

FORTUNE CEMENT TANZANIA CO. LTD.
PROJECT PROGRESS REPORT

TABLE OF CONTENTS

1. EXECUTIVE SUMMARY (PLANNED ACTICITIES FOR THE PERIOD)
2. ACHIEVEMENTS MADE ON THE PROJECT IMPLEMENTION TILL DATE
3. PROJECT FINANCIAL EXPENDITURE TO DATE
4. PROJECT FINANCING
5. PROBLEMS AND SOLUTION
6. FUTURE PLANS

1. EXECUTIVE SUMMARY (PLANNED ACTICITIES FOR THE PERIOD)

Fortune Cement (T) Company Limited is a producer and supplier of cement used in construction and making of concrete products which works to develop a dynamic competitive business sector to accelerate sales, increase exports, investment, job growth and produce economic value added products and services.

In view of the outstanding mineral deposits of limestone, gypsum, iron ore in the province coupled with recent surge in cement sector production and profitability on the back of economic growth in the country, the Management has opportunity of running up a 26 tph (tons per hour) cement manufacturing plant.

1.1 INTRODUCTION OF FORTUNE CEMENT PLANT

Fortune Cement factory is situated about half a kilometer off Kilwa Road at Vikindu Area, Mkuranga District in Coast Region, approximately 30 KM south of Dar es Salaam City Centre. The property is boarded by farmland and an undeveloped site to the front side. Kilwa Road is tarmced arterial road linking Dar es Salaam city with the Gas rich southern regions of Lindi and Mtwara and neighbouring Mozambique. The immediate access to the property from Kilawa Road is via a rough road.

Vikindu area is predominantly an agricultural and resident area, but of late some industrial and institutional developments such as Fortune Cement factory, ARM Cement Factory (Rhino Brand), SS Bakresaa Industrial Park (Beverages plant for Azam Cola) and Saint Augustine School have been established.



The property comprises an irregular and sloping site containing 2.80 hectare as stated in the Certificate of Occupancy (approximately 6.9 acres). The site is fenced with sand cement blocks and barbed wire fence on reinforced concrete posts to the other side. The main access to the property is through a steel palisade rolling gate and there are separate palisade steel gates for pedestrians and weighbridge. The drive way, parking access are compacted gravel. Shallow concrete storm water drainage channels are incorporated and security lighting is provided on strategic areas.

2. ACHIEVEMENTS MADE ON THE PROJECT IMPLEMENTATION TILL DATE

This is a steel pre-fabricated plant which is situated at the front of the site, close to the entrance gate. The building is internally clad with painted gypsum board and the roof is pitched and covered with troughed iron sheets on steel members. The ceiling is suspended gypsum with recessed lightings and the floor finish is cement screed. The doors are steel and the windows are UPVC sliding and secured grilles.

The southern end of the main office is constructed with sand cement block wall which are plastered, painted and un-rendered under a pitched roof covered with troughed iron sheets on steel members. There is no ceiling, the floor finish is cement screed, the doors are a mixture of steel and UPVC and the windows are UPVC sliding secured by grilles.

The plant comprises the following;

- Office
- Laboratory
- Mini Ball Mill Room
- Drier Room
- Laboratory store
- Staff Canteen
- Ablution Block
- Security House
- Clinker Store

- Cement Packing and Storage Shed
- Electrical Room
- Store
- Resting Shed
- Transformer house
- Generator House
- Staff Residency Compound
- Extension; Shower Room, Kitchen and Laundry

The property is registered in the name of Fortune Cement (T) Limited of PO Box No 105157, Das es Salaam under a Derivative Right with leasehold Title No. 128253/1 and Land Office No. 527581 issued by the Tanzania Investment Centre for a term of 99 years from 01/01/2014 at an initial annual land rent including 10% facilitation fees thereto of TSH 3,862,320.

The Leasehold Title inter alia provides that;

- The permitted user is Special Industries purposes only as defined in Use Group “N”- Use clause (a) of the Town and Country planning (Use Classes) Regulation, 1960, as amended in 1993.

Use Group “N”- Use Class (a) refers to;

Special industries (including storage) which may be offensive by reason of the use and storage of the dangerous or inflammable materials or inimical to the public health by reason of vermin or other causes.

