HONGDA TERRA ENERGY COMPANY LIMITED

BUSINESS PLAN FOR MANUFACTURING OF MINING EQUIPMENT FOR 2026 -2030

NOVEMBER 2025

Executive Summary

Hongda Terra Energy Company Limited is a Tanzanian-registered company established to manufacture, distribute, and provide technical services for mining equipment used in mining, quarrying, and major construction projects**.** The company is fully compliant with Tanzanian laws and possesses an authorized share capital of **TShs 14 billion**, owned by three local companies, with Tanzania Hongda Mining Equipment Co. Ltd holding the majority stake.

Strategic Purpose and Value Proposition

The project aims to establish a modern manufacturing facility capable of producing up to **10,000 units per year of mining equipment annually** by 2030, with significant potential for expansion to meet domestic and regional demand. The initiative aligns strongly with Tanzania's industrialization agenda, import-substitution policy, and the rapid expansion of the mining and infrastructure sectors.

Mining equipment in Tanzania remains heavily dependent on imports or limited local manufacturers, creating persistent challenges of high cost, long lead times, stock shortages, foreign exchange pressure, and limited product customization. Hongda Terra Energy Company Limited addresses these gaps by offering:

- **Reliable, locally manufactured products** tailored to Tanzania's environmental and geological conditions.
- **Faster delivery timelines** and reduced logistics costs.
- **Integrated service offerings**, including storage, logistics, technical support, and blasting consultancy.

Market Opportunity and Competitive Positioning

Demand for mining equipment in Tanzania continues to rise, with over **26,516 tons consumed in 2024**, driven by large-scale mining, infrastructure development, and aggregate quarrying. While the newly established Solar Nitrochemicals plant covers a portion of domestic needs, the market remains large and diversified, with considerable opportunities in:

- Quarrying and construction blasting
- Small and medium-scale mines
- Infrastructure projects (roads, dams, tunnels)
- Export markets in **EAC and SADC** countries, where supply remains inconsistent

Hongda Terra Energy Company Limited's strategy focuses on capturing unmet demand, offering differentiated products, building strong client relationships, ensuring supply reliability, and gradually expanding into export markets.

Economic Impact and Job Creation

The project will generate **75 direct jobs**, including **70 Tanzanians and 5 expatriates**, and approximately **500 indirect jobs** along the supply chain. Annual wages are projected at **USD 964,200**, contributing significantly to local employment and skills transfer. The company will also support hundreds of SMEs through procurement, transport, logistics, and service contracts.

Financial Outlook and Investment Structure

The total project cost is **USD 5.1 million**, financed through a combination of **local and foreign equity**. No loans are included in the initial capital structure. The investment covers land, buildings, plant, vehicles, pre-operational expenses, and working capital. Over five years, production will grow from **6,561 MT to 10,000 MT**, supported by increasing market penetration.

Financial projections are strong:

- **Gross profit margin:** 73%–84%
- **Net profit margin:** 29%–46%
- **EBIT growth:** from USD 1.9 million (2026) to over USD 6.1 million (2030)
- **Retained earnings:** nearly USD 4 million by 2030

The project generates healthy returns on equity and assets, indicating high profitability and long-term sustainability**.**

Regulatory Justification and Incentives

Given its contribution to import substitution, job creation, technology transfer, and regional export potential, this project qualifies for fiscal and non-fiscal incentives offered by the **Tanzania Investment and Special Economic Zones Authority (TISEZA)**. The project directly supports national priorities in industrialization, mineral sector development, foreign exchange savings, and economic competitiveness.

Conclusion

Hongda Terra Energy Company Limited presents a strategic, high-impact investment that strengthens Tanzania's position as a regional hub for mining equipment supply. With strong financial performance, significant job creation, and alignment with national development priorities, the project is well-positioned to succeed in the domestic market and expand into the EAC/SADC region. The company seeks to commence full operations by **May 2026**, ensuring a reliable, safe, and cost-effective supply of mining equipment essential for mining, construction, and economic growth.

Table of Contents

1. COMPANY BACKGROUND

Hongda Terra Energy Company Limited is a company registered under the laws of the United Republic of Tanzania and issued with Certificate of Incorporation No. 186229835 dated June 24th, 2025. For tax purposes, the company has been issued with Taxpayer Identification Number 186-229-835.

The objectives of establishing this company are: -

i) To carry on the business of the manufacture, sale, and dealing in mining equipment (for mining and quarrying);

ii) To import, export, procure, sell, hold, and use mining equipment and drilling equipment, and to provide end-user training and after-sales services;

iii) To import chemical raw materials and sell them to interested parties;

iv) To carry on the business of warehousing (including standardized storage of mining equipment), secure transportation, escort services, warehouse management, and exploration licensing

v) To handle customs clearance and logistics distribution for explosives and related products;

vi) To explore, mine, process, sell, and market mineral resources within and outside Tanzania (including ores, gemstones, diamonds, gold mines, etc.);

vii) To acquire and construct fixed assets: The Company shall have the power to purchase or otherwise acquire, build, maintain, alter, and adapt offices, workshops, factories, plants, machinery, equipment, and other necessary assets.

viii) The Company shall have the power to open and operate bank accounts, and to make, draw, accept, endorse, discount, execute, and issue promissory notes, bills of exchange, bills of lading, guarantees, drafts, cheques, debentures, bonds, and other negotiable and transferable instruments.

ix) If necessary, the Company may carry on any business or transaction within the scope of its permitted activities, form partnerships or amalgamate with any person or entity, and enter into cooperation, profit-sharing, loss-sharing, mutual assistance, or other agreements.

x) To achieve targeted customer exposure through the development of personalized market and promotional schemes.

xi) To apply for any provisional order, rule, regulation, or other legislative provision or Act to enable the Company to carry its objects into effect, or to effect any modification to the Company's constitution, or for any other purpose that may seem expedient, and to oppose any proceedings or applications that may seem calculated directly or indirectly to prejudice the Company's interests.

xii) To carry on any other business which may seem incidental or conducive to the attainment of the Company's objects?

