

**XINYAO INVESTMENT CO. LIMITED**

**BUSINESS PLAN  
FOR  
VEHICLES ASSEMBLING PROJECT**

## 1.0 EXECUTIVE SUMMARY

**XINYAO INVESTMENT CO. LIMITED** is a locally registered company with a Certificate of Incorporation No. 171855764 dated 1<sup>st</sup> February, 2024.

Through years of research and innovation, the company shareholders have created an advantage in the market network, product, technology, and cost and established a unique enterprise culture. Having operated in Tanzania for many years the shareholders are ready to establish an assembling plant. The company plan to assemble heavy duty trucks, light trucks, Pickups, Hybrid vehicles electric drive vehicles etc.

Shareholders have registered a new company in Tanzania and will work together with another very successful international brand known in China, the company is planning to acquire land to construct auto vehicle industrial park

### 1.1 The Project

**XINYAO INVESTMENT CO. LIMITED** sets out a proposal for Investment in the establishment of a CKD assembling plant in Tanzania to be located at **Plot No. 33Lihuo Street, Picha ya Ndege,**

**Kibaha Town, Coast Region**, the company will import Machinery, Equipments and other facilities to facilitate the establishment of the proposed project in the country. Depending on the market consumption rate, Initial assembling capacity is proposed to be total units **70 units** per year; this capacity will increase gradually reaching **200** units per year in the 5<sup>th</sup> year.

This project will make available quality products that will be used for logistics and domestics

The macro-objectives of establishing the project are to support economic, social and administrative activities in Tanzania and neighboring countries. Also,

## **1.2 The Project Promoters**

The project is being promoted **by XINYAO INVESTMENT CO. LIMITED**, a registered company in Tanzania whose shareholders are as follows:

<b>Name of Shareholders</b>	<b>% of Ownership</b>	<b>Nationality</b>
ZHANG JINHUA	51	China
XU HUOPAO	49	China

### **1.3 The Market**

The Economic reforms which were undertaken in the economy from the mid 1980s increased the demand for transportation facilities for domestic and transit cargo. The following are some of the factors that contributed to such an increase in demand for these services in the country.

- Increased construction activities within Tanzania and its neighbors especially Uganda, Rwanda, Malawi, Burundi, and the Democratic Republic of Congo.
- Increased level of rehabilitation and expansion of urban and truck roads by the Government and International assistance agencies which have subsequently resulted in increased kilometers of passable roads by small and heavy-duty vehicles.
- Rise in people's standard of living and change in people's consumption patterns;
- General improvement in the national economy, especially the balance of payment which has made it possible for the Government to achieve greater capability to import critical products into the country;

- Increase general level of investments in industrial activities which are the major users of industrial inputs;

These factors have led to increase demand for cargo transportation within and in neighboring countries, these factors have created the impetus for increased inflow of investment capital by foreign and local private investors who have in large numbers decided to establish such project.

The reforms, which were introduced in the sector, aimed at influencing the inflow of and increased supply of both capital goods and other industrial products and their distribution in the country and beyond the national border. Tanzania therefore has a potential market for motorcycles. But most of motorcycles are imported from outside the country making them very expensive to be afforded by most Tanzania. Furthermore, Importation has to go through a difficult and bureaucratic clearance procedures at the port. It is on this background that **XINYAO INVESTMENT CO. LIMITED**, wishes to establish assembling plant in the country in order to make available cheap, quality and stress free. The company targets both domestic and export market particularly the East African market

## **2.0 THE PROJECT**

### **2.1 Project Description**

**XINYAO INVESTMENT CO. LIMITED**, sets out a proposal for Investment in the establishment of a CKD assembling plant in Tanzania Specific requirements for the project includes but not limited to;

- Mobilization of financial and Human resources for the project
- Acquisition and or construction of large Industrial premises for assembling processes and a yard for keeping and display the finished products
- Acquisition of complete assembling line from china
- Procurement of office equipment namely: telephones, facsimile machine, personal computers, air conditioners and installation of local area network at head company's head office
- To import Semi knocked down (CKD)

