

VCUBE LIMITED

DAR ES SALAAM, TANZANIA

BUSINESS PLAN

ON

**ESTABLISHMENT OF A MODERN
CONCRETE BLOCKS AND HOLLOW
BLOCKS PRODUCTION
FACILITY IN MBEZI, DAR ES SALAAM**

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1. Introduction

This feasibility study report is being prepared for **M/S VCUBE LIMITED of P.O. Box 6860, DAR ES SALAAM - TANZANIA**, hereinafter referred to as VCUBE, has undertaken a project to venture into the manufacturing of a Modern Concrete Blocks And Hollow Blocks Production Facility. The promoters are well experienced in the envisaged line of business. The promoters have enough financial resources to see through the project and will bring in foreign exchange right from the inception stage of the project.

The purpose of this study is to assess the commercial viability and operational feasibility of the project being undertaken by VCUBE Most of

the data has been compiled by the promoters' own research and study in Tanzania and is firsthand information. The financials have also been worked out on the basis of market and cost information provided by the promoters of the project.

This report has additionally deliberated upon the social and related economic benefits (net) that will accrue to the nation and has given adequate weight age for the same in the conclusion & recommendation paragraph.

2. Company Details:

Registration:

M/s VCUBE has been registered with the Registrar of Companies on 17TH of April 2023 as a limited liability company with a paid- up share capital of Tshs. 1,000,000,000/= . The Authorized share capital of the company is same as the paid-up share capital. The registration number of the company is **165080238** and the registered office of the company is at Malik Street, Ilala, Dar es Salaam.

3. The Project:

As stated in the paragraph on introduction, the project is "to operate a modern Concrete Blocks And Hollow Blocks Production Facility spearheaded by VCUBE aiming to capitalize on the growing construction market in Tanzania and neighboring landlocked countries in East and Central Africa."

The basic purpose of the entire project is to add value to the abundantly available inputs not been adequately exploited. The project will create more wealth for the nation and shall endeavor to bring in more prosperity and economic independence.

4. Market Demand

Recent reforms taking place in economy indicate that there is an increase in demand for Construction Materials.

The following are some of the factors that have contributed to such an increase in demand for these products in the country.

- Infrastructure Boom: Major government initiatives like the Standard Gauge Railway (SGR), new ports, flyovers, and increased urban housing projects create massive, consistent demand for standardized concrete products.
- Rise in people's standard of living and change in people's consumption patterns.
- General improvement in the national economy, especially the balance of payments which has made it possible for the Government to achieve greater capability to import critical products into the country.
- Increase general level of investments in industrial activities which are the major users of industrial inputs.
- Increased transit trade between Tanzania and its neighbors especially Uganda, Rwanda, Malawi, Burundi and the Democratic Republic of Congo.

These factors have led to increase demand for concrete and hollow blocks for products in the country. Furthermore, these factors have created the impetus for increased inflow of investment capital by foreign and local private investors who now have decided to venture in the importation and industrial raw materials.

The reforms, which are now being introduced in the sector, aim at influencing the inflow of and increased supply of both capital goods and other industrial products and their distribution in the country and beyond the national borders.

5. Promoters and Management

The project is being promoted by VCUBE LIMITED, incorporated as a limited liability company with an authorized capital of **Tshs. 2,560,000,000.00**. The registered office of the company is in Dar es Salaam at Malik Street, Ilala. The shareholders of the company are as indicated in the table below:

S/NO	NAME AND ADDRESS OF SHAREHOLDERS	NATIONALITY	SHAREHOLDING (%)
1.	GANESH RAMDAS GAJARE	INDIAN	66%
2.	VASUDHA RAJENDRA BHUYAR	INDIAN	33%
3.	PETER TASILO LANDULILA	TANZANIAN	1%
	TOTAL		100%

The above-mentioned shareholders are people who are qualified in skills of business of Construction materials, and both have vast business experience at the local and international arena.

6. Manufacturing Process & Technology

The facility will utilize a fully automated, high-pressure hydraulic block pressing system. The process ensures high density, uniformity, and strength in every block, significantly reducing material waste and production time compared to manual methods.

Concrete Batching and Block Pressing

Raw Material Preparation (Aggregate and Cement): Aggregates (sand, gravel, and/or ballast) are stored in separate hoppers. Cement is stored in a dedicated silo to protect it from moisture. 2. **Batching and Mixing:** The computerized batching plant precisely measures the required ratios of cement, aggregate, and water. This is crucial for consistent block strength (e.g., C20 or higher). The materials are then mixed in a high-shear planetary or forced action mixer until a homogeneous, low-slump concrete mixture is achieved.