For this business plan, the Company presents the business of manufacturing, selling, and dealing in mining equipment, including parts and raw materials (for mining and quarrying activities).

1.1. Ownership

The company has an authorized share capital of TShs. 14,000,000,000 divided into 1,000 ordinary shares of TShs. 14,000,000 each. It is owned by 3 locally registered companies, as shown in the table below:

S/N	Names	Nationality	Shares Taken	% Stake
1	Tanzania Hongda Civil Explosives Co. Limited	Tanzania	510	51%
2	Tansino Quarries Limited	Tanzania	340	34%
3	Rainbow Assembling T Limited	Tanzania	150	15%
	TOTAL		**1,000**	**100%**

1.2. Product Description

This project is meant to manufacture mining equipment and spare parts. These products are materials and devices used for civilian purposes, such as quarrying, mining, construction, and demolition. Hongda TERRA Energy will establish a locally operated manufacturing facility to of mining equipment and associated ancillary products for the mining, quarrying, and civil engineering sectors across Tanzania and neighbouring markets. To start with, the company will produce Shock Tube Deployment Tools.

As part of our Mining Equipment Supply and Services portfolio, the company will manufacture Shock Tube Deployment Tools, key accessories used in modern mining operations to ensure safe, fast, and well-organized deployment of shock tubes across open-pit and underground mining environments. These tools are essential for improving mining efficiency, reducing time wastage, minimizing misfires, and enhancing overall safety in the mine operation chain.

Our product line will include:

- **Deployment Racks / Dispensers:** Metal or heavy-duty plastic racks designed to hold and release shock tube reels smoothly during mining preparation.
- **Handheld Tube Dispensers:** Lightweight portable tools with ergonomic handles that allow miners to walk and lay out the shock tube quickly and accurately.
- **Non-Sparking Tube Cutting Tools:** Special safety cutters used to trim shock tubes without generating friction or sparks.

- **Tube Clips and Holders:** Durable clips are used to fasten the tube along drilled rock patterns to prevent displacement during the drilling of rocks.
- **Tube Guides:** Small guiding accessories that ensure the tube follows the planned drilling pattern and maintains proper spacing.
- **Deployment Carts:** Wheeled carts fitted with tube reels for use in large open-pit mines, enabling rapid coverage of long distances with minimal manpower.

By establishing local production of these items, the company will significantly support Tanzania's mining industry by reducing dependence on imports, lowering operational costs for mine operators, and ensuring a timely supply of critical mining accessories. The initial production capacity will be **10,000 units per year**, serving both large mining companies and small-scale mining operators nationwide.

1.3. Key Aspects of Mining Equipment

Purpose: They are designed for industrial and civilian applications, like quarrying and mining.

2. MARKETING PLAN

The company targets the local Tanzanian market for now, but in the long run, it will target the regional EAC and SADC member countries. We plan to establish our niche in the markets and expand it over time until we have our chunk to maintain and expand.

2.1. Competitor Analysis

This sub-section considers the competitive environment in Tanzania for mining equipment manufacturing and distribution.

a) Key players and existing competition

i) Kilimanjaro Explosive Company Limited: A distributor of mining equipment in Tanzania (mining and aggregate).
ii) Ideal Mining Services: A company with manufacturing and distribution presence and offering bulk mining equipment in Tanzania.
iii) The newly commissioned Solar Nitrochemicals Limited in Kisarawe, which is Tanzania's first large-scale local manufacturing plant for mining equipment, projects production of 22,000 tonnes and 15 million pieces annually to cover 95% of domestic demand.

b) Assessment of competitive factors

i) Scale & capacity: Solar Nitrochemicals is large-scale and intended to dominate domestic supply; this is a major competitor.

ii) Distribution networks: Existing distributors (Kilimanjaro, Ideal Mining Services) likely have established relationships with mining/aggregate companies, plus logistics/supply chains. New entrants will need to build relationships.
iii) Cost structure: Established players may have lower costs due to experience, optimized logistics; new entrants must manage higher initial costs. But local manufacturing may lower cost vs import dependence.
iv) Regulatory/licensing advantage: Players already licensed/manufacturing may have an advantage in regulatory compliance, security clearances, and storage licenses. New entrants must clear these hurdles (manufacturing license, storage, transport permits).
v) Product & service differentiation: Some competitors may offer value-added services (blasting services, technical support). New entrants could differentiate via innovation, faster delivery, localization, and a better safety record.
vi) Import vs local manufacturing: Many explosives/distributors may still rely on imports; offering locally manufactured products could reduce lead time and cost, giving a competitive edge.
vii) Customer switching costs: Mining companies may prefer reliability/safety/security; new entrants must demonstrate reliability to win contracts.