### **2.3 Project Location**

The proposed project will be located at Plot No. 33Lihuo Street, Picha ya Ndege, Kibaha Town, Coast Region The company has rented a factory premise big enough to accommodate complete assembling

machinery and Equipment together with a yard for keeping and display of finished products

## **2.4 Marketing Strategies**

The company target is to be a regional well-known truckers' assembling in East Africa proving customers with cleaner, energy-saving, safer and comforter transportation. In order to realize this, target the company insist on carrying out four strategies namely; Internationalization, technology ahead, high quality and low cost and regionalization to realize the internalization of products, market capital, mechanism, brand and talent and establish an international sustainable company with self-motivation, capability and core competitiveness.

## **2.5 CKD Assembling Process**

- Set the two main assembly lines, an interior assembly, final assembly and installation assembly line; interior by plate transmission line assembly, chassis and final assembly line preceding use of land towline conveyor, later adopted tow-plate conveyor.
- With advanced technology and by function modular assembly principles set production line, using dashboards, doors, bumper, engine and front suspension, rear suspension first-packing, then

the cable to reduce the main line of labour, there will be mainline working hours drop to a minimum to make use of the mainline working digits

- After the painting, the plant is pushed back to the ground manpower body lines by hanging lifting; interior body assembled to end with their own lifting equipment hoist assembly area
- Packed boxes by hanging hoisting installation
- Brake fluid, air-conditioning hoisting installation
- Brake fluid, air –conditioning fluid filling the vacuum cycle using quantitative methods

### **3.0 SECTOR GROWTH**

GDP in Tanzania is expected to reach 50.00 USD Billion by the end of 2020, according to Trading Economics global macro models and analysts' expectations. In the long term, the Tanzania GDP is projected to trend around 55.00 USD Billion in 2021 and 62.00 USD Billion in 2022, according to our econometric models.

#### **Economic Overview**

The Tanzania National Bureau of Statistics reports that real gross domestic product (GDP) growth was 7.0% in 2018, slightly higher

than 6.8% in 2017. However, official demand-side data, including data related to consumption, investment and net trade, suggest that growth softened in 2018. The softening of consumption growth is supported by Tanzania Revenue Authority data showing lower consumption tax collection, as well as tight controls on public consumption expenditures. Investment growth remains positive but dampened as indicated by significant under-execution of public development plans, lower levels of FDI inflows and improved but relatively low private sector credit growth. The trade balance deteriorated in 2018, with exports contracting by 3.9% in gross value and imports increasing by 7.8%.

Real GDP growth is projected to remain in the range of 5-6% over the medium term, subject to favorable weather conditions, modest but steady implementation of reforms to improve the business environment, fiscal management, and address vulnerabilities in the financial sector. Inflation is expected to remain low, underpinned by favorable food supplies and stable global energy prices. The authorities target a modest overall fiscal deficit of 2.3% of GDP in 2019/20, which will expand to 3-4% of GDP over the medium term. The planned deficit will be financed largely by non-concessional loans. The current account deficit is expected to widen (6-7% of

GDP) largely due increased imports of capital goods to support public infrastructure projects.

### **Tanzania Transport over view**

The Tanzanian transport sector is divided into surface transport (including roads, railways) inland waterways (lakes and rivers), air transport and sea transport. Tanzania's transport sector rose by 55% in value during 2009–2014, from USD1.3bn to USD2.1bn. Main growth drivers include the increase in the number of passengers carried and freight handled through road transport. According to Tanzania's 2025 Development Vision, investments in infrastructure, particularly in the development of the road network, are the Government's top priority. The World Bank (WB) and the African Development Bank (AfDB) support Tanzania in achieving its infrastructure development goals by providing grants and credits for projects. Tanzania Road Transport Road transport is the most widely used form of transport in Tanzania, carrying over 90% of the passengers and 75% of the freight traffic in the country. The road network in Tanzania currently comprises 86,472 km of roads, of which 12,786 km are trunk roads, 21,105 km are regional roads and the remaining 52,581 km are district, urban and feeder roads. Tanzania's Ministry of Works, Transport, and Communication through the Tanzania National Roads Agency (TANROADS) is

