocated among local manufacturers. This indicates that local companies have a strong foothold in the market and are preferred choices for government contracts.

Given this competitive landscape, it is crucial for LTLTT to continuously innovate and improve their product offerings. LTLTT should focus on enhancing the quality, efficiency, and technological advancements of the transformers to differentiate themselves from competitors. Additionally, maintaining competitive pricing strategies will be essential to remain attractive to customers in the Tanzanian market.

To succeed in this competitive environment, LTLTT should also consider building strong relationships with key stakeholders, such as power distribution companies, contractors, and government agencies. Collaborating with these entities can help secure contracts and establish a favorable market position.

CUSTOMER SEGMENTS & TARGET MARKET

In the customer segmentation of LTLTT, the focus is primarily directed towards electricity distribution companies and government agencies, specifically targeting institutions such as TENASCO and REA. These entities are actively engaged in ongoing development projects that necessitate a substantial number of distribution transformers. As LTLTT is a newcomer to the Tanzanian market, it is crucial to secure continuous opportunities to ensure a successful return on

investment and pave the way for future growth.

LTLTTs' strategic approach revolves around producing tailor-made transformers specifically designed for utility purposes. Consequently, the company has planned its production capacities to cater to transformers up to 500kVA. This specialization allows LTLTT to meet the specific requirements and demands of utilities in Tanzania.

Moreover, the neighboring countries of Uganda, Kenya, Mozambique, and Ethiopia hold promising opportunities for LTLTT. These countries' utility sectors are also actively involved in regular electrification projects, creating a significant market potential for LTLTT to expand beyond Tanzania's borders and capture additional business opportunities in the region.

MARKET TRENDS AND OPPORTUNITIES

The analysis of market trends and opportunities reveals several key factors that shape the transformer industry in Tanzania and the East African region. One prominent trend is the increasing adoption of renewable energy sources, such as solar and wind power. This shift towards clean energy requires efficient power distribution systems, driving the demand for distribution transformers. Additionally, there is a growing emphasis on grid modernization and the integration of smart grid technologies to enhance grid stability, optimize energy management, and reduce losses. Furthermore, there is a rising demand for energy-efficient and environmentally friendly transformers that comply with international standards. These trends present opportunities for LTLTT to align its product development and innovation strategies to meet the evolving market demands.

IV. ORGANNIZATION

In the proposed human resource allocation for the proposed transformer assembly plant in Tanzania, a streamlined and efficient staffing structure is recommended. Given the scale of the plant, the emphasis is placed on maintaining a simple and minimal staff hierarchy.

At the topmost layer of the hierarchy, key positions include the factory manager, two Electrical Engineers (one dedicated to sales and the other to production), and an Accountant. To facilitate effective management, these positions will be filled by individuals recruited from Sri Lanka, leveraging their expertise and experience in similar operations.

To ensure the smooth operation of assembly and testing processes, two electrical superintendents will be appointed. These superintendents will oversee the day-to-day activities and ensure the quality and efficiency of the transformer assembly. It is planned to hire these superintendents locally from Tanzania, providing employment opportunities within the country.

Supporting the operations, a team of 10-15 factory workers will be employed at the assembly plant. These workers will contribute to the production process under the guidance and supervision of the superintendents.

Recognizing the need for expertise in assembling and testing transformers, a training initiative is proposed. For the initial six months, two electrical superintendents from the LTLT will be sent to Tanzania to provide comprehensive training to the newly recruited staff. This hands-on training program will equip the local workforce with the necessary skills and knowledge to carry out their roles effectively.

