LN FUTURE BUILDING MATERIALS
COMPANY LIMITED

BUSINESS PLAN FOR MANUFACTURING OF BUILDING MATERIALS

Presented by:
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P. O BOX 14957
MKURANGA,
COAST
REGION.

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EXECUTIVE SUMMARY

1.1 Introduction

LN FUTURE BUILDING MATERIALS COMPANY LIMITED is privately owned companies of manufacturing of Building materials basically aluminum products etc. The project will manufacture high quality products, with the aim of meeting increasing demand of Aluminum products.
The Company is registered under Certificate of Incorporation No. 89633 dated 29th February 2012.

1.2 The Project

The promoters of this project through **LN FUTURE BUILDING MATERIALS COMPANYLIMITED** decided to invest on manufacturing of Building materials after taking into consideration of the following:

A: Self-assessment in order to understand their capabilities strengths, limitations and preferences of undertaking such a project.
B: Explored possible and suitable opportunities based on environment, current business scene, technology change and linkage related ideas.
C: Assessed the market potentiality available
D: Identified viable project location.
E: Considers finances mobilization to suit the project requirement.
G: Re assessed their managerial strengths and is in the process of pooling up human resources from local and foreign sources.

The project aims at manufacturing of Building materials for construction and building purposes which will be over awide range of products, domestic and other uses. The manufacturing process expect to use varieties of inputs during its process such as technologies, production flow, equipment suppliers. The project will therefore have a positive indirect impact on the environment as it will reduce waste.

The macro-objectives of establishing the project are to support economic, social and administrative activities in the country. Also, to increase the competitiveness of Tanzania goods in the export markets and improve the manufacturing industry by offering competitive transport rates.

1.3 The Project Location

The Project is be located Kisemvule, Mkuranga district, Coast region. The location is well served by all the necessary infrastructures and environmental requirements and hence well-suited to the nature of the envisaged project.

1.4 The Project Promoters

The Project is being promoted by **LN FUTURE BUILDING MATERIALS COMPANY LIMITED**
based in the Coast region. The shareholders to this project:

S/No	NAME OF SHAREHOLDER	NATIONALITY	NUMBER OF SHARES HOLDING
1	LUO WEI	Chinese	122500
2	WANG RUNZE	Chinese	127500

1.5 The Market

Recent reforms taking place in economy indicate that there is a continuous increase in demand for Building materials especially aluminum products in the local market and in the international market. There is also growth of demand for aluminum products and goods which ends up affecting the demand environment. This has brought about a concern in the market.It is the idea of this project to focus on the external market especially the African countries which are in high demand of Building materials basically aluminum goods and products. The African market for the building materials especially aluminum materials or products is also growing as well as its demand.

1.6 Project Cost and Financing Plan

The total cost of the project is estimated as US Dollars 1,050,000

The following is the summary of the capital investment cost estimated.

COST STRUCTURE

PARTICULAR	AMOUNT USD
Land and Buildings	154,000
Machinery & Equipment	627,000
Motor Vehicle	105,000
Furniture & Fixtures	4,000
Pre expenses	50,000
Others	0
Working Capital	110,000
TOTAL	**1,050,000**

1.6 Financing

The project's cost will be fully financed by shareholder's equity contribution by Us dollars 850,000 and abank loan of Us dollars 200,000.

1.7 Financial Indicators

The following are some of the financial analysis highlights:

1.7.1 Profitability

Profitability after tax over the years in US $ is as follows:

1st Year 97,017.00

2nd Year 137,416.00

3rd Year 145,282.00

4th Year 155,266.00

5th Year 165,024.00

1.7.2 Liquidity

The projected net cash flow over the year shows a health position and demonstrates the ability of the company to meet financial commitments as they fall due. The drop in cash flow is due to the fact that the company will repay the Bank loan of 200,000.

The Summary thereof in US $ is as follows

1st Year 222,504.00
2nd Year 245,654.00
3rd Year 255,544.00
4th Year 66,769.00
5th Year 275,005.00

1.7.3 Payback period

The Investment recoups itself in 5 years.

1.8 Social and Economic Impact

The proposed project will result into the following social and economic impacts:

1.8.1 Increased availability of quality products alongside competitive prices of these products will result in increased healthy competition among all trading and manufacturing companies.

1.8.2 The proposed project of the fleet of trucks investment in this sector will provide employment for about 80 people.

1.8.3 The proposed project will have a positive impact on society as it works as an electrical insulator.

1.8.4 The Government and other agencies will benefit from various taxes, fees and commissions that will be paid to the Treasury.

1.9 Conclusion and Recommendations

The Executive Summary highlights indicate that the proposed project will be financially and economically viable. The project will generate significantly to the social and economic benefit by way of increasing the provision of quality manufactured aluminum products. It is recommended that the project be accorded the required institutional and financial support to pave the way for its expeditious establishment and development.

