

SUOMEI INVESTMENT AND DEVELOPMENT LIMITED

Business Plan

for

Building Materials Manufacturing Project

PREPARED FOR

SUOMEI INVESTMENT AND DEVELOPMENT LIMITED

1.0 Executive Summary

SUOMEI INVESTMENT AND DEVELOPMENT LIMITED is a company registered in the country under the Companies Act, Cap. 212 (No. 12 of 2002) which is administered by the Business Registrations and Licensing Agency (BRELA) bear Certificate of Incorporation No. 179364549 dated 5th November, 2024

The project involves a Building Materials Manufacturing Project.

This project production of essential construction materials used in residential, commercial, and infrastructure developments such as:

- Concrete blocks
- Interlocking paving blocks
- Roofing tiles
- Precast concrete products
- Kerbstones
- Concrete pipes

2.0 Business Description

2.1 Vision

To become one of Tanzania's leading manufacturers of affordable and durable construction materials.

2.2 Mission

- Provide high-quality construction products
- Support Tanzania’s infrastructure development
- Reduce dependency on imported building materials

2.3 Company Ownership

SUOMEI INVESTMENT AND DEVELOPMENT LIMITED is promoted by local investors who are very experienced in the industry

| Shareholder Name | % of ownership | Nationality |
|------------------|----------------|-------------|
| LINGDAN LI | 50 | China |
| XIAOHAI LIN | 50 | China |

2.5 Project Location

The project head office will be located at Bigwa Area, Dundani Village, Mkuranga District, Coast Region.

3.0 Market Analysis

3.1 Construction Industry Overview

Tanzania's construction sector is growing rapidly due to:

- Urban population growth
- Government infrastructure projects
- Real estate development
- Industrialization policy

3.2 Major drivers

- Tanzania National Roads Agency
- National Housing Corporation
- Tanzania Ports Authority

The government capital city relocation to Dodoma has also increased demand for building materials.

3.3 Market Demand

Estimated annual demand in Tanzania:

| Product | Annual Demand |
|-----------------|---------------------------|
| Concrete Blocks | 1.2 billion units |
| Paving Blocks | 50 million m ² |
| Concrete Pipes | 200,000 units |
| Roof Tiles | 30 million pieces |

Demand is increasing due to rapid urbanization.

3.4 Marketing Strategy

Target customers

- Real estate developers
- Construction companies
- Government projects

- Infrastructure contractors
- Hardware distributors

3.5 Promotion strategies:

- Construction exhibitions
- Contractor partnerships
- Bulk supply contracts

3.6 Risk Analysis

| Risk | Mitigation |
|--------------------------|----------------------------|
| Cement price fluctuation | Long-term supply contracts |
| Competition | High-quality products |
| Economic slowdown | Diversify products |
| Transport costs | Strategic factory location |

4.0 Products

4.1 Concrete Blocks

Uses:

- Residential houses
- Commercial buildings
- Boundary walls

Average selling price: US\$0.70 – US\$1.00 per block

4.2 Interlocking Paving Blocks

Used in:

- Roads
- Parking areas
- Walkways
- Industrial parks

Average price: US\$10 – US\$15 per m²

4.3 Roofing Tiles

Alternative to iron sheets and imported roofing products.

Average price: US\$1.50 – US\$2.50 per tile

4.4 Concrete Pipes

Used in:

- Drainage systems
- Sewer systems
- Road construction

Average price: US\$50 – US\$150 per pipe

4.5 Kerbstones

Used in:

- Road construction
- Parking areas

5.0 Production Process

Raw Materials

- Cement
- Sand
- Aggregate
- Water
- Color pigments
- Reinforcement steel

Suppliers include:

- Dangote Cement Tanzania
- Twiga Cement

5.1 Manufacturing Process

- Raw material mixing
- Automatic batching
- Hydraulic pressing

- Vibration molding
- Curing process
- Quality control
- Packaging and storage

5.2 Machinery & Equipment

Main equipment required:

- Automatic concrete batching plant
- Hydraulic block making machines
- Paving block machine
- Roof tile production line
- Concrete pipe machine
- Forklifts
- Pallet handling systems

5.3 Annual Production Capacity

| Product | Daily Production | Annual Production (300 days) |
|----------------------------|--------------------------|----------------------------------|
| Concrete Blocks | 18,000 – 22,000 blocks | 5.4M – 6.6M blocks |
| Interlocking Paving Blocks | 700 – 900 m ² | 210,000 – 270,000 m ² |
| Roofing Tiles | 4,000 – 5,000 tiles | 1.2M – 1.5M tiles |
| Concrete Pipes | 50 – 60 pipes | 15,000 – 18,000 pipes |
| Kerbstones | 1,000 – 1,200 pieces | 300,000 – 360,000 piece |

5.3 Implementation Timeline

| Phase | Duration |
|------------------------------------|-----------------|
| Land acquisition | 2 months |
| Design & approvals | 3 months |
| Construction | 12 months |
| Machine importing and installation | 3 months |
| Production testing | 3 months |

6.0 Employment creation

Total workforce required:

| Category | Number |
|-----------------|---------------|
| Management | 6 |
| Engineers | 8 |
| Technicians | 20 |
| Factory workers | 91 |
| Sales & Admin | 15 |

Total: 140 employees

7.0 Revenue Projections

US\$8,000,000

8.0 Project Financing

The company has estimated that the project will be financed by long term loan amounting to US\$5,000,000 with interest rate of 9% repaid within 5 years and remaining US\$1,000,000 will be shareholders contribution and cashflows generated from business.

