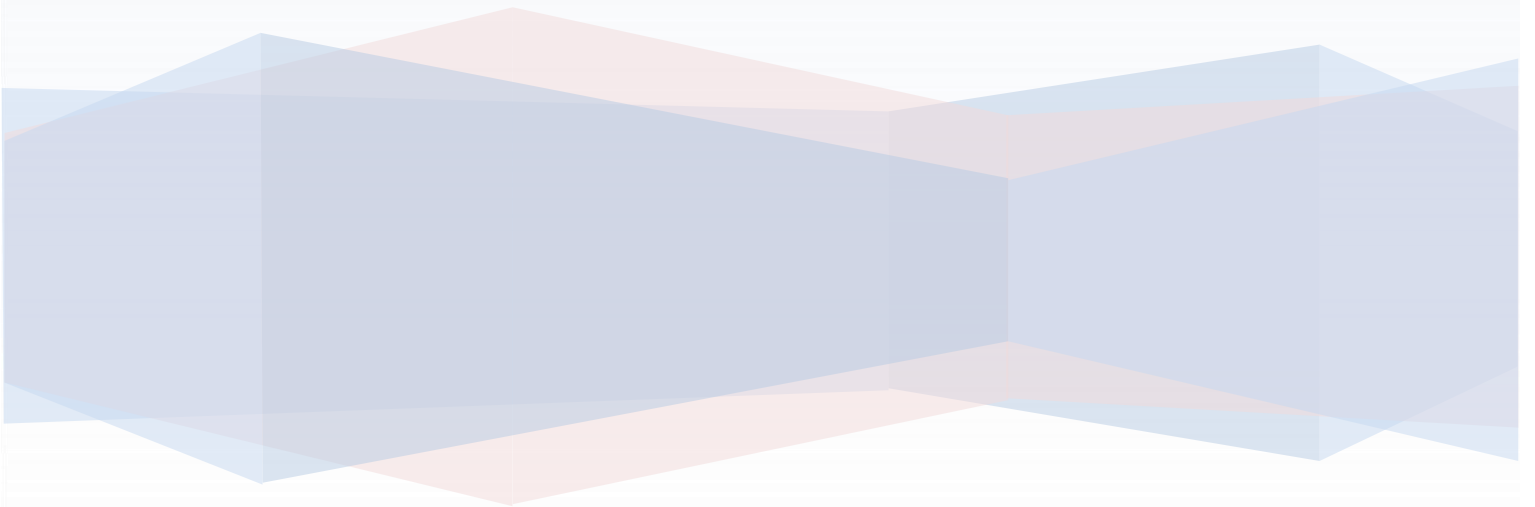


# Business Plan

## Mastercool Industries Limited

By Fadil Abbas Ghaddar



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## **EXECUTIVE SUMMARY**

This Business plan has been prepared in order to open manufacturing industry of electricity equipment's "**Mastercool Industries Limited**". The document will serve as guide for all the stakeholders in formulation of strategies, setting up policies and procedures, designing the loan products and resource mobilization and Management. This will help the Company in managing its operations as well as funding requirements in a planned manner. This document will also help prospective investors, stakeholders and lenders in making decisions.

The **Mastercool Industries Limited** is a community development responsive company whose primary objective is to manufacture of other electrical equipment and enhance accessibility, in both urban and rural areas, to the retail and wholesale shop. This industry also has planned to extend entrepreneurial cum business training and other enterprise development services to its actual and potential clients and give them product on credit two years after starting operations such interventions to different individuals and business groups in main city in Tanzania. This business plan (*BP*) proposes among other things the strategies to address the challenges and continue capturing floating business opportunities.

This business plan proposal put forward the general manufacturing industries landscape in the existence of economic activities and growing client base which therefore call for matching supply of electricity equipment's. The experience drawn in our working research with entrepreneurs in the past three years has shown a great demand for electrical equipment in stimulating economic potentials in the areas currently served. This plan is therefore drawn with the mandate of expanding the current quality level of electrical equipment to achieve client needs as well as ensuring sustainability of **Mastercool Industries Limited**.

The plan therefore puts forward the following;

- The organizational and technical capacity of Mastercool Industries Limited in carrying out the proposed business activities;
- The market potentials and related parameters including detailed customer needs, and product attributes;
- Competitive environment, key strengths and weaknesses and various alternative growth strategies;

- Organizational strategies, risk environment, Challenges and control methods;
- Financing policies and plans, investment decision and risk management;
- Financial performance projections, scenario management and viability assessment;
- Recommendations and way forward i.e. expanding to the rest of Tanzania.

The proposed plan intends to be attained in two directions. The first is vertical expansion which entails provision of repeat–step up larger scale supplies clients. The second is horizontal expansion, which will involve deepening and extending the supplies to wider geographical areas. The efforts will be directed in accessing new clients. The increase in business operations will necessitate the improvement in institutional systems and capacities both in human, structures and management information systems (MIS).

To achieve the above objectives, Mastercool Industries Limited will inject funds from stakeholders and acquire loan from financial institution to obtain fund for its phase one. Retained earnings and seeking additional soft loans from Banks or others depending on the costs or/ and other factors will finance the second and subsequent phases.

This document won't be possible without the hardworking of Mr. Ali Afif Fawaz with M.Sc. Natural Science and entrepreneurship MBA, Mr. Fadil Abbas Ghaddar with M.Sc. in Natural Science and Mr. Sami Ghaddar with Advanced Certificate in Entrepreneurship with MBA in International Business. As business partners invested a great deal of their time and resources to develop this important document because of their passion to those who live underserved conditions in Tanzania. Mastercool Industries Limited Governing Board is grateful to their support

## **1.0 VISION, MISSION, AND OBJECTIVES.**

### **1.1 Mission Statement**

To build long term business partnerships with our customers and provide exceptional customer services by pursuing business through innovation and advanced technology.

### **1.2 Vision Statement**

To provide quality services that exceeds the expectations of our esteemed customers.

### **1.3 Our Values**

We believe in treating our customers with respect and stay loyal .We grow through experience, invention and innovation. We integrate honesty, integrity and business ethics into all aspects of our business.

