



Fortune Cement (T) Co. Ltd.

BUSINESS PLAN

1. INTRODUCTION

1.1 Legal Aspects

Fortune Cement (T) Company Limited is a company incorporated under the companies' ordinance (Cap 212) of the Laws of Tanzania on 10th July 2009. Its registration number is 71796. The business mainly deals in manufacturing of cement for construction of residential and commercial properties, infrastructure projects such as roads, schools and in mining and hotel construction for the growth of tourism. The business is located off Kilwa Road on farm no 2351 Vikindu area, Mkuranga District in Coast region.

Fortune Cement (T) Company Limited has a valid Trading License 00000516 and is registered by TRA as a taxpayer with TIN No. 108-531-207

1.2 Ownership:

Fortune Cement (T) Company Limited is owned by six shareholders with Mr. Prem Ahuja as the Managing Director of the company has been with the company from the setup of the business to date.

1.3 Statement of Purpose

This business plan is to facilitate an application for overdraft of USD 300,000 and letter of credit of USD 2,000,000 from the CBA bank. The overdraft will finance business expansion in terms of increasing raw materials inventory in order to meet a growing demand of cement from residential, commercial properties, schools, mining sector etc by customers around the country. To implement the objective the Company needs USD 5,000,000 composite facility of overdraft and letter of credit at an interest rate of around 8% and 0.75% for overdraft and letter of credit respectively.

1.4 Location

The principal place of the business is conducted at plot no 79 and 81 at Vikindu, Mkuranga District.



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1.5 Objective of the Study:

The purpose of this study is to provide information to the CBA bank so as to enable the bank process an overdraft and letter of credit facility of USD 300,000 and USD 2,000,000 respectively.

1.6 Production Process.

Fortune Cement (T) Company limited will be importing the raw material (Clinker) from Tanga & Mtwara and ingredients such as gypsum will be procured from local suppliers in Kilwa, Mandawa and Mtwara.

Clinker storage yard has a capacity of 15,000 tons and is going to increase to 50,000 tons. Clinker from the storage yard are transported to cement mill hoppers which are equipped with De dusting filters.

1.6.1 Gypsum and Limestone Crushing

An impact hammer is installed to crush the gypsum and lime stones into small particles size less than 300mm - product size 25mm - Capacity 30 t/h Crushing to include low speed short belt conveyor under the crusher designed for 1.5 x crusher output to absorb the flow variations.

1.6.2 Cement Grinding

The crushed Gypsum and Lime stone is sent here by scroll and conveyor belts. A bypass system allows to directly feed this low speed short belt conveyor under the crusher. One Grinding Mill with Capacity of 22, - 25 tons / hour (type o 2.4 x8. 570 kw) equipped in closed circuits with o-Sepa (type N500 , 30KW Power Cap. 16 TONS/ H - Ordinary Portland cement main motor Mill 570 KW, 4 Material components high measuring level and emergency sensors, Bins and extraction Materials proportioned to set ratio fed into the mill by respective conveyor belts coarse particles from classifier to be transported back to mill through an air slide and an impact weighing feeder and fine particles carried by air to the classifier bag filter. Dust collected by classifier filter to be the qualified product transported to the Silos. 30 tons / h High classifier used 30 - De-dusted.

1.6.3 Cement Storage

Two Silos of storage capacity of 5,000 tons are Installed with de-dusting system, needed accessories, fluidization and extraction system. Each Silo with extraction system design capacity 80 tons/h transport to packer.



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Due to shortage of cement in the market, we will also be making 5 silos with the capacity of 2500 tons, each with a new expression system.

Adding two more lines for smooth loading and built a structure of 3600 square metre to store the cement and other material.

1.6.4 Cement Packing and bag Loading

One packer of 4 spouts has the capacity of 40- 60 tons / h, System include vibrating screen, buffer bin, weighing and stores to accommodate 1080 tons of finished product. Now we are going to have 2 packer of 6 spouts capacity of 80-100 tons per hour.

We will be adding a new automatic packing line with 10 spouts that will have a capacity of 100-120T/h.

1.6.5 Our Plan

We have already buy 9 acres of land on plot 79 and 81. We will add one more mill which will produce 50-60 tons per hour. The mill will have production capacity of 36,000 tons monthly.