2.0 THE PROJECT

LN FUTURE BUILDING MATERIALS COMPANY LIMITED have invested on building materials after taking the following into consideration:

A. Self-assessment in order to understand their capabilities strengths, limitations and preferences of undertaking such a project.
B. Explored possible and suitable opportunities based on environment, current business scene, technology change a linkage related idea.
C. Assessed the market potentiality available.
D. Identified viable project location.
E. Considers finances mobilization to suit the project requirement.
F. Re assessed their managerial strengths and is in the process of pooling up human resources from local and foreign sources.

3.0 DESCRIPTION

3.1 Machines technology capacity utilities

The project will need the following machineries:

- Carbon anode production equipment.
- Casting machines.
- Shredders and Crushers.
- Rolling mills (Hot rolling mill and cold rolling mill).
- Extrusion presses.
- Continuous casting machines.
- Die casting machines.
- Sand casting equipment.
- Stretchers and levelers.
- CNC machining centers.
- Surface treatment equipment.
- Spectrometers and Thickness gauges.
- Electricity and Electrical Testing Equipment.
- Wear drawing machines.
- Powder production units.
- Vibrator.
- Measurement machine.

3.2 Source of technology & Capacity

The machines will be Import from China. The annual production capacity will be 2 million pieces annually. The pieces will be of various designs as per production schedules and demand.

3.3 Other inputs

These will include cars necessary for administration purpose and distribution:

- Civil works will include renovation of the existing workshop in and office buildings at the project site on the premises leased at Kisemvule, Mkuranga District, Coast Region.

  The site has the entire necessary infrastructure required for the business, including a workshop.
- Importation of office equipment namely, telephones, facsimile machines, personal computers and air conditioners at company's head office.

3.4 The Project time table

The plant should be in fully operational with two production lines and a diversified product range by December of the year 2024.

3.5 Sales revenue forecast and direct& indirect cost estimates.

3.5.1 Sales Forecast

The second phase of operation is schedules to begin Jan 2025 after completion of machinery installation and pre-production activities.

3.5.2 OPERATING COSTS

Since the production will be done for the last quarter in the first operating year the cost will be less to being with and will substantially rise to reflect normal production in the following years.

3.6 Environmental Aspects

Generally, Tanzania has environmental regulations governing the operation of garages and workshops. Nevertheless each operator takes basic precautions to ensure that during operations and in case of an accidental spillage or fire, damage to environment is limited to the minimum possible level. The company has taken into consideration environmental aspect in the factory and will put all necessary required facilities.

4.0 CAPITAL INVESTMENT AND FINANCING PLAN

4.1 Investment Plan

The total capital investment of the project is Us dollars 1,050,000. The promoters will contribute Us dollars 0.85 million and Us dollars 0.2 million will be financed by loan. The capital investment breakdown is as indicated below:

SCHEDULE 3

COST STRUCTURE

PARTICULAR	AMOUNT USD
Land and Buildings	154,000
Machinery & Equipment	627,000
Motor Vehicles	105,000
Furniture & Fixtures	4,000
Pre exp	50,000
Others	0
Working Capital	110,000
TOTAL	**1,050,000**

4.2 Financing Plan

It is estimated that a total of US$ 890,000 will required price to the first year of the project to acquire the various assets as shown in the Table above.

The bulk of the capital cost will be raised by the company itself through equity contribution. The other major source of funding will be internally generated revenue from operations which will be ploughed back.

Taking into account acceptable financial rations will be financed through the following sources of finance:

Financing Source	USD
Equity	850,000
Long term loans	200,000
Total	1,050,000

Interest rates for the loan are assumed to be at 8% with a grace period of 5 years and will be paid back in the fifth year of operation.

5.0 MARKET AND MARKETING ASPECTS

5.1 General Overview

There is a wide market for Building materials especially aluminum products in Tanzania. Likewise, there is external market within East Africa and Africa at large and the demand is kept on increasing. Hence, it can be expected that the sponsors would not face marketing and operational problems in managing the proposed project

The existing market is supplied by importation of the products from overseas .Based on the nature of the products and its users; the company's product has a good market in Tanzania.

The global aluminum market size is expected to grow from $169.02 billion in 2023 to $311.36 billion by 2033, with the compound annual growth rate (CAGR) of 6.3%.

LN FUTURE BUILDING MATERIALS COMPANY LIMITED will endeavor to achieve the projected sales for both domestic and transits business in Tanzania, East Africa, Africa and global at large.

5.2 Key Success Factors

Following are Key Success Factors of the manufacturing industry:

- Financial Resources
- Working Capital
- Use of Technology
- Proper logistics to meet demand

The importance of having huge funds to finance the use of latest technology which will yield a quality product which is important in project success operation. Further with a quality product there must be proper delivery of the product to the customers to meet their demand. All this depends on financial resources which the owner has to achieve desired result.