### **1.4 Goals**

The company goal is expansion in the field of service and develops a strong base with all customers. Increase the stock on hand in the company to support the development of our customers. To build a good reputation in the field of electronic production supplies, service management and become the leader in the industry.

### **1.5 Objectives:**

The general objective is to be a leader in the supply of excellent service and quality production consumables and equipment in Tanzania. Also include improving the lives of active entrepreneurs, and employee's monthly wage earners through income generation activities as well as sustaining direct and indirect employment in the urban and rural areas. Other specific objectives will be achieved through attainment of the following;

- Increase the capital from the current TZS *2 billion* to TZS 6 billion in Five years time;
- Opening distribution channel of our products in every region in year five
- Generate by year three of the manufacturing an marginal income sufficient to cover 100% of the operating overheads; and
- Improve institutional infrastructure and other operating capacities i.e. MIS to efficiently
- Manage debtors tracking and report production.

## **2.0 STRENGTH, WEAKNESSES, OPPORTUNITIES, THREATS ANALYSIS (SWOT)**

Experiences drawn from the market and continuing influx of new retail intermediation actors (MFI,s) show that the market for electricity equipment's in both urban and rural is quite substantial and only a small part of it is currently being served.;

### **2.1 Strengths:**

#### **2.1.1 Know your customer (K.Y.C.)**

This is easily created through personal relationship following company's landing policies.

#### **2.1.2 Wholesale clients;**

Compared to retail client, wholesale clients are less risk because capital structure is big, and they are self organized and managed through their unions.

#### **2.1.3 Experience:**

Among members of management have manufacturing experience, we have good experience in electricity equipment manufacturing and hence comparison between wholesale supplies and retail supplies.

#### **2.1.4 Professional:**

We have top management with good qualifications fit for manufacturing industries operations, also a good performance and committed management has won them a confidence from the clients and the rest of the public.

#### **2.1.5 Financial performance;**

Marginal income for growth (recapitalization) and fees for operational costs has been one of the financial and efficiency core values for Mastercool Industries Limited.

### **2.2 Weaknesses;**

**2.2.1 Challenges to meet Demand and Supply;** We have challenges to meet demand because during the cause of business we find sometimes short fall of supply (by means of electricity equipment) but this situation will be resolved soon as business grows.

**2.2.2 Logistics and Physical Infrastructure** - Focus on accessing raw material this area complicates manufacturing process and poor infrastructure making difficult to delivery and collections because of the logistical problems including monitoring; for the time being, however we are planning to have computers and software to resolve these problems.

## **2.3 Opportunities;**

**2.3.1 Lack of best quality equipment** - people like to buy electronic equipment which can last for long at a reasonable price due to poor quality the decided to import these equipment for other countries at high cost. For being local producer we can win this market by producing high quality equipment's at lower price.

**2.3.2 Wholesale Clients** - There has been an increase in the number of wholesale intermediation that offers competition that may push the pricing down. The health competition will also improve other enterprise development services that are being provided as incentive to intermediate buyers. Mastercool Industries Limited act as large scale production industry.

**2.3.3 Legal and Regulatory Environment** – from 2015 after His Excellence president dr. John Magufuli elected, Tanzania had promote industrialization for development and growth of its economy. They create conducive environment for investors to invest on industrial sector. The policy establishes the framework through which industrialization work efficiently in a sound, legal and operational framework. Mastercool Industries Limited fit and harmonizes its policies and operating procedures with new legal requirements in managing its operations.

## **2.4 Threats**

**2.4.1 Irregular flow of business/ seasonal financial streams** - Focus on small and medium enterprises performance because of seasonal and cyclical businesses. Mastercool Industries opt to widen its market by penetrating to East Africa market competition where there is large and established industries.

**2.4.2 Market Distortions and Imperfections:** This is a mixture of Chinese products, central and local government schemes and commercial sourcing of intermediate finance. However, the

amount is insignificant to threaten the market performance, but our effort is to over compete these institutions.

**2.4.3 Multiple Industries;** there is many industries producing the same electrical equipment, these are those people who are well established in the market competitions. In order to compete with them we need to use our resources well to remain in market.

## **2.5 KEY STRATEGIES**

We believe that people are created equal and should be treated fairly, regardless of their economic status. We believe that poor people are capable of improving their lives through economic activities. If given the opportunity and having sustaining access to financial services while their entrepreneurial skills are appropriately enhanced.

### **2.5.1 Wholesale clients**

We will focus to wholesalers, who are only placing large order for the industry and already knows the market and type of client they have. It will be easy to us to gather information from them before opening our own distribution centers or shops. We can play a crucial role in bringing about changes within their families and their communities.

### **2.5.2 Organizing the Poor**

Organizing the poor is at the heart of our work. Our Community Organizers (CO) -act as platforms for poor women to come together, access services such as product loan, exchange information and raise awareness on social, legal and other issues concerning their daily lives.

### **2.5.3 Unleashing Human Potential**

We believe in unleashing human potential, Mastercool Industries Limited acts as catalyst presenting multitude of opportunities - both economic and social-that allows poor families to transform their own lives and futures. Everything we do is in response to the needs of disadvantage people who are marginalized, and excluded from mainstream development.

### **2.5.4 Group landing**

We believe that there are many underlying causes of poverty, and these causes are interlinked. Through Group Landing they guarantee themselves and qualify to get our products on credit for their small business.

### **2.5.5 Training**

We have training session for sales operation, marketing operation, record keeping and taxes. We use this training to know the kind of business their doing and we assist them to make sure that they keep records for their business and this will help them to know whether they make profits or not.

### **2.5.6. Visitation**

Before and after getting our products by cash or credit, in between we visit them and see if there are some changes to their business compared before and after getting our products.

### **2.5.7 Entrepreneurial skills**

In order for the poor to come out poverty, they must have the tools to fight it across all fronts. We have therefore, developed support services in areas of capacity building, social and economic empowerment, enterprise development, financial literacy training, life skills training, market linkage and business skills training.

