

Business Plan: Depot Expansion Project – Lake Oil Ltd

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Executive Summary

Lake Oil Ltd, established in 2006, is one of Tanzania's leading oil marketing companies. Headquartered at Vijibweni Industrial Area Plot 46, Kigamboni, Dar es Salaam. The company specializes in the importation, storing, selling and distribution of petroleum products across the country, EAC and SADC. With over 15 operating fuel storage tanks, more than 1,000 local employees, and 19 industry experts, Lake Oil plays a vital role in Tanzania's fuel supply chain.

To strengthen its operation, infrastructure and meet growing fuel demand, Lake Oil is embarking on a strategic expansion project on constructing **four additional tanks**, each with a capacity of **15 million litres**. This will increase storage capacity by **40%**, enhancing the company's ability to meet national fuel demands, improve efficiency in distribution and supporting stakeholders on hospitality service

The total project investment is estimated at **USD 15 million**, covering tanks, machinery, infrastructure, and working capital. This expansion is also projected to increase the workforce by **30%** and support the national goal of fuel storage self-sufficiency. With an anticipated **15% year-on-year growth** in employees, storage capacity, and revenue, this project positions Lake Oil for long-term sustainable growth.

1. Company Overview

- **Name:** Lake Oil Limited
 - **Year Established:** 2006
 - **Headquarters:** Vijibweni, Kigamboni, Dar es Salaam, Tanzania
 - **Core Activities:** Importation and supply of petroleum products and lubricants
 - **Current Infrastructure:** 15 storage tanks
 - **Employees:** 1,000+ local staff, 19+ technical experts
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2. Vision and Mission

Vision:

To become the leading regional convenience retailer and marketer of petroleum products and services while achieving continuous improvement.

Mission:

To provide our customers with quality products and services in a safe efficient and cost effective manner without damaging the environment, to identify and enter new areas of business within the petroleum industry thereby expanding the company

3. Expansion Project Description

Objective

- To establish a project for storage facilities mainly for petroleum and related products
- Enhance operational efficiency by fabricating 4 additional storage tanks (15 million litres each) thus will increase total storage and operational capacity.
- Improving safety standards by ensuring of standby firefighting team, system and equipment this will support operations without damaging the environment

Sector

This project falls on the economic infrastructure sector, specifically under the fuel storage facilities subsector. It focuses on enhancing the country's capacity to store and distribute petroleum products efficiently

Products

These storage facilities will enhance storing of below fuel products

- Premium Motor Spirit (PMS) or Gasoline
- Automotive Gas Oil (AGO) or Diesel
- Jet A1 (aviation fuel)

Capacity of the project

This project aim for the capacity of 60million litres capacity of tanks where each tank will have 15million litres capacity. However, we are speculating to have the annual capacity of 300,000,000litres

Key Expansion Targets

- **Storage Tanks:** Increase of product tanks from 15 to 19 and water tank from 2 to 3
 - **Total Expansion Annual Capacity:** 300 million liters
 - **Employee Growth:** 30% increase, inclusive of employee during the project and after the project completion (approx. 1,300 total employees)
 - **Annual Growth Projection:** 15% Year over year in revenue, storage, and staff
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4. Investment Cost and Financial Source

Projected Investment cost is USD.15,000,000 that will cover tanks materials, plant and machinery. This project is financed 100% by local finance source, that provide financial support to a total of USD.15,000,000 which will enhance project completion. Facilities provided fall under the local loan and local equity. Therefore below is the financial source breakdown

- **Local Loan: USD 10,316,917**
- **Local Equity: USD 4,683,083**

5. Investment Cost Breakdown

The intended capital investment for this project is USD.15,000,000 and below is the investment cost breakdown that will cover whole project invest plan

Item	Cost (USD)
Tanks	12,000,000
Plant & Machinery	400,000
Furniture & Fittings	800,000
Pre-operational Expenses	50,000
Miscellaneous/Others	550,000
Working Capital	1,200,000
Total	15,000,000

6. Source of Inputs

There are several inputs for execution of the project such as tank steel materials materials (steel plates, bars, welding rods, round bars) machinery and equipment, fittings, piping system and firefighting system. 80% of inputs will be imported while 20% of inputs will sourced locally.

