

# **AGB STORAGE & LOGISTICS LIMITED**

## **BUSINESS PLAN FOR CONSTRUCTION OF A WAREHOUSE**

## **1.0. SUMMARY**

### **1.1 Project Concept**

This project document presents a proposal by , a locally registered company with Certificate of Incorporation No. **156480908 Dated 13<sup>th</sup> June, 2022** intending to establish a warehouse. The project promoters are confident of mobilizing financial resources through equity financing and long term loan from financial institutions operating in Tanzania.

The objective of this study is to assess the commercial and operational feasibility of the project undertaken by **AGB STORAGE & LOGISTICS LIMITED**. This study will be used as guiding tool and will be presented to TIC for obtaining certificate of incentives to facilitate smooth implementation of the project.

### **1.2 Location**

The project will be located at Coast Region.

### **1.3 The Sponsors**

**AGB STORAGE & LOGISTICS LIMITED** will be sponsoring this project.

The Company is jointly owned by the following shareholders.

<b>Name</b>	<b>Nationality</b>	<b>Shares %</b>
AYANNAH GRIFFITH BARRETT	BRITISH	50
MWAKITANGE NDOLLAH MKUSHI	Tanzanian	12.5
LUCAS GIMONA MANGE	TANZANIAN	12.5
DELROY O-BRIAN BLACKBURN	BRITISH	25

#### **1.4 Project Management and Manpower requirements**

**AGB STORAGE & LOGISTICS LIMITED** will be under the General Manager assisted by Deputy General Manager who will be in charge of Finance and Administration and will have a marketer will be responsible with Marketing Department. 10 staff will be directly employed.

The company is locally registered and is all owned by two shareholders who are Tanzanians

#### **1.5 Project description**

Significant measures have been taken to liberalize the Tanzania economy so that 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 **AGB STORAGE & LOGISTICS LIMITED** came up with a proposal to establish a warehouse which is Dar es salaam city of Tanzania, the facilities will be used for industrial purposes and for storage of different items.

The project will involve among others acquiring necessary building materials, tanks, pumps, trucks, and pick up, and other equipments the company plan to inject capital of US \$ 500,000.

It is expected that the establishment of the premises facilities will be completed within 3 years time and the company will apply to be exempted from paying import duty and VAT on Capital good and deemed capital good.

## **1.6 Project Description**

A company plan to establish a warehouse which aims to start storage facilities and industrial purposes. To this due to high demand of the products.

## **1.7 Storage Systems**

Technological development taking place has contributed quite significantly in the development of storage systems in the world to day. Some depots are completely automated, with no workers working inside. This cold storage will have a unit for accommodating the storage facilities for different and related products. Automated storage and retrieval machines coordinated by programmable logic controllers and computer running logistics automation software.

Modern storage 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. Storage 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

## 2.0 PROJECT'S INVESTMENT COST

The estimated capital investment cost of the project is US \$ 500,000 out of which US \$420,000 will be fixed investment costs. Pre-production expenditures have been budgeted at US \$30,000; other cost will be \$20,000, while working capital is put at \$180,000.

### AGB STORAGE & LOGISTICS LIMITED

#### INVESTMENT BREAKDOWN

<b>PARTICULAR</b>	<b>AMOUNTS USD</b>
Land and Buildings	240,000
Machinery & Equipment	123,000
Motor Vehicles	28,000
Furniture & Fixtures	11,000
Pre expenses	18,000
Working Capital	80,000
<b>TOTAL</b>	<b>500,000</b>

For the project to be a reality a total investment amounting to US \$500,000 usd is needed

**(i) Land and Building: Us \$240,000**

The project has opted for construction of facility estimated to cost US \$240,000

**(ii) Machinery and Equipment: US\$ 123,000**

Some US \$123,000 is anticipated to be spent on the purchase of various cold storage facility tools and equipment which will accommodate new technology

**(iii) Motor Vehicles:US\$28,000**

The project will need 1 heavy trucks, 1 light trucks and 1double cabin pick. These vehicles will be used in transportation of cargo to the facility and double cabin pick up for administrative purposes.