### 3.0. BACKGROUND OF THE BUSINESS

#### 3.1. Mastercool Industries Limited

Is a profit company with its industry headquarters in, Ilala Municipality of Great Dar es Salaam City. Registered in November 2018, Mastercool Industries Limited is engaged in fostering community economic and social development in Tanzania. The company offers electronics cable supplies to the community plus other non-financial services like, entrepreneurship and financial literacy training.

##### 3.1.1 Legal Status:

Mastercool Industries Limited is registered as a company limited by share under the Companies Act 2002 (Cap 212) with a certificate of incorporation number 135973793 dated 28<sup>th</sup> February 2018. It will obtain business license in 2018 and commence operations from January next year. The company is legally mandated to manage and run lawful economic ventures in the industrial sector. The Company is privately limited by share capital.

The owner-manager who will initially work with electronics industries revealed that if well managed to supply electronics equipment the middle level would install electricity and as a result increase government revenues.

**Mastercool Industries Limited** is a development industry, dedicated to provide or supply high quality products at reasonable prices that anyone can afford to buy them. It is set up primarily to supply high quality copper cables – **plus** services to Tanzania entrepreneurs, with priority to women who undertake small and medium scale enterprises. We have established ourselves as a pioneer in recognizing and tackling many different realities of poverty.

## **4.0 THE COMPANY PROGRESS**

### **4.1 Mastercool Industries Limited - Position**

Mastercool Industries Limited had a smooth and well-guided start up phase. Currently it will cruise along survival stage while gradually stepping up along consolidation terraces. The company will have a small team of competent, skilled and experienced management and staff, good board of owner-directors and moderate facilities at both headquarter and a branch which will operating under one roof.

It further enjoys very good network of clients and the communities currently being served. A good performance and management has won them a confidence from couple of institutions that has so far worked with. These include construction companies, business development providers and other agencies. Interest for growth (recapitalization) and fees for operational costs are key financial and operational values of Mastercool Industries Limited.

**4.2 Financial Sustainability-** Like many other start-up infant companies the Mastercool Industries Limited will still at survival to consolidation stages with limited capacity to sustain the overheads from internally generated income. Mastercool Industries Limited is gradually building industrialization culture by encouraging creativity and innovations as well as setting performance targets as a benchmark for managers.

### **4.3 FINANCIAL PERFORMANCE**

Mobilizing more retained earning from our business operation is one of company's financial plan components. The loan plans will help us to outsource TZS 1 Billion additional capital from Financial Institutions. The proposed credit sales operation with interest of 3% for the delay on settlement that will be accessed in form of credit facilities.

The financial plan assumes that company will continue financing operations from internally generated income. Cash flow projections show liquidity gap/deficit of TZS 500 million mainly for funding portfolio growth in the next five years. This fund has to be outsourced especially in year one to year five if the company has to grow to 5000 clients in the program year five. The financial plan assumes 50% recapitalization of profit as a key strategy to grow up lloan capital.

## **5.0 MARKETING PLANS**

### **5.1 Products**

Mastercool Industries Limited will offer both financial and non-financial services. Financial services include delivery of products on credit while non-financial refers to specific business training and general business development services. The company manages both small and medium enterprises and large-scale enterprises

### **5.2 Individual buyers**

Individual buyers who will always prefer to buy our products straight from us without going through our agents (retail shops or wholesale shops). These individual buyers will always like to have direct contact with us so that they can provide us with their requirement. This will help us to know what our end users really want in order to meet their needs and requirement.

### **5.3 Building Construction Companies Clients**

Mastercool Industries will provide discount to construction companies because of large volume purchase from our industry and also extending their period of payment to 90 days. We will target these clients and enter in agreement for give them discount and in return painting their site wall with our business name and logo to market our business operation to the public to win more clients. These are our targeted clients for assurance of our business operation existence in long run.

### **5.4 Initial Credit Size and Schedule of Increases in Repeat Loans**

The first credit sale starts at TZS 3,000,000 that gradually increases to TZS 40,000,000 in 30 days. Clients do not qualify for higher credit sales if s/he fails to settle off the previous loan on time or has some installments in arrears.

### **5.5 Terms of Credit Sales**

The company will provide credit facility to its loyal clients at zero percentage with time limitation on payment maximum 30 days but if they exceed payment period, we will charge the interest of maximum five percent per month. Each credit client should have the written agreement with our company for them accessing our products on credit. Repayment of our credits, client should settle in full invoiced amount 30 days from the date that invoice issued otherwise we will charges five percentage per month.

### **5.6 Time between Placing Order to Delivery**

The marketing and sensitization of products will take place within seven days. Upon satisfaction to condition and terms of credit and cash potential client will receive them thorough our delivery chain or at the industry warehouses with business review. The queuing time between placing orders to delivery takes between one to seven days. It is the intention of the company to shorten it to maximum three days.

### **5.7 Non-production services**

Mastercool Industries Limited finds is useful to provide business development services (BDS) alongside financial service. The critical BDS provided by the company is business training that include, start your business (SYB), costing, record keeping and basic marketing principles. These services are provided on subsidized costs because of low purchasing power in footing full economic costs among clients. The company intends to publish small books/handouts on business management and marketing to supplement what are covered in the training session.

## **6.0 PROFILE OF TARGET MARKET**

### **6.1 Our Outreach**

Being a relatively set-up in production of electric equipment's , the company emphasizes on transparent, flexible and proactive production services, to ensure that, Tanzania's have high quality equipment and reduce risk of electricity fault in their homes – **plus** for self employment and other financial and business services, while maximizing social and economic returns for its stakeholders.

**6.1.1 Organizational strategic review done in 2018** revealed the growing potential for informal sector in the cities and urban areas. It was revealed that the urban markets that constitute mainly traders are well linked to rural informal and agriculture sectors. They require financing for all levels such as buying from rural district markets, transportation, processing , storage and selling. Provision of capital for sourcing directly from rural cut off and minimize the pyramid of margins which are built by a number of middlemen in the city markets.

Currently the company is targeting potential customers in the following sector i.e. small and medium enterprises, agriculture, renewable, energy, services, small industry and retail.

