

# AIM STEEL LIMITED



## BUSINESS PLAN FOR DEVELOPEMENT OF MODERN WAREHOUSE



## **1.0. SUMMARY**

### **1.1 Project Concept**

This project document presents a proposal by **AIM STEEL LIMITED**, a locally registered company with Registration number: 38214 dated 28<sup>th</sup> October, 1999 intending to construct a modern warehouse for lease. The project promoters are confident of mobilizing financial resources through equity financing and long-term loans.

The objective of this study is to assess the commercial and operational feasibility of the project undertaken by **AIM STEEL LIMITED**; this study will be used as guiding tool and will be presented to TIC for obtaining a certificate of incentives to facilitate smooth implementation of the project.

### **1.2 Location**

The project will be located at Plot **No.871, Block A, Burka Area, Arusha, Tanzania.**

### 1.3 The Sponsors

**AIM STEEL LIMITED** will be sponsoring this project. The Company is owned by local four shareholders

Names	% of Shares	Nationality
Kanaklata Kanubhai Patel	50.2	Tanzania
Palak Patel	0.8	British
Nikhil Kanubhai Patel	49	Tanzania

### 1.4 Project Management and Manpower Requirements

**AIM STEEL LIMITED** will be under the Management of Mr. Nikhil Kanubhai Patel who has experience managing various businesses will be directly managing the project. The Managing Director will be assisted by properly trained managers in areas of specialty, who will together comprise the management team. 8 staff will be directly employed.

### 1.5 Project description

Significant measures have been taken to liberalize the Tanzania economy so as to encourage private sector to take a lead as engine of economic growth; The Government of Tanzania embarked on adjustment program to give the private sector the leading role.

It is in view of the above that **AIM STEEL LIMITED** came up with a proposal to construct modern warehouse facilities with truck

weighing scales for commercial uses. The project will involve among others acquiring necessary building materials, trucks, and pick up, the company plan to inject capital of US 663,000

It is expected that the construction of a warehouse will be completed within 1 years' time and the company will apply to be exempted from paying import duty and VAT on Capital good and deemed capital good, the project will aid and contribute significantly toward the construction sector and manufacturing sector, because the ware house will be used as storage and industrial park for industrial premises as well.

#### 1.6 **Definition of Warehouse**

**A warehouse** is a commercial building for storage of goods, warehouse by manufacturers, importers, exporters, whole sellers, transporters, customs etc, they are usually large plain buildings in industrial areas of cities and towns, they can be equipped with loading docks to load and unload trucks, or sometimes are loaded directly from railways, airports, or seaports. They often have cranes and fork lifts for moving goods, which are usually placed on ISO standard pallets loaded into pallets racks

#### 1.7 **Types of Warehouses**

Some of the most common types of warehouse storage facilities are:

- Pallet rack including selective, drive-in, drive-through, double-deep, pushback, and gravity flow
- Cantilever rack including structural and roll formed
- Automated storage and retrieval system (ASRS) including vertical carousels, vertical lift modules, horizontal carousels, robotics, mini load and compact 3D
- Industrial shelving including metal, steel, wire, and formed
- Mezzanine including structural and roll formed

## **1.8 Storage Systems**

Technological development taking place has contributed quite significantly in the development of warehouses systems in the world to day. Some warehouses are completely automated, with no workers working inside. The pallets and products are moved with a system of automated conveyors and automated storage and retrieval machines coordinated by programmable logic controllers and computer running logistics automation software. These systems are often installed in refrigerated warehouses where temperatures are kept very cold to keep the product from spoiling, and also where land is expensive, as automated storage systems

can use vertical space efficiently. These high-bay storage areas are often more than 10 meters high, with some over 20 meters high.

The direction and tracking of materials in the warehouse is coordinated by VMS, or Warehouse Management System, a database driven computer program. The WMS is used by logistics personnel to improve the efficiency of the warehouse by directing put ways and maintaining accurate inventory by recording warehouse transactions.

Traditional warehouse has been declining since the last decades of the 20<sup>th</sup> century with the gradual introduction of just In Time (JIT) technique designated to improve the return on investment of a business by reducing in-process inventory. The JIT system promotes the delivery of products directly from the factory to the retail merchant or from parts manufacturers directly to a large-scale factory such as an automobile assembly plant, without the use of warehouses. However, with the gradual implementation of offshore outsourcing and off shoring in about the same time period, the distance between the manufacturer and retailer (or the parts manufacturer and the industrial plant) grew considerably in many domains, necessitating at least one warehouse per country or per region in any typical supply chain for a given range of products.

