

MLIMANI ENERGY LIMITED

FEASIBILITY STUDY

FOR

CONSTRUCTION OF PETROL STATION, FUEL FILLING
STATIONS

AND

COMMERCIAL BUILDING

AT

MADALE, MWENGE AND KIGAMBONI DAR ES
SALAAM



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P.O.BOX 12072

DAR ES SALAAM

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EXECUTIVE SUMMARY

This document presents a proposal for establishment of a modern Petrol Station and Commercial building on **Plot P27790** at Madale area in Ubungo Municipality and Fuel Filling Stations on Plot **No.14 & 15** at Mwenge area and on Plot **No. P54464** at Kigamboni area, Dar es Salaam. The promoter of the proposed project is M/s Mlimani Energy Limited of P. O. Box 12072 Dar es Salaam, a registered private company incorporated on 21st January 2025 in Tanzania under the Companies Act, 2002, under Certificate of Incorporation **No. 181430028** for the purpose of running business activities in the country.

The Company was established to provide quality and consistent supply of fuel. M/s Mlimani Energy Limited among other is an oil marketing entity registered in Tanzania focusing into imports, hospitality, distribution and marketing of premium quality petroleum products across East Africa. The Company was established for the purpose of running business activities in the country among others to supply fuel within and outside the country. The headquarters of M/s Mlimani Energy Limited is in Plot No. 350 Block No. A, Sinza in Ubungo Municipality Dar es Salaam.

The main goals of M/s Mlimani Energy Limited among others are to deliver efficiency, quality and customer satisfaction.

M/s Mlimani Energy Limited among others plans to obtain license to import and market petroleum products in the domestic market, and export markets in the neighboring countries such as D.R. Congo, Zambia, Burundi and Rwanda. M/s Mlimani Energy Limited as well is planning to engage into business of fuel marketing across East African Countries (EAC) and Central African (CA) countries.

M/s Mlimani Energy Limited is planning to develop its property located in Plot **No.P27790** at Madale area in Ubungo Municipality to construct and establish Petrol Station and Commercial building to accommodate shops and office spaces. It is also plans to develop Plot **No.14 & 15** at Mwenge area and Plot **No. P54464** at Kigamboni area, Dar es Salaam to accommodate Fuel Filling Stations.

The project

Given the important of Petrol Stations, Fuel Filling Stations, commercial and office facilities in Dar es Salaam and in Tanzania at large, M/s Mlimani Energy Limited envisages to develop Plot **No.P27790** at Madale area in Ubungo Municipality to construct and establish Petrol Station, Commercial and office building. On the other hand, the Promotor plans to develop properties on Plot **No.14 & 15** at Mwenge area and on Plot **No. P54464** at Kigamboni area, Dar es Salaam by constructing a modern Fuel Filling Stations for renting out to various business people/firms.

The proposed project will involve construction of a modern double storey building structures which will accommodate Petrol Stations, commercial and office areas with the total area of 2,577.00m² at Madale plot. It will also develop plots with total area of 1,302.88m² (Plot No. 14: 582.00m² & Plot No. 15: 720.88m²) and 826.00m² at Mwenge Plots and Kigamboni Plot respectively to establish Fuel Filling petrol stations.

Project costs

The project is estimated to cost a total of Tshs. **8,075,599,740**. Out of this amount Tshs. **6,275,599,740** will be used in the construction and purchase of machinery while **Tshs. 1,800.00** million (Madale Plot:Tshs. 500.m, Mwenge Plot: Tshs. 1.0billion and Kigamboni Plot: Tshs 300.m) is the land values.

Proposed financing structure

The financing structure of the proposed Petrol Station, , commercial & office building and Fuel filling Stations cost will be through equity contribution in form of cash from the Promoter and loan from financial institutions.

The proposed financing structure of the project will be as follows:

	Figures in “000,000”
- Equity - M/s Mlimani Energy Limited (land incl.)	Tshs. 4,037.80 (50%)
- Loan from Financial Institutions	<u>Tshs 4,037.80 (50%)</u>
- Total	Tshs 8,075.60 (100%)

The project financial analysis carried out shows that the proposed project is viable undertaking. Financial indicators for the project are as follows: Average ROI 28.7%, Internal Rate of Return (IRR) of 19.9%, the Normal payback period is 4.86 years while NPV at 12 is positive of Tshs 3,163.36 million making the project technically sound, financially viable and economically feasible. These indicators show that the project is viable hence worth to be financed.

Security of the Loan

Securities of the loan will be the properties situated on Plot **No.P27790** at Madale area in Ubungo Municipality, on Plot **No.14 & 15** at Mwenge area, and on Plot **No. P54464** at Kigamboni area, in Kigamboni Municipality, Dar es Salaam. Currently these properties have value of Tshs1,800.0 million in total. After completion of the construction of the proposed project, the offered securities will have values of Tshs. 8,075.60 million in total. Therefore will cover the loan by 2 times which is over and above the normal acceptable level of 1.5 times required by many financial institutions.

Status of the Project

The Promoter has started to implement the project. At the moment the Promoter has already acquired the plots and leveling the ground to pave way for construction. This is about 16% implementation of the project.

Market and Marketing

Market study conducted shows that there is a high demand for petrol stations, commercial and office spaces in Dar es Salaam. The study revealed that almost all petrol stations, Commercial and Office buildings, Madale area in particular are overcrowded which shows that the demand of the same is high. On the other hand, Fuel Filling Stations in Dar es Salaam, Mwenge and Kigamoboni areas in particular where the proposed Fuel Filling Stations will be established are full occupied.

The existing of higher demand in the market causing the rental rates for petrol stations, commercial and office buildings at Madale area and fuel filling stations at Mwenge and Kigamboni areas to be on the higher side too. The prevailing rental rates for commercial and office spaces ranging from USD 8 to USD 15 per m² per month depending on the location of the building.