The company aim is to provide high quality electrical equipment at reasonable price to Tanzania users, entrepreneurs and other business enterprises with priority to women who undertakes small and medium scale enterprises, to make available finance at reasonable cost and in a transparent manner to such customers and aim to achieve acceptable returns on investment so that we can continues attract mainstream of capital and human reasonable to better save the chosen clientele segments. The immediate geographical focus is Tanzania mainland.

### **6.2 Target Clients /Clients type**

- Individual
- Small and Medium enterprises
- Wholesale client
- Building Construction companies

### **6.3 Main Services /Products Offering**

We believe in providing satisfaction to our customers. We are committed to providing top-notch services with reasonable cost. We offer the following **products**

- Electronic cables

### **6.4 Plus the following Microfinance Services:-**

- Financial Literacy Training
- Entrepreneurial & Business skills Training
- Market Linkage
- Life skills training
- Insurance services
- Consultancy & research sales

### **6.5 Networking and strategic partnership and linkages**

Mastercool Industries Limited is a private limited company unlike many other industries whether governmental or public industries. Parading among the pioneering manufacturing industries companies it is in establishing and sustain good and profitable links and partnerships. It is expected the links will result into valuable flows of technical capacities i.e. technology sharing, subsidized financing, grants for funding non-financial services supports like clients training etc.

**7.0 COMPETITION**

In 2018, there were about 121 Electronics Industries. Although 80 percent of them are located in urban areas and 20 percent are located in rural areas. Almost the all population depend on them for supply of the electronics products which is not likely to be met that is why there are foreign industries supply their product here to meet demand of the market. As we know The Fair Competition Commission (FCC) is a Public Institution established by virtue of section 62(1) of the Fair Competition Act, No.8 of 2003 (FCA) with the aim of promoting and protecting effective competition in trade and commerce and protecting consumers from unfair and misleading market conduct. The ultimate goal is to increase efficiency in the production, distribution and supply of goods and services. Establishment of FCC is a significant step in Tanzania effort to establish a market economy. The limited capabilities of Electrical Industries here in Tanzania are among the reasons why they have not managed to solve the problem of availability of high quality product. The majority of the our population still depends on domestic product which are sometimes not enough make them feel satisfied.

The nearby competitors to MASTERCOOL INDUSTRIES LIMITED are OPPORTUNITY Tanzania electronics industries, TRONIC and AFRICABLE. But Mastercool Industries Limited embodies a profitable business model with three major components, local and inexpensive labor, market penetration in cooperative tax financing, externalization of costs by partnering with third parties and the effective use of technology.

Unlike its competition Mastercool Industries Limited will operated for more than two years without subsidies or grants while also providing healthy returns to its electronics products. Moreover Mastercool Industries Limited will produce 30% - 40% of shortage supplies, two thirds of the average competitors rate.

## **8.0 MARKETING STRATEGIES**

Mastercool Industries Limited plans to expand its operations both **vertically and horizontally**. Vertical strategy involves increased ability in offering market size loans with a greater flexibility in lending three to five repeat step-up loans while the **horizontal expansion requires** mobilizing more clients. Both strategies demand additional capacity in monitoring, outsourcing finance and skilled personnel.

### **8.1 Product Diversification Strategy**

The Company will start by producing electronic cables before expanding its production to other electronic equipment for cross boarder clients. We will meet our domestic demand first before shifting to other countries and meet their demand. We will focus on electronic cables and collecting information to our client on what other products they need to be in market from local industries like ours..

### **8.2 Rural – Urban Chain Operators**

The market review reveals the growing potential for rural –urban businesses. Unlike urban markets that constitute mainly traders, the rural markets require financing for all levels from inputs, production, processing, delivery and trading. Mastercool Industries Limited will strike appropriate balance between the two and gradually enter ward and division business centers to stimulate supply arrangements of our products.

### **8.3 Partnership with Municipal Councils**

Planet Microfinance Fund is planning in forging partnership with local government /municipal councils to manage targeted local clients to specific community groups.

### **8.4 Performance Based Incentive**

Mastercool Industries Limited is in the process of implementing staff performance incentive. The scheme or “performance improvement strategy” will start with the quality of services i.e. customer care, number of new clients, retention, number of repeat orders etc.

### **8.5 Strong and Committed Management**

Mastercool Industries Limited has a strong management that has demonstrated commitment in building sustainable organization and experience on industries management and production

planning. The core values of accountability, transparency and sustainability are echoed up from Board of Directors to staff and clients.

### **8.6 Penetrative Pricing**

Mastercool Industries Limited will continue charging financially reasonable prices that will ensure both long-term financial sustainability and social mandate of supporting MSEs. There is an opportunity of achieving higher economies of scale and therefore minimizes the cost per product delivered by offering reasonable price. The low cost for delivering a unit of product will in the future afford the company to charge relatively less than the current rate yet covers all necessary costs and achieve profitability and liquidity.

### **8.7 Promotional products**

The Company will aggressively be promoting itself in the current market as well as in new areas. It further plans to continuously engage with and communicate its products and benefits to organizations that have some influence on the targeted clients.

**8.8 Leaflets- Leaflets** with key product features and marketing information will be mailed to potential clients and individuals in the target areas.

## 9.0 RESEARCH, DEVELOPMENT AND TECHNOLOGY

### 9.1 Choice of Market Segment

**Mastercool Industries Limited** plans to carry out a baseline study of all existing and planned Manufacturing Industry interventions in Dar es Salaam, from which it will assess the viability of supplying them. The baseline study will provide a clear picture of the industries sector landscape in order for it to strategically re-focus its future position and strategies in that market.

### 9.2 Planned Marketing Activities

- High degree of customer/clients satisfaction, steady growth and retention of substantial market share, default minimization and creation of niche markets are key result areas targeted through effective marketing.

The result will be achieved through one or more of the following;

- **Careful selection and choice of Clients** - In order to be an effective and sustainable industry, Mastercool Industries Limited plans to be creative and selective in the mix of clients that it will serve.
- **Promotional services** – Mastercool Industries Limited industrial sector intends to aggressively promote itself in the current market as well as in new areas. It further plans to continuously engage with and communicate its products and benefits to organizations that have some influence on the targeted clients, including retail clients, wholesale client, final consumers etc.
- **Brochures** - The product brochures will be mailed to potential clients and investors in the target areas. They will also be made available in the branch offices in the respective regions.