Recent developments in marketing have led to the development of warehouse-style retail stores with extremely high ceilings where decorative shelving is replaced by tall heavy duty industrial racks, with the items ready for sale being placed in the bottom parts of the racks and the crated or palletized and wrapped inventory items being usually placed in the top parts. In this way the same building is used both as a retail and warehouse.

Modern warehouses are also used at large by exporters/manufacturers as a point of developing retail outlets in particular region or country. This concept reduces the end cost of the product to the consumer and thus enhances the production sale ratio. Warehousing is an age-old concept which can be used as sharp tool by original manufacturers to reach out directly to consumers leaving aside or bypassing importers or any other agencies or person

The estimated capital investment cost of the project is US \$663,000

### AIM STEEL LIMITED COST STRUCTURE

<b>PARTICULAR</b>	<b>US\$</b>
Land and Buildings	400,000.00
Vehicles	100,000.00
Plant and Machinery	150,000.00
Furniture & Fittings	2,000.00
Pre exp	5,000.00
Working Capital	6,000.00
<b>TOTAL</b>	<b>663,000.00</b>

### 3.0 FINANCING PATTERN

The project will be financed by equity US\$ 463,000 and loan US \$ 200,000

### 4.0 PROJECT OPERATING COSTS

In order to realize its intended objective, the project will have to meet operating costs.

AIM STEEL LIMITED OPERATING COSTS (US\$)

	1	2	3	4	5	6	7	8	9	10
Operating Expenses:	28,800	30,240	31,752	33,339	35,006	36,756	38,594	40,524	42,550	44,678

## **5.0 ASPECTS 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 growing demand for warehouses due to growth of manufacturing and transportation sectors gives them assurance of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

## **6.0 MONITERING AND EVALUATION**

The monitoring and evaluation tools will be applied in running this project as well, the project sponsors are determined to cooperate fully with the government and other stakeholders for smooth business running.

## **7.0 FINANCIAL ANALYSIS**

### **7.1. Considerations and Assumptions:**

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are exempted from custom 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 local market and other will be imported. Revenues have been conservatively estimated based on experience of the promoters and trends in the real estate businesses.

## **7.2 Financial Statements:**

### **7.3 Projected Warehouse Revenue**

For projection purposes, it is assumed that the economic life of the project is ten years, and that revenue from warehouse commence from the first year of operation.

### **7.4 Projected Profit and Loss Statement**

The Income and Expenditure Statement shows the projected income for the 8 years period. The position depicted is that the project earns profit throughout its life. Accumulated profits grow from. US \$ **89,250** in first year to US \$ **1,217,798** in the 10<sup>th</sup> year

### **7.5 Projected Cash Flows**

This is shown in the financial statements. The project has a positive end of year cash flow from year1, i.e. US\$124,950 of operation to the 10th year i.e. US \$ **836,510**

#### **7.5 Projected Balance Sheet**

The projected Balance Sheet of the projected is shown in the financial statements under same heading. Net worth of the project increases from US\$**463,000** in the first year of operation to US \$ **1,680,798** in the 10<sup>th</sup> year.

#### **7.6 Projected payback period**

Total investment is US \$**663,000** cash accumulation in year 5 is US\$. **684,798** which are more than the initial investment costs by

#### **7.7 Projected loan repayments**

The loan borrowed from financial institution is expected to be fully paid within 5 years,

#### **7.8 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.

## **8.0 ECONOMIC ASPECTS**

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

- The project will provide high quality warehousing storage facilities with state of the art and company office to meet international standards required by the company and targeted clients
- The project is an ideal option for utilization of the acquired prime site in Burka Area, Arusha region
- The project will involve transfer of technology in warehousing facilities.
- The project will create direct employment for 8 people on permanent contract basis as well as on temporary basis.
- It will create more business opportunities to local transporters, farmers which will also have a economic trickledown effect in the Tanzania economy.
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.