2. THE BUSINESS

2.1 Product and Services.

Fortune Cement is a result of careful research and development by our cement engineers and scientists. It is specially blended with good quality control monitoring systems, high quality cement engineered for use in all structural, building and particularly useful in marine and hydraulic construction. Works perfect on reducing the heat of hydration in mass concrete.

Fortune Cement is extremely easy to work with and our mission is to produce consistent excellent results every time. This consistent quality, versatility and proven strength make will it the choice for builders, architects and engineers, contractors. Fortune Cement will take its reputation on the consistency of our high-quality products and. Fortune's manufacturing facilities comply with the requirements of the ISO 9001:2000 series of Quality Management Systems and the products requirement of the Tanzania Bureau of Standards (TZS 727 - 2002) cement specification for common cements. The composition of the cement will constantly be monitored and maintained to guarantee high quality performance as per cement class 32.5R/42.5R specs requirements.



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2.1.2 Services

Concrete mix design for different applications

Depending on the structural concrete strength required and condition in which the concrete will be used, different aspects need to be considered, e.g. type/class of cement to be used, maximum amount of cement per cubic meter of concrete as well as maximum water cement ratio, the use of admixture to modify the concrete workability etc.

General technical information on cement/concrete

e.g. cement storage facility, handling of cement bags, stacking of cement bags, preparation and treatment of casted concrete, general technical information concerning cement etc.

SWOT Summary

We are on the brink of major opportunity. We have the strength of a combined expertise in high-tech ergonomics and furniture manufacturing, and the opportunity of a growing market and new channels of distribution. We have the weakness of being a new company, and the threat of old companies in the industry to try to do anything possible to take out of the business.

Strengths

Strategic market segmentation and implementation strategies.

Combination of skills in ownership. To develop business strategy and long-term plans on product know-how and technology, and strong management and business know-how. Diversified market segments: big constructing firms, small business owners, private individuals.

Weaknesses

Not being able to produce our own clinker for cement production.

Late entry to the industry.

Opportunities

Several areas are still at very early stages of development such as infrastructure, residential and commercial projects.



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Market availability locally and outside the country to neighboring countries such as Rwanda, Burundi, Congo etc

Availability of raw materials locally which will reduce the cost of production.

Threats

Fortune Cement company limited and other local producers are exposed to the imports of cement from abroad.

Existing competition.

Unreliable power supply which increases the cost of manufacturing.

2.2 Marketing and Demand.

The booming construction sector, coupled with increasing huge investments in infrastructure development in every fiscal year, is said to be one of the crucial incentives for the continued inflows of investments in cement production.

The witnessed the government increasing spending on infrastructure to 2.16tri/- compared to 1.94tri/- allocated in the previous fiscal year. Similarly, activities in the construction sector have recorded an annual growth rate of 8 per cent over the past five years.

Local demand has been growing drastically due to increase in both public and private construction activities in such big projects like storey buildings, bridges and roads.

Currently, Tanzania has an estimated production capacity of 3.5 million tonnes per annum shared mainly among big producers including Twiga, Tanga and Mbeya Camel cement. But the coming of other players will see the capacity shooting to 10 million tonnes annually.

Domestic demand, currently stand at 10 million tonnes and has grown at annual average of 10 per cent over the past five years to 2015. Apart from the huge local demand, the position for which the country is surrounded by many land locked countries provide grand opportunity for investors' rush for the cement manufacturing.

Also, the availability of raw materials like limestone, sand, shale, clay and iron ore particularly along the coastline that reduce production costs is among the major factor for attracting cement investments in the country. Likewise, the increased government spending in the energy sector and in particular gas discovery for generating electricity has also contributed to attracting investments in the



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cement industry. For 2018/19, a total of 1.60tr/- has been allocated compared to 800bn/- set in the preceding fiscal year. The coming in of new players in the cement production will stiffen competitions that will increase efficiency and pull-down prices of the commodity in the market. New players expected in the cement industry include Fortune Cement, Dangote Cement, Nigeria industry conglomerate and the new entrant in the country and the East African regional cement market

2.3 Pricing and costs

The business prices its products at cost plus a margin which gives the company a competitive edge of being able to give good prices to its big customers. Sales normally based on order therefore the customer remits funds upon placing the order and pay the balance upon delivery. However, the business expects to have also a few customers to whom it will allow some credit facility of 07 days.