Feeding and Moulding: The mixed concrete is transferred via conveyor to the block-making machine. The material is fed into the various moulds (e.g., 6-inch hollow, 4-inch solid, pavers).

Vibration and Compaction (The Key Process): The concrete is subjected to intense high-frequency vibration and simultaneous high-pressure hydraulic pressing. This process removes air pockets and compacts the material, resulting in high-density, high-strength blocks.

Curing: The newly pressed blocks are automatically ejected onto production pallets and transferred to the curing area. They undergo a critical 24-hour initial air-curing phase, followed by 7-14 days of controlled water/mist curing to reach maximum strength (minimum 28-day strength).

Stacking and Dispatch: Once fully cured, the finished blocks are automatically stacked for storage or immediately loaded for local sales and export to regional markets.

7. COST OF THE PROJECT & MEANS OF FINANCE:-

A. Cost of the Project:-

S. No.	Details	US \$
1	Land & Building	250,000/=
2.	Plant & Machinery	360,000/=
3	Furniture, Computers & Fixtures	50,000/=
4	Vehicles	210,000/=
5	Others	60,000/=
6	Pre-operating Costs	40,000/=
7	Initial working capital	30,000/=
	Total Cost of the Project	1,000,000/=

B. Means of Finance:-

	Details	US\$
	Equity Funds	1,000,000
	Total Means of finance	1,000,000

The total cost of the project consisting of has been estimated at US \$1,000,000/= As can be seen from the above chart, majority of the expenses involved will be on plant and machinery and land and Building Nearly 73.33%. Besides considerable money will be required in the starting up of the unit which has been grouped under the head pre-operating and initial working capital costs. The will be implemented within a span of two Building will be a simple structure based on pillars with sidewalls open to facilitate future as day will be achieved gradually, however optimum capacity will be reached within 2 years.

8. Project Manpower

POSITION	NO. OF PERSONS	MONTHLY SALARY	TOTAL ANNUAL SALARIES
General Manager	1	1500	18,000
Technical Manager	1	1200	14,400
Operations Manager	1	1000	12,000
Maintenance Engineer	2	750	18,000
Workshop Manager	1	750	9,000
Administration Manager	2	600	7,200
Personal Secretary	1	150	1,800
Mechanics	6	200	14,400
Finance & Administration Manager	1	600	7,200

Accounts Assistants	2	200	4,800
Storage Superintendent	1	150	1800
Office Assistant	1	60	720
Drivers	22	300	79,200
Helpers	22	120	31,680
Security Officer	1	250	3000
Supplies Officer	1	200	2400
Watchmen	6	60	4320
TOTAL	71		229,920

9. Project Financials

9.1. Assumptions

- a) The rate of one US \$ is equal to Tshs. 2,500/=
- b) Required labor force will be available
- c) Required permits will be granted within the limited time schedule to ensure implementation as per schedule.
- d) The first phase will be operational within a span of three months.
- e) Output in first phase will be 1000 number of units, per day.
- f) The second phase will take nearly 21 months to complete after the start of first year and will increase the capacity to 50 liters per day.
- g) Total investment will be US\$ 1,000,000
- h) The project will have own finance
- i) Land will be available on lease in future as and when required.
- j) Import duty exemption and deferment of VAT will be available on import of plant and machinery.

Projected Five Years Profitability Statements

As can be seen from the enclosed projected profitability statement, the company will not earn profits in the first year where the operations are to run only for six months, however there will be cash- profits.

The company will attain a turnover of US \$ 0.62 million in first six months; will go up to US \$ 9.240 millions in the next years and from third year of operation will remain steady at US \$ 0.8 millions.

The profits will start coming from the 2nd year of operations. From the year 4 and onwards the annual profits will be in the range of US \$ 200,000 and above. The project enjoys a payback period of 5 years.

The company will be earning gross profit @ 6% and net profit of nearly 2.5%. For a very large project, like this a net profit of 2% is quite reasonable. Government will earn lot of revenues due to such high turnover.

Selling costs have been assumed at 2% of the sales and other overheads have been assumed not to cross US \$ 50,000 a month including manpower costs.

Depreciation has been provided as per the prevailing income tax rates. Further full depreciation has been provided on assets purchased during the year. Separate schedules are attached with this report for calculation of depreciation.

Projected Five Years Balance Sheet

The enclosed balance sheet shows very sound positions of the company. The current assets ratio is in excess of 1.2 from the beginning and by the year 5 it reaches 2.

Inventory will be maintained only for a period of one week. The reason being the plant is going to be in the close proximity.