## **9.0 IMPLEMENTATION**

Project implementation is expected to be relatively very short once project has been approved it is estimated that once transfer of property is completed, the company will start immediately to implement the project

<b>S/N</b>	<b>ACTIVITY</b>	<b>PERIOD</b>
1	Processing TIC Certificate of Incentive	December 2023
2	Contractor Procurement	Jan-July 2025
4	Site preparation and building permit approval	August-October, 2024
5	Construction of warehouse	October-November 2026
6	Equipping warehouse	Dec-Feb 2026
7	Commercial operations	Feb 2026

#### **10.0 CONCLUSION AND 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 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, 2022.



AIM STEEL LIMITED COST STRUCTURE US\$

<b>PARTICULAR</b>	<b>US\$</b>
Land and Buildings	4,00,000.00
Vehicles	100,000.00
Plant and Machinery	150,000.00
Furniture & Fittings	2,000.00
Pre exp	5,000.00
Working Capital	6,000.00
<b>TOTAL</b>	<b>663,000.00</b>



**AIM STEEL LIMITED PROJECTED INCOME &  
EXPENDITURE STATEMENT (US\$)**

	1	2	3	4	5	6	7	8	9	10
Revenue	192,000.00	201,600.00	211,680.00	222,264.00	233,377.20	245,046.06	257,298.36	270,163.28	283,671.45	297,855.02
<b>Operating Expenses:</b>	28,800.00	30,240.00	31,752.00	33,339.60	35,006.58	36,756.91	38,594.75	40,524.49	42,550.72	44,678.25
<b>Profit before Depreciation &amp;Interest</b>	<b>163,200.00</b>	<b>171,360.00</b>	<b>179,928.00</b>	<b>188,924.40</b>	<b>198,370.62</b>	<b>208,289.15</b>	<b>218,703.61</b>	<b>229,638.79</b>	<b>241,120.73</b>	<b>253,176.76</b>
<b>Interest</b>	16,000.00	16,000.00	16,000.00	16,000.00	16,000.00	-			36000	
<b>Depreciation</b>	19,700.00	19,700.00	19,700.00	19,700.00	19,700.00	19,700.00	19700	19700	19700	19700
<b>Gross Profit</b>	<b>127,500.00</b>	<b>135,660.00</b>	<b>144,228.00</b>	<b>153,224.40</b>	<b>162,670.62</b>	<b>188,589.15</b>	<b>199,003.61</b>	<b>209,938.79</b>	<b>185,420.73</b>	<b>233,476.76</b>
Tax (30%)	38,250.00	40,698.00	43,268.40	45,967.32	48,801.19	56,576.75	59,701.08	62,981.64	55,626.22	70,043.03
<b>Profit After Tax</b>	<b>89,250.00</b>	<b>94,962.00</b>	<b>100,959.60</b>	<b>107,257.08</b>	<b>113,869.43</b>	<b>132,012.41</b>	<b>139,302.53</b>	<b>146,957.15</b>	<b>129,794.51</b>	<b>163,433.74</b>
Accumulated Profit	89,250.00	184,212.00	285,171.60	392,428.68	506,298.11	638,310.52	777,613.05	924,570.20	1,054,364.71	1,217,798.44

AIM STEEL LIMITED PROJECTED CASH FLOW US\$

	0	1	2	3	4	5	6	7	8	9	10
<b>SOURCES:</b>											
Profit before interest and depreciation	0	163,200	171,360	179,928	188,924	198,371	208,289	218,703.6086	229,638.789	241,120.7284	253,176.7648
Equity	463,000										
Loan	200,000.00										
<b>Total Sources</b>	<b>663,000.00</b>	<b>163,200.00</b>	<b>171,360.00</b>	<b>179,928.00</b>	<b>188,924.40</b>	<b>198,370.62</b>	<b>208,289.15</b>	<b>218,703.61</b>	<b>229,638.79</b>	<b>241,120.73</b>	<b>253,176.76</b>
<b>Applications:</b>											
Capital expenditure	652,000.00	-	-	-	-	-	-	-	-	-	-
working Capital & Others	11,000.00										
Cash	0	124,950.00	130,662.00	136,659.60	142,957.08	149,569.43	151,712.41				
Tax	-	38,250	40,698	43,268	45,967	48,801	56,577	59,701.08257	62,981.63669	55,626.21853	70,043.02945
<b>Sub total</b>	<b>663,000.00</b>	<b>163,200.00</b>	<b>171,360.00</b>	<b>179,928.00</b>	<b>188,924.40</b>	<b>198,370.62</b>	<b>208,289.15</b>	<b>59,701.08</b>	<b>62,981.64</b>	<b>55,626.22</b>	<b>70,043.03</b>
<b>Total applications</b>	<b>663,000.00</b>	<b>163,200.00</b>	<b>171,360.00</b>	<b>179,928.00</b>	<b>188,924.40</b>	<b>198,370.62</b>	<b>208,289.15</b>	<b>59,701.08</b>	<b>62,981.64</b>	<b>55,626.22</b>	<b>70,043.03</b>
Accumulated cash		124,950.00	255,612.00	392,271.60	535,228.68	684,798.11	836,510.52	836,510.52	836,510.52	836,510.52	836,510.52