### 9.3 Infrastructure Required

- **Computers**

At present, Mastercool Industries Limited plans to purchase and install new computers and production software plus a mix of manual and tailor made excel based spreadsheets in generating, managing and communicating necessary information to shareholders, clients and other stakeholders.

- **Monitoring Equipment**

Mastercool Industries Limited will own production equipment's and vehicles for distribution services and other operational activities. The company will also hire other production equipment's and vehicles owned by the directors for coordination and administrative activities due to capital constraint. The expanded program under this proposal requires a minimum of two motorcycles and small car for administrative support services. One motorcycle will be dedicated to monitoring and mobilization while the second will be used for administration.

- **Office Furniture and Office equipment**

Because it is a new business, we will acquire new office facilities like tables, cupboards, chairs, cabinets, calculators, telephone systems etc. Additional office space should also be considered along with possibility of opening new branch (es) as the company expands horizontally.

- **Quality and Quantity of Work Force**

Mastercool Industries Limited have plans to have competent staff personnel with optimum performance from its general manager, accountant, operation managers, production managers, marketing manager and finance and administrative manager. The optimal personnel caseload is estimated at 300 clients and thus the number of clients in the respective branch will dictate increase in the number of this staff category. All Managers are proposed to be the holder of a master's degree; first degree or equivalent qualification while the assistance should be the holder of first degree, diploma or equivalent with experience in grassroots and community development. The assistant accountant is required to be a senior accounting technician for small branches and intermediate professional for the relatively bigger branches. For starting Mastercool Industries Limited headquarters' staff are also involved on branch-level operations.

## 10.0 OPERATIONAL PLANS

### 10.1 Operational and Financial Costs

The overall program and administration costs will increase from TZS 39 million to TZS 41 million and TZS 67 million in years three and five respectively. The first year total costs reflect the average costs of TZS 3.3 million per month. The plans assumes that Planet Microfinance Fund will manage to access additional funds at an average cost of 18% pa which together with 1.5% interest paid on clients savings deposits will results into an annual financial costs of TZS 37 million in year one. These costs will increase to TZS 54 million in year four and gradually decrease upon repayment of loan installments in year five onwards.

The great efficiency is expected to be achieved through the use of loan centres that will take more responsibilities in clients screening, monitoring and collections. The proposed scheme will reduce the costs that would otherwise be paid to additional credit officers; direct monitoring costs and achieves increased clients with no significant additional costs.

**Table 1 Planet Microfinance Fund’ Staff Structure**

S/N	Name	Position	Qualification	Experiences
1	Mr. Ali Afif Fawaz	Director	M.Sc. Natural science and enterpre, MBA	10 years in manufacturing Industry and 3 years in community development
2	Mr. Sami Ghaddar	Director	MBA-IB, Currently Advanced Certificate in Entrepreneurship	10 years working experience in Banking operations/Business management in MFIs
3	Fadil Abbas Ghaddar	Company Secretary	M.Sc. Natural science	20 years in Manufacturing Company
4	To be employed	Finance Manager	B.Accounting and Finance	3 years Accounting Working Experience
5	To be employed	ICT/MIS Manager	B.Sc. in Computer Science and Information Technology	4 years Work experience in ICT & MIS Support.
6	To be employed	Production Manager	Diploma in Economic Development/Certificate in Management of Co-operative	5 year experience in production companies
7	To be employed	Planning Manager	Advanced diploma in Banking and Finance	2years working experience
8	To be employed	Administrative and Human Resources Manager	B. Human Resources Management	4 years in Manufacturing Industry Companies/Secretarial Bureaus.

## **10.2 Knowledge Development**

Mastercool Industries Limited will have solid staff development policy that includes special training, in-house experience and knowledge sharing, skills sharpening workshops, study tour etc. Knowledge developments target sensitive areas of business planning, information technology, financial management, and outreach and community development.

## **10.3 Minimizing Fluctuation/Staff Turnover**

Mastercool Industries Limited is gradually building long term personnel plan that cater for short and long term developmental and growth strategies. The strategy is guided by the desire to build future management team from within and ensure predictable succession plan. Mastercool Industries Limited will continue reviewing promotion policies, financial compensation, incentive scheme including both monetary and non-monetary motivations in order to ensure minimum staff and management turnover. Annual performance review in each year will be conducted as the basis of renewing contract, remedying weaknesses and discontinue the services of staff that failed to meet performance targets.

## **10.4 Control and Risk Management**

Mastercool Industries Limited will have adequate implicit and explicit controls on production operations, cash management, organization structure, recording and custody and external audit. The most important attribute of the systems is “clear understanding and openness” by all and every staff to ensure effectiveness and efficiency in implementation. The type and level of internal controls instituted by the company is appropriate to the organizational set-up i.e. headquarter with semi-autonomous branch, nature and volume of activities and current financial resources to implement. The following are some of key controls instituted by the company;

### **10.4.1 Credit Controls**

- Filling of application forms by potential clients indicating his/her business location, residential physical address, amount and purpose;
- Obtain audited financial reports
- Visit to applicant’s business site by the Sales and Marketing officers to assess and verify the existence of the business;
- Preparation and Review of sales agreement with assessment done by credit officers;

- Signing contract;

#### **10.4.2 Reports, Use and Feedback Mechanism**

- Each branch, on monthly submits financial and portfolio reports to the headquarter for review and consolidation;
- The head office for follow up and remediation uses quarterly and annual financial and portfolio reports.
- The response on any report submitted to any level of management are, within thirty days communicated to relevant management level for corrective action or improvement.

#### **10.4.3 External Audit**

- Board of Director will appoints external auditors for the review and expression of opinion on the accuracy, fairness and financial state of affairs. The auditor must be a reputable Certified Public Accountant firm with a room for re-appointment after serving for three years; and
- Follow up of audit and management report findings and queries have to be submitted to the annual general meeting, which is attended, by the owner-directors and management team.