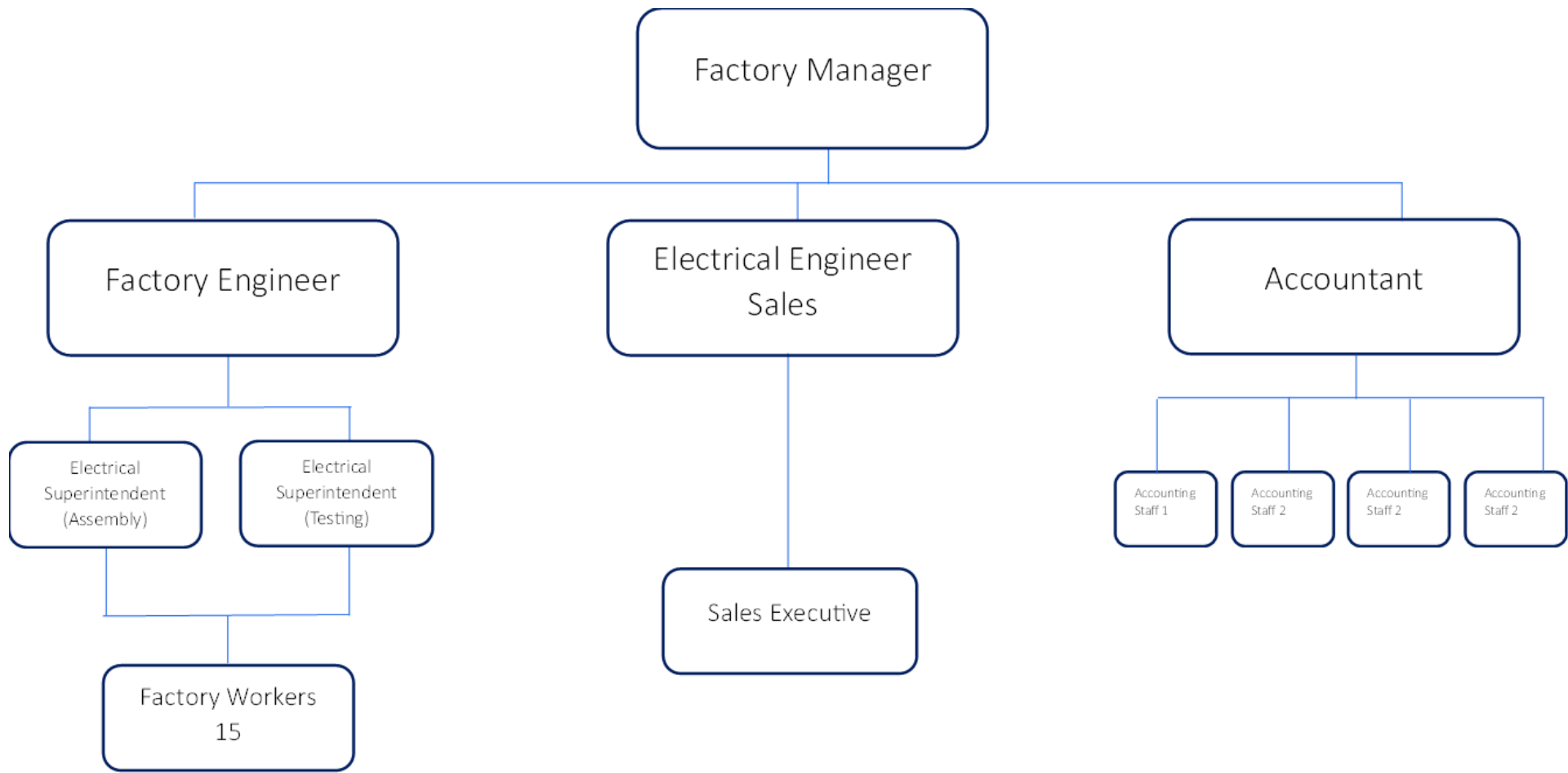


Figure 5: Proposed Hierarchy for the Tanzania manufacturing Plan



V. MARKETING PLAN

In the realm of business, a marketing plan is not just a blueprint; it's the compass that guides us through the intricate landscape of markets, competitors, and customer expectations. It's a dynamic roadmap that propels our company towards growth, innovation, and success. At LTLTT, we understand that our journey to excellence begins with a clear, comprehensive, and agile marketing strategy.

BRAND OBJECTIVES

In our pursuit of a cohesive and integrated brand strategy, we have identified several key brand objectives to reinforce LTLTT's market presence, enhance customer loyalty, and align with contemporary industry trends. These brand objectives are pivotal in our strategic plan:



1. Creating Brand Awareness

Objective: Establish LTLTT as a customer-centric and market-responsive brand, reinforcing our core strengths within our target audience.

- New website for the company
- Digital Marketing
- Journal and Magazine Articles
- Participating to Exhibitions specially in African region

2. Building Brand Loyalty

Objective: Foster strong positive consumer sentiment and brand loyalty, particularly among existing customers while expanding loyalty to other customer segments.

- Connect and Engage with Customers
- Stay Focused
- Monitor Industry Trends
- Growing Digital Presence

3. Enhancing the Brand Experience

Objective: Focus on improving the overall brand experience by addressing pain points highlighted through customer feedback.

- Implement initiatives to streamline and enhance the customer journey, addressing pain points and friction in the process.

4. Stakeholder Engagement & Sustainability

Objective: Integrate sustainability practices into our strategic agenda, emphasizing environmental, social, and governance (ESG) sustainability.

- Showcase our commitment to sustainability in our strategic decisions and operations.
- Develop an annual report profile with key sustainability disclosures to communicate our progress and strategic direction to stakeholders.
- Align our environmental sustainability practices with international best practices as we expand into international markets.

