

AN ENERGIES

Business Plan

for

Establishment of facility for Fuel product and Standard Garage

## 1.0. EXECUTIVE SUMMARY.

**SMN ENERGIES** is a Business Name registered in Tanzania under the Business Name Act 2002, with Certificate number 590190 dated 26<sup>TH</sup> APRIL 2024. The project owners are well established business persons in Tanzania and carrying out various businesses but majoring in Accommodation businesses. Having been in the business for over 15 years, the directors are now well prepared for Fuel products and Standard Garage projects.

The business plan has been prepared for **SMN ENERGIES** for Fuel product and Standard Garage project. The implementation of this project will include following activities:

- Identifying and acquiring of industrial premises
- Registration of project to TIC
- Obtaining various permit and license
- Construction of business building
- Ordering machines
- The purchase of 2 Fuel Tank for carrying Fuel, 1 Double Cabin Pick Up
- Purchasing Standard machine for Car Wash
- Purchasing generator
- Purchasing of machines and equipment's
- Installation of machines
- Recruiting
- Equipping the company with relevant facilities

The proposed project is estimated to cost about TZS1,500,000,000

## SMN ENERGIES COST STRUCTURE

### 1.1 THE PROJECT PROMOTERS

Investment Summary		
Sl No.	Particulars	Cost
1	Land and Buildings	TZS700,000,000
2	Plant, Machinery & Equipment	TZS600,000,000
3	Pre-Operative Expenses	-TZS50,000,000
4	Working Capital	TZS150,000,000
	<b>TOTAL</b>	<b>TZS1,500,000,000</b>

### 1.2 LOCATION.

The project head office will be in Mkuranga, Coast Region, Tanzania

### 1.3 OBJECTIVE OF STUDY

The purpose of this business plan is to work out the technical, commercial details and financial viability of a facility for Fuel products and Standard Garage.

### 1.4 MISSION

Professionally high-quality products, delivery to customers, aimed at ensuring that they realize the highest value for money.

### 1.5 CORE VALUES

Production of quality goods with integrity and creativity while treating each customer as our priority

## 2.0 BASIS OF THE BUSINESS PLAN

A study was conducted prior to as the basis for preparation of this plan, the study was based on the following objectives and approach:

### 2.1 STUDY OBJECTIVES:

- To analyse the relevant market and other factors impacting upon the supply and demand of Fuel products and Standard Garage and related products
- To examine the physical and operational characteristics of the existing market in order to determine the positioning of the proposed business in the marketplace.

## **2.2 STUDY APPROACH:**

- a) Participatory: Semi- structured interview and discussion were held with the Drivers and Motor Vehicle Owners and related businesses
- b) Physical visits to the Whole Seller of Fuel at company's main business premises
- c) A brief market survey on Fuel product and Garage activities.
- d) Conduction of profitability/viability test of the investment, using the appropriate financial projections for the initial period of five years proposed for the business operations.

## **2.3 KEYS TO SUCCESS**

The keys to success will be:

- Built up systems in production, quality control and operations and developed a proven and successful range of high-quality products.
- Successfully established sales channels across Mkuranga and Tanzania as whole, so that today, the products are sold Nationally.
- Store design that will be both visually attractive to customers and designed for fast and efficient operations.
- Best Employee to ensure the better service is produced.
- Marketing strategies aimed to build a solid base of loyal customers, as well as maximizing the sales of high margin products.

## **2.4 MISSION STATEMENT**

The Business mission is to establish a best supplier of fuel business that will make a wide variety of fuel products at affordable prices available to the local markets.

**SMN ENERGIES** will make its best effort to create a unique products place which satisfies customers' needs. The Plans will invest its profits to increase the employee satisfaction while improving services.

### **3.0 PROJECT DETAILS**

#### **3.1 INTRODUCTION**

Mkuranga is the district allocated southern part of Dar es Salaam Region along DSM – MTWARA road. Because of the above-mentioned factor, the district's manufacturing sector has a great potential in contributing in economic growth of Mkuranga Economy.

Sector plays a critical role in the social and economic development of a district.