c) Opportunities to compete effectively

i) Leverage local manufacturing to reduce lead times and costs relative to imports.
ii) Focus on service and reliability (consistent supply, flexible delivery, safety training) as a differentiator.
iii) Target underserved segments (e.g., small-scale mining, quarrying, infrastructure blasts) where large players may not focus.
iv) Explore export markets (neighbouring countries) where competition may be weaker.
v) Build strong relationships with mining companies and infrastructure contractors, emphasizing local content, community benefit, and safety compliance.

d) Threats from competition

i) Large established players may lower margins to maintain share (e.g., Solar Nitrochemicals might dominate the domestic market).
ii) Importers may respond with aggressive pricing or alternative supply chains.
iii) New entrants may saturate the market and create price pressures.
iv) Regulatory changes might favor fewer, larger players (e.g., strict licensing, consolidation), raising barriers for new (smaller) entrants.
v) If supply-chain or raw-material costs rise, smaller players may struggle to compete on cost.

Appended to this business plan is a competitor benchmarking table for the top eight dealers in mining equipment in Tanzania. Key observations and insights from the Competitor Landscape are as follows:-

i) The large-scale local manufacturing entrance by Solar Nitrochemicals changes the competitive dynamic: having local manufacture is increasingly a baseline expectation, not just a differentiator.
ii) Many competitors are focused on distribution/import or end-service (blasting consultancy) rather than full manufacturing. That suggests a gap for companies that can manufacture locally and provide service & logistics.
iii) Service offering (blasting planning, consulting, drilling/blasting support) is a value dimension beyond just product supply; those who provide service may command premium pricing or stronger client relationships.
iv) Export orientation: some companies already target neighbouring markets (e.g., Nitro Explosives). That means our project should look beyond domestic supply for growth and differentiation.
v) Local content / Tanzanian ownership/ localization may matter for mining clients, government procurement, and regulatory favour. Companies that are locally owned/registered may have advantages in relationships, qualifications, or public image.

2.2. SWOT Analysis

This sub-section covers a structured analysis of our project to manufacture mining equipment in Tanzania. It is focused on internal strengths and weaknesses as well as environmental opportunities and threats.

a) Strengths

i) Strong domestic demand: Tanzania's annual usage has surged (26,516 tons in 2024) driven by mining, infrastructure and oil/gas exploration.
ii) Growing government support for local manufacturing/ value-addition: e.g., the commissioning of Solar Nitrochemicals Limited in Kisarawe to produce equipment and materials locally.
iii) High import substitution potential: Tanzania was heavily reliant on imports of mining equipment and materials; local manufacturing can reduce costs, lead times and foreign exchange outflow.
iv) Strategic alignment with mining sector growth: As the mining sector contribution to GDP increases (e.g., from 7.2% to 9 % target), the local equipment and materials demand is likely to remain strong.

b) Weaknesses

i) High regulatory/ licensing burden: Manufacture requires a license or permit; failure to comply attracts heavy penalties.
ii) Capital-intensive, high safety risk: Manufacturing mining equipment and materials involves stringent safety, security and environmental controls. It requires high upfront investment, specialized infrastructure and risk management.
iii) New entrant risk/ technology gap: If you are setting up from scratch, you may face a steeper learning curve vs established players, and might lack scale or brand/trust.
iv) Dependence on upstream inputs, raw materials, and logistics: Supply chain risks (chemicals, detonators, storage, and transport) can be significant in Tanzania.
v) Potential delays in permits, inspections, and infrastructure (storage, transport approvals) – e.g., there are many storage facilities and oversight required.

c) Opportunities

i) Export potential to neighboring countries: in case the domestic demand gets covered, we can could export to East Africa and the SADC region. The new plant in Tanzania is expected to serve neighboring markets.
ii) Infrastructure growth & mining expansion: As Tanzania ramps up infrastructure (roads, tunnels, construction) and mining operations, demand for mining equipment (for mining, quarrying, infrastructure) will grow.
iii) Localization incentives: Government priority on local manufacturing and job creation may lead to favorable policies, tax incentives, or support for domestic equipment production.
iv) Import cost savings: Locally produced equipment reduces dependency on imports, reduces freight/customs costs, and improves supply reliability, which can be a competitive advantage.
v) Innovation in product range / environmental compliance: Developing safer, more efficient equipment (lower environmental impact, better performance) can differentiate the offering.

d) Threats

i) Regulatory & safety risk: Non-compliance can lead to severe penalties (fine, imprisonment) and reputational damage.
ii) Environmental & community opposition: Equipment manufacturing may face local resistance (noise, fumes, storage risk), and environmental regulation tightening.
iii) Competition: Existing importers/distributors or other new entrants (e.g., Solar Nitrochemicals) may dominate scale or price.
iv) Volatility of demand: If mining slows or if cheaper alternatives/technologies emerge, demand might drop.

v) Input cost inflation/currency risk: Import of raw materials may be subject to foreign-currency cost rises; transport and storage infrastructure may be limited.
vi) Additional trade/regulation risk: Exporting may involve complex permits, regional trade barriers or transport logistics across borders.