#### **10.5 Sales Methodology:**

Mastercool Industries Limited will use both cash sales and credit sales, we will treat our client equally as they are doing business with us. We will also put categories our clients as per number of order they place and unpaid balance and give them different service and discounts. We all also invite them for the industry tour to see how we operation in our production operation. We will give the training on how to use our product and other services like safe protection.

#### **10.6 Credit Sales Settlement terms**

The credit sales settlement term will always be within thirty days from the date of invoice, so that we can give room for them to sale and get return for their business operation due to the fact that we are depending to the movement of their daily business activities. But there is an option for those client which we will enter in a contract of supplying them with our products, they we have different terms of payments for their credit purchases we will give them the room for them to decided on payment duration after the date of invoice but the maximum duration it will be 90

days (three months) and not otherwise as we need to cover over daily operation costs. We need to maintain small number of debtor balance in our financial statements.

### **10.7 Training and Production Development Services**

Improvement in sales training, enlargement of Enterprise development services (EDS) and delivery systems constitute the core of expanded outreach strategy. Initial trainings are normally conducted by experienced personnel while production development services require engagement of professionals in different areas of specialty like production stage, raw material management, record keeping etc. Mastercool Industries Limited covers initial business-training costs as part of marketing costs. The clients will in future contribute a small percentage (up to 40%) to cover training costs. The Mastercool Industries Limited's growth strategy is focused on sales revenue for operational costs and Interest for Growth". The strategy guides growth values, productivity, efficiency, and working principles to all staff and board of directors.

### **10.8 Supply Management**

Effective implementations of the proposed plan and attainments of envisioned objectives depend on the company's ability in articulating and harmonizing the financial, operational and human aspects. The prime importance is attached to timely availability of additional financing in the key areas of revolving loan fund, infrastructure development and quality of personnel.

## **11.0 MANAGEMENT AND ADMINISTRATION**

### **11.1 Location and Board of Directors**

The long-term vision of the company is to manage head-office with branches in different areas the location of which will be dictated by the market. Given the current low level of operations the company headquarters is situated on the same building with a branch. At this initial stage it offers ease and convenience of operations, policy consistency and gradual growth and limiting the overheads within the income from operations. The two members currently constitute the Governing Council.

### **11.2 Management**

At the beginning Mastercool Industries Limited will be engaged a nucleus of seven personnel that manage both the administrative and credit program. The team includes, Managing Director, General Manager Finance Manager, ICT/MIS Manager, Production Manager, Planning Manager and Administrative and Human Resources Manager

Planet Microfinance Fund is structured to ensure proper division of labor among staff. Furthermore the reporting channels ensure good control of company funds and avoids loophole for embezzlements. The company plans to hire an MIS manager at the beginning of year two to supervise the new management information system.

### **11.3 Ownership and Sponsors**

Mastercool Industries Limited is a company limited by shares. Presently there are two members named below;

**Table 2 Members of the Governing Council**

<b>S/N</b>	<b>Name</b>	<b>NO. OF SHARES TAKEN BY EACH</b>
1	Mr. Ali Afif Fawaz	<b>2,250</b>
2	Mr. Sami Ghaddah	<b>750</b>

The promoters/members categorically agree to pursue the stated objectives and carry out lawful activities for the benefits of themselves and community at large. The organization has perpetual life with legal flexibility of increasing the number of members and social capital.

#### **11.4 Administration**

- In addition to its credit officers, Mastercool Industries Limited will considers its Branch Manager, Bookkeepers and Operations Managers part of the Branch related staffing. All other existing staffs are considered Head Office staff.

- **Operational Expense**

For branch related operational expenses categories, staff expenses, Rent, Utilities, Transportation, general office expenses, staff training, sales and marketing training, and repairs, maintenance and insurance, professional fees and consultants and board expenses.

## 12.0 KEY ASSUMPTIONS

### **General Financing Assumptions**

- Owners injection into the Business 2,000,000,000
- Total request as percentage of Total required 4.8 percent

### **Loan assumption**

- Commercial loan interest rate 30 percent

Table 3: Projected Income Statement for year ended 31<sup>st</sup> December 2

<i>Income Statement for the year ended 31st December 2019</i>	Amount "TZS"
<b>Financial Income</b>	
Sales	455,000,000.00
Less: Cost of good sold	162,500,000.00
<b>Net Financial Margin</b>	<b>292,500,000.00</b>
Less: Selling and Administrative Exp.	303,400,000.00
Depreciation of Assets	104,000,000.00
Net Income from Operations (before interest and taxes)	<b>(114,900,000.00)</b>
<b>Less: Loan interest</b>	-
<b>Net income from operations (before taxes)</b>	<b>(114,900,000.00)</b>
Less: 30% Income Tax	-
<b>Net Income</b>	<b>(114,900,000.00)</b>

Table 4: Projected Statement of Financial Position as at 31<sup>st</sup> December 2019

<i>Statement of Financial Position as at 31<sup>st</sup> December 2019</i>	Amount "TZS"
<b>ASSETS</b>	
NON - CURRENT ASSETS	
Motor Vehicle	176,000,000.00
Furnitures abd Fittings	40,000,000.00
<b>Production Equipments</b>	950,000,000.00
Net Non-current Assets	<u>1,166,000,000.00</u>
<b>CURRENT ASSETS</b>	
Bank	806,600,000.00
Stock	(87,500,000.00)
<b>Net Current Assets</b>	<u>719,100,000.00</u>
<b>TOTAL ASSETS</b>	<u><u>1,885,100,000.00</u></u>
<b>LIABILITIES</b>	
<b>Equity Capital</b>	2,000,000,000.00
Add: Net Profit/Surplus	(114,900,000.00)
<b>Net Equity</b>	<u>1,885,100,000.00</u>
<b>LIABILITIES</b>	
<b>Net Liabilities</b>	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>1,885,100,000.00</u></u>