Use Class (a) refers to the kilns, ovens, furnace or plant for the burning, calcining, sintering, smelting or converting of ores, minerals or metals (but excluding glass works), plant for milling, crushing, grinding or screening materials installation of power hammering or power forging of iron and steel, recovery of metals from scrap (but excluding scrap storage yards and crush baling of scrap for shipment), panel beating, chromium plating and galvanizing dissolution of metals in acid.

- The occupier is subject to usual and necessary development conditions contained in the Right of Occupancy;

3. PROJECT FINANCIAL EXPENDITURE TO DATE

Attached Annexure Audited Financial Accounts for year 2019

4. PROJECT FINANCING

6.1 PRODUCTION CAPACITY

Production Capacity	Capacity	Measurement Unit
Maximum Production capacity per day 14 TONES/HOUR for each Production Line- Two production Lines	672	Tones
Maximum Capacity per month (13Tones*2lines*26Days)	17,472	Tones
Yearly Capacity	209,664	Tones

6.2 YEARLY SALE REVENUE

Yearly Sales Revenue	
Yearly production (In Tons)	17,472
Sale Price per 50Kg in TZS	11,500
Sale Price per Ton in TZS	230,000
Yearly Revenue in TZS	48,222,720,000
Conversion Rate	2,300.00
Yearly Sales Revenue in USD	20,966,400.00

6.3 RAW MATERIAL AND OPERATING COSTS

Item	Apportionment	Quantity	Rate	Year 1
Raw Material & Inputs				
Clinker	70%	146,765	88	12,915,302
Crush Dust	7%	14,676	19	271,515
Limestone	18%	37,740	14	509,484
Gypsum	5%	10,483	31	324,979
Sand		-		
Total Raw Materials (A)				14,021,280
Power and Electricity	Per Ton Cost		6	1,257,984
Packing Bags	Per Ton Cost		6	1,257,984
Spare Parts			2 % of the RM	280,426
Salary and Wages				
No. of Expatriate- 6		6	2,000	144,000
No of Administrative Staff- 5		5	800	48,000
Local Workers- 75		75	270	243,000
Maintenance & Parts				
Supplies	0.8% of Raw Material Cost			167,731
Administration Costs	0.75% of the Sales Revenue			157,248
Insurance	0.2% of the Sales Revenue			41,933
Selling & Distribution Costs	0.5% of the Sales Revenue			104,832
Other Expenses				
Total Operating Costs (B)				3,703,138
Depreciation				828,505
Total Costs (C)				4,531,642
Total Production Cost (A+C)				18,552,922

6.5 LOANS AND INTERESTS

Particulars	Year 1	Year 2	Year 3	Year 4
Term Loan - \$ 4,100,000 - Existing	4,100,000			
Repayment of Loan - Installments		1,366,667	1,366,667	1,366,667
Interest on Term Loan	7%	287,000	191,333	95,667
Working Capital Loan	2,000,000	128,000	32,000	-
Total Finance Costs	160,000	415,000	223,333	95,667

