

## **Tanzania Background**

### **Political**

Tanzania enjoys a stable political environment, with continuous improvements in relevant business laws and regulations, creating an attractive investment climate for foreign investors. The government is encouraging industrialization to improve the economic well-being of the middle class and create more employment opportunities for citizens, with the goal of achieving higher per capita income and transforming the country into a middle-income economy by 2030.

### **Economic**

As mentioned above, Tanzania's stable economy is being driven by the current administration to ensure the realization of the 2030 goal of becoming a middle-income economy. The country is implementing a number of large-scale infrastructure projects, including the construction of roads, bridges, railways, ports, airports, and hydropower stations, thereby increasing power supply to the national grid. The government is also promoting local entrepreneurs' participation in various projects to enhance capacity and create opportunities.

However, instability in the local currency exchange rate is considered one of the factors affecting economic growth, particularly impacting imports. The government has taken measures to control exchange rate fluctuations. It is also implementing development strategies to expand the number of industries, thereby boosting local production, reducing imports, and creating more jobs. The products manufactured will be either semi-finished or finished goods, adding greater value. Export trade is also expected to grow, while the country reduces imports and encourages the use of locally produced, high-value products.

These measures are expected to improve the national economy in the short term. Currently, Tanzania's annual economic growth rate stands at 7% and is projected to rise further in the coming years.

### **Industry**

Tanzania currently has a total population of approximately 63 million, making it the second most populous country in East Africa. According to the current administration's plan, Tanzania aims to become a middle-income economy by

2030, with industry serving as the primary driver of economic growth. The government is focusing on attracting investors, especially those interested in establishing manufacturing plants in Tanzania.

According to the World Report released in 2019, China has become Tanzania's second-largest source of foreign investment. Data from the Tanzania Investment Centre (TIC) shows that 724 Chinese companies have been registered in the country, most of which are manufacturing firms. URHOME's investment plan seeks to take advantage of this opportunity by establishing a hardware manufacturing project in Tanzania.

## **Project Rationale**

Research results show that Tanzania's economy is currently growing rapidly, with an annual GDP growth rate of 5%–6%. Infrastructure development and urbanization are accelerating, and hardware products are indispensable for urban infrastructure construction. At present, most of Tanzania's hardware products rely on imports from countries such as China, the UAE, and India. Imported products face challenges such as high transportation costs, long customs clearance times, and significant price fluctuations caused by exchange rate volatility.

Therefore, the company has decided to establish its own factory in Tanzania to manufacture and sell products to wholesalers and retailers, filling the domestic supply-demand gap. URHOME Company has been operating in Tanzania for more than five years, with a well-established sales network and distribution channels. We are confident in the market potential for our products.

## **URHOME COMPANY LIMITED**

Urhome Company Limited is a comprehensive trading company based in Tanzania, established on November 30, 2016. The company mainly engages in the import and distribution of building materials, household goods, and home appliances. In 2024, the company achieved sales revenue of approximately USD 90 million, supported by a well-developed sales network.

Headquartered in Dar es Salaam, the company also has branches in Mwanza and Arusha. Having conducted in-depth research on Tanzania's hardware market, the company previously relied primarily on local procurement of hardware products for resale, which resulted in relatively low profit margins due to lack of control over product sources. By investing in hardware product manufacturing, the company will integrate its supply chain upstream and

downstream, reduce procurement costs, and leverage its existing sales channels to expand market share.

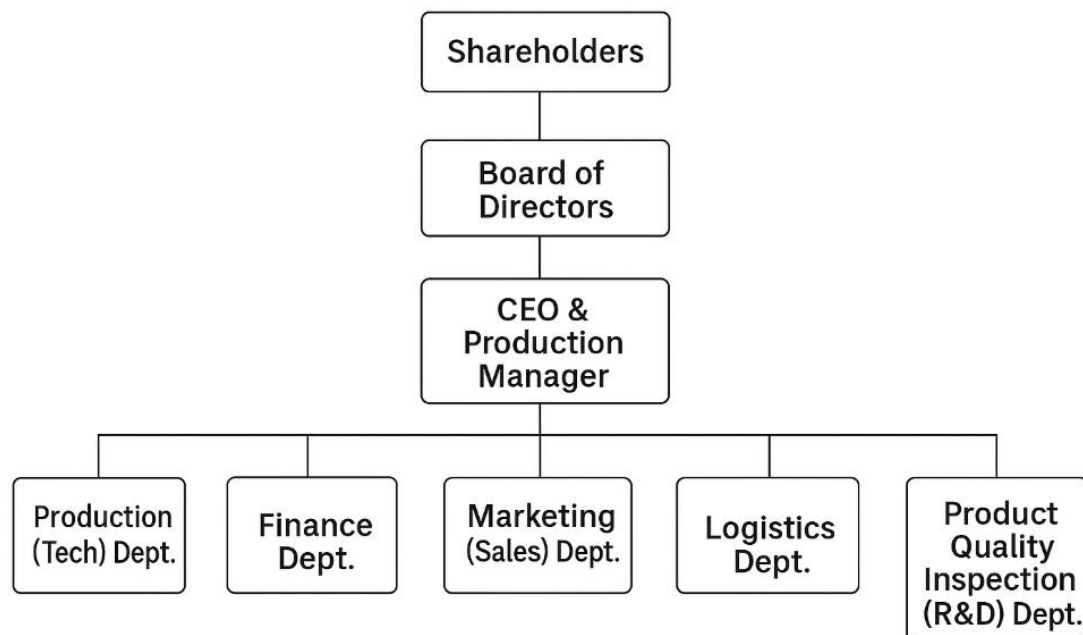
## Project Location

**Address:** Plot No. 2, Block A, Zogowali, Kibaha Township, Pwani Province, Tanzania

## Company Organization and Management Structure

URHOME Company Limited has established a comprehensive governance and management framework, which includes: Shareholders' Meeting, Board of Directors, General Manager (also serving as Head of Production) Production (Technical) Department, Finance Department, Marketing (Sales) Department, Logistics Department, Human Resources and Administration Department, Product Quality Inspection (R&D) Department

### COMPANY ORGANIZATIONAL STRUCTURE



### Products

The company intends to manufacture a range of hardware products, including:

- Common nails
- Black and white binding wire

- Barbed wire
- Steel plates
- Galvanized iron sheets and roofing tiles

These products are selected based on strong market demand and the potential for import substitution, aiming to meet both construction and industrial requirements within Tanzania.