AIM STEEL LIMITED PROJECTED BALANCE SHEET US \$

<b>Fixed Assets</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
Opening balance	-	652,000.00	632,300.00	612,600.00	592,900.00	573,200.00	553,500.00	533800	514100	494400	474700
<b>Total Long-term Assets</b>	-	652,000.00	632,300.00	612,600.00	592,900.00	573,200.00	553,500.00	533,800.00	514,100.00	494,400.00	474,700.00
Less depreciation	-	19,700.00	19,700.00	19,700.00	19,700.00	19,700.00	19,700.00	19700	19700	19700	19700
<b>Closing balance</b>	-	632,300.00	612,600.00	592,900.00	573,200.00	553,500.00	533,800.00	514,100.00	494,400.00	474,700.00	455,000.00
Working capital	11,000.00	11,000.00	11,000.00	11,000.00	11,000.00	11,000.00	11,000.00	11000	11000	11000	11000
Accumulated cash	-	124,950.00	255,612.00	392,271.60	535,228.68	684,798.11	836,510.52	836510.5197	836510.5197	836510.5197	836510.5197
<b>Total assets</b>	11,000.00	768,250.00	879,212.00	996,171.60	1,119,428.68	1,249,298.11	1,381,310.52	1,361,610.52	1,341,910.52	1,322,210.52	1,302,510.52
Financed by											
Equity	463,000.00	463,000.00	463,000.00	463,000.00	463,000.00	463,000.00	463,000.00	463000	463000	463000	463000
Accumulated profit	-	89,250.00	184,212.00	285,171.60	392,428.68	506,298.11	638,310.52	777613.0457	924570.198	1054364.708	1217798.443
<b>Total equity</b>	463,000.00	552,250.00	647,212.00	748,171.60	855,428.68	969,298.11	1,101,310.52	1,240,613.05	1,387,570.20	1,517,364.71	1,680,798.44
Long term loan	-	200,000.00	160,000.00	120,000.00	80,000.00	40,000.00	-				
<b>Total debts</b>	-	200,000.00	160,000.00	120,000.00	80,000.00	40,000.00	-				
<b>Total equity and debts</b>	463,000.00	752,250.00	807,212.00	868,171.60	935,428.68	1,009,298.11	1,101,310.52	1,240,613.05	1,387,570.20	1,517,364.71	1,680,798.44

**AIM STEEL LIMITED ROJECTED LONG TERM LOAN REPAYMENT**

<b>Year</b>	<b>principle</b>	<b>Loan Interest (6%)</b>	<b>Total Amount Paid</b>	<b>Loan Balance</b>
1	40,000.00	16,000.00	56,000.00	200,000.00
2	40,000.00	16,000.00	56,000.00	160,000.00
3	40,000.00	16,000.00	56,000.00	120,000.00
4	40,000.00	16,000.00	56,000.00	80,000.00
5	40,000.00	16,000.00	56,000.00	40,000.00
6	200,000.00	-	200,000.00	-

**AIM STEEL LIMITED PAYBACK PERIOD**

<b>Year</b>	<b>Profit After Tax</b>	<b>Depreciation</b>	<b>Total Cash Flow</b>	<b>Accumulated Cash Flow</b>
1	89,250	19,700	108,950	158,760.00
2	94,962.00	19,700	114,662	273,422.00
3	100,960	19,700	120,660	394,081.60
4	107,257	19,700	126,957	521,038.68
5	113,869	19,700	133,569	654,608.11
6	132,012	19,700	151,712	806,320.52