8.1 Operating cost

The project operating cost been estimated to be 80% of total revenue

9.0 Project Cost

The project has budgeted to cost the followings:

| | |
|-----------------------|------------------|
| Land and Buildings | 2,200,000 |
| Machinery & Equipment | 2,500,000 |
| Motor Vehicles | 250,000 |
| Furniture & Fixtures | 20,000 |
| Pre exp | 20,000 |
| Others | 10,000 |
| Working Capital | 1,000,000 |
| TOTAL | 6,000,000 |

10.0 Financial Aspects for The Project

- **Projected Profit and Loss Statement**

The attached Appendix I shows the projected income for the 8years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. **US\$ 1,402,800 in the 1st year to US\$ 8,582,252 in the 5th year.**

- **Projected Cash Flows**

The project's cash flows are shown in Appendix II. They depict a good liquid position right from the first year. Cash accumulation builds up from **US\$ 1,948,800 in the first year to US\$10,412,252 at the end of 5th years of the project's operations.**

- **Projected Balance Sheet**

The project's assets cash flows are shown in Appendix III. Owners' equity grows from **US\$1,000,000 in the first year to US\$ 8,582,252 at the end of 5th years of the project's operations based**

- **Payback Period**

Total investment is **US\$ 6,000,000** cash accumulation in 3rd year **US\$ 6,037,613 which** is more than the initial investment. The project payback Period is exactly within 4years. The project has a relatively short payback period.

- **Loan repayment**

Total investment loan is **US\$5,000,000** to be repaid within 5 years with interest of 9% annual.

11.0 Economic Aspects of The Projects

Besides the financial/monetary returns to the owners, there are other benefits to be derived for the whole country viz.

- **Employment Opportunities**

Employment and poverty reduction are among the major concern of the Central and the Local Government authorities. It is gratifying to note that the company, is going to provide additional employment to 140 direct employment and 500 indirect. This is a significant contribution coming from investors.

- **Revenue to the Government**

The Project is expected to pay a substantial annual amount in the form of corporation tax and other taxes

- **Foreign Exchange Earning**

Project is planning to export to neighbouring countries the project will thus earn foreign currency for the United Republic of Tanzania.

12.0 Conclusion

- The project is profitable and contributes to government revenue by way of taxes.
- The project provides employment to 140 direct and 500 indirect.

- The project is an encouraging sign to prove that we have good business environments and we have investors who have confidence in their country. Tanzania so much so that they are ready to invest such large sums of investment despite the odds of the sector in question.

13.0 Recommendation

After the foregoing economic and financial evaluation of the project, we strongly recommend that this project be implemented and be given all the support required by all the concerned Government Ministries and Agencies, including the Tanzania Revenue Authority, TRA and the TISEZA. The project deserves this support because of its viability, since it is technical feasible, economically viable and socially acceptable.

SUOMEI INVESTMENT AND DEVELOPMENT LIMITED PROFIT AND LOSS STATEMENT US\$

| | 1 | 2 | 3 | 4 | 5 |
|---------------------------------------|-----------|-----------|-----------|-----------|------------|
| Revenue | 8,500,000 | 8,925,000 | 9,371,250 | 9,839,813 | 10,331,803 |
| Total Cost | 5,950,000 | 6,247,500 | 6,559,875 | 6,887,869 | 7,232,262 |
| Profit before Depreciation & Interest | 2,550,000 | 2,677,500 | 2,811,375 | 2,951,944 | 3,099,541 |
| Interest | 450,000 | 360,000 | 270,000 | 180,000 | 90,000 |
| Depreciation | 96,000 | 96,000 | 96,000 | 96,000 | 96,000 |
| Gross Profit | 2,004,000 | 2,221,500 | 2,445,375 | 2,675,944 | 2,913,541 |
| Tax (30%) | 601,200 | 666,450 | 733,613 | 802,783 | 874,062 |
| Profit After Tax | 1,402,800 | 1,555,050 | 1,711,763 | 1,873,161 | 2,039,479 |
| Accumulated Profit | 1,402,800 | 2,957,850 | 4,669,613 | 6,542,773 | 8,582,252 |