Recommendations

It is recommended that the proposed project should be implemented in time so as to take advantage of the prevailing higher demand and higher rental rates in the market.

1. INTRODUCTION

1.1 Background of the Project

In the attempt to expand and diversify its business to cater for the booming market, M/s Mlimani Energy Limited plans to establish Petrol Station, Commercial and office building at Madale area – Ubungo Municipality and Fuel Filling Stations project at Mwenge and Kigamboni areas. The proposed project is to be implemented on **Plot No.P27790** at Madale area in Ubungo Municipality, on Plot **No.14 & 15** at Mwenge area, and on Plot **No. P54464** at Kigamboni area, in Kigamboni Municipality, Dar es Salaam (**Appendix 1(a),(b)&(c)**).

1.2 The Promoters

The Promoter of the proposed project is M/s Mlimani Energy Limited. The Promoter is a private registered Company which was registered on 21st January 2025 with certificate of registration **No. 181430028 (Appendix 2)**.

The Authorised share capital of the Company is TZS 1,000,000,000.00, (Tanzanian Shillings One Billion only) divided into 1,000,000 shares of 1,000/= (Tanzanian shillings one thousand only) each, and paid up share capital is TZS 600,000,000/= with power for the Company to increase or reduce the said capital (**Appendix 3**). The headquarters of Ms Mlimani Energy Limited is on Plot **No. 350 Block No. A**, Sinza in Ubungo Municipality Dar es Salaam. Municipality.

The current shareholders of the company are as shown in Table 1 below.

Table 1: CURRENT SHAREHOLDERS OF THE COMPANY

Names, Addresses, and Description of Subscribers.	Number of shares taken by each Subscriber	Percentage
MR. Yassin A. Mringo P. O. BOX 12072 DAR ES SALAAM	540,000	90
MR. Ramadhan Y. Mringo P. O. BOX 12072 DAR ES SALAAM	60,000	10

The main business to be carried out by the Promoter among others includes establishing Petrol Station, fule filling staions, commercial and office buildings for renting and fuel distribution etc.

1.3 Objective of the project

The main objective of M/s Mlimani Energy Limited is to;-

- a) undertake a comprehensive development of the plots located at Madale, Mwenge and Kigamboni, therefore changing the skyline and increasing the value of the areas; and

- b) respond to the market demand for petrol station, commercial & office spaces and fuel filling stations, with adequate parking facilities.

1.4 The Assignment

The principal objective of the assignment is to carry out a feasibility study to determine technical feasibility, social desirability, financial soundness and economic viability for development of Petrol stations, Commercial and Office spaces at Madale area in Ubungo Municipality and Fuel Filling Stations, at Mwenge and Kigamboni areas, Dar es Salaam. The study therefore, among other things include:-

Technical Appraisal

- sites inspection/assessment and analysis of adjacent developments and their impact;
- appropriate project design for the intended structures;
- estimated construction cost of the project; and
- assess supportive economic infrastructure which among others includes transport network, energy sources, water supply/sanitation and specific attraction to the areas.

Market and market analysis

- current market and operational data on the real estate industry in Dar es Salaam, Ubungo, Kinondoni and Kigamboni Municipalities in particular;
- determine the supply and demand for various facilities to be offered in the proposed project and establish the demand supply gap and competition level;
- determine the existing and projected characteristics of relevant markets; and
- examine other socio-economic aspects essential for the viability of the proposed project.

Economic and Financial analysis

- overview of the proposed project, which include the micro aspects of the business activities and its impact in the development of the economy;
- undertake financial analysis which among other includes:
 - Assumptions
 - Projected revenues
 - Profitability indicators
 - advise the implementation of the proposed project.

1.5 Study Coverage

The study mainly focused on Petrol Station, Commercial and Office spaces and Fuel Filling Station, in Dar es Salaam, Madale, Mwenge and Kigamboni areas in particular. This has been done so as to get the general picture of demand and supply of the earmarked project at Madale, Mwenge and Kigamboni areas.

1.6 VISION

- To become the country's number one choice brand for oil and gas retailing.

1.7 MISSION

- To provide Tanzanians with the best quality petroleum products at all times (constant all year-round availability).
- To become the recognized leading brand in petroleum products retailing in Tanzania through the provision of unrivalled customer services.
- To provide professional auto repair, maintenance services and other auto repair related services in a one-stop location.
- To operate chains of petrol stations with state-of-the-art facilities and latest technology in major cities around the country.

1.8 OBJECTIVES

- To continue to be a service-based firm whose goal is to exceed customer's expectations.
- To increase the number of clients served by at least 20% per year through superior performance and word-of-mouth referrals.
- To develop a sustainable expanding business, contributing to increased employment of community residents.

1.9 Keys to Success

- Expedient and convenient petroleum product retailing service.
- Growing and maintaining a referral network of large companies, government parastatals and corporate companies with considerable fleets of cars.
- Building and maintaining strategic alliances with car distributors and other industry-related business partners.
- Adopting customer- and market-focused sales and marketing paradigm.
- Managing the business by implementing, and consistently measuring and adjusting, the fundamentals to ensure our processes ensure the desired results.
- Outstanding customer service.

1.10 Product and Services

M/s Mlimani Energy Limited was established with the aim of maximizing profits among others in the petrol station and fuel filling station industry commercial and office buildings (real estate) industry. It want to compete favorably with the leading oil and gas retailing firms in Tanzania which is why plans to put in place a competent quality assurance team that will ensure that every sale, service and maintenance carried out or related services rendered meet and even surpass its customers' expectations. Owner will work hard to ensure that M/s Mlimani Energy Limited's petroleum products will not just be accepted in Dar es Salaam City market and Tanzania but also in the other East Africa, SADC countries and beyond. Our products and services will be as listed below.

Our products will include:-

- Petroleum Motor Spirit; PMS)
- Diesel
- Lubricant Oil, Steering oil, Break fluids, etc.