These brand objectives of our strategic plan, guiding our efforts to strengthen LTLTT's brand presence, enhance customer loyalty, and contribute to a sustainable and responsible future.

VI. STREAMLINE OF STRATEGIES

OPERATIONAL STRATEGY

In the domain of operational strategy, LTLTT is examine the establishment of an assembly plant as a foundational step in its manufacturing journey. The envisioned assembly plant model involves the integration of components sourced from various suppliers to manufacture the final transformer product. Manufacturing from scratch offers greater control, technological expertise, and the possibility of long-term cost savings. However, it requires a significant upfront investment, poses challenges in acquiring necessary skills, and involves complex setup procedures. Additionally, the relatively high Value Added Tax (VAT) on raw materials in Tanzania adds to the considerations of cost-effectiveness for this approach.

Within the current manufacturing landscape of Tanzania, where no local entities engage in the entirety of the manufacturing process, opting for an assembly plant emerges as a more pragmatic and viable choice for LTLTT in its inaugural phase. The strategy of commencing with an assembly plant offers flexibility, allowing for a potential transition to a full-scale manufacturing entity contingent upon the progress and success achieved in this initial venture.

The strategic decision is driven by the goal of minimizing the initial financial burden on the new company while accelerating entry into the market. LTLTT plans to initiate operations through an assembly plant, aiming to establish strong partnerships with reliable component suppliers, implement stringent quality control measures, and optimize the supply chain management system. This method is intricately crafted to guarantee ongoing product quality, adherence to international standards, and the efficient streamlining of processes. Significantly, this strategic framework is established with a forward-thinking perspective, anticipating a smooth transition towards evolving into a comprehensive and fully operational manufacturing entity as the company progresses.

SALES STRATEGY

Our business plan emphasizes a robust export strategy aimed at extending our market reach beyond Tanzania. By leveraging our products and services, we aim to penetrate neighboring countries and explore opportunities in various international markets. This export initiative forms a pivotal element in our growth trajectory, serving as a catalyst for expansion and diversification.

Through strategic partnerships, market research, and targeted marketing efforts, we are poised to capitalize on emerging opportunities and establish a strong foothold in global markets. Our commitment to delivering quality products and services will underpin our export strategy, ensuring that we uphold our reputation for excellence as we venture into new territories. With a well-defined export strategy in place, we are confident in our ability to drive sustainable growth and enhance our position as a key player in the international arena.

VII. FINANCIAL PROJECTIONS

The scope of the project, focusing on assembly rather than complete manufacturing, significantly reduces the initial investment required, making it a more viable option for the company. Based on estimates, the total initial investment for the plant, machinery, and working capital is projected to be around USD 2 million. This figure considers the necessary infrastructure and equipment needed to establish the assembly facility. By targeting an assembly approach, LTLTT can optimize costs while still meeting market demands.

To further enhance the financial feasibility of the project, LTLTT is actively pursuing a manufacturing opportunity through a tender. Securing an order before initiating the investment ensures a revenue stream from the outset, minimizing the risk associated with initial setup costs.

With prudent financial planning and efficient operations, the investment in the transformer manufacturing plant is anticipated to be recovered within the second year of operation. This suggests a relatively short payback period, indicating a favorable return on investment for LTLTT.

The recovery of the investment within such a timeframe demonstrates the potential profitability and financial viability of the proposed assembly facility. It also signifies the company's ability to efficiently execute manufacturing processes and meet customer demands in a timely manner.

INVESTMENT COSTS AND NPV FOR THE PROJECT

A comprehensive breakdown of the capital investment necessary to establish the manufacturing plant is presented in the following figure. This estimation takes into account various components, including land acquisition, building construction, machinery and equipment, and associated costs. Additionally, a thorough analysis of the net present value (NPV) has been conducted, considering a timeframe spanning up to the 10th year.

Table 1: Forecasted Income Statement for the proposed plant

LTL TRANSFORMERS (PVT)LTD – TANZANIA PROJECT													
			YEAR										
	NOTE		00	01	02	03	04	05	06	07	08	09	10
Initial Investment	1	\$	(1,531)										
Working Capital	4	\$	(650)										650
Cash Inflows		\$		2,278	2,346	2,417	2,489	5,127	5,281	5,440	5,603	8,656	8,916
Cash Outflows	2	\$		(2,045)	(2,068)	(2,129)	(2,192)	(4,285)	(4,413)	(4,544)	(4,680)	(6,903)	(7,109)
Tax Expenses		\$		(5)	(23)	(31)	(39)	(207)	(220)	(233)	(247)	(502)	(523)
Net Cash Flow		\$	(2,181)	228	254	256	258	635	648	662	676	1,252	1,934
DFC (WACC)	9%		0	0.9174	0.8417	0.7722	0.7084	0.6499	0.5962	0.5470	0.5018	0.4604	0.4224
NPV		\$	(2,180.56)	209.06	214.10	197.75	182.77	412.44	386.38	362.07	339.35	576.51	816.97
NPV		\$	1,516.85										

Simple payback period for the project is calculated as follows. The total investment is projected to be recovered in Five years and Ten months' time.