2.3. PESTEL Analysis

This subsection examines the broader Political, Economic, Social, Technological, Environmental, and Legal context in Tanzania for mining equipment and materials manufacturing. The Tanzanian market is where Hongda Terra Energy Company Limited will operate from.

a) Political

i) The Tanzanian government is actively promoting industrialisation, value addition and local manufacturing, which is favourable.
ii) Political stability in Tanzania provides a relatively safe investment environment compared to some peers.
iii) Regional trade/political dynamics: East African Community (EAC) & SADC membership may influence export access, trade agreements or regional regulation.
iv) The government may introduce additional taxes/regulations or incentives depending on policy shifts (e.g., local content requirements, import substitution mandates).

b) Economic

i) Tanzania's mining sector is growing; increasing GDP contribution from mining (9 % target) means increased industrial demand.
ii) Import substitution means savings on foreign exchange, potential favourable margin.
iii) Cost of capital, inflation, exchange rate fluctuations in Tanzania could increase manufacturing costs (especially imported raw materials).
iv) Infrastructure development (roads, transport, storage) is still evolving; logistical cost may be higher than established countries.
v) Economic cycles: Mining and construction are cyclical sectors—boom and bust patterns may affect demand for explosives.
vi) Labour costs favourable: relatively cheaper workforce compared to many markets, but it need skilled safety specialists.

c) Social

i) Employment generation: Manufacturing will create jobs locally, which is socially favourable and may attract government/community support.
ii) Local content/skills: Need to train staff, ensure community participation, and possibly meet local content policies. The regulations require the employment of Tanzanians and training.
iii) Social license to operate: Ensuring ethical practices, safe operations, and minimal negative social impact will contribute to acceptance.

d) Technological

i) Manufacturing of mining equipment and materials demands high safety, specialized machinery, quality assurance, and technology.
ii) Need for supply chain technology (logistics tracking, inventory management, secure storage) because of the high-risk nature.
iii) Technology adoption may be constrained by local infrastructure (power outages, limited local fabrication) so contingencies are required.

e) Environmental

i) Manufacturing of mining equipment has significant environmental and safety implications.
ii) Environmental regulations are likely to tighten.
iii) Need for robust environmental management, safe storage, waste disposal protocols, and risk mitigation measures.
iv) Climate/environment-related risk: e.g., extreme weather events, flooding risk affecting storage facilities.
v) Positive branding, if you can show "green" or safer explosives, minimize environmental impact.

f) Legal

i) Standards compliance: goods, manufacturing processes must meet national/international standards (e.g., via Tanzania Bureau of Standards) for safety and quality.
ii) Legal risk: non-compliance may lead to heavy fines, imprisonment (e.g., manufacturing without a valid license is an offence).

Generally, the Tanzanian market for mining equipment manufacturing presents a strong opportunity, given rising demand driven by mining and infrastructure, and government support for local manufacturing. However, because of the high regulatory, safety, and licensing risk, and presence of strong competitors (including a large local manufacturer recently commissioned), Hongda Terra Energy Company Limited, being a new entrant, has planned to build a compelling

value proposition in terms of cost, reliability, and innovation to ensure full compliance and operational excellence.

2.4. Gaps to Target

Based on the landscape above, here are potential gaps or niches your project aims to gain a competitive advantage:

i) Small-scale mines and quarries: Many players focus on big mining operations, neglecting smaller operations i.e. quarrying, aggregates, and infrastructure blasting. Offering flexible volume, lower minimum order quantity (MOQ), and tailored service will help our company win these and bigger ones as well.
ii) Fast lead-time local supply for immediate demand: Import-reliant players suffer lead-time and foreign-exchange or transport risk. Our Project, since it is localized, can promise rapid supply, and reduced stockout risk as well as ensuring business continuity procedure (BCP).
iii) Export to neighbouring countries: Given the fact that domestic demand coverage is increasing (Solar Nitrochemicals needing to be met by about 95% of domestic demand) our project has a chance to have its niche in the local and the east-/southern-Africa export markets where supply is weaker or costs relatively higher.
iv) Service-integrated offering: Hongda Terra Energy Company Limited will combine manufacturing with value-added services, namely blasting design, consulting, logistics & transport, magazine/storage, and training to build stickiness. This is due to the fact that clients often prefer a turnkey supply and service rather than just a mere product.
v) Premium products adapted to local conditions: For example, products optimized for humid conditions, remote logistics, and lower environmental impact. HDA claims premium weather-adapted products. You can differentiate on customization or performance reliability.
vi) Local content and community value proposition: Emphasizing Tanzanian employment, local sourcing, community safety and environmental responsibility is a key differentiator, especially for contracts where local content matters.
vii) Niche technologies/ specialty explosives: Beyond standard bulk packaged, we will specialize in tunnelling, underground, urban construction blasting, remote borehole, or environmentally sensitive equipment. The more niches the use-case the less competition there may be.
viii) Cost leadership under local manufacture: If we can optimize production cost i.e. raw materials, and logistics and pass on savings, we will be able to challenge importers and distributors on price while maintaining reliability.

3. FINANCIAL PLANNING AND FINANCIAL PROJECTIONS

3.1. Project Financing

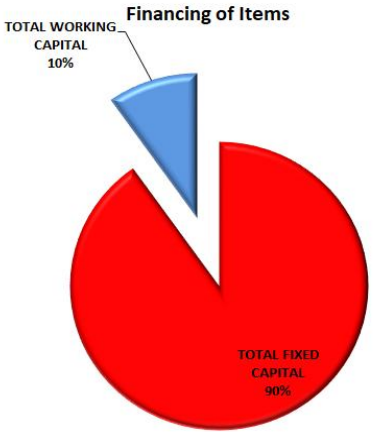
Hongda Terra Energy Company Limited is undertaking a **USD 5.1 million** investment to establish a modern mining equipment manufacturing facility in Tanzania. The project is fully financed through equity contributions from both foreign and local shareholders, reflecting strong investor commitment and minimizing financial risk during the early operational phase. Its sources of financing are foreign equity and local equity to the tune of USD 2,601,000 and USD 2,499,000, respectively, as shown in the table below.