2.4 Competition

Competition exists as it is expected of this type of business. There are at the moment more than three manufacturing companies that are operating and other are still under construction. It is the quality of both personnel and products that attract customers. Fortune Cement Company limited is prepared to give state of the art customer care and the best quality to its product.

3. ECONOMIC ASPECTS

3.1 Participation in Government Economic Policies

The business is part and parcel of the government's effort to strengthen the commercial sector through the encouragement of private entrepreneurs.

3.2 Contributions to government revenue

The enterprise generates revenue to the government through taxes, licenses and levies.

3.3 Encouragement of Entrepreneurs

Small businesses encourage the growth of local entrepreneurs who, not only participate in the country's self-sufficiency in business but also acts as an opportunity for these business persons to increase their earnings and of those they patronize.

3.4 Employment Opportunity:



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There are 100 local employees currently working and in future 200-300 more employment shall be there by the business in different capacities so far in addition to casually hired workers for special tasks.

This will generate revenue by taxes, levies, and licenses. The new mill will add jobs for 200 hundred local people. We will also open primary schools for the local kids.

3.5 Management

As it is common with many businesses of this size, Mr. Prem Ahuja is the Managing Director of the company. He supervises the overall operations of the company assisted by the departmental directors followed by heads of departments, managers and supervisors as shown in the below organization chart.

4. FINANCIAL ANALYSIS

4.1 Projected Business:

The projected revenue of the company was based on the following assumptions:

In year 1 the production capacity is 56% which is projected production will be at full capacity in year 1.

Cement product type/class 32.5/42.5 & future 52.5

Basing on this assumption projected revenue of the company in 2019/20 is TZS 29bn which yield after tax profit of TZS 4.5bn

The Projected statement of financial position shows the business net worth of TZS 8.1bn and that the cash flows shows a positive balance at the end of the period 2019/20 with the excess of TZS 467.7ml

5. CONCLUSION

The business review indicates that the company is competent in the management of business of manufacturing cement for residential, commercial properties, infrastructure etc. The business shows that it is viable and profitable It is recommended that the bank avails a bank credit facility of USD 2,000,000 letter of credit and USD 300,000 overdraft facility. Projection USD 4 mill new investment from the Directors from which USD 900,000 already injected in capital and USD 8 million shall be loan from bank total investment will be USD 12 million.

Production details

Production Capacity	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Production Achieved	153,952	439,510	504,300	514,806	514,806	514,806	514,806	514,806	514,806	514,806

Cash Flow Projection

Revenue	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Sale of Cement										
32.5N (95% of total Production)	\$ 15,656,663	\$ 48,628,128	\$ 58,042,935	\$ 62,733,228	\$ 66,414,268	\$ 69,449,182	\$ 72,921,642	\$ 76,882,817	\$ 80,726,958	\$ 84,763,306
42.5N (5% of total Production)	\$ 967,136	\$ 2,761,025	\$ 3,168,035	\$ 3,424,036	\$ 3,624,950	\$ 3,790,599	\$ 3,980,129	\$ 4,196,333	\$ 4,406,150	\$ 4,626,457
Total Monthly Revenue	\$ 17,623,799	\$ 51,389,152	\$ 61,210,971	\$ 66,157,263	\$ 70,039,218	\$ 73,239,781	\$ 76,901,770	\$ 81,079,150	\$ 85,133,108	\$ 89,389,763