1.10.1 Our services will include:

- Automotive services (e.g. car wash and general parts sales).
- Providing automotive repair services.
- Providing wheel Alignment, Wheel Balancing and vulcanizing services.
- Providing commercial and office spaces for renting

1.10.2 The benefits of our products and services are:

- High-quality and constant all-year-round availability of petroleum products
- Excellent customer care services.
- One-stop location for car maintenance, repair and support services.
- High-quality and standard commercial and office spaces for renting

2.0. PROJECT DESCRIPTION AND TECHNICAL ANALYSIS

2.1 Preamble

The proposed project involves the establishment of a petrol station at Madale area and Fuel Filling Stations at Mwenge and Kigamboni areas and other facilities as follows:-

- Area for automotive services (e.g. car wash and general parts sales);
- area for automotive repair services;
- area for wheel Alignment, Wheel Balancing and vulcanizing services; and
- Commercial and office spaces for renting

The proposed project will also provide parking slots to be used by the drivers and tenants of the buildings. The proposed project will have total area of

2,577.00 m² at Madale, total area of 1,302.88m² (Plot No. 14: 582.00m² & Plot No. 15: 720.88m²) at Mwenge and total area of 826.00m² at Kigamboni.

As indicated in the attached architectural drawings [**Appendix 4 (a) (b) & (c)**], the design of the proposed structures have taken into account the relatively potential status of the sites compared to the physical requirements of the services to be provided.

Facilities

In keeping with the up market theme there are certain amenities that are mandatory:

- Underground water tank;
- Standby power generation units;
- Firefighting Equipment; and
- Adequate parking facilities.

Building Materials

The proposed finishing standards of the developments are to be of a high standard and they will need to be in order to safeguard a market share. Quality is of paramount importance in order to ensure the success of the project, both in terms of design and materials.

Finishing Materials

The proposed finishing standards of the project will be as follows;

- Kitchen units – timber granite work tops
- Built in cupboard - timber;
- Sanitary ware -imported;
- Ceramic wall and floor tiles;
- Doors and Door Frames – timber;
- Internal Wall Paint – Wash and wear;
- External Wall Paint – Weather guard;
- Hard wood doors; and
- Aluminum windows.

It is on these standards that are believed to produce a differentiated products against local competition (First grade European specification finishes).

2.2 Existing Infrastructure

All weather roads, electricity, water from nearby DAWASA supply lines and good communication are among the infrastructures available.

2.3 Development conditions

The objective of optimizing land use in this project has to conform to the City Planning and Zoning regulations. The conformity of the development with these regulations is appraised as follows;

- To facilitate land redevelopment with due regard to consequential infrastructure and service requirements;
- To strengthen public and private sector initiatives for the provision, improvement and maintenance of infrastructure and services; and
- Site Coverage and Plot Ratio Standards.

2.4 Environmental consideration

The design is environmental friendly with well-organised circulation, garbage collection surface and foul water drainage taken care of. Liquid waste will be disposed off through the existing public sewer and storm water drainage systems. However, incineration of solid waste will not be possible because of the site location. Solid waste produced is to be transported by special vehicles to dump sites.

2.5 Technical Consideration

In general, any building to be erected in a particular sites depends very much on the following technical consideration:-

- Size (areas) of the plots
- Accessibility – i.e. inlet/outlet to and from the three (3) plots
- Location of the plots
- Soil conditions

All of the above applied to the design and construction of the accommodation nodes proposed at Madale in Ubungo Municipality, Mwenge area and Kigamboni area in Kigamboni Municipality.

2.6 The Proposed project

The idea to construct a petrol station and multi storey commercial building at Madale area and Fuel Filling Stations at Mwenge and Kigamboni areas was conceived by the M/s Mlimani Energy Limited in a bid to widen its services in Dar es Salaam. Towards that end, a detailed market research on petrol station commercial buildings, and office spaces at Madale area and Fuel filling station at Mwenge and Kigamboni areas that was conducted in Dar-es-Salaam by the project promoters. A significant market potential for petrol station, commercial buildings, office space, as well as fuel filling station was identified. The project promoters reckon that top quality commercial and office spaces to be offered, would lead to high return on investment. In addition to this, M/s Mlimani Energy Limited' financial clout, business networks, talent and experience are considered to be key success factors that would bring about high financial and economic returns from the proposed investment.

The proposed project will have two components. The petrol station, commercial and office building and Fuel Filling Stations. M/s Mlimani Energy Limited is proposing to implement the project in a period of two years.

2.7 Estimated Total Cost of the Project

In order to effectively estimate the various costs components of the proposed project and eventually arrive at the total estimated project costs, a methods of estimation basing on G.E.A. [General External Area] has been adopted for the proposed building structure.

The methods depend on surveyed prevailing rates of construction cost per unit area in Tanzania which were obtained by consulting various reputable Quantity Surveying companies.

For the purpose of the proposed building structures, an average construction rate of Tshs. 500,000 per square meter has been adopted.

Therefore, the proposed project is estimated to cost Tshs **8,075.60** million as summarized in Table 2 and detailed in **Appendix 5**.

Table 2: Estimated Total Cost of the Project

ITEM		Fig in TSHS '000'
Preliminaries		110,250.00
External Works		700,000.00
Furniture and Fittings		166,608.50
Sub -Total 1		976,858.50
Construction (Shops and Office)		1,233,850.97
Motor Vehicles	9	1,350,000.00
Tank and Pumps		450,000.00
Sub -Total 2		3,033,850.97
Prime Cost and Provision Sum		657,600.00
Add: Insurance		10,500.00
Add Bond		9,000.00
Add Contingencies (2% of Contract sum)	2%	60,677.02
Sub -Total 3		737,777.02
Add: Consultancy Fee (12% of Investment Cost)	12%	569,818.38
Sub -Total		569,818.38
Add 18% VAT	18%	957,294.88
Sub -Total		6,275,599.74
Add: Land Value		1,800,000.00
TOTAL CAPITAL COSTS		8,075,599.74

2.8 Project Finance and Financing Plan

Total estimated capital investment of the project is **Tshs. 8,075,599,740**. The proposed financing of the project costs will be through equity funds from the promoters and a loan from financial institution as described in Table 3 below.