**(iv) Office Furniture and Equipment: US \$11,000**

This investment cost item has been estimated to cost US \$11,000. It will consist of office tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

**(v) Pre-Operational Expenses: US\$ 18,000**

They cover things like company registration, expenses spent in exploring the viability of the project, especially the market/client identification exercise. This Pre-operational coast 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\$80,000**

Calculations as well as assumptions for working capital requirements, it is estimated that it will cost US \$ 80,000.

**3.0 FINANCING PATTERN**

The project will be financed by equity by; constituting US\$ 500,000

**4.0 PROJECT OPERATING COSTS**

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

**(i) Salaries and Wages US \$20,000**

The project will engage 10 employees.

**(ii) Utilities US \$10,000**

Considered here are water and electricity which together will cost US \$30,000 annually respectively.

**(iii) Motor vehicle running Expenseus\$10,000**

Petrol/diesel and lubricant requirement for the project's motor vehicles, this cost element will amount to US\$10,000 annually.

**(iv) Insurance: US\$5,000**

Each vehicle will be covered by third party insurance of US\$ 5,000 annually

**(v) Marketing cost US \$2800**

A portion of US\$2800 is to be used in advertising the project

**(vi) Depreciation cost US \$77,000**

For the day to day depreciation of fixed asset of the project US \$77,000 will be required annually for depreciation cost.

**(vii) Pension contribution US \$ 22,000**

The company has set a side US \$ 22,000 as pension contribution

(vii) Communication cost US\$ 5,400

(viii) Administrative cost US\$,4200

(ix) Maintenance cost US\$10,000

(x) Loan interest US\$6000

## **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 quality cold storage facility 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 manufacturing industry.

### **7.2 Financial Statements:**

### **7.3 Projected bulk storage facilities Revenue**

For projection purposes, it is assumed that the economic life of the project is five years, and that revenue from cold storage facility 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 5 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. US \$ **579,110** in first year to US \$ **616,578** in the 5 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. e US\$ **1,193,526** of operation to the 5th year i.e. US \$ **6,327,152**

## 7.6 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\$ **1,379,100** in the first year of operation to US \$**1,416,578** in the 5<sup>th</sup> year.

## 7.7 Projected fixed schedule

The projected fixed schedule is shown in the schedule under same heading. Net worth of the fixed assets decreases from US\$ **713,000** in the first year of operation to US \$**405,000** in the 5<sup>th</sup> year.

## 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 recently acquired prime site
- The project will involve transfer of technology in warehousing industry and manufacturing
- The project will create employment for 10 people on permanent contract basis as well as on temporary basis.
- It will create more business opportunities to local transporters, which will also have a trickledown effect in the environmental issues.
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.
- The project will earn substantial amounts of foreign exchange.

## **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, 1997.



# **FINANCIAL STATEMENTS**

## AGB STORAGE & LOGISTICS LIMITED

### INVESTMENT BREAKDOWN

PARTICULAR	AMOUNTS USD
Land and Buildings	240,000
Machinery & Equipment	123,000
Motor Vehicles	28,000
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Pre expenses	18,000
Working Capital	80,000
<b>TOTAL</b>	<b>500,000</b>

PROJECTED INCOME STATEMENT							
			YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Sales Revenue			725,000	870,000	1,044,000	1,252,800	1,503,360
Cost of Sales			14,500	14,500	14,500	14,500	14,500
<b>Gross Profit</b>			<b>710,500</b>	<b>855,500</b>	<b>1,029,500</b>	<b>1,238,300</b>	<b>1,488,860</b>
<b>Operating Expenses</b>							
Administrative Overhead							
Costs			8,000	8,080	8,161	8,242	8,325
Motor Vehicle running			7,000	7,070	7,141	7,212	7,284
Salaries and Wages			13,000	13,130	13,261	13,394	13,528
Depreciation			46,775	47,243	47,715	48,192	48,674
Utility Costs			12,000	12,120	12,241	12,364	12,487
Insurance			12,500	12,625	12,751	12,879	13,008
Interest on Loan			24,000	24,240	24,482	24,727	24,974
<b>Total Expenses</b>			<b>108,275</b>	<b>109,358</b>	<b>110,451</b>	<b>111,556</b>	<b>112,671</b>
<b>Profit before Tax</b>			<b>602,225</b>	<b>746,142</b>	<b>919,049</b>	<b>1,126,744</b>	<b>1,376,189</b>
Tax (30%)			180,668	223,843	275,715	338,023	412,857
<b>Profit After Tax</b>			<b>421,558</b>	<b>522,300</b>	<b>643,334</b>	<b>788,721</b>	<b>963,332</b>