Since majority of sales will be done outside Tanzania, vide advance TT or L.C debtors are not expected to be on the higher side. However, for demotic sales on month credit has been considered. Creditors will be outstanding for a period of 15 days and suppliers of services will be paid at the expiry of one month.

Projected Five Years Funds Flow Statements:-

As can be seen from the appended projected funds flow statement the company will be financed by the promoter's own funds. In the initial year (2005) the investment will be of US \$ 1,000,000/=.

Operating profits will be ploughed in to the business. Once the operations are steadied from the year 2006, the annual contribution of operational profits shall be the tune of US \$ 900,000/=

Depending on the surplus available, promoters' loan will be re- paid. As can be seen the company shall be able to commence repayment of promoters' loan by the year 2006.

As the operations will grow, the net working capital requirement will also grow. As can be seen the increase in net current assets will be from US \$ 90,000/= (year 2005) to US \$ 680,000/= (year 2008). The company assumes to maintain a positive cash balance of US \$ 25,000/= to US \$ 50,000/=.

Projected Five Years Taxation Schedule:-

The company will enjoy tax incentives as per the governing laws of the country. It will have taxable profits only from the year 2008 and will then onwards contribute to the exchequer in excess of US \$ 150,000/= in the first year and then onwards in excess of US \$ 340,000/= The company may reduce its tax burden by investing or expanding its operations and in either case the country benefits.

10. Social & Development Benefits

□ Employment creation

As has been observed earlier this project will provide direct employment opportunities to more than 100 locals inclusive of skilled, semi- skilled and un-skilled class. Few expatriates will also be employed as per the requirement of the project.

This direct employment of more than 100 individuals will generate indirect employment for more than 1,000 individuals. it can be concluded that this project will have a very positive impact on the level of employment in the country and will be welcome change.

□ Transfer of technology

This project being a manufacturing project will usher in the country technology. Although the technology is simple the advantages to the country are quite significant. The country will get the advantage of value addition due to such incoming technology. Further the country can reduce its dependence on imports for the finished products manufactured by this project. Local employees will get on-the-job training from the experts (expatriate) employed and in long run will improve the technical competence of the local population.

□ **Inflow of foreign exchange**

Majority of the output will be exported out of the country. This will have two positive effects on the foreign exchange reserves of the country. In the first place the imports of the output will be reduced which will enable the country to save on the outgo of foreign currency and secondly the output produced will be exported which will bring in the country foreign currency.

Thus, this project will provide positive impact on the foreign currency reserves of the country.

□ **Lowering of construction cost.**

As the Materials and will be available from within the country the country will get the benefit of lower cost of manufacture. In a very small way this will have a positive bearing on the cost of manufacture of various items using material and.

□ **Contribution to the exchequer.**

This project will contribute substantially to the society in general and to the exchequer in particular. As has been observed the total turnover at 100% utilization will be in the range of US \$ 40 million. This will result into VAT outflow of substantial amounts. Besides the company will be contributing tremendously in terms of PAYE and NSSF. In addition, the company will also be contributing in terms of corporate taxation from the year 2008 onwards.

□ **Positive cascading impact on the nation's economy.**

This project will have overall positive impact on the society. It will not only save the precious foreign currency reserves of the country by producing import substitute products, and by exporting the final product, but will

also generate direct employment to more than 100 individuals and will provide means of livelihood to more than 1000 individuals. The cascading positive impact on the society will be too great. This project will lead to creation of national wealth. Its contribution to the exchequer will also be quite significant in terms of NSSF, PAYE, VAT and direct taxation apart from skills and development levy.

One more advantage of this project is its location. Since it is located at Dar es Salaam which is not fully developed, will get more opportunities to commercially expand and develop. This project will thus result into regional development. This project will thus hold the government to further its own objective of promoting regional development.

11. Conclusion & Recommendations

The foregoing write-up indicates following benefits to the country, which in turn pleads for immediate acceptance of this project as a feasible project.

- The country will get a manufacturing unit, which will add to its scarce manufacturing base. As on date the country's manufacturing base is very low with contribution of 9% to the GDP and thereby making the economy pre-dominantly agriculture oriented.
- The project will bring in latest technology in the relevant field and will ensure training or development of skilled labor force in the country. The labor force will get on -job training and will thus make them more competent.
- All products envisaged to be manufactured are basically import substitute and will therefore save the scarce foreign currency for the country. Apart from that the country will save in terms of lowering of cost of manufacture and lower construction cost which will again lead to lower cost of other manufactured items.
- The project when implemented in full over a period of 24 months will ensure that there will be a direct flow of foreign currency in the country to the tune of US \$ 1.5 million which is considerable by any standard.