Please refer to below description

Imported Inputs

- Tank fabrication materials and firefighting items; including Hot Rolled Plate, HR Plate, Chequered Sheet, universal beams, angle irons, channels, flat bars, firefighting pump, pipes, nozzles, fittings etc, will be imported from UAE, China, Mexico and some parts of Europe and that will cover 80% of the total inputs required

Local Inputs

- Consultant services, Concrete work materials , Equipment and machinery; will be obtained locally as part of the foundation work for the storage tanks base and machines for plate rolling and tanker lifting facilities hence will cover 20% of inputs required

7. Marketing Plan

In the competitive landscape of the bulk fuel storage industry, we have come up with market strategies inputs that will assist and support in achieving objectives and market demands by providing quality products and services efficiently and sustainably

Market Positioning:

Increase of the storage capacity will emphasize extensive market network in both Tanzania market and neighboring countries like Zambia, DRC, Burundi, Rwanda,Uganda and Kenya.

Performance Metrics:

Monitoring customer acquisition, hospitality rates, retention rates, and revenue growth to evaluate the effectiveness of the marketing strategy.

Customer engagement:

Build trust through excellent customer service and consistent availability of fuel storage facility for both industries, government agencies, local and foreigners companies

8. Project implementation Schedule

This project is forecasted to be implemented within five years as per below schedule

Year 1: Planning and Design Phase

- **Month 1–3:** Feasibility study and market analysis to assess demand, site selection, and environmental impact.
- **Month 4–6:** Secure financing sources (equity, loans, grants).
- **Month 7–12:** Design engineering plans for storage tanks, piping, safety systems, and auxiliary infrastructure.

Year 2: Permitting and Preparation

- **Month 1–6:** Obtain necessary regulatory approvals, environmental compliance certifications, and construction permits.
- **Month 7–12:** Finalize contracts with suppliers for equipment and materials; mobilize construction teams.

Year 3: Construction and Infrastructure Development

- **Month 1–12:**
 - Excavation and foundation building for tanks and auxiliary structures.
 - Installation of pipelines, pumps, and fuel transfer systems.
 - Erection of tanks and safety systems (fire suppression and pressure relief equipment).

Year 4: Testing and Commissioning

- **Month 1–6:** Conduct safety and operational tests (pressure testing, spill containment checks).
- **Month 7–12:** Employee training and recruitment; commission the tanks into operation.

Year 5: Operations and Expansion

- **Month 1–6:** Start full-scale operations with initial storage and distribution capacity.

Month 7–12: Evaluate project performance and plan for any potential expansion or optimization

9. Project employment breakdown

Direct Employment

Opportunity of employing 50 people for the project whereby 40 will be Tanzanians and 10 will be foreigners; will achieve by considering gender equality

Indirect Jobs

Same of other projects, our expansion project will attract provision of indirect jobs to all sectors that will be supporting project operation. The speculated number of indirect jobs is 150 people from all sectors of the economy

10. Impact and Benefits

National Benefits

- Enhances Tanzania's strategic fuel reserve
- Reduces risk of fuel shortages
- Contributes to employment and technical skill development

Company Benefits

- Boosts operational efficiency and market coverage
- Expands logistics capabilities
- Increases revenue and profit margin

11. Financial Projection (5-Year Forecast)

DESCRIPTION	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
PRODUCTION VOLUME - CUBIC METER	550,000.00	611,241.00	631,200.00	640,555.00	720,000.00
PRICE - USD	8.00	8.00	8.00	8.00	7.50
SALES	4,400,000.00	4,889,928.00	5,049,600.00	5,124,440.00	5,400,000.00
COST OF PRODUCTION	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00	3,000,000.00
GROSS PROFIT	1,400,000.00	1,889,928.00	2,049,600.00	2,124,440.00	2,400,000.00
OPERATION COST	1,100,000.00	1,222,482.00	1,262,400.00	1,281,110.00	1,440,000.00
EARNING BEFORE INTERST AND TAX	300,000.00	667,446.00	787,200.00	843,330.00	960,000.00
TAX 30*EARNINGS	90,000.00	200,233.80	236,160.00	252,999.00	288,000.00
EARNING BEFORE DIVIDENDS	210,000.00	467,212.20	551,040.00	590,331.00	672,000.00

12. Risk Analysis

Risk	Mitigation
Regulatory delays	Engage early with government regulators agencies
Cost overruns	Contingency planning and competitive procurement
Supply chain disruptions	Develop multiple importation channels
Environmental concerns	Implement international environmental standards

13. Conclusion

This expansion solidifies Lake Oil Limited's leadership in the fuel and energy sector within Tanzania. By increasing capacity, creating jobs, and reinforcing national fuel reserves, this project aligns with both business growth objectives and national economic priorities.