PROJECTED BALANCE SHEET						
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Fixed Assets		402,000	1,295,450	2,269,225	3,297,313	4,394,849
Long term Assets						
Depreciation		46,775	42,975	42,975	42,975	42,975
<b>Total long term assets</b>		<b>355,225</b>	<b>1,252,475</b>	<b>2,226,250</b>	<b>3,254,338</b>	<b>4,351,874</b>
Current Assets						
Cash		505,000	580,750	667,863	768,042	883,248
Account Receivable		80,000	92,000	105,800	121,670	139,921
Inventory		0	0	0	0	0
<b>Total Current Assets</b>		<b>585,000</b>	<b>672,750</b>	<b>773,663</b>	<b>889,712</b>	<b>1,023,169</b>
<b>Total Assets</b>		<b>940,225</b>	<b>1,925,225</b>	<b>2,999,913</b>	<b>4,144,049</b>	<b>5,375,043</b>
<b>Current Liabilities</b>						
Accounts Payable		20,000	23,000	26,450	30,418	34,980
Other Current Liablit		3,000	3,450	3,968	4,563	5,247
<b>Subtotal Current Liabi</b>		<b>23,000</b>	<b>26,450</b>	<b>30,418</b>	<b>34,980</b>	<b>40,227</b>
<b>Long term Liabilities</b>						
Long term Liabilitie		0	0	0	0	0
<b>Total Liabilities</b>		<b>23,000</b>	<b>26,450</b>	<b>30,418</b>	<b>34,980</b>	<b>40,227</b>
<b>Capitil and Reserves</b>						
Owners Contribution		500,000	1,444,558	3,859,422	8,914,895	19,296,826
<b>Retained Earning</b>		<b>421,558</b>	<b>943,857</b>	<b>1,165,634</b>	<b>1,432,055</b>	<b>1,752,053</b>
<b>Total Capital</b>		<b>944,558</b>	<b>2,414,865</b>	<b>5,055,473</b>	<b>10,381,930</b>	<b>21,089,106</b>

OTHER OPERATING COST						
Other Operations Cost		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Motor Vehicle running expens		7,000	7,630	8,317	9,065	9,881
Salaries and Wages		13,000	14,300	15,730	17,303	19,033
Administrative Overhead Costs		8,000	8,800	9,680	10,648	11,713
Utility Costs		12,000	13,200	14,520	15,972	17,569
Interest on Loan		24,000	21,600	19,440	17,496	15,746
Communication Exepnses		16,000	17,600	19,360	21,296	23,426
<b>Total Costs</b>		<b>80,000</b>	<b>83,130</b>	<b>87,047</b>	<b>91,780</b>	<b>97,368</b>

FIXED ASSETS SCHEDULE						
NAME OF ASSETS		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Land and Buildings		240,000	228,000	216,000	204,000	192,000
Plant & Machines		123,000	98,400	73,800	49,200	24,600
Motor Vehicle		28,000	19,200	14,200	9,200	4,200
Furniture & Fixtures		11,000	9,625	40,000	35,000	30,000
<b>Total</b>		<b>402,000</b>	<b>355,225</b>	<b>344,000</b>	<b>297,400</b>	<b>250,800</b>
<b>Depreciation</b>						
		<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEAR 5</b>
Land and Buildings		12,000	12,000	12,000	12,000	12,000
Plant & Machines		24,600	24,600	24,600	24,600	24,600
Motor Vehicles		8,800	5,000	5,000	5,000	5,000
Furniture & Fixtures		1,375	1,375	1,375	1,375	1,375
<b>ANNUAL DEPRECIATION</b>		<b>46,775</b>	<b>42,975</b>	<b>42,975</b>	<b>42,975</b>	<b>42,975</b>
<b>CLOSING FIXED ASSETS</b>		<b>355,225</b>	<b>312,250</b>	<b>301,025</b>	<b>254,425</b>	<b>207,825</b>