5.3 Long Term Relationships

Established transport firms enjoy the advantage of long- term relationships with corporate clients. Such corporate firms include among others, armies, huge mining companies using thermal power, clearing and forwarding companies, just to mention a few. Again the proposed project woulduse its Synergy of its relation with parent companies in securing huge cargo.

However, it should be clearly understood that as time changes some industry forces have tended to re- modify these key success factors, Hence, generally it is the ability of a transport company to design and implement its business strategies that may suit building of a company's success in this sector.

6.0 MANAGEMENT AND ORGANIZATION STRUCTURE

6.1 Management

The Company policy is to have adequate manpower to manage its operations efficiently. **LN FUTURE BUILDING MATERIALS COMPANY 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 managers in the areas of Operations/Marketing, Workshop Operations and Finance & Administration. Other senior and middle level staff will be available for the startup and subsequent operations of the company. The personnel will be qualified, well-seasoned and most possessing considerable industrial experience.

6.2 Management Policy

The day to day operations will be managed by the General Manager, to be assisted by the Operations Manager who will be the overall in charge of the fleet, a Sales & Marketing Manager whose major responsibility will be marketing and a Finance & Administrative Manager who will manage finance and administrative issues. The Company's fleet pool will therefore be professionally managed.

6.3 Organization Structure

Once the company has well established the market its organizational structure will have to change so as to give it a corporate structure of freight Haulage Company. Therefore, the shareholders will have to embark on a meticulous manpower planning and recruitment, which will be preceded by a manpower consultant's report.

It is proposed that the company's operations then be headed by the General Manager under whom there will be functional managers, that is: Personnel & Administration Manager, Sales & Marketing Manager, Finance & Administration manager, and Production manager.

The Marketing Manager will be responsible for both the countrywide and regional wide sales and marketing for the service .The job responsibilities will include market planning and development, sales promotion and sales co- ordination.

6.4 Manpower requirement and emoluments

SCHEDULE 5

SALARIES & WAGES

No	DEPARTMENTS/DESIGNATION	NO	SALARY PER MONTH	SUBTOTAL MONTHLY SALARY	ANNUAL GROSS SALARY
1	Managing Director	1	750	750	9,000
2	General Manager	1	700	700	8,400
3	Personnel Administration Department	10	150	1500	18,000
4	Finance Department	5	150	750	9,000
5	Marketing Department	10	150	1500	18,000
6	Laboratory	4	150	600	7,200
7	Production Department	19	100	4900	58,800
	TOTAL USD $	**50**	**2,150**	**10,700**	**128,400**

7.0 FINANCIAL ANALYSIS

7.1 Financial Viability

The analysis of the proposed **LN FUTURE BUILDINGS MATERIALS COMPANY LIMITED** transport project shows that the project can generate a fairly good profit and that it generates sufficient cash to meet its financial obligations.

7.2 Fundamental Assumptions:

The preparation of the financial projections took into account the following main assumptions:

7.2.1 The operation period under which the viability of the project is being evaluated is 5 years.

7.2.2 The capital of the proposed project is US$ 1,050,000.

7.2.3 All the calculations throughout the economic lifetime of the project are constant with September 2008 being the base date.

7.2.4 The projected operational costs are shown.

7.2.5 Capital Expenditure has been assumed to be incurred for a period of 1 year.

7.2.6 The financial plan is for the shareholders to finance the project form own sources by ploughing back profits.

7.3 Working Capital Requirements

Ideally, working capital requirements are directed by the volume and business tempo.

7.4 Projected Profitability

The projected profit and loss account is shown in the *Financial Analysis Schedule.* On the basis of the operating assumptions and cost the proposed investment is expected to be profitable throughout the project period of five years. The after tax profits (US$)are as follows:

1st Year	97,017
2nd Year	137,416
3rd Year	145,282
4th Year	155,266
5th Year	185,024

7.5 Cash Flow Projection

The liquidity performance of the project is shown in the Financial Analysis Schedules. The projections take into account the assumed sources and applications of funds over the planned period and show the ability of the project to meet financial obligations and capital expenditure requirements.

Cash flow on the 5 the year will be used to pay back the loan and this reflects the small balance at the end of the year but the activities will be performed as usual

7.6 Financial Review

The financial review of the proposed **LN FUTURE BUILDING MATERIALS COMPANY LIMITED** showsthat:

7.6.1 The project is profitable.

7.6.2 The liquidity position is sound and that is should be able to meet its financial commitments without any undue difficulty.

7.6.3 The operations are financially viable.

7.6.4 The key ratios are acceptable with Internal Rate of Return (IRR) of 20%, Net Present Value of US$ 199,476 and a Payback Period of 5 years.