managing the national road network of about 33,891km, comprising 12,786 km of trunk and 21,105 km of regional roads. The remaining network of about 53,460km of urban, district and feeder roads is under the responsibility of the Prime Minister's Office Regional Administration and Local Government (PMO-RALG).

### **Tanzania Rail Transport**

Railway transport is the second most important mode of transport after road and critical for long distance freight along the main transport corridors in Tanzania. Tanzania has a total of 3,676km of railway lines operated by two railway systems, Tanzania Railways Corporation (TRC) and Tanzania – Zambia Railways (TAZARA). The mainline of TRC comprises the central corridor between the port of Dar es Salaam in the east, linking central and western areas of the country and terminating at Kigoma on Lake Tanganyika in the west. The TAZARA line is 1,860 km in length, of which 975 km is in Tanzania and 885 km in Zambia.

### **Tanzania Air Transport**

There are 58 airports and more than 300 private airstrips in Tanzania owned by mining companies and tour operators. The total number of air passengers in Tanzania increased by 62% in the past 5 years, from 2.1m in 2010 to 3.5m in 2015, while Tanzania's

cargo handling capacity rose by 7% during the same period, from 23,453t to 25,165t. The Julius Nyerere International Airport (JNIA), located in Dar es Salaam, is the largest and busiest airport in Tanzania, accounting for over 70% of Tanzania's air passengers with almost 2.5m in 2015. JNIA also accounts for 80% of the country's cargo capacity, which is expected to increase to 80,000t per year, starting May 2016, after the construction of a new cargo facility. Currently (2016), there are 21 airline operators on the JNIA, including some of the leading international air carriers such as SWISS, Qatar Airways, and British Airways. According to the 2014 World Airport Summit, drivers of Tanzania's air transport development include the growth of tourism, mining and economic activities.

### **Tanzania Water Transport**

Tanzania has a coastline of about 720 km on the Indian Ocean, and also borders Lake Victoria, Lake Nyasa, and Lake Tanganyika. Both sea and inland waterways ports in Tanzania are managed and operated by the Tanzania Ports Authority (TPA). The TPA's main Indian Ocean ports are Dar es Salaam, Mtwara, and Tanga. Minor seaports serving coastal traffic include Lindi, Kilwa Masoko, Mafia Island, Bagamoyo, Pangani and Kwale. Dar es Salaam is the Tanzania's principal port with intrinsic capacity of 10.1m t per year.

The port handles over 92% of the total maritime ports' throughput. The port serves land linked countries of Malawi, Zambia, Democratic Republic of Congo, Rwanda, Burundi and Uganda. These countries are connected to the port through two railway systems (TRL-1.0 metre gauge and TAZARA-1.067 cape gauge), road network as well as the TAZAMA oil pipeline to Zambia. TPA also operates Tanzania's lake ports, maintaining around 20 ports on Lake Victoria. Some major ports include Bukoba, Kemono Bay, Musoma and Nansio. Principal lake ports on Tanganyika include Kigoma and Kasanga. Additionally, there are 15 smaller ports along the lake. These ports provide trade connections between Burundi, Eastern Democratic Republic of the Congo and Zambia. Lake Nyasa has 4 important ports, at Itungi, Mbamba Bay, Liuli and Manda. There are up to 10 other smaller TPA ports on the lake that facilitate passenger movement along the lake and between the countries of Malawi, Mozambique and Tanzania.

#### 4.0 **MANAGEMENT AND ORGANIZATION STRUCTURE**

##### 4.1 Management

The company policy is to have adequate manpower to manage its operations efficiently.