	YEAR										
	00	01	02	03	04	05	06	07	08	09	10
Payback	(2,181)	228	254	256	258	635	648	662	676	1,252	1,934

5 Years and 10 Months

Discounted payback period also calculated considering the time value of money. The payback period will be Seven years and Seven months.

	YEAR										
	00	01	02	03	04	05	06	07	08	09	10
Discounted Payback	(2,181)	209	214	198	183	412	386	362	339	577	817

7 Years 7 Months

PROJECTIONS

A comprehensive financial projection was conducted to assess and analyze the diverse operational expenses associated with the operation of the transformer assembly plant. This analysis encompassed the evaluation of key cost components including raw materials, labor, utilities, maintenance, transportation, and overhead expenses.

To provide a comprehensive outlook, the anticipated costs and forecasts were quantified over a period of 10 years, taking into account the projected lifespan of the plant. In order to account for potential changes in the economic landscape, a 3% annual increment for material costs a 5% annual increment for overhead expenses and 30% income tax rate were factored into the calculations.

Moreover, revenue projections were developed by considering multiple factors such as expected growth in sales volumes, pricing strategies, and prevailing market demand. This holistic approach allowed for a thorough assessment of the plant's financial performance and provided insights into the potential profitability of the operation.

Table 2: Forecasted Income Statement for the proposed plant

	NOTE	YEAR										
		01	02	03	04	05	06	07	08	09	10	
Revenue	5% Increment	\$ 2,278	2,346	2,417	2,489	5,127	5,281	5,540	5,603	8,656	8,916	
Cost of Sales		\$ (2,050)	(2,073)	(2,133)	(2,195)	(4,287)	(4,414)	(4,544)	(4,769)	(6,901)	(7,106)	
Gross Profit		\$ 228	273	284	294	840	867	895	924	1,756	1,811	
Selling & Distribution Costs		\$ (12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	
Administrative Expenses		\$ (120)	(121)	(122)	(123)	(124)	(125)	(126)	(127)	(128)	(129)	

Operating Profit	\$	96	140	150	159	704	731	758	786	1,616	1,670
Other Income	\$	-	-	-	-	-	-	-	-	-	-
Finance Cost	\$	(78)	(68)	(58)	(47)	(35)	(22.3)	(9.03)	5.07	20.01	35.85
Profit Before Tax	\$	17	72	92	113	670	708	749	791	1,636	1,706
Tax Expenses	\$	(5)	(23)	(31)	(39)	(207)	(220)	(233)	(247)	(502)	(523)
Profit After Tax	\$	12	48	61	74	462	488	515	544	1,135	1,183

ANNEXURE - I [RISK MATRIX]

The risk matrix provides a structured framework for analyzing risks by considering their likelihood and potential impact. It categorizes risks based on their severity and the level of control that can be exercised over them. By systematically assessing and prioritizing risks, LTLTT can develop effective risk mitigation strategies and contingency plans to minimize the potential negative consequences and ensure the project's overall success.

Risk Matrix		Severity				
		Insignificant	Minor	Moderate	Major	Severe
Likelihood	Almost Certain			<ul style="list-style-type: none"> * Dependence on external funding * Research and Development Risk * Occupational Health and Safety Risk 	Competitors	
	Likely		Ergonomics Risk	<ul style="list-style-type: none"> * Inconsistent industrial policy * Facility Location Risk * Training and Skills Development Risk 	<ul style="list-style-type: none"> * Perceptions of corruption remain high * Fiscal and current account deficits. * Air and surface 	<ul style="list-style-type: none"> * High tariff rates and unreliable power supply have contributed to the high cost of production rendering products

				* Hazardous Material Handling Risk	transport underdeveloped. is	uncompetitive locally and externally.
	Possible		* Tanzania is still a low-income country	* Low level of human capital * Technology Obsolescence Risk	* Weak structural business environment.	IT and Data Security Risk
	Unlikely					
	Rare					

ANNEXURE - II [PROJECT TIMELINE & IMPLEMENTATION PLAN]

TANZANIA PLANT ROAD MAP

START MONTH