7.7 Development Aspects

The following are the major economic and social benefits, which will be generated by the proposed project.

7.7.1 Revenue to the government Treasury and other organs in the form of taxes, fees and levies.

7.7.2 Increase in employment opportunities.

7.7.3 Savings/earnings of foreign exchange because of the project's active engagement in the transit trade.

7.7.4 Facilitate in increased improvement and availability of the freight Haulage services especially in the transportation of raw materials and finished products to and formmarkets.

With the liberalization of the economy in fully swing the resultant industrial growth is expected to push up the demand for the transportation of industrial and consumer goods services considerably.

8.0 CONCLUSION AND RECOMMENDATIONS

The foregoing discussion highlights on the social, economic and financial dimensions which the envisaged project is set to generate in this country. The brief financial analysis indicates that the project will be financially viable. Therefore, it is strongly recommended that the sponsors **LN FUTURE BUILDING MATERIALS COMPANY LIMITED** be availed with the required institutional assistance so as to enable them establish the propose project.

FINANCIAL PROJECTIONS

OTHER OPERATING COSTS

OTHER OPERATINF COST			**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**
Motor Vehicle running			7,800	31,200	32,760	34,398	36,118
expenses							
Salaries and wages			32,100	128,400	134,820	141,561	148,639
Pension Contribution			3,210	12,840	13,482	14,156	14,864
Depreciation			7,105	28,420	28,420	28,420	28,420
Administrative Overhead			8,655	34,620	36,351	38,169	40,077
Costs							
Marketing Costs			3,525	7,050	7,403	7,032	6,681
Utility Costs			5,881	23,525	24,710	25,936	27,233
Insurance			5,250	21,000	22,050	22,050	22,050
Communication			2,963	11,850	12,443	12,443	12,443
Total Costs			76,489	298,905	312,429	324,165	336,524

PROJECTED INCOME& EXPENDITURE STATEMENT

			YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Sales Revenue			282,500	610,600	641,130	673,187	706,846
Cost of Sales			70,625	128,226	134,637	141,369	148,438
Gross Profit			211,875	482,374	506,493	531,817	558,408
Operating Expenses							
Administrative Overhead							
Costs			8,655	34,620	36,351	38,169	40,077
Motor Vehicle running							
expense			7,800	31,200	32,760	34,398	36,116
Salaries and wages			32,100	128,400	134,820	141,561	148,639
Depreciation			7,105	28,420	28,420	28,420	28,420
Marketing Costs			3,525	7,050	7,403	7,032	6,681
Utility Costs			5,881	23,525	24,701	25,936	27,233
Insurance			5,250	21,000	22,050	22,050	22,050
Communication			2,963	11,850	12,443	12,443	13,443
Total Expense			**73,279**	**286,065**	**298,947**	**310,009**	**322,660**
Profit before Tax			**138,596**	**196,309**	**207,545**	**221,809**	**235,748**
Tax (30%)			41,579	58,893	62,264	66,543	70,724
Profit After Tax			**97,017**	**137,416**	**145,282**	**155,266**	**165,024**

PROJECTED BALANCE SHEET

			YEAR 1	YEAR 2	YEAR 3	YEAR 4	YAER 5
Fixed Assets							
Long Term Assets			890,000	861,580	747,900	634,220	520,540
Depreciation			28,420	113,680	113,680	113,680	113,680
Total Long term Asset			**861,580**	**747,900**	**634,220**	**520,540**	**406,860**
Current Assets							
Cash			222,504	468,158	723,702	790,471	1,065,477
Accounts Receivable			32,363	39,689	41,673	43,757	45,945
Inventory			34,950	36,636	38,468	40,391	42,411
Total Current Assets			**289,817**	**544,483**	**803,843**	**874,620**	**1,153,833**
Total Assets			**1,151,397**	**1,292,383**	**1,438,063**	**1,395,160**	**1,560,693**
Current Liabilities							
Accounts Payable			2,119	3,847	4,039	5,655	5,938
Other Current Liabilities			2,260	4,103	4,308	4,524	4,750
Subtotal Current			**4,379**	**7,950**	**8,348**	**10,179**	**10,688**
Liabilities							
Long - term Liabilities							
Long term Liabilities			200,000	200,000	200,000		
Total Liabilities			**204,379**	**207,950**	**208,348**	**10,179**	**10,688**
Net Assets			**947,018**	**1,084,433**	**1,229,716**	**1,384,981**	**1,550,005**
Capital and Reserves							
Owners Contribution			850,000	850,000	850,000	850,000	850,000
Retained Earnings			97,017	234,434	379,715	534,982	700,005
Total Capital			**947,017**	**1,084,434**	**1,229,715**	**1,384,982**	**1,550,005**