Table 3: Proposed Project Financing Plan

Item	Value in Tshs '000'	%
Equity	4,037,799.87	50%
Loan	4,037,799.87	50%
Total	8,075,599.74	100%

2.9 Proposed Terms and Conditions for the required loan

2.9.1 The following are the proposed Terms and Conditions for the required loan to finance the project:-

- Amount: Tshs 4,037,799.87;
- Moratorium period: 1 year;
- Repayment Period: 5 years;
- Mode of repayment: equal instalments payable semi-annual; and
- Interest rate fixed rate of 16% p.a in Tshs payable semi-annual.

2.9.2 Interest accrued during construction and grace period will be paid when fall due.

2.10 Security for the Loan

2.10.1 Collateral of the loan will be the property situated on Plot **No. P27790** at Madale area, , on Plot **No.14 & 15** at Mwenge area, and on Plot **No. P54464** at Kigamboni area, in Kigamboni Municipality, Dar es Salaam (**Appendix 1(a), (b) & (c)**). Currently these property have a value of Tshs. 1,800.0 million in total. After completion of the construction of the proposed project, the offered collateral will have value of Tshs 8,075.60 million. Therefore will cover the loan by 2 times which is over and above the normal acceptable level of 1.5 times required by many financial institutions.

2.10.2 The offered collateral is owned by Mr. Yassini Abrahaman Mringo who is one of the Director and majority shareholder of the Company. The owner is ready to offer the three properties to act as a collateral for the loan.

2.11 Status of the Project

The Promoters has started implementation of the project whereby acquisition and levelling of the plots have been done. The work which have been done is about 16% completion of the project.

2.12 Project Management

Management of the proposed project will be vested under a specialized Management company. The company to be hired will be responsible for day to day management activities of the project and will report directly to the Promoter.

3.0. Objective of the Document

This Business Plan has been prepared to serve as a communication tool between M/s Mlimani Energy Limited and Stakeholders .The report shall also serve as a roadmap, that is, a guiding, measuring and evaluating tool in the implementation of all aspects of the project. Further, the report seeks to recommend how the project will be managed. To that end, the report provides an analysis of the attractiveness of the proposed project focusing on the commercial, financial and economic aspects of the project.

This proposal is for M/s Mlimani Energy Limited to develop its plots located at Madale, Ubungo Municipality, at Mwenge area, and at Kigamboni area in Kigamboni Municipality, Dar es Salaam City for investment for construction of petrol station, and a commercial and office building at Madale area, establishment of fuel filling satiations at Mwenge and Kigamboni areas for renting. The fuel products to be sold at the petrol station and fuel filling stations are petrol, diesel, kerosene, lubricants.

M/s Mlimani Energy Limited plan to invest **TZS 8,075,599.74** for the construction and Development of petrol station and a commercial and office building at Madale plot and Fuel Filling Stations at Mwenge and Kigamboni plots.

Figure 1: Proposed Site Layout Plan



4.0. PETROL MARKET OVERVIEW IN TANZANIA:

The current market of petroleum products in Tanzania is US\$1.77 billion, growing at the annual rate of 15 percent. With continued economic activities in Tanzania, this growth rate is likely to accelerate in the near term. Although there has been series of natural gas discoveries in the past 10 years and small gas production in Tanzania, the demand for energy is growing fast and this demand can't be covered by liquefied natural gas (LNG), new natural gas field development or alternative energy initiatives.

The best way to meet Tanzania's huge energy demand is the combination of these sources of energy, including petroleum products. So, no matter how much is imported, more is needed to meet the ever-growing energy need in the country. With the development of roads and urban cities in Tanzania enhanced the exposure to motorable areas.

People use to utilize any kind of vehicle for their ease of life. So that people all over the country need fuel for their cars, trucks, and other vehicles, fuel stations can be good investments. The Energy Water and Utilities Regulatory Authority (EWURA) is the government agency that regulates the downstream petroleum

product sub-sector in Tanzania. You have to get a wholesale and retail petroleum license that allows you to sell petroleum products to bulk wholesale and retail customers.

4.1 Liquefied Petroleum Gas (LPG) products market in Tanzania

There has been a substantial raise in the consumption of liquefied petroleum gas (LPG) in the last ten years. The annual LPG consumption in Tanzania has grown from 5,500 metric tons in 2005 to 145,800 metric tons in 2019. Furthermore, with continued economic development in Tanzania as well as increasing awareness in the use of LPG as the best alternative to firewood and charcoal, the consumption of LPG will grow to a significantly high level in both urban and rural areas. And with the Tanzanian government's ambition to scale up the use of LPG across the nation, it will lead to increase in LPG demand and supply to hotels, homes, factories, boarding schools, army camps, mines as well as petrol stations.

The market demand for the products and services.

Since fuel for vehicles are compulsory for every vehicle apart from weather it is Petrol or Diesel the market demand prevails constant. The demands vary only with rate of vehicle importation. The service changed only with technology applied and easy proximity.

4.2 Market share of the proposed project.

It is not necessary to calculate the market share of the proposed project, because in this huge industry no market leaders are dominating a large market share in Dar es Salaam City. The market share of this project is simply limited to its market supply which is determined as follows. The annual market = Total current unorganized market locations in the City of Dar es Salaam.

