

15th June 2020

TANZNIA INVESTMENT CENTRE – PROGRESS REPORT

SIMBA PIPE INDUSTRIES LIMITED (EX DPI SIMBA LTD)

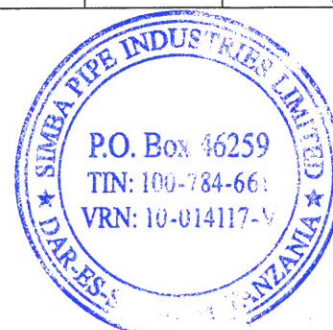
1. PROJECT STATEMENT

- To upgrade / enhance the HDPE / uPVC pipe production facility situated in Chang'ombe Industrial Area.

2. PROJECT ACTIVITIES AND INVESTMENT PLAN

- Planned activities include investment into upgrading in place infrastructure and improving efficiencies.
 - Upgrading 2 PE lines and purchasing a new industrial chiller.
 - Purchasing a new PE grinder and PE pipe coilers.
 - Purchase a new Air compressor for utilities
 - Expanding existing UPS capacity by another 600 KVA
- Planned Investment breakdown

Sno	Item Description	Approx Cost -USD			
		Qty	FOB	Freight	Total CFR
1	HDPE Production Line 25mm to 110mm	1 SET	280,000	5,500	285,500
2	HDPE Line Production 110mm to 400mm	1 SET	555,000	6,500	561,500
3	Chiller 499KW	1 SET	45,650	4,350	50,000
4	LF Printer for Product Printing	4 Pcs	24,800	3,100	27,900
5	Automatic Coiler Big	2 Set	120,000	7,000	127,000
6	Automatic Coiler Small	2 Set	163,200	5,000	168,200
7	PE Grinder	1 SET	114,000	3,500	117,500
8	Air Compressor	1 SET	20,000	2,500	22,500
9	UPS 600 KVA	1 SET	135,000	6,000	141,000
	GRAND TOTAL				1,501,100



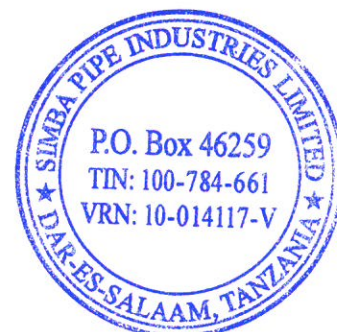
3. PROJECT FINANCIAL EXPENDITURE TO DATE

— Please note the below table highlights investments made in the last **6 months only** , in addition to investments already made over the lifetime of Simba Pipe industries Ltd

DESCRIPTION	FOREIGN	LOCAL	TOTAL
LAND AND BUILDINGS		n/a	n/a
PLANT AND MACHINERY		USD 335,000 /-	USD 335,000/-
VEHICLES / AIRCRAFTS		USD 10,000 /-	USD 10,000 /-
FURNITURE		n/a	n/a
OFFICE EQUIPMENT		USD 3000	USD 3000
INSURANCE COVER		USD 10,000	USD 10,000
PRE – OPERATIONAL EXPENSES		n/a	n/a
WORKING SUB TOTAL CAPITAL		n/a	n/a
GRAND TOTAL		USD 358,000 /-	USD 358,000/-

4. PROJECT FINANCING

- Financing for the investments as highlighted in section 2 will be carried out on a 50 % equity and 50 % local loan basis.
- We are currently in the process of applying for the term loan and awaiting feedback on the same. If approved we the breakdown will be as follows :
 - Total project value – USD 1,501,000 /-
 - Total Local Equity Financing (50 %) – USD 750,550 /-
 - Total local bank loan financing (50 %) – USD 750,550 /-
- Source of Financing :
 - 50 % Equity Financing – Existing reserves of Simba Pipe Industries Ltd
 - 50 % Local Loan Financing – Standard Chartered Bank Tanzania Ltd.
- Incase term loan facility is not approved , total project amount will be financed via Local equity financing by Simba Pipe industries Ltd via its existing reserves
- Terms and conditions of loan: Currently loan facility is in the discussion stages, if approved relevant details shall be provided to TIC subsequently.



5. PROBLEMS AND SOLUTIONS

— EVOLVING BUSINESS ENVIRONMENT

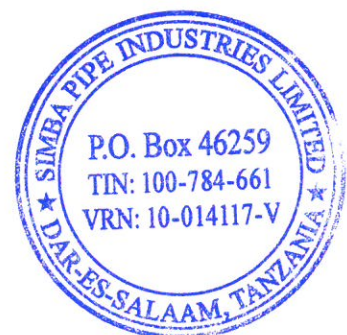
- Over the last few years there have been various pipe manufacturing industries which have started up or expanded existing production capabilities and in addition a strict emphasis by the Tanzanian government on requirement of high quality cost effective products has made the market place a very competitive space.
 - In order to maintain quality of product and net efficiencies of production SPIL management has started to invest in computerized testing machines while improving and upgrading existing infrastructure.
 - This activity is ensuring that only high quality cost effective products are produced while increasing deliverability capabilities.

— HDPE AND UPVC RAW MATERIAL PRICING

- Raw material pricing is one of main challenges in maintaining profitability in our industry. Constant fluctuation in the global market space hinders our production. Simba Pipe Industries Ltd management has always strived to source the most cost effective technically compliant RM compliant with all international standards. However the constant fluctuations affect the end pricing of the product.
 - In order to mitigate the effect to constantly changing prices, Simba Pipe Industries has always forecasted demand and ensured RM is sourced at workable prices, while ensuring that we don't change reliable high quality product suppliers.

— INCREASED COMPETITION

- Over the past few years many companies have entered into the plastic piping market space which has made the business a very competitive one.
 - Upgrading infrastructure and improving production efficiencies have been the main focus of Simba Pipe Industries Ltd.
 - While remaining compliant to required ISO manufacturing and testing standards, Simba pipe industries ltd is constantly striving to reduce its overheads to ensure customer benefit on price and quality.



6. FUTURE PLANS

- As highlighted in section 2, the management has decided to implement the project over a period of 2 years with investments being made as and when deemed appropriate by Simba pipe industries management.
- As shown in section 3, investment of USD 345,000 / has already been made in the last six months, primarily focused onto plant machinery upgrade.
- In the coming Six months Simba Pipe industries Ltd plan to further invest a sum of USD 706,900 /- focused onto plant machinery. Drawing reference from table in section 2 , below is planned in the coming six months :

Sno	Item Description	Qty	Approx Cost -USD		
			FOB	Freight	Total CFR
1	HDPE Line Production 110mm to 400mm	1 SET	555,000	6,500	561,500
2	LF Printer for Product Printing	4 Pcs	24,800	3,100	27,900
3	PE Grinder	1 SET	114,000	3,500	117,500
	Total				706,900 /-