SUOMEI INVESTMENT AND DEVELOPMENT LIMITED PROJECTED CASH FLOWS US\$

| SOURCES: | | 1 | 2 | 3 | 4 | 5 |
|---|-----------|-----------|-----------|-----------|-----------|------------|
| Profit before interest and depreciation | - | 2,550,000 | 2,677,500 | 2,811,375 | 2,951,944 | 3,099,541 |
| Equity | 1,000,000 | | | | | |
| Loan | 5,000,000 | | | | | |
| Total Sources | 6,000,000 | 2,550,000 | 2,677,500 | 2,811,375 | 2,951,944 | 3,099,541 |
| Applications: | | | | | | |
| Capital expenditure | 4,970,000 | - | - | - | - | - |
| working Capital & Others | 1,030,000 | | | | | |
| Cash | - | 1,948,800 | 2,011,050 | 2,077,763 | 2,149,161 | 2,225,479 |
| Tax | - | 601,200 | 666,450 | 733,613 | 802,783 | 874,062 |
| Sub total | 6,000,000 | 2,550,000 | 2,677,500 | 2,811,375 | 2,951,944 | 3,099,541 |
| Total applications | 6,000,000 | 2,550,000 | 2,677,500 | 2,811,375 | 2,951,944 | 3,099,541 |
| Accumulated cash | | 1,948,800 | 3,959,850 | 6,037,613 | 8,186,773 | 10,412,252 |

DARSH INDUSTRIES LIMITED PROJECTED BALANCE SHEET US\$

| Fixed Assets | - | 1 | 2 | 3 | 4 | 5 |
|------------------------|-----------|-----------|-----------|------------|------------|------------|
| Opening balance | - | 4,970,000 | 4,874,000 | 4,778,000 | 4,682,000 | 4,586,000 |
| Total Long-term Assets | - | 4,970,000 | 4,874,000 | 4,778,000 | 4,682,000 | 4,586,000 |
| Less depreciation | - | 96,000 | 96,000 | 96,000 | 96,000 | 96,000 |
| Closing balance | - | 4,874,000 | 4,778,000 | 4,682,000 | 4,586,000 | 4,490,000 |
| Working capital | 1,030,000 | 1,030,000 | 1,030,000 | 1,030,000 | 1,030,000 | 1,030,000 |
| Accumulated cash | - | 1,948,800 | 3,959,850 | 6,037,613 | 8,186,773 | 10,412,252 |
| Total assets | 1,030,000 | 7,852,800 | #REF! | 11,749,613 | 13,802,773 | 15,932,252 |
| Financed by | | | | | | |
| Equity | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Accumulated profit | - | 1,402,800 | 2,957,850 | 4,669,613 | 6,542,773 | 8,582,252 |
| Total equity | 1,000,000 | 2,402,800 | 3,957,850 | 5,669,613 | 7,542,773 | 9,582,252 |
| Long term loan | 5,000,000 | 4,000,000 | 3,000,000 | 2,000,000 | 10,000,000 | - |
| Total debts | 5,000,000 | 4,000,000 | 3,000,000 | 2,000,000 | 10,000,000 | - |
| Total equity and debts | 6,000,000 | 6,402,800 | 6,957,850 | 7,669,613 | 17,542,773 | 9,582,252 |

SUOMEI INVESTMENT AND DEVELOPMENT LIMITED DEPRECIATION SCHEDULE US\$

| NAME OF ASSETS | 1 | 2 | 3 | 4 | 5 |
|------------------------------|-----------|-----------|-----------|-----------|-----------|
| Land And Buildings | 2,200,000 | 2,156,000 | 2,112,000 | 2,068,000 | 2,024,000 |
| Machinery, Tools & Equipment | 2,500,000 | 2,475,000 | 2,450,000 | 2,425,000 | 2,400,000 |
| Motor Vehicles | 250,000 | 225,000 | 200,000 | 175,000 | 150,000 |
| Furniture & Fixtures | 20,000 | 18,000 | 16,000 | 14,000 | 12,000 |
| Total | 4,970,000 | 4,874,000 | 4,778,000 | 4,682,000 | 4,586,000 |
| DEPRECIATION | 160000 | 2 | 3 | 4 | 5 |
| Land and buildings | 44,000 | 44,000 | 44,000 | 44,000 | 44,000 |
| Machinery tools & Equipment | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| Motor Vehicles | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| Furniture & Fixtures | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| ANNUAL DEPRECIATION | 96,000 | 96,000 | 96,000 | 96,000 | 96,000 |

SUOMEI INVESTMENT AND DEVELOPMENT LIMITED PROJECTED LONG TERM LOAN REPAYMENT

| Year | Principle | Loan Interest (9%) | Total Amount Paid | Loan Balance |
|------|-----------|--------------------|-------------------|--------------|
| 1 | 1,000,000 | 450,000.00 | 1,450,000.00 | 5,000,000.00 |
| 2 | 1,000,000 | 360,000.00 | 1,360,000.00 | 4,000,000.00 |
| 3 | 1,000,000 | 270,000.00 | 1,270,000.00 | 3,000,000.00 |
| 4 | 1,000,000 | 180,000.00 | 1,180,000.00 | 2,000,000.00 |
| 5 | 1,000,000 | 90,000.00 | 1,090,000.00 | 1,000,000.00 |