4.3 Market strategies of the proposed project.

(A) Service/ Product

The services to be rendered in these petrol and filling stations majorly depend on its location as well as speedy service. Other than that following determinations will enhance the sales volumes,

- The service environment such as friendliness, customer care.
- Payments efficiency and availability of electronic card payments
- Quality of Products (lubrications, oil etc) availability.
- Availability of variety of products range (eg; 92,95, super etc)

(B) Price

Price factor is not much effect to the sales since the price is not vary station to station in same areas.

(C) Place

The places will be the most important factor of attracting consumers to the petrol and fuel filling stations. The places should be fulfilled with following aspects.

- Since the locations are easy accessible places
- They have enough spaces to accommodate goods and service supplies.
- Presence of enough spaces to accommodate parkings
- Areas without exposed to flood.

Although competition in the petrol and fuel filling stations business has increased over the past few years in Tanzania, with our effective marketing and supply strategies, building close client relationship as well as providing complementary services, the well-established fuel products retail can still be profitable and assured of recovering our entire investment.

Furthermore, the Marketing strategy proposed for these Petrol and Filling Stations would give strong emphasis to the development of competitive

capabilities; adaptability and flexibility in order to respond to technology changes and updates, solidifying and strengthening the facility's market position overtime. In terms of implementation, the strategy recommended would encompass the following key elements:-

- A focus on enhancing customer value by fulfilling market-driven needs.
- Purposeful differentiation, emphasizing the development of functional operation strategies.
- To be up to date with new technologies in Automation and providing services through those newly invented technologies.

For realizing above mentioned objectives, the Petrol and Filling Stations will be equipped with several additional infrastructure and supporting service facilities in terms of internal and external as mentioned below:-

4.3.1 Internal facilities

Well planned and systematic buildings and service areas arrangement.

- Well established drainage system to avoid retaining refused water, oil and other emission to the environment.
- Well organized Management to manage and operations of the petrol and fuel filling stations and the business centers.
- Well arrange buildings for ancillary services.
- Electronic Card payments availability.

4.3.2 External facilities

- Communication facilities; and
- Banks and other financial services.

4.4 Description of the Products/ Services

The basic products and services of the proposed project are as follows.

4.4.1 Services -

- Fuel (Petrol/ Diesel) filling service
- Air filling and Air pressure checking facility.
- Communication, financial and banking facilities (Credit Card / Debit cards) playability.
- A/C Repairing, Tyre repairing and replacing, Vehicle Electronic system services, etc.

4.4.2 Goods-

All kinds of lubricants, Auto motive chemicals, oils as indicated in Table No.4 below.

Table 4: Targeted Consumer Group

Service	Market Area	Target Consumer Group
All Petrol and Fuel Filling Services	Dar City and surrounding areas	1. People who used to get Fuel 2. All the firms and companies in operating in Dar es Salaam City and beyond. 3. All the visitors who come to Dar es Salaam City.

4.5 Customers/clients:

The proposed Mlimani Energy Limited Petrol and Fuel Filling Stations location will deliver products to motorists in the Dar es Salaam city, Madale, Mwenge and Kigamboni areas in particular, industrial and commercial customers in areas and to customers from other location of the city who will come to get best of our services.

4.6 Competition

The proposed M/s Mlimani Energy Limited Petrol and Fuel Filling Stations, the locations will have both direct and indirect competitors but our competitive advantage is that majority of the population will opt to come and get service from these petrol and fuel filling stations instead of going to other petrol and fuel filling services around because of our planned quality services, customer satisfaction, and there are more customers to go round.

4.7 Promotion

Since the fuel is essential commodity in vehicle transportation the promotional activities not much required to market the product. But awareness of people should be inculcated and at the outset there should be a promotional campaign to aware the people in the area and with the time it becomes prominent. So it is advisable to pay more attention on Internal or in-store promotions. Because it leads to increase sales volumes once customers are in place. Once the customer enters the one of our proposed station the following common internal promotions or initiatives could be utilized in order to encourage a longer stay resulting in increased sales, most notably:-

- Effectively designed service stations layout
- Attractive window displays; Eye-catching internal displays;
- Clear signage; Promotional signs; Location signs;
- Providing rest rooms and exciting atmosphere.

5.0. SALES FORECAST

M/s Mlimani Energy Limited as an investor to execute the construction of the proposed petrol station, commercial and office building at Madale plot and fuel filling stations at Mwenge and Kigamboni plots, the Promoters have got enough capital to build up the proposed petrol and filling stations in the proposed locations. It is willing to invest and performs its business in the proposed plots. M/s Mlimani Energy Limited forecast to recover its investment to the proposed project from its future forecasted rental rate and sales of its products at the

petrol station, commercial and office building and fuel filling stations to be constructed.

5.1 Pre operation Activities & Expenses

Tasks

- Preparation of project proposal
- Preparing necessary legal documents, and other correspondences as well as permits
- Sites plans with BOQs/ validation of the correspondence with local Authorities
- Finance
- Engaging Contractor
- Constructions and landscaping
- Business launching

5.2 Operation Activities

- Business Management
- Collection of revenues and better finance management
- It is very impotent to collecting revenues and income.

5.3 FINANCIAL PLAN

Financial plan are developed based on the following factors:-

- Initial Costs (Technical writings of documents, Agreements, and Permits,
- Planned Investment costs to the project
- Planned working Capital and management
- Anticipated annual Operation costs for the proposed project
- Taxes and levies
- Projected Sales and Revenues

6.0. FINANCIAL PROJECTIONS AND ANALYSIS

6.1 Assumptions used

- i) Estimated project cost is Tshs. **8,075,599.74**
- ii) All prices and costs are based in Tshs and are kept constant for the whole implementation period of the project which is estimated to be twenty four months (2 years).
- iii) The occupancy rate for commercial and office spaces are assumed at 97% in the first year of operations and increasing to 98% in the third year to the rest of the project life.
- iv) Buildings depreciation is 2% p.a on initial cost.
- v) Cost of insurance is 0.03% p.a. on the initial costs.
- vi) Property tax on land & building is 0.15% p.a.
- vii) Maintenance cost is 5% of the revenue.
- viii) Land appreciation is assumed at 3% p.a.
- ix) Rental rate USD 8, USD 12, USD 10 per m² per month for commercial spaces in the Basement, Ground floor and First floor respectively
- x) Cost of Sales of fuel assumed to be 85% of fuel revenue.
- xi) Sales of fuel assumed at 3,000 and 2,5000 litres per day for petrol and diesel respectively.
- xii) Selling price assumed at Tshs 3,314 and Tshs 3,196 per litre for petrol and diesel respectively.
- xiii) Sales of fuel assumed at Tshs 19,711,728,000 in year 1 increase to Tshs 30,579,359,830 in year 10.
- xiv) Exchange rate will be TZS. 2,600/USD at the time of completion.