**XINYAO INVESTMENT CO. LIMITED** believes in keeping on board only the very essential manpower strength, to develop them into

highly motivated and sincere company team for the best and efficient operations of the company.

The company will have a team of qualified and experienced functional staffs in the areas of Operations, Marketing, and Finance & Administration.

## **4.2 Management Policy**

The day-to-day operations will be managed by the General Manger, to be assisted by production Engineers who will be in charge of truck assembling operations. The Company will employ other professionally in the areas of marketing, Finance, Human Resources, logistics and supplies and others for smooth Implementation of the project

The General Manager will manage the company under the policy guidance of the Board of Directors

## **4.3 Organizational Structure**

It is proposed that the company's operations be headed by the General Manger under who will assist the Production Engineer and other professional in the areas of Marketing, Finance, Human Resources, Logistics and Supplies, The General Manager will be functionally responsible for achieving the Business plan prepared every after five years. He will also be responsible for the entire function for the company subject to policy guidance set. The

Marketing officers will be responsible for both the domestic and export sales and marketing. The job responsibilities will include market planning and development, sales promotion and sales co-ordination.

#### **4.4 Manpower Requirement and Emoluments**

The estimated manpower requirement for the project is 28 people including 5 Chinese Engineers/Technician as shown below;

#### **5.0 Project Investment Cost**

The estimated capital investment cost of the project is **US\$ 1,000,000**

##### **XINYAO INVESTMENT CO. LIMITED COST STRUCTURE**

<b>PARTICULAR</b>	<b>US\$</b>
Land and Buildings	50,000.00
Machinery & Equipment	300,000.00
Motor Vehicles	70,000.00
Furniture & Fixtures	2,500.00
Pre exp	4,000.00
Others	3,500.00
Working Capital	570,000.00
<b>TOTAL</b>	<b>1,000,000.00</b>

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

## 5.1 Financing pattern

The project will be financed by equity by 60%; constituting **US\$ 1,590,000** and loan 40% being **US\$1,060,000**

### XINYAO INVESTMENT CO. LIMITED FINANCING PATTERN

Source of Financing	Local	Foreign
Equity	-	300,000
Loan	-	700,000
<b>TOTAL</b>	-	<b>1,000,000</b>

## 6.0 FINANCIAL ANALYSIS

### 6.2 Projected Sales Revenue

For projection purposes, it is assumed that the economic life of the project is five years, and that assembling line commence from the first year of operation.

### XINYAO INVESTMENT CO. LIMITED REVENUE PROJECTION US\$

	1	2	3	4	5
Revenue	5,600,000	5,880,000	6,174,000	6,482,700	6,806,835

### 6.2 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\$ 344,925 in** first year to **US \$ 2,009,072** in the 5 years

**XINYAO INVESTMENT CO. LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Revenue	5,600,000	5,880,000	6,174,000	6,482,700	6,806,835
<b>Operating Expenses:</b>	5,040,000	5,292,000	5,556,600	5,834,430	6,126,152
<b>Profit before Depreciation &amp;Interest</b>	<b>560,000</b>	<b>588,000</b>	<b>617,400</b>	<b>648,270</b>	<b>680,684</b>
<b>Interest</b>	56,000	44,800	33,600	22,400	11,200
<b>Depreciation</b>	11,250	11,250	11,250	11,250	11,250
<b>Gross Profit</b>	<b>492,750</b>	<b>531,950</b>	<b>572,550</b>	<b>614,620</b>	<b>658,234</b>
Tax (30%)	147,825	159,585	171,765	184,386	197,470
<b>Profit After Tax</b>	<b>344,925</b>	<b>372,365</b>	<b>400,785</b>	<b>430,234</b>	<b>460,763</b>
Accumulated Profit	344,925	717,290	1,118,075	1,548,309	2,009,072