6.6 PROFITABILITY STATEMENT

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Sales Revenue	20,966,400	21,490,560	22,027,824	22,578,520	23,142,983	23,721,557	24,314,596	24,922,461	25,545,523	26,184,161
Less Direct Cost	15,559,690	14,371,812	14,731,107	15,099,385	15,476,870	15,867,791	16,269,386	16,666,896	17,083,568	17,510,657
GROSS MARGIN	5,406,710	7,118,748	7,296,717	7,479,135	7,666,113	7,857,766	8,054,210	8,255,565	8,461,954	8,673,503
<i>in % of Sales Revenue</i>	<i>26%</i>	<i>33%</i>	<i>33%</i>	<i>33%</i>	<i>33%</i>	<i>33%</i>	<i>33%</i>	<i>33%</i>	<i>33%</i>	<i>33%</i>
Less Other Operating Expenses	2,993,233	2,959,294	2,833,845	2,837,683	2,851,975	2,875,799	2,908,361	2,948,984	2,997,088	3,052,186
OPERATIONAL MARGIN	2,413,478	4,159,454	4,462,871	4,641,451	4,814,138	4,981,967	5,145,849	5,306,582	5,464,866	5,621,317
<i>in % of Sales Revenue</i>	<i>12%</i>	<i>19%</i>	<i>20%</i>	<i>21%</i>	<i>21%</i>	<i>21%</i>	<i>21%</i>	<i>21%</i>	<i>21%</i>	<i>21%</i>
Financial Costs	160,000	415,000	223,333	95,667	-	-	-	-	-	-
NET PROFIT	2,253,478	3,744,454	4,239,538	4,545,785	4,814,138	4,981,967	5,145,849	5,306,582	5,464,866	5,621,317
<i>in % of Sales Revenue</i>	<i>11%</i>	<i>17%</i>	<i>19%</i>	<i>20%</i>	<i>21%</i>	<i>21%</i>	<i>21%</i>	<i>21%</i>	<i>21%</i>	<i>21%</i>
Income (Corporate) Tax	676,043	1,123,336	1,271,861	1,363,735	1,444,241	1,494,590	1,543,755	1,591,974	1,639,460	1,686,395
NET PROFIT AFTER INCOME TAX	1,577,434	2,621,118	2,967,677	3,182,049	3,369,896	3,487,377	3,602,094	3,714,607	3,825,406	3,934,922
<i>in % of Sales Revenue</i>	<i>8%</i>	<i>12%</i>	<i>13%</i>	<i>14%</i>	<i>15%</i>	<i>15%</i>	<i>15%</i>	<i>15%</i>	<i>15%</i>	<i>15%</i>
Amount transferred to Reserve	1,577,434	2,621,118	2,967,677	3,182,049	3,369,896	3,487,377	3,602,094	3,714,607	3,825,406	3,934,922

6.7 PAY BACK PERIOD

PAY BACK PERIOD										
Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Income										
Profit After Tax	1,577,434	2,621,118	2,967,677	3,182,049	3,369,896	3,487,377	3,602,594	3,714,607	3,825,466	3,934,922
Add: Non cash expenses										
Depreciation	2,995,233	2,959,294	2,835,845	2,837,685	2,851,975	2,875,799	2,908,361	2,948,984	2,997,088	3,052,186
Cash Generated from Operation	4,572,667	5,580,412	5,803,522	6,019,733	6,221,872	6,363,176	6,510,955	6,663,591	6,822,494	6,987,108
	1									
Discounted @ (0.1)	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Discounting Factor	0.90909	0.82645	0.75131	0.68301	0.62092	0.56447	0.51316	0.46651	0.42410	0.38554
Discounted Cash Gen. from operation	4,155,152	4,611,910	4,358,769	4,111,558	3,863,293	3,591,847	3,340,893	3,108,614	2,893,404	2,693,833
Acc. Disc. Cash Generated from Operation	4,155,152	4,611,910	4,358,769	4,111,558	3,863,293	3,591,847	3,340,893	3,108,614	2,893,404	2,693,833
Cumulative Cash Flows	4,155,152	8,767,062	13,125,832	17,237,390	21,100,683	24,692,530	28,033,423	31,142,037	34,035,441	36,729,273
Project Outstanding										7,980,005
Pay Back Period (in years)										1.92

6.8 IRR CALCULATION

IRR Calculations										
Description	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cash Flows (Inflows)	2,253,478	3,744,454	4,239,538	4,545,785	4,814,138	4,981,967	5,145,849	5,306,582	5,464,866	5,621,317
Cash Flows (Outflows)	(7,980,025)									
Project Residual Value										
Net	(5,726,548)	3,744,454	4,239,538	4,545,785	4,814,138	4,981,967	5,145,849	5,306,582	5,464,866	5,621,317
Discounted @ (0.1)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
	0.91	0.83	0.75	0.68	0.62	0.56	0.51	0.47	0.42	0.39
Discounted Net Cash Flows	(5,205,952)	3,094,590	3,185,228	3,104,832	2,989,201	2,812,190	2,640,634	2,475,559	2,317,637	2,167,261
IRR	57.34%									

7. PROBLEMS AND SOLUTION

Management was facing problems for funds to run the plant, and there were no technical person who are can run the plant smoothly, also the time being there were cement market was not good, for selling.

To resolve this new investors came in and taken care for plant funding and have invested the funds to retrieve the plant, new technical staff has been introduced for more efficiency and working.

8. FUTURE PLAN

To Extension the current plant mills from 672 Tons per day to 2,000 tons per day.