6.2 Revenues Drivers

M/s Mlimani Energy Limited will have the following revenue drivers once it commences its operations after completion in 2027.

The projected revenues indicate that the M/s Mlimani Energy Limited will generate total income of TZS 20,740.85 million in year 1 and increase gradually to TZS 32,175.86 million in year 10 of operation as shown in Table 5 below.

TABLE: 5 REVENUE PROJECTION								
Proposed Fuel sales, Offices, Commercial areas & Parking Spaces								
Assumptions for 3 Stations	3							
Rentable Shops in the Basement			265.5	sqm	Rent per m2/ month	8	USD	
Rentable Shops in the Ground floor			486		Rent per m2/ month	12	USD	
Rentable Shops in the First floor			526.5		Rent per m2/ month	10	USD	

Total number of Parking Space			14		Rent per m2/ month	60	USD	
Annual sales growth rate	5%							
Exchange Rate	2,600	TO 1 USD			Fig. in Tshs. '000'			
Item/Year	Rate in USD	1	2	3	4	6	8	10
Rentable Shops in the Basement	8	66,268.80	69,582.24	73,061.35	76,714.42	84,577.65	93,246.86	102,804.66
Rentable Shops in the Ground floor	12	181,958.40	191,056.32	200,609.14	210,639.59	232,230.15	256,033.74	282,277.20
Rentable Shops in the First floor	10	164,268.00	172,481.40	181,105.47	190,160.74	209,652.22	231,141.57	254,833.58
Total number of Parking Space	60	25,272.00	26,535.60	27,862.38	29,255.50	32,254.19	35,560.24	39,205.17
Total Rental Income		437,767.20	459,655.56	482,638.34	506,770.25	558,714.21	615,982.41	679,120.61
Diesel		8,974,368.00	9,423,086.40	9,894,240.72	10,388,952.76	11,453,820.41	12,627,837.01	13,922,190.30
Petrol		10,737,360.00	11,274,228.00	11,837,939.40	12,429,836.37	13,703,894.60	15,108,543.79	16,657,169.53
Total Fuel Sales Revenue		19,711,728.00	20,697,314.40	21,732,180.12	22,818,789.13	25,157,715.01	27,736,380.80	30,579,359.83
Other Product i.e lubricant (3% of fuel sales)	3%	591,351.84	620,919.43	651,965.40	684,563.67	754,731.45	832,091.42	917,380.79
Total Sales Revenue		20,303,079.84	21,318,233.83	22,384,145.52	23,503,352.80	25,912,446.46	28,568,472.22	31,496,740.63
TOTAL REVENUE		20,740,847.04	21,777,889.39	22,866,783.86	24,010,123.05	26,471,160.67	29,184,454.64	32,175,861.24

6.3 Projected Operating Cost

The projected Operating Cost indicates that the M/s Mlimani Energy Limited will incur Tshs. 17,579.28 million as operating cost in the first year of operations and the same will gradually increase each year to Tshs 27,216.99.16million in 10 years of operation as shown in Table 6 below.

TABLE 6: PROJECTED OPERATING COST								
Fig. in Tshs. '000'								
Item/Year		1	2	3	4	6	8	10
Depreciation	2.00%	80,214.19	80,214.19	80,214.19	80,214.19	80,214.19	80,214.19	80,214.19
Insurance	0.03%	1,203.21	1,203.21	1,203.21	1,203.21	1,203.21	1,203.21	1,203.21
Repair & Maintenance	2.00%	414,816.94	435,557.79	457,335.68	480,202.46	529,423.21	583,689.09	643,517.22
Land rent and service charges	0.05%	4,239.69	4,239.69	4,239.69	4,239.69	4,239.69	4,239.69	4,239.69
Property Tax	0.15%	12,719.07	12,719.07	12,719.07	12,719.07	12,719.07	12,719.07	12,719.07
Admin Cost	1.50%	311,112.71	326,668.34	343,001.76	360,151.85	397,067.41	437,766.82	482,637.92
Cost of Sales for fuel (85% of Sales fuel Revenue)	85%	16,754,968.80	17,592,717.24	18,472,353.10	19,395,970.76	21,384,057.76	23,575,923.68	25,992,455.86
TOTAL OPERATING COST		17,579,274.61	18,453,319.53	19,371,066.70	20,334,701.23	22,408,924.54	24,695,755.75	27,216,987.16

6.4 Projected Financial Statement

The projected Financial Statement indicates that the M/s Mlimani Energy Limited will use Tshs. **8,075.60** million in the implementation period as indicated in Table 2 above. The Net Inflow for the first year of operations will be Tshs 1,841.65 million gradually increase each year to Tshs. 3,552.0 million in 10 years of operation as shown in Table 7 below.