**7.4 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\$ **412,175** of operation to the 5th year i.e. US \$ **2,233,322**

**XINYAO INVESTMENT CO. LIMITED PROJECTED CASH FLOWS US \$**

<b>SOURCES:</b>		1	2	3	4	5
Profit before interest and depreciation	-	<b>560,000</b>	<b>588,000</b>	<b>617,400</b>	<b>648,270</b>	<b>680,684</b>
Equity	300,000					
Loan	700,000					
<b>Total Sources</b>	<b>1,000,000</b>	<b>560,000</b>	<b>588,000</b>	<b>617,400</b>	<b>648,270</b>	<b>680,684</b>
<b>Applications:</b>						
Capital expenditure	422,500	-	-	-	-	-
working Capital & Others	577,500					
Cash	-	412,175	428,415	445,635	463,884	483,213
Tax	-	147,825	159,585	171,765	184,386	197,470
<b>Sub total</b>	<b>1,000,000</b>	<b>560,000</b>	<b>588,000</b>	<b>617,400</b>	<b>648,270</b>	<b>680,684</b>
<b>Total applications</b>	<b>1,000,000</b>	<b>560,000</b>	<b>588,000</b>	<b>617,400</b>	<b>648,270</b>	<b>680,684</b>
Accumulated cash		412,175	840,590	1,286,225	1,750,109	2,233,322

## 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\$ **1,000,000** in the first year of operation to US \$ **2,309,072** in the 5<sup>th</sup> year.

**XINYAO INVESTMENT CO. LIMITED PROJECTED BALANCE SHEET US \$**

<b>Fixed Assets</b>	-	1	2	3	4	5
Opening balance	-	<b>422,500</b>	<b>411,250</b>	<b>400,000</b>	<b>388,750</b>	<b>377,500</b>
Additions	-					
<b>Total Long-term Assets</b>	-	<b>422,500</b>	<b>411,250</b>	<b>400,000</b>	<b>388,750</b>	<b>377,500</b>
<b>Less depreciation</b>	-	<b>11,250</b>	<b>11,250</b>	<b>11,250</b>	<b>11,250</b>	<b>11,250</b>
<b>Closing balance</b>	-	<b>411,250</b>	<b>400,000</b>	<b>388,750</b>	<b>377,500</b>	<b>366,250</b>
Working capital	577,500	577,500	577,500	577,500	577,500	577,500
Accumulated cash	-	412,175	840,590	1,286,225	1,750,109	2,233,322
<b>Total assets</b>	<b>577,500</b>	<b>1,400,925</b>	<b>1,818,090</b>	<b>2,252,475</b>	<b>2,705,109</b>	<b>3,177,072</b>
Financed by						
Equity	300,000	300,000	300,000	300,000	300,000	300,000
Accumulated profit	-	<b>344,925</b>	<b>717,290</b>	<b>1,118,075</b>	<b>1,548,309</b>	<b>2,009,072</b>
Total equity	300,000	644,925	1,017,290	1,418,075	1,848,309	2,309,072
Long term loan	700,000	560,000	420,000	280,000	140,000	-
Bank overdraft	-	-	-	-	-	-
<b>Total debts</b>	<b>700,000</b>	<b>560,000</b>	<b>420,000</b>	<b>280,000</b>	<b>140,000</b>	<b>-</b>
<b>Total equity and debts</b>	<b>1,000,000</b>	<b>1,204,925</b>	<b>1,437,290</b>	<b>1,698,075</b>	<b>1,988,309</b>	<b>2,309,072</b>

## 7.6 Payback Period US\$ 2,650,000

Total investment is **US\$1,000,000** cash accumulation in year 4 years is **US\$ 1,395,894** which is more than the initial investment by **US\$ 395,894** the project payback Period is within 4 years.

The project has a relatively short payback period. It is remarkably impressive for a project whose investment is as big as US\$1,000,000= being recovered in less than 4 years.