It is quite gratifying to note that the Government of Mkuranga realizes the role of manufacturing sector for its economic and social development, and as a result has developed fiscal and non-fiscal incentives which are very instrumental in improving the business and investment environmental in the manufacturing sector.

The project has major objectives as following: -

- To promote Fuel product business and standard garage in Mkuranga
- To bring new technology and technical know-how in Mkuranga and the country in the course of its business transactions.

#### **4.0 MANAGEMENT TEAM**

**4.1** A full-time manager will be hired to oversee the daily operations at SMN ENERGIES. This person's responsibilities will include managing the staff, ordering inventory, dealing with suppliers, developing a marketing strategy and perform other daily managerial duties. We believe that our candidate has the right experience for this role. A profit-sharing arrangement for the manager may be considered based on the first-year operational results.

**The summary of employees is as following**

<b>Employment</b>	<b>Local Skilled</b>	<b>Local Unskilled</b>	<b>Total</b>
Women	2	3	5
Men	8	4	12
<b>TOTAL</b>	<b>10</b>	<b>7</b>	<b>17</b>

## 4.2 PROJECT SUSTAINABILITY

The project sponsors having studied market conditions and the infrastructure in Mkuranga are convinced that the project will be able to operate undisturbed

## 5.0 PROJECT INVESTMENT COST

The estimated capital investment cost of the project for 5 years is estimated to cost **TZS1,500,000,000**; the project will be implemented in phases.

### SMN ENERGIES COST STRUCTURE

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	<b>TOTAL</b>	<b>TZS1,500,000,000</b>

## 5.1 FINANCING PATTERN

The project will be financed by initial equity TZS1,300,000,000, followed by an additional TZS200,000,000 in a combination of equity and debt from promoter as well cash generated from operations.

## 6.0 FINANCIAL ANALYSIS

### 6.1 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 raw material will be procured from local market. Revenues have been conservatively estimated based on experience of the promoters and trends in the industry.

### 6.3 Financial Statements:

#### 6.4 Projected Sales Revenue

For projection purposes, it is assumed that the economic life of the project is endless, and that production of the different types of fuel products and standard garage.

	1 TZS'000'	2 TZS'000'	3 TZS'000'	4 TZS'000'	5 TZS'000'
Revenue	1,620,000	1,620,000	1,620,000	1,620,000	1,620,000
Expenditure	1,512,000				
Profit	108,000				

#### 6.5 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 of TZS108,000,000 yearly. Accumulated after tax profits grow from. TZS108,000,000 in first year to TZS198,000,000\_in the 5<sup>th</sup> year

### SMN ENERGIES PROJECTED INCOME & EXPENDITURE STATEMENT IN TZS

	1	2	3	4	5
Sales Revenue					
Cost of Sales					
<b>Gross Profit</b>					
<b>Operating Expenses:</b>					
Administrative Expenses					
Motor vehicle running expenses					
Salaries and Wages					
Donation					
Depreciation					
Marketing Costs					
Utility costs					
Insurance					
Communication					
Pension Contribution					
Loan Interest (3%)					
<b>Total Expenses</b>					
<b>Profit before tax</b>					
Tax (30%)					
<b>Profit After Tax</b>					



## 6.5 Projected Cash Flows

This is shown in the financial statements. The project has a positive end of year cash flow from year1, i. e TZS108,000,000 in first year to TZS198,000,000 in the 5<sup>th</sup> year

### SMN ENERGIES PROJECTED CASH FLOW IN TZS

	1	2	3
Cash Sales			
VAT Receipt			
<b>Subtotal cash Received</b>			
<b>Expenditures from Operations:</b>			
Purchases			
VAT Payments			
<b>Subtotal Cash Payment</b>			
CASH FLOW FROM OPERATIONS:			
<b>CASH FLOW FROM INVESTMENTS:</b>			
Purchase of Assets			
Working Capital and pre-expenses			
CASH FLOW FROM INVESTMENTS:			
<b>CASH FLOW FROM FINANCING:</b>			
Loan			
Owners Equity Contribution			
CASH FLOW FROM FINANCING:			
<b>NET CASH FLOW FOR PERIOD</b>			
<b>CASH FLOW START OF YEAR</b>			
<b>CASH FLOW AT THE END OF YEAR</b>			