**Table 5: Projected Statement of cash flows as at 31<sup>st</sup> December 2019**

<b><i>CASH FLOW FROM OPERATING ACTIVITIES</i></b>	<b>Amount "TZS"</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Profit/(loss) before taxation	(114,900,000.00)
Depreciation	104,000,000.00
Operating Profit before changes in Working Capital	<b>(10,900,000.00)</b>
(Increase)/Decrease assets	-
Increase/decrease liabilities	-
Cash flow from operating activities	
Tax paid	-
<b>Net cash flow from operating activities</b>	<b>(10,900,000.00)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Acquisition of fixed assets	1,270,000,000.00
<b>Net cash flow from investing activities</b>	<b>(1,280,900,000.00)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Term loan	-
Net cash flow from financing activities	-
Net increase in cash and cash equivalents	
Cash and bank balances at the beginning of the year	-
<b>Cash and cash equivalents at the end of the year</b>	<b>(1,280,900,000.00)</b>

The two years financial performance recorded substantial increase in sales revenue and operating program expenditures. The company will generated an interest income amounting to TZS 455 million in its year one of operation ending 31<sup>st</sup> December 2019. This is more than 25% effective rate given a revolving capital of TZS 2 *billion*. The income was offset by ongoing increase in expenditure, which is critical during early years of company formation. The company therefore has been able to sustain their operating expenses but recapitalization of profits will gradually be effected in future years

### **12.1 Cash flow projections**

The five-year cash flow projections reflect the stable inflow and outflow patterns on monthly and annual basis. The projected pattern is conditional to the availability of TZS 1.5 billion additional funding from the source to be identified later. The company will have to strive to maintain a minimum repayment of 95%. Further to that, it is assumed that repayment of TZS 1.5 billion loans will be stretched in three years before securing repeat loan of TZS 500.0 Million from the same institution.

### **12.2 Operational and Financial Costs**

The overall program and administration costs will increase from TZS 303 million to TZS 320 million and TZS 357 million in years three and five respectively. The first year total costs reflect the average costs of TZS 25.3 million per month. The plans assumes that Mastercool Industries Limited will manage to access additional funds at an average cost of 18% pa which together with 1.5% interest paid on clients unpaid invoices after payment duration will results into an annual financial costs of TZS 304 million in year one. These costs will increase to TZS 535 million in year four.

The great efficiency is expected to be achieved through the use of sales centres that will take more responsibilities in clients screening, monitoring and collections. The proposed scheme will reduce the costs that would otherwise be paid to additional credit officers; direct monitoring costs and achieves increased clients with no significant additional costs.

### **12.3 Projections**

The financial projections done using *Exact computer software* reflect profitable and viable credit program in the next five years. Mastercool Industries Limited is committed in achieving clients increase from 200 to 800 and 1500 in year three and five respectively. The combined effects of clients increase and average loan size will results into significant decrease in the cost of delivering a unit of products.

The average sales per month will increase from TZS37.9 million in year one to TZS 159.40 million in year five resulting into decreased operating cost ratio from 25.0% to 11.3% the same period under consideration. The program's financial sustainability will increase from 105% in year one to 120% and 130% in year three and five respectively. The operational sustainability will increase from the current 110% in year one to 125% and 140% in year three and five respectively.

Table 6: Projected Income Statement (2019-2024)

<i>Income Statement</i>	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Financial Income	TZS	TZS	TZS	TZS	TZS	TZS
Sales	455,000,000.00	550,550,000.00	720,720,000.00	938,437,500.00	1,268,767,500.00	1,912,911,000.00
<b>Less:</b> Cost of goods sold	162,500,000.00	178,750,000.00	214,500,000.00	268,125,000.00	348,562,500.00	487,987,500.00
<b>Net Financial Margin</b>	<b>292,500,000.00</b>	<b>371,800,000.00</b>	<b>506,220,000.00</b>	<b>670,312,500.00</b>	<b>920,205,000.00</b>	<b>1,424,923,500.00</b>
<b>Less:</b> Selling and Administrative Exp.	303,400,000.00	318,570,000.00	356,798,400.00	428,158,080.00	535,197,600.00	695,756,880.00
Depreciation of Assets	104,000,000.00	90,700,000.00	79,685,000.00	70,516,750.00	62,843,712.50	86,383,766.88
<b>Net Income from Operations (before interest and taxes)</b>	<b>(114,900,000.00)</b>	<b>(37,470,000.00)</b>	<b>69,736,600.00</b>	<b>171,637,670.00</b>	<b>322,163,687.50</b>	<b>642,782,853.13</b>
<b>Less:</b> Loan interest	-	-	-	-	-	-
<b>Net income from operations (before taxes)</b>	<b>(114,900,000.00)</b>	<b>(37,470,000.00)</b>	<b>69,736,600.00</b>	<b>171,637,670.00</b>	<b>322,163,687.50</b>	<b>642,782,853.13</b>
<b>Less:</b> 30% Income Tax	-	-	20,920,980.00	51,491,301.00	96,649,106.25	192,834,855.94
<b>Net Income</b>	<b>(114,900,000.00)</b>	<b>(37,470,000.00)</b>	<b>48,815,620.00</b>	<b>120,146,369.00</b>	<b>225,514,581.25</b>	<b>449,947,997.19</b>