CATEGORIES	AMOUNT (USD)	PERCENT
EQUITY		
Local Equity	2,499,000	49
Foreign Equity	2,601,000	51
Total Equity	5,100,000	100
LOAN		
Local Loan	0	0
Foreign Loan	0	0
Total Loan	0	0
TOTAL FINANCING	**5,100,000**	**100**

3.2. Financing and Investment Plans

This USD 5.1 million project will commence commercial operations in May 2026, following a phased investment program spanning 2025–2027. Production capacity will gradually scale up, reaching 10,000 MT annually by 2030. Below are the investment breakdown and the investment plan.

INVESTMENT BREAKDOWN	
ITEM	**AMOUNT IN USD**
Land & Buildings	330,000
Plant	2,600,000
Vehicles	1,120,000
Furniture & Fittings	100,000
Pre Expenses	200,000
Others	250,000
Working Capital	500,000
TOTAL	**5,100,000**
TOTAL FIXED CAPITAL	**4,600,000**
TOTAL WORKING CAPITAL	**500,000**


Financing of Items
TOTAL WORKING CAPITAL 10%
TOTAL FIXED CAPITAL 90%

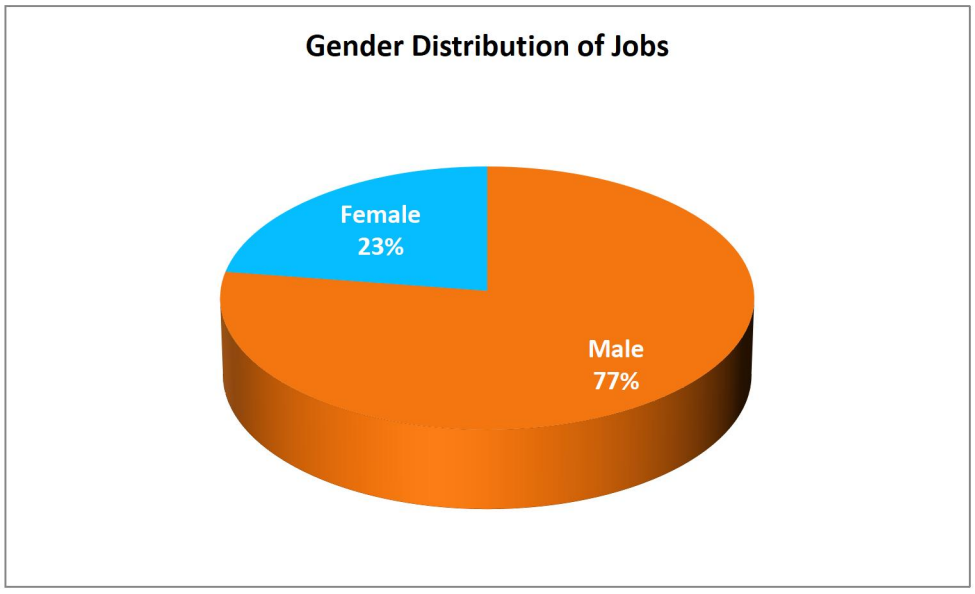
Investment Plan over the first five years

INVESTMENT BREAKDOWN	INVESTMENT PLAN						TOTAL INVESTMENT
ITEM	2025	2026	2027	2028	2029	2030	
Land & Buildings	330,000						330,000
Plant		2,000,000	600,000				2,600,000
Vehicles		120,000	600,000	400,000			1,120,000
Furniture & Fittings		20,000	80,000				100,000
Pre Expenses	200,000						200,000
Others		100,000	50,000	50,000	50,000		250,000
Working Capital			100,000	150,000	250,000		500,000
TOTAL	**530,000**	**2,240,000**	**1,430,000**	**600,000**	**300,000**		**5,100,000**

3.3. Wage Projections and Project Manning

The project is expected to employ a total of 75 people, 70 of whom are locals and 5 foreigners, as shown in the table below. The diagram gives the projected gender distribution of jobs.

GENDER	LOCALS	FOREIGNERS	TOTAL
M	54	4	58
F	16	1	17
TOTAL	**70**	**5**	**75**



From our projections on manpower for the project, we expect to incur USD 964,200 per annum on account of wages, as shown in the table below.