**XINYAO INVESTMENT CO. LIMITED PROJECTED PAYBACK PERIOD US \$**

<b>Year</b>	<b>Profit After Tax</b>	<b>Depreciation</b>	<b>Total Cash Flow</b>	<b>Accumulated Cash Flow</b>
1	<b>344,925</b>	<b>11,250</b>	<b>356,175</b>	158,760
2	<b>372,365</b>	<b>11,250</b>	<b>383,615</b>	542,375
3	<b>400,785</b>	<b>11,250</b>	<b>412,035</b>	954,410
4	<b>430,234</b>	<b>11,250</b>	<b>441,484</b>	1,395,894
5	<b>460,763</b>	<b>11,250</b>	<b>472,013</b>	1,867,907

### **7.7 Projected loan repayments**

The loan borrowed from financial institution is expected to be fully paid within 4 years of projection operation,

**XINYAO INVESTMENT CO. LIMITED PROJECTED LOAN REPAYMENTS US \$**

<b>Year</b>	<b>principle</b>	<b>Loan Interest (8%)</b>	<b>Total Amount Paid</b>	<b>Loan Balance</b>
1	140,000.00	56,000.00	196,000.00	700,000.00
2	140,000.00	44,800.00	184,800.00	560,000.00
3	140,000.00	33,600.00	173,600.00	420,000.00
4	140,000.00	22,400.00	162,400.00	280,000.00
5	140,000.00	11,200.00	151,200.00	140,000.00
TOTAL	700,000.00	-	700,000.00	-

## 7.8 Fixed assets schedule

The project fixed asset is shown below

### XINYAO INVESTMENT CO. LIMITED FIXED ASSETS USD

NAME OF ASSETS	1	2	3	4	5
Land And Buildings	50,000	49,000	48,000	47,000	46,000
Machinery, Tools & Equipment	300,000	297,000	294,000	291,000	288,000
Motor Vehicles	70,000	63,000	56,000	49,000	42,000
Furniture & Fixtures	2,500	2,250	2,000	1,750	1,500
<b>Total</b>	<b>422,500</b>	<b>411,250</b>	<b>400,000</b>	<b>388,750</b>	<b>377,500</b>
DEPRECIATION	1	2	3	4	5
Land and buildings	1,000	1,000	1,000	1,000	1,000
Machinery tools & Equipment	3,000	3,000	3,000	3,000	3,000
Motor Vehicles	7,000	7,000	7,000	7,000	7,000
Furniture & Fixtures	250	250	250	250	250
<b>ANNUAL DEPRECIATION</b>	<b>11,250</b>	<b>11,250</b>	<b>11,250</b>	<b>11,250</b>	<b>11,250</b>

## 8.0 ECONOMIC ASPECTS

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

- The project will boost investment in assembling sector which is important for the economy, contribution to research and other skills development.
- The project will involve transfer of technology in assembling.
- The project will create employment for **28** people on permanent contract basis as well as on temporary basis.

- It will create more business opportunities among Tanzanians, which will also have a trickledown.
- Provision of a market for goods and services demanded by expanded tax base to the Treasury and local Government authorities and generation of substantial income to the Government.
- Direct income for workers, combined with other social benefits that the management of the company will provide and help in overall efforts of alleviation of poverty
- 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.

## 9.0 IMPLEMENTATION

Project implementation is expected to be relatively very short once project has been approved it is estimated that ordering and assembling of machines will take approximately 8 months: -

### **XINYAO INVESTMENT CO. LIMITED FIXED IMPLEMENTATION**

	<b>ACTIVITY</b>	<b>PERIOD</b>
1	Processing TIC Certificate of Incentive	May 2024
2	Ordering of plant and machineries and Vehicles	December 2024
3	Arrival of Plant, Machinery and Vehicles	February 2025
4	Assembling and fixing machines	March 2025
5	Testing machines	March 2025
6	Commercial production	April 2025

## **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.