TABLE 7: PROJECTED CASHFLOW STATEMENT

Item/Year	Fig. in Tshs. '000'							
	0	1	2	3	4	6	8	10
INFLOWS								
Owners Equity	4,037,799.87	-	-	-	-	-	-	-
Bank Loan	4,037,799.87	-	-	-	-	-	-	-
Net Income Before Taxation	-	2,516,332.01	2,679,329.44	3,011,988.74	3,353,205.40	4,063,043.68	4,489,506.44	4,959,681.63
Depreciation	-	80,214.19	80,214.19	80,214.19	80,214.19	80,214.19	80,214.19	80,214.19
Total Inflows	8,075,599.74	2,596,546.20	2,759,543.63	3,092,202.93	3,433,419.59	4,143,257.87	4,569,720.63	5,039,895.82
OUTFLOWS								
Investment and reinvestment costs	8,075,599.74	-	-	-	-	-	-	-
Loan repayment	-	-	1,009,449.97	1,009,449.97	1,009,449.97	-	-	-
Taxation	-	754,899.60	803,798.83	903,596.62	1,005,961.62	1,218,913.10	1,346,851.93	1,487,904.49
Total Outflows	8,075,599.74	754,899.60	1,813,248.80	1,913,046.59	2,015,411.59	1,218,913.10	1,346,851.93	1,487,904.49
Net Cash Inflows	-	1,841,646.60	946,294.83	1,179,156.34	1,418,008.00	2,924,344.77	3,222,868.70	3,551,991.33
Closing Cash Balance	-	1,841,646.60	2,787,941.43	3,967,097.77	5,385,105.77	9,972,599.86	16,265,434.76	23,200,842.42

6.5 Projected Project Profit

The project profit is estimated to be TZS 1,761.43 million during the first year of operations and increase gradually to TZS 3,471.78 million in the 10 year of operation as shown in Table 8 below.

TABLE 8: PROJECTED INCOME STATEMENT

Item/Year	Fig. in Tshs. '000'							
		1	2	3	4	6	8	10
Total Revenue		20,740,847.04	21,777,889.39	22,866,783.86	24,010,123.05	26,471,160.67	29,184,454.64	32,175,861.24
Less: Operating Costs		17,578,467.05	18,452,511.97	19,370,259.14	20,333,893.67	22,408,116.98	24,694,948.19	27,216,179.60
Net Income Before Fin Charges		3,162,379.99	3,325,377.42	3,496,524.72	3,676,229.39	4,063,043.68	4,489,506.44	4,959,681.63
Interest Payment		646,047.98	646,047.98	484,535.98	323,023.99	-	-	-
Net Income Before Taxation		2,516,332.01	2,679,329.44	3,011,988.74	3,353,205.40	4,063,043.68	4,489,506.44	4,959,681.63
Less: Taxation	30%	754,899.60	803,798.83	903,596.62	1,005,961.62	1,218,913.10	1,346,851.93	1,487,904.49
Net profit for the year		1,761,432.41	1,875,530.61	2,108,392.12	2,347,243.78	2,844,130.58	3,142,654.51	3,471,777.14
Cumm. Profit		1,761,432.41	3,636,963.02	5,745,355.13	8,092,598.91	13,529,114.60	19,661,521.12	26,436,500.40

6.6 Projected Balance Sheet

The projected Balance Sheet shows the total assets will be increasing from Tshs. 13,150.27 million in year 1 to TZS 36,952.32 million in the year 10 as shown in Table 9 below.

TABLE 9: BALANCE SHEET PROJECTION

Item/Year	Fig. in Tshs. '000'							
	1	2	3	4	6	8	10	
ASSETS								
Fixed Assets	2,666,608.50	2,666,608.50	2,666,608.50	2,666,608.50	2,666,608.50	2,666,608.50	2,666,608.50	2,666,608.50
Cash in Bank	1,841,646.60	2,787,941.43	3,967,097.77	5,385,105.77	9,972,599.86	16,265,434.76	23,200,842.42	23,200,842.42
Trade Debtors	6,913,615.68	7,259,296.46	7,622,261.29	8,003,374.35	8,403,543.07	8,403,543.07	8,403,543.07	8,403,543.07
Stocks and Stores	1,728,403.92	1,814,824.12	1,905,565.32	2,000,843.59	2,205,930.06	2,432,037.89	2,681,321.77	2,681,321.77
Total Assets	13,150,274.70	14,528,670.51	16,161,532.88	18,055,932.21	23,248,681.49	29,767,624.21	36,952,315.76	36,952,315.76
LIABILITIES								
Current Liability (Trade Creditors)	1,464,872.25	1,537,709.33	1,614,188.26	1,694,491.14	1,867,343.08	2,057,912.35	2,268,014.97	2,268,014.97
Long Term Liability	4,037,799.87	4,037,799.87	3,028,349.90	2,018,899.94	-	-	-	-
Retained Earnings	1,761,432.41	1,875,530.61	2,108,392.12	2,347,243.78	2,844,130.58	3,142,654.51	3,471,777.14	3,471,777.14
Owners' Equity	4,037,799.87	4,037,799.87	4,037,799.87	4,037,799.87	4,037,799.87	4,037,799.87	4,037,799.87	4,037,799.87
Total Liabilities	11,301,904.41	11,488,839.68	10,788,730.15	10,098,434.73	8,749,273.53	9,238,366.73	9,777,591.98	9,777,591.98
NET ASSETS AVAILABLE	1,848,370.29	3,039,830.83	5,372,802.72	7,957,497.48	14,499,407.96	20,529,257.48	27,174,723.77	27,174,723.77

6.7 Profitability Indicators

Profitability analysis carried out shows that the proposed project expects to generate positive return on investment (ROI) of 22.8% in the first year which will increase to 44.0% in year 10. This will make an Average Return on Investment (AROI) of 28.7% p.a. Furthermore the proposed project have Internal Rate of Return (IRR) of 19.9%, Normal payback period is 4.86 years while NPV at 12% is positive of Tshs 3,163.35 million as shown in Table 10 below. Therefore making the project technically sound, financially viable and economically feasible. These indicators show that the project is viable hence worth to be financed.