S/N	Category	Local		Foreigners		TOTAL	MONTHLY SALARY	ANNUAL SALARY
		M	F	M	F			
A.	**Directors**							
1	Managing Director			1		1	6000	72,000
2	Directors	1		1		2	5000	120,000
B.	**Management Team**							
1	Technical Managers	1			1	2	4500	108,000
C.	**Supervisors**							
1	Technical Supervisors	1	1	1		3	3000	108,000
2	Quality Supervisors	1		1		2	3000	72,000
3	Supplies Supervisor		1			1	3000	36,000
D.	**Drivers and Operators**							
1	Drivers	10				10	600	72,000
2	Plant Operators/ Workers	28	5			33	600	237,600
3	Service Bay Operators	3	1			4	600	28,800
E.	**Support Staff**							
1	Cleaners	2	5			7	400	33,600
2	Mechanics	3	1			4	800	38,400
3	Security Guards	4	1			5	450	27,000
4	Accountant/ Cashier		1			1	900	10,800
	TOTAL	**54**	**16**	**4**	**1**	**75**	**N/A**	**964,200**

3.4. Financial Projections

Gross Profit Projections

PRODUCTION PROJECTIONS

DETAILS	YEARS				
	2026	**2027**	**2028**	**2029**	**2030**
Production (MT p.a.) - assuming a 10% growth p.a	6,561	7,290	8,100	9,000	10,000

SALES PROJECTIONS

DETAILS	YEARS				
	2026	**2027**	**2028**	**2029**	**2030**
Production P.A. (in MT)	6,561	7,290	8,100	9,000	10,000
Sales Projections (assuming sales of 70% of the existing Stock)	4,593	6,481	6,236	7,604	7,977
Price per Metric Ton (assuming 4% inflation)	1,000.00	1,040.00	1,081.60	1,124.86	1,169.86
TOTAL SALES (USD)	**4,592,700**	**6,740,042**	**6,745,326**	**8,554,025**	**9,331,789**

GROSS PROFIT PROJECTIONS

DETAILS	YEARS				
	2026	**2027**	**2028**	**2029**	**2030**
Projected Sales	4,592,700.00	6,740,042.40	6,745,325.93	8,554,024.80	9,331,788.79
Cost of Sales:					
Power and Water Utilities	12,000.00	12,480.00	12,979.20	13,498.37	14,038.30

Raw Materials	9,000.00	9,360.00	9,734.40	10,123.78	10,528.73
Wages	964,200.00	1,002,768.00	1,042,878.72	1,084,593.87	1,127,977.62
Supplies	240,000.00	249,600.00	259,584.00	269,967.36	280,766.05
TOTAL COST OF SALES	1,225,200.00	1,274,208.00	1,325,176.32	1,378,183.37	1,433,310.71
GROSS PROFIT	**3,367,500.00**	**5,465,834.40**	**5,420,149.61**	**7,175,841.43**	**7,898,478.09**

The table above summarizes the projected production volumes, sales revenues, and gross profit margins for the period **2026–2030**, based on realistic operational ramp-up assumptions for a new mining equipment manufacturing plant.

1. **Production Projections**

Production is expected to grow steadily as the plant scales up operations and optimizes efficiency. A **10% annual growth rate** is applied, starting with **6,561 MT in 2026** and increasing to **10,000 MT by 2030**. This growth reflects improved capacity utilization, stable supply of raw materials, and progressive expansion of the customer base in mining, quarrying, and construction sectors.

2. Sales Projections

For sales forecasting, it is assumed that **70% of total production** is sold each year. This conservative approach accounts for inventory build-up, safety stock requirements, operational lags, and market fluctuations.
The selling price per metric ton increases annually by **4%**, reflecting inflationary adjustments and sector pricing trends.
As a result, annual sales revenue rises from **USD 4.59 million in 2026** to **USD 9.33 million by 2030**.

3. Gross Profit Projections

Gross profit is calculated by deducting direct production costs (power, water, raw materials, wages, operational supplies) from total sales.
Despite moderate increases in production costs, revenue growth and stable cost control lead to strong and improving gross margins throughout the projection period.

This trend is driven by:

- Higher production efficiency as the plant matures
- Better economies of scale
- Improved purchasing power for raw materials
- Local manufacturing advantage compared to import-dependent competitors

By 2030, the company is expected to achieve a gross profit of **USD 7.89 million**, reflecting the project's strong financial viability and long-term sustainability.

Operating Expenses Projections

OPERATING EXPENSES

ITEMS	YEARS				
	2026	**2027**	**2028**	**2029**	**2030**
Marketing Expenses	37,700.00	35,728.00	39,300.80	43,230.88	47,553.97
Bank Charges	1,200.00	1,248.00	1,372.80	1,510.08	1,661.09
Insurance	46,000.00	47,840.00	52,624.00	57,886.40	63,675.04
Office Expenses	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00
Permits and Licenses	36,200.00	2,000.00	2,000.00	3,000.00	35,000.00
Vehicle Expenses	1,158,000.00	1,204,320.00	1,252,492.80	1,302,592.51	1,354,696.21
Professionals Fees	36,000.00	10,000.00	36,000.00	10,000.00	36,000.00
Provision for Bad Debts	22,963.50	33,700.21	33,726.63	42,770.12	46,658.94
Miscellaneous Expenses	120,000.00	132,000.00	145,200.00	159,720.00	175,692.00
TOTAL OPERATING EXPENSES	**1,464,063.50**	**1,472,836.21**	**1,568,717.03**	**1,626,710.00**	**1,766,937.25**

Projected Income Statement

DETAILS	YEARS				
	2026	**2027**	**2028**	**2029**	**2030**
Total Sales Revenue	4,592,700.00	6,740,042.40	6,745,325.93	8,554,024.80	9,331,788.79
Less: Cost of Sales	1,225,200.00	1,274,208.00	1,325,176.32	1,378,183.37	1,433,310.71
Gross Profit	*3,367,500.00*	*5,465,834.40*	*5,420,149.61*	*7,175,841.43*	*7,898,478.09*
Less: Operating Expenses	1,464,063.50	1,472,836.21	1,568,717.03	1,626,710.00	1,766,937.25
EBIT	*1,903,436.50*	*3,992,998.19*	*3,851,432.58*	*5,549,131.43*	*6,131,540.83*
Less: Loan Interest	-	-	-	-	-
EBT	1,903,436.50	3,992,998.19	3,851,432.58	5,549,131.43	6,131,540.83
Less: Taxes (30%)	571,030.95	1,197,899.46	1,155,429.77	1,664,739.43	1,839,462.25
Net Profit/(Loss)	**1,332,405.55**	**2,795,098.73**	**2,696,002.81**	**3,884,392.00**	**4,292,078.58**
Dividend (10%)					