Less: Expenses

Raw Material & Inputs	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Clinker (65% for 32.5N and 70% for 42.5N)	\$ 8,538,581	\$ 24,376,328	\$ 27,969,712	\$ 28,552,414	\$ 28,552,414	\$ 28,552,414	\$ 28,552,414	\$ 28,552,414	\$ 28,552,414	\$ 28,552,414
Cash Dust (5% for 32.5N and 5% for 42.5N)	\$ 118,754	\$ 339,024	\$ 389,000	\$ 397,104	\$ 397,104	\$ 397,104	\$ 397,104	\$ 397,104	\$ 397,104	\$ 397,104
Limestone (25% for 32.5N and 20% for 42.5N)	\$ 407,085	\$ 1,162,166	\$ 1,333,484	\$ 1,361,265	\$ 1,361,265	\$ 1,361,265	\$ 1,361,265	\$ 1,361,265	\$ 1,361,265	\$ 1,361,265
Gypsum (5% for 32.5N and 5% for 42.5N)	\$ 203,954	\$ 582,757	\$ 668,089	\$ 682,008	\$ 682,008	\$ 682,008	\$ 682,008	\$ 682,008	\$ 682,008	\$ 682,008
Total Raw Materials (A) USD	\$ 9,268,374	\$ 26,459,775	\$ 30,360,286	\$ 30,992,792	\$ 30,992,792	\$ 30,992,792	\$ 30,992,792	\$ 30,992,792	\$ 30,992,792	\$ 30,992,792

Direct Cost

Power and Electricity (3.76 per Ton)	\$ 579,207	\$ 1,653,548	\$ 1,697,302	\$ 1,936,829	\$ 1,936,829	\$ 1,936,829	\$ 1,936,829	\$ 1,936,829	\$ 1,936,829	\$ 1,936,829
Packing Bags @ 0.18 per bag	\$ 554,228	\$ 1,582,236	\$ 1,815,478	\$ 1,853,301	\$ 1,853,301	\$ 1,853,301	\$ 1,853,301	\$ 1,853,301	\$ 1,853,301	\$ 1,853,301
Salaries & Wages (@ 4.09 per ton)	\$ 629,047	\$ 1,795,831	\$ 2,060,559	\$ 2,103,488	\$ 2,103,488	\$ 2,103,488	\$ 2,103,488	\$ 2,103,488	\$ 2,103,488	\$ 2,103,488
Transport Charges (6.78 per ton)	\$ 675,475	\$ 1,928,378	\$ 2,212,646	\$ 2,258,743	\$ 2,258,743	\$ 2,258,743	\$ 2,258,743	\$ 2,258,743	\$ 2,258,743	\$ 2,258,743
Other Direct Cost	\$ 441,890	\$ 1,261,528	\$ 1,447,493	\$ 1,477,649	\$ 1,477,649	\$ 1,477,649	\$ 1,477,649	\$ 1,477,649	\$ 1,477,649	\$ 1,477,649
Total Direct Cost (B) USD	\$ 2,879,848	\$ 8,221,520	\$ 9,433,478	\$ 9,630,009	\$ 9,630,009	\$ 9,630,009	\$ 9,630,009	\$ 9,630,009	\$ 9,630,009	\$ 9,630,009

Indirect Cost

Finance Cost	\$ 178,820	\$ 510,503	\$ 585,758	\$ 597,961	\$ 597,961	\$ 597,961	\$ 597,961	\$ 597,961	\$ 597,961	\$ 597,961
Statutory Exp	\$ 180,622	\$ 515,647	\$ 591,660	\$ 603,986	\$ 603,986	\$ 603,986	\$ 603,986	\$ 603,986	\$ 603,986	\$ 603,986
Repair & Maintenance	\$ 405,681	\$ 1,159,157	\$ 1,328,884	\$ 1,356,569	\$ 1,356,569	\$ 1,356,569	\$ 1,356,569	\$ 1,356,569	\$ 1,356,569	\$ 1,356,569
Other Indirect Expenses	\$ 1,261,751	\$ 3,602,103	\$ 4,133,100	\$ 4,219,206	\$ 4,219,206	\$ 4,219,206	\$ 4,219,206	\$ 4,219,206	\$ 4,219,206	\$ 4,219,206
Total Indirect Cost (C) USD	\$ 2,026,873	\$ 5,786,410	\$ 6,639,402	\$ 6,777,723	\$ 6,777,723	\$ 6,777,723	\$ 6,777,723	\$ 6,777,723	\$ 6,777,723	\$ 6,777,723