### Competitive Advantages

**Technological Advantage:** The company possesses a dedicated R&D team that continuously innovates and improves product designs, ensuring high competitiveness in the market.

**Market Advantage:** URHOME enjoys strong brand recognition and a positive reputation within the Tanzanian hardware market, providing a solid foundation for sales and customer trust.

**Human Capital Advantage:** The management team and technical staff are highly qualified, bringing extensive experience in production, quality control, and market operations.

**Resource Advantage:** The company benefits from reliable raw material suppliers and well-established sales channels, ensuring stable production and efficient distribution.

### Project Investment Costs

Factory and warehouse rental: USD 900,000

Raw materials and equipment: USD 600,000

The investment plan ensures that the company can establish production capacity efficiently while maintaining cost-effectiveness, paving the way for profitable operations from the outset.

## Revenue Forecast & Financial Projections

Based on market research, production capacity, and the company's established sales channels, the project is expected to achieve the following results:

In the **first year**, revenue will reach **USD 12 million**, with an estimated net profit of approximately **USD 2 million** after deducting costs.

Over the next five years, the company expects steady growth as production capacity increases, sales channels expand, and local sourcing reduces costs.

### Five-Year Financial Projections

Year	Revenue (USD million)	Growth Rate	Gross Profit Margin	Gross Profit (USD million)	Net Profit Margin	Net Profit (USD million)
Year 1	12.0	–	35%	4.2	16%	2.0
Year 2	18.0	50%	36%	6.5	17%	3.1
Year 3	25.0	39%	37%	9.3	18%	4.5
Year 4	33.0	32%	38%	12.5	19%	6.3
Year 5	42.0	27%	38%	16.0	20%	8.4

### Key Assumptions:

Production capacity expands gradually with new equipment and workforce.

Market share grows from ~10% in Year 1 to ~25% in Year 5.

Exchange rate volatility remains under control.

Gross margin improves due to economies of scale and local raw material sourcing.

### Use of Funds

The total investment required for the project is **USD 1.5 million**, allocated as follows:

Item	Amount (USD '000)	Percentage
Factory & Warehouse Rent	900	60%
Raw Materials & Equipment	600	40%
Marketing & Distribution	200	13%
Human Resources & Training	150	10%
Working Capital	250	17%

	Item	Amount (USD '000)	Percentage
<b>Total</b>		<b>1,500</b>	<b>100%</b>

### **Rationale:**

**Factory & Warehouse Rent:** Secure stable production site and storage.

**Raw Materials & Equipment:** Ensure efficient, high-quality production.

**Marketing & Distribution:** Expand brand influence and market coverage.

**Human Resources & Training:** Build a skilled management and production team.

**Working Capital:** Maintain cash flow for daily operations.

### Project Details

This section provides an overview of the factory facility located in Kibaha, Pwani Region, including infrastructure, production workflow, and workforce requirements, to support smooth project operations.

#### Infrastructure

The factory covers an area of 24,988.5 square meters and includes:

- Office building: for administrative management, R&D, and meetings.
- Building materials production facility: for the manufacturing of hardware and related construction materials, with a layout designed to ensure efficient production and logistics.
- Warehouse: for storage of raw materials and finished products, ensuring continuity of production and logistical efficiency.

#### Production Workflow

The production workflow is designed according to industrial standards and includes raw material reception, processing, forming, surface treatment, quality inspection, and finished product packaging. Strict quality control measures are implemented at every stage to ensure products meet high market and customer standards.

#### Workforce Requirements

The workforce required for factory operations includes:

Management team: responsible for production planning, quality control, finance, and administrative management.

Production staff: responsible for operating and maintaining all stages of production.

R&D and technical team: responsible for product development, process improvement, and technical support.

Logistics and warehouse personnel: responsible for the receipt, storage, and distribution of raw materials and finished products.

This workforce configuration ensures coordinated operation between production and management, maximizes capacity utilization, and guarantees product quality and delivery efficiency.











## Expected Revenue

In the first year, the project is expected to generate revenue of **USD 12 million**, with an estimated net profit of approximately **USD 2 million** after deducting costs.

## Risk Analysis

**Political Risk:** The country maintains political stability and is friendly to foreign investment, making this risk low.

**Economic Risk:** The government supports projects that create employment and improve citizens' welfare, reducing economic risk.

**Exchange Rate Risk:** The US dollar is gradually stabilizing against the local currency, and the government has taken measures to control fluctuations.

**Market Risk:** The company will conduct continuous market research to ensure reasonable product pricing and optimize distribution channels.

**Management Risk:** The management team is experienced, and further training will be provided to enhance managerial capabilities.

**Technological Risk:** The R&D team is skilled and capable of innovating according to market demand.

## Conclusion and Recommendation

Market research indicates that Tanzania has significant demand for detergent products, with a clear supply gap. The government's medium-term development objectives and supportive policy environment are favorable for the implementation of this project.