	133,240.56	279,509.87	269,600.28	388,439.20	429,207.86
Retained Earnings	**1,199,165.00**	**2,515,588.86**	**2,426,402.53**	**3,495,952.80**	**3,862,870.72**

Select Ratios

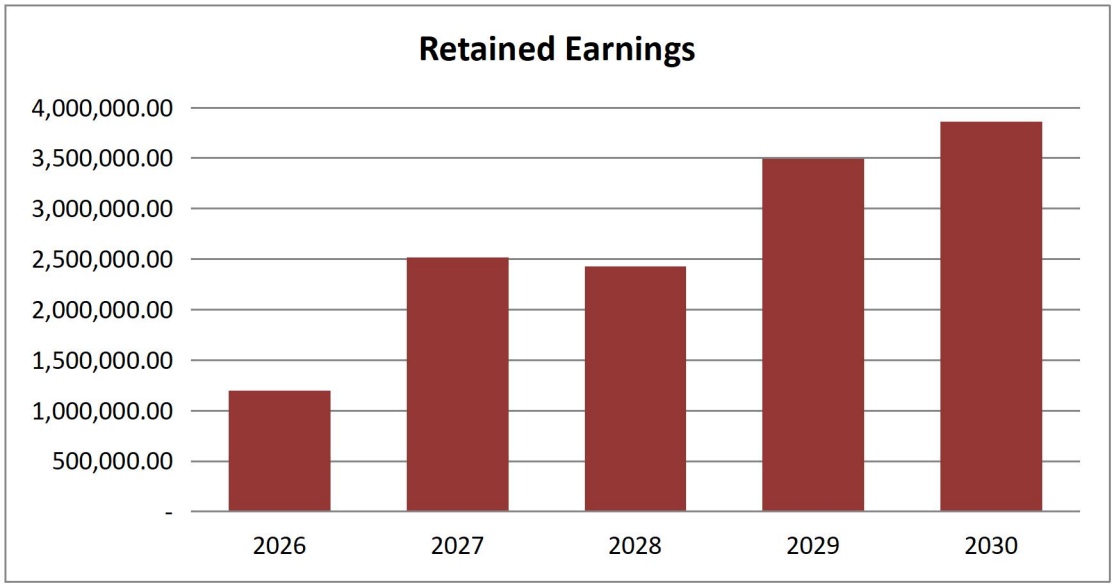
The select ratios show that, ceteris paribus, the project will be a success as shown below.

Margin Ratios	**2026**	**2027**	**2028**	**2029**	**2030**
Gross Profit Margin	73.32%	81.09%	80.35%	83.89%	84.64%
Operating Profit Margin	56.52%	73.05%	71.06%	77.33%	77.63%
Net Profit Margin	41.44%	59.24%	57.10%	64.87%	65.71%

Profitability Ratios	**2026**	**2027**	**2028**	**2029**	**2030**
Gross Profit Margin: (Gross Profit/Total Revenue)	73.32%	81.09%	80.35%	83.89%	84.64%
Net Profit Margin: (Net Income/Total Revenue)	29.01%	41.47%	39.97%	45.41%	45.99%
Return on Assets (ROA): (Net Income/Total Assets)	251.40%	100.91%	64.19%	80.92%	84.16%
Return on Equity (ROE): (Net Income/Shareholders' Equity)	26.13%	54.81%	52.86%	76.16%	84.16%

The Projected cash flow statement is also promising, as shown below

DETAILS	**YEARS**				
	Y1	**Y2**	**Y3**	**Y4**	**Y5**
Net Income	1,332,405.55	2,795,098.73	2,696,002.81	3,884,392.00	4,292,078.58
Add: Depreciation and Amortization					
(Increase)/ Decrease in Operating Working Capital					
Cash Flow from Operating Activities	***1,332,405.55***	***2,795,098.73***	***2,696,002.81***	***3,884,392.00***	***4,292,078.58***
(Capital Expenditure)	-530,000.00	-2,240,000.00	-1,430,000.00	-600,000.00	-300,000.00
Cash Flow from Investing Activities	***-530,000.00***	***-2,240,000.00***	***-1,430,000.00***	***-600,000.00***	***-300,000.00***
Increase (decrease) in long-term debt					
(Dividend)	-133,240.56	-279,509.87	-269,600.28	-388,439.20	-429,207.86
Issuance of Equity					
Cash Flow from Financing Activities	-133,240.56	-279,509.87	-269,600.28	-388,439.20	-429,207.86
Beginning Cash	500,000.00	-169,165.00	-444,753.85	-1,441,156.38	-4,337,109.18
Net Cash Flow	**669,165.00**	**275,588.86**	**996,402.53**	**2,895,952.80**	**3,562,870.72**



Timeline

This is a five-year project expected to operate from May 2026 to 2030. All the activities will start from May next year, although prior operations (preparatory operations) are ongoing. The promoters of the project expect that by the end of the year 2026 the project will be fully fledged.