TABLE 10: PROFITABILITY ANALYSIS

Fig. in Tshs. '000'									
ITEM/YEAR		0	1	2	3	4	6	8	10
INFLOWS:									
Net Income Before Taxation			2,516,332.01	2,679,329.44	3,011,988.74	3,353,205.40	4,063,043.68	4,489,506.44	4,959,681.63
Depreciation			80,214.19	80,214.19	80,214.19	80,214.19	80,214.19	80,214.19	80,214.19
Total inflows			2,596,546.20	2,759,543.63	3,092,202.93	3,433,419.59	4,143,257.87	4,569,720.63	5,039,895.82
OUTFLOWS:									
Investment and reinvestment costs		8,075,599.74	-	-	-	-	-	-	-
Loan repayment		-	-	1,009,449.97	1,009,449.97	1,009,449.97	-	-	-
Taxation		-	754,899.60	803,798.83	903,596.62	1,005,961.62	1,218,913.10	1,346,851.93	1,487,904.49
Total outflows		8,075,599.74	754,899.60	1,813,248.80	1,913,046.59	2,015,411.59	1,218,913.10	1,346,851.93	1,487,904.49
Net Cashflow		-8,075,599.74	1,841,646.60	946,294.83	1,179,156.34	1,418,008.00	2,924,344.77	3,222,868.70	3,551,991.33
Discounted cashflow			1,644,327.32	754,380.45	839,300.19	901,169.72	1,481,564.07	1,301,662.61	1,143,646.15
Cummulative Discounted Cashflows			1,644,327.32	2,398,707.77	3,238,007.96	4,139,177.68	6,564,457.34	9,254,816.75	11,618,556.74
Cummulative Cashflows			1,841,646.60	2,787,941.43	3,967,097.77	5,385,105.77	9,972,599.86	16,265,434.76	23,200,842.42
PROFITABILITY INDICATORS									
Item/Year		0	1	2	3	4	6	8	10
ROI/ROE			22.8%	11.7%	14.6%	17.6%	36.2%	39.9%	44.0%
Average ROI/ROE		28.7%							
Discounted Payback Period		6.95	Years						
Normal Payback Period		4.86	Years						
IRR		19.9%							
NPV at 12%		3,163,354.46	Thousand						

7.0. Sensitivity Analysis

Sensitivity analysis carried out revealed that if the revenue falls by 5% throughout the investment period and other factors remains constant, the investment will give a positive NPV of Tshs. 2,057.18 thousand, Average Return On Investment (AROI) of 20.6%B p.a,

Internal Rate Of Return (IRR) of 12.0% and Normal Pay Back Period (NPBP) of 7.54 years. Furthermore, if the construction costs increase by 5% and revenue remains the same, it will give a positive NPV of Tshs. 2,623.60 million with IRR of 18.3%, AROI of 27.0% p.a and Pay Back Period (PBP) of 5.25 years. Therefore, the project is more sensitive to decrease in revenue compared to increase in cost. In order to mitigate these risks, the Promoters will engage a professional Management Team to Manage petrol station, enter into Pre- lease Agreement with the anchor tenants and sign fixed contract with the contractors. It will also sign agreements with reputable companies to fill and service their motor vehicles in the proposed station on credit so as to increase sales revenues.

8.0. RISK ANALYSIS

Risk is viewed as the possibility of the actual return from the proposed project being different from the expected return. There are various risks which are facing investments in filling station and real estate projects. The expected risks for the intended project are as follows: -

8.1 Delay risk

Delays in finalisation of project may lead to loss of income expected from second year and increase in cost of materials which will increase the construction costs. This may result into less return on investment than expected. To mitigate this risk the Promoter will set aside funds for construction and devises a supervision mechanism to ensure timely completion of project.

8.2 Default risk

If Creditors and tenants fail to pay bill and rent on time, it may lead to cash-flow problems and affect the M/s Mlimani Energy Limited's ability to meet its objectives. To mitigate this risk the M/s Mlimani Energy Limited will outsource the management of the fuel fillingl stations and shops to professional managers who will ensure timely collection of bills and rent.

8.3 Currency Risk

No currency risks since both, costs and revenues will be based on Tanzania shillings.

8.4 Inflation Risk

The proposed project is vulnerable to inflation. However, risk mitigation has been considered by allowing 5% price escalation.

9.0. OBSERVATIONS

The project will be of economic and social importance not only to the M/s Mlimani Energy Limited but also to the general public at large. The benefits of the project include:

- i. The development of the proposed project will help the M/s Mlimani Energy Limited to diversify its investment recourses and hence reduce the concentration risk in its portfolio.
- ii. The project will generate income to the M/s Mlimani Energy Limited hence preserve value of Promoter' investment.
- iii. It will increase the M/s Mlimani Energy Limited ability in meeting its financial obligations on time and also enhance the growth of the M/s Mlimani Energy Limited.
- iv. The project will create employment of about 250 people during construction and about 80 people during operations period.
- v. The project will increase tax revenue of about Tshs. 754.90 million in year 1 increased to Tshs 1,487.91 million in year 10 hence will boost the economy country at large.
- vi. The project will increase income to utility companies.
- vii. Construction of commercial building will reduce the demand-supply gap of commercial spaces in Ubungo Municipality.
- viii. The project will generate positive NPV and IRR which is above the discount rate of 12%. Therefore, the results show that the proposed project is financially viable hence worth to be undertaken.

10.0. RECOMMENDATIONS

Basing on the above analysis and observations, this project is technically feasible, financially viable, socially and economically desirable. It is hereby recommended to consider investment of Tshs **8,075.60** million in construction of a modern Petrol Station and Commercial building at Madale so as to take advantage of the prevailing higher Demand of the proposed facilities in the market.

Figure 2: Proposed Site Layout Plan for Fuel Filling Station at Mwenge



Figure 3: Proposed Site Layout Plan for Fuel Filling Station at Kigamboni