**Table 7: Projected Balance Sheet (2019-2024)**

<i>Balance Sheet Statement</i>	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
<b>ASSETS</b>	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>
<u>NON - CURRENT ASSETS</u>						
Motor Vehicle	176,000,000.00	140,800,000.00	112,640,000.00	90,112,000.00	72,089,600.00	113,671,680.00
Furnitures abd Fittings	40,000,000.00	32,000,000.00	25,600,000.00	20,480,000.00	16,384,000.00	37,107,200.00
Production Equipments	950,000,000.00	902,500,000.00	857,375,000.00	814,506,250.00	773,780,937.50	925,091,890.63
<b>Net Non-current Assets</b>	<b>1,166,000,000.00</b>	<b>1,075,300,000.00</b>	<b>995,615,000.00</b>	<b>925,098,250.00</b>	<b>862,254,537.50</b>	<b>1,075,870,770.63</b>
<u>CURRENT ASSETS</u>						
Bank	806,600,000.00	948,580,000.00	1,195,501,600.00	1,536,131,020.00	1,998,260,920.00	2,453,967,040.00
Stock	(87,500,000.00)	(176,250,000.00)	(273,750,000.00)	(372,225,000.00)	(449,347,500.00)	(475,887,000.00)
<b>Net Current Assets</b>	<b>719,100,000.00</b>	<b>772,330,000.00</b>	<b>921,751,600.00</b>	<b>1,163,906,020.00</b>	<b>1,548,913,420.00</b>	<b>1,978,080,040.00</b>
<b>TOTAL ASSETS</b>	<b>1,885,100,000.00</b>	<b>1,847,630,000.00</b>	<b>1,917,366,600.00</b>	<b>2,089,004,270.00</b>	<b>2,411,167,957.50</b>	<b>3,053,950,810.63</b>
<b>LIABILITIES</b>						
Equity Capital	2,000,000,000.00	1,885,100,000.00	1,847,630,000.00	1,896,445,620.00	2,016,591,989.00	2,242,106,570.25
<b>Add: Net Profit/Surplus</b>	<b>(114,900,000.00)</b>	<b>(37,470,000.00)</b>	<b>48,815,620.00</b>	<b>120,146,369.00</b>	<b>225,514,581.25</b>	<b>449,947,997.19</b>
<b>Net Equity</b>	<b>1,885,100,000.00</b>	<b>1,847,630,000.00</b>	<b>1,896,445,620.00</b>	<b>2,016,591,989.00</b>	<b>2,242,106,570.25</b>	<b>2,692,054,567.44</b>
<b>Net Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,885,100,000.00</b>	<b>1,847,630,000.00</b>	<b>1,896,445,620.00</b>	<b>2,016,591,989.00</b>	<b>2,242,106,570.25</b>	<b>2,692,054,567.44</b>

Table 8: Projected Cash Flow Statement (2019-2024)

<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>Year 0 TZS</b>	<b>Year 1 TZS</b>	<b>Year 2 TZS</b>	<b>Year 3 TZS</b>	<b>Year 4 TZS</b>	<b>Year 5 TZS</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Profit/(loss) before taxation	(114,900,000.00)	(37,470,000.00)	48,815,620.00	120,146,369.00	225,514,581.25	449,947,997.19
Depreciation	104,000,000.00	90,700,000.00	79,685,000.00	70,516,750.00	62,843,712.50	86,383,766.88
<b>Operating Profit before changes in Working Capital</b>	<b>(10,900,000.00)</b>	<b>53,230,000.00</b>	<b>128,500,620.00</b>	<b>190,663,119.00</b>	<b>288,358,293.75</b>	<b>536,331,764.06</b>
(Increase)/Decrease assets	-	-	-	-	-	-
Increase/decrease liabilities	-	-	-	-	-	-
<b>Cash flow from operating activities</b>						
Tax paid	-	-	20,920,980.00	51,491,301.00	96,649,106.25	192,834,855.94
<b>Net cash flow from operating activities</b>	<b>(10,900,000.00)</b>	<b>53,230,000.00</b>	<b>107,579,640.00</b>	<b>139,171,818.00</b>	<b>191,709,187.50</b>	<b>343,496,908.13</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	-	-	-	-	-	-
Acquisition of fixed assets	1,270,000,000.00	-	-	-	-	300,000,000.00
<b>Net cash flow from investing activities</b>	<b>(1,280,900,000.00)</b>	<b>53,230,000.00</b>	<b>107,579,640.00</b>	<b>139,171,818.00</b>	<b>191,709,187.50</b>	<b>43,496,908.12</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Term loan	-	-	-	-	-	-
<b>Net cash flow from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>						
Cash and bank balances at the beginning of the year	-	806,600,000.00	948,580,000.00	1,195,501,600.00	1,536,131,020.00	1,998,260,920.00
<b>Cash and cash equivalents at the end of the year</b>	<b>(1,280,900,000.00)</b>	<b>859,830,000.00</b>	<b>1,056,159,640.00</b>	<b>1,334,673,418.00</b>	<b>1,727,840,207.50</b>	<b>2,041,757,828.13</b>

**Appendix**

**Summary of Key Projected Outputs**

**Table 1 – Ratio Analysis**

<b>Ratio Analysis</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>PORTFOLIO QUALITY</b>					
Portfolio at Risk > 60 days	3.9%	4.1%	5.0%	4.7%	4.9%
Credit Loss Reserve Ratio	3.0%	3.1%	4.3%	4.5%	4.5%
Credit Write-off Ratio	0.5%	1.4%	1.2%	1.8%	1.5%
<b>PROFITABILITY</b>					
Operational Sustainability *	147%	197%	225%	250%	330%
Financial Sustainability *	127%	162%	170%	180%	213%
Adj. Pre-tax Return on Performing Assets *	8.4%	16.6%	17.1%	17.2%	21.7%
Adj. Pre-tax Return on Equity (AROE) *	29.3%	43.4%	38.8%	32.3%	32.2%
Growth in Outreach	15%	35%	45%	65%	75%
Equity Multiplier *	2.54	2.12	1.99	1.68	1.37
Quick Ratio	2.9	2.4	3.0	3.1	5.0
<b>EFFICIENCY &amp;PRODUCTIVITY</b>					
Yield on Portfolio (annualized) *	59.7%	60.0%	62.0%	60.0%	60.0%
Operating Cost Ratio *	25.0%	17.8%	16.7%	13.5%	11.3%
Average cost of debt (annualized)	0	0	0	0	0
Overhead percentage *	77.4%	78,1%	68.2%	67%	65.4%
Credit officer as % of total staff" *	37%	40%	57%	60%	63%
Program Other Op Costs / Portfolio	0.0%	0.0%	0.0%	0.0%	0.0%
Net FA per branch/ program staff person	0	0	0	0	0
Admin-level Other Op Exp / Portfolio	11.0%	8.3%	7.0%	5.9%	5.0%
Net fixed assets / Admin staff (Tsh."000,")	0	0	0	0	300,000
Growth and Outreach	20%	25%	28%	35%	65%
<b>Selling</b>					
Total sales Portfolio * (Tsh."000")	550,550	727,720	938,438	1,268,768	1,912,911
Overall growth in portfolio	34.7%	64.2%	39.0%	31.0%	27.9%
Overall growth in sales	21.9%	26.0%	17.4%	18.9%	17.5%
Client dropout rate	14%	19%	19%	19%	19%