Project Rationale

Hongda Terra Energy Company Limited's project for the manufacturing of mining equipment has a set of justifications for it to enjoy fiscal and non-fiscal incentives under the Tanzania Investment and Special Economic Zones Authority (TISEZA). These justifications include assurance of quality products produced within Tanzania, creation of 70 direct jobs to locals and 5 to foreigners, technology transfer, business to supplier SMEs, and a lot more. Moreso, the project will support the mining and quarrying sub-sectors of the economy of Tanzania, and of the neighboring EAC and SADC countries. It will also generate tax revenues to the Government of Tanzania and create a positive impact via competition with existing firms.

Conclusion

Hongda Terra Energy Company Limited has developed this project idea intending to supply mining equipment within Tanzania. The target market is the local Tanzanian market, with prospects of targeting the neighboring markets under the EAC and the SADC Trade arrangements. This project will employ at least 70 Tanzanians as direct employees and about 500 Tanzanians indirectly. Moreover, it will save forex used on importing the mining equipment.

Since the benefits are many, and the product highly needed for the ongoing mining, construction and quarrying activities the promoters of the project are optimistic of success. It is in this regard that we present the idea to TISEZA in order to enjoy incentives for our project to start on a right foot for the greater good of Tanzania.

Appendices

Competitor Benchmarking Table

S/No.	Competitor	Location / Presence	Approximate Scope / Capacity	Key Strengths	Key Weaknesses / Risks	Implication for Your Project
1	Solar Nitrochemicals Limited	Plant in Kisarawe, Coast Region; HQ Dar es Salaam. (The BizLens)	Projected capacity: ~22,000 tonnes explosives + ~15 million detonators annually. (The Citizen)	Local manufacture (first large-scale in Tanzania) International parent company (backing) Strong alignment with government import substitution aim.	Large scale means high fixed costs; ramp-up risk; potential logistic/infrastructure constraints given location.	This is your primary benchmark/major competitor. To compete, you'll need strong differentiation (service, niche segments, cost, export) rather than just being local manufacturer.
2	Ideal Mining Services	Tanzania (distribution & supply); global parent. (Ideal Explosives)	Distributor/manufacturer of bulk mining explosives, detonators and accessories – strong supply chain.	Established brand & supply network; broad product/business offering.	If reliant on imports or external manufacture, may have higher cost/longer lead times; less local manufacturing footprint.	Your project can target faster lead time, local production, cost savings to challenge this player.
3	Kilimanjaro Explosives Company Limited	Kahama, Tanzania; serving mining, quarrying, construction. (Kilimanjaro Explosives)	Distributor/supplier of commercial explosives and blasting services to large mining/aggregate producers.	Local presence; services beyond just supply (blasting consultancy etc) Focus on quarry/construction segments.	Not necessarily large scale manufacturing; may be challenged on cost vs large manufacturer.	A competitor in niches (quarries/construction). You may compete by offering manufacturing + local service + flexible volumes.
4	Amogtech Mine Services & Mining Consulting Company Ltd	Dar es Salaam; supply + full blasting services. (AmogTech)	Supply of explosives to large/medium/small mines, quarries; full blasting services (drilling/blasting, consulting).	Service-oriented; value-added (consulting + supply) Address multiple client segments.	If mainly supply (not manufacturing) may face cost disadvantage; service heavy means higher cost base.	Your project should consider offering service + manufacturing to match or exceed their value proposition.
5	Nitro Explosives (T) Ltd	Arusha, Tanzania; distribution and blasting services. (HRMS)	Licensed dealer with storage/magazines, blasting services; export to neighbouring countries.	Long experience (20+ yrs) Regional presence/exports Storage logistics & magazines established.	Possibly smaller manufacturing capacity (if any) Competing purely on supply may limit cost advantage vs manufacturer.	You may capture clients by offering locally manufactured supply with better logistic links or value added extras.

6	Mabamba Investment Company Limited	Geita Region, Tanzania; Tanzanian-owned. (AECI Mining Explosives)	Supplier of commercial explosives for mining/quarry/construction industries.	100% local ownership → possibly favourable with local content policies Focus on competitive pricing in quarry/construction segments.	Smaller scale; likely reliant on imports/manufacture elsewhere; may not offer full manufacturing/local production.	You may differentiate by truly manufacturing locally, offering better cost and guaranteed supply rather than just import/distribution.
7	HDA Company Limited	Mbeya, Tanzania; imports/distributes mining explosives and exports to neighbouring countries. (HDA)	Specialised in premium mining explosives tailored for various weather/conditions; both importation & export.	Reaches both domestic & export markets; claims premium quality and suitability for challenging conditions.	Imports – may have higher cost; may not manufacture locally which limits some advantages; competition from large manufacturer may squeeze margins.	Offer local manufacturing plus ability to adapt/excel in local conditions (weather, logistics) to compete with HDA's "premium import" strategy.
8	REKA Explosives Company Limited	Geita (Mtakuja), Tanzania; importer/storage/distributor. (Tanzlii)	One of the registered companies under chemical/ explosives import/storage/distribution in Tanzania.	Established import/storage/distribution network.	No clear manufacturing capability; imports subject to lead time, cost, currency risk; less differentiation.	You may out-compete by offering local production (good lead times), or service bundles.