## 6.6 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 TZS108,000,000 in first year to TZS198,000,000 in the 5<sup>th</sup> year

### SMN ENERGIES PROJECTED BALANCE SHEET IN TZS

	1	2	3	4	5
<b><u>Fixed Assets</u></b>					
Long-term Assets					
Depreciation					
Total Long-term Assets					
<b><u>Current Assets</u></b>					
Cash					
Accounts Receivable					
Total Current Assets					
Total Assets					
<b><u>Current Liabilities</u></b>					
Accounts Payable					
Other Current Liabilities					
Subtotal Current Liabilities					
<b><u>Long-term Liabilities</u></b>					
Long-term Liabilities					
Total Liabilities					
<b><u>Net Assets</u></b>					
<b><u>Capital and Reserves</u></b>					
Owners Contribution					
Retained Earnings					
Total Capital					

## 7.0 ECONOMIC ASPECTS

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

- The project will create employment for **17** people in the beginning and it will increase gradually as the business grows.
- It will create more business opportunities to local suppliers which will also have a trickledown effect in economy.
- It will introduce innovative, environmentally friendly technology for fuel product business and standard garage that increases processing efficiency, safety and overall value creation
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.
- From the projected TZS1.5 billion of revenue over the next five years, the vast majority will be earned and spent directly in Tanzania.

## 8.0 IMPLEMENTATION

Project implementation is expected to be relatively very short once project has been approved and space lease, and license and approval obtained, the general implementation schedule is below:

### IMPLEMENTATION

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	APRIL 2025

2	Placing order of machines	MAY 2025
3	Fixing machines	JULY 2025
4	Recruitment	JULY 2025
5	In house training	JULY 2025
4	Testing production	JULY 2025
6	Commercial operations	AUGUST 2025

### ANTICIPATED RISKS AND MITIGATION STRATEGY

The following are some of risks relevant to this business undertakings:

#### Competition

This is a threat that cannot be avoided as the business seems to be profitable and worth of an undertaking. Due to growing economy, new entrants are expected to emerge and add up to the existing threat from the existing competitors already crowding the sector. Since Mkuranga is blessed with abundance of Petrol Station provider, it is likely that value addition to fuel product and standard garage is set to be an ongoing business for so long to come.

#### Remedies;

The management is prepared to face the competition by offering the best quality services and products it can in order to build a good clients' loyalty. It will also make sure that it renders services on time in order to win clients' interests and satisfaction.

#### Price and Exchange Rate Fluctuations

This has recently marked a big problem in business operations; prices and exchange rates keep on rising irregularly and affect the business performance together with the income and expenditure estimates given the price fluctuations and instability in world financial currencies especially the US dollar.

## Remedies

The business's strategy to overcome this risk is for negotiations of prices with the suppliers so as to where possible fix the purchase prices in advance using the forward contract with the suppliers.

97

## ECONOMIC AND ENVIRONMENTAL PRIORITIES

The business's operations are environmentally friendly since they do not have a direct impact as regards to environmental degradation or pollution. It is in the business's policies to adhere to all country and safety regulations including environmental conservation. The materials used will be authorized by TBS and following NEMC guidelines, since partly the industry of minerals is one of the highly polluting of industries to the environment.

## CONCLUSION AND RECOMMENDATION

The detailed discussion in the previous sections reveals a potential for the business service market. This shows that the business will be able to sale the services and realize its investment and returns and pay the applied external finance accordingly.

The management team is well experienced and equipped to lead the organization towards achieving the set objectives and also it has a competent work force to support the move.

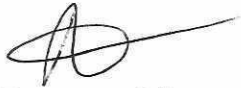
Financial analysis also depicts that the business is profitable and will be able to collect funds from sales to fully service the loan facility( in case the business borrows) and meet all other obligations as they fall due. This can be referred to in the projected financial statements.

27

## 9.0 CONCLUSION & 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.



**Prepared for:**

**SMN ENERGIES**

**P.O.BOX 10  
MKURANGA  
TANZANIA**