Interest on Loan from Fair Deal LLC

EMI for Loan from CBA	\$ 66,238	\$ 67,500	\$ 67,500	\$ 67,500	\$ 67,500	\$ 67,500	\$ 67,500	\$ 67,500	\$ 67,500	\$ 67,500
Total Interest & EMI (D)	\$ 1,288,794	\$ 1,289,056	\$ 1,289,056	\$ 1,289,056	\$ 1,289,056	\$ 1,289,056	\$ 1,289,056	\$ 1,289,056	\$ 1,289,056	\$ 1,289,056

Adjustment for VAT

Input VAT	\$ 2,538,965	\$ 7,088,001	\$ 8,100,451	\$ 8,264,629	\$ 8,264,629	\$ 8,264,629	\$ 8,264,629	\$ 8,264,629	\$ 8,264,629	\$ 8,264,629
Output VAT	\$ (3,172,784)	\$ (9,250,047)	\$ (11,017,975)	\$ (11,908,307)	\$ (12,607,059)	\$ (13,183,161)	\$ (13,842,319)	\$ (14,594,247)	\$ (15,323,959)	\$ (16,080,157)
Net VAT Amount (E)	\$ (633,818)	\$ (2,162,046)	\$ (2,917,524)	\$ (3,643,678)	\$ (4,342,430)	\$ (4,918,532)	\$ (5,577,690)	\$ (6,329,618)	\$ (7,059,330)	\$ (7,828,528)

Total Monthly Cash out flow (F=A+B+C+D+E)

	\$ 16,096,707	\$ 43,918,808	\$ 50,639,746	\$ 52,333,258	\$ 53,032,010	\$ 53,608,111	\$ 54,267,269	\$ 55,019,197	\$ 55,748,910	\$ 56,515,108
Net cash flow from operation	\$ 1,527,092	\$ 7,470,345	\$ 10,571,225	\$ 13,824,006	\$ 17,007,209	\$ 19,631,670	\$ 22,634,501	\$ 26,059,953	\$ 29,384,198	\$ 32,874,656

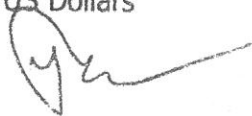
Fortune Cement Company (T) Limited

Assumptions for Projection

Revenue Items		
<p>Old 2 Mills production for 24 days per month. 6 days kept for maintenance and for downtime. From July 2021 New plant will start operating phase wise.</p> <p>From february 2022 new plant will operate at its full capacity.</p> <p>We have used capacity utilazetion factor based on 2019-20 production figures achieved. From October 2021 increase in production capacity estimated at 2% per month.</p> <p>Maximum Capacity we have taken 98%. Then the company will run at 98% only. Each year sales price will increase 5% of the previous year price.</p>		
Expenses	Per ton Cement production cost	Basis of projection
Power & Electricity	\$ 3.76	Based on six month average expenses and production ratio of Fortune cement company Limited
Salaries & Wages	\$ 4.09	
Transport Charges	\$ 4.39	
Other Direct cost	\$ 2.87	
Finance Cost	\$ 1.16	
Statuary Exp	\$ 1.17	
Repair & Maintenance	\$ 2.64	
Other Indirect Expenses	\$ 8.20	
Loan EMI	As per Loan Amortization Schedule provided by the bank	

Notes:

All figures in US Dollars





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EXTRACT OF MINUTES OF THE MEETING OF THE MEETING OF MEMBERS OF FORTUENE CEMENT (T) COMPANY LIMITED AT ITS REGISTERED OFFICE AT PLOT NO 17, BLOCK E, VIKINDU IN MUKURANGA DISTRICT COAST REGION TANZANIA ON 05 JANUARY 2021 AT 10 A M.

Attendance


- Mr. Prem C. Ahuja
- Mrs. Minikshi Prem Ahuja
- Mr. Spandan Ahuja
- Mr. Pawan Kumar

RESOLUTION

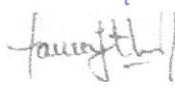
It was discussed in annoyance that Fortune Cement (T) Co. Ltd. as already buy the new land which is plot no 79 and 81 Vikindu and for new plant its resolved that company shall apply with TIC (Tanzania Investment Centre) for new certificate of Incentive.

None of the any members have any objections for the above.

The meetings has closed with Thanks at 11 AM.

Chairman.....

Date: 01/01/2021


Member.....

Date: 1/1/21



Member.....

Date:.....

Member.....

Date:.....