

ENGAM ENTERPRISES COMPANY LIMITED



BUSINESS INVESTMENT PLAN



FOR ESTABLISHMENT



STEEL TUBE MILL PLANT ZONGOMELA – KAHAMA

FEB 2021

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1.0 EXECUTIVE SUMMARY

1.1 Business Profile

- 1.1.1 Name:** ENGAM ENTERPRISE Co LTD
- 1.1.2 Legal Status:** :Certificate of Incorporation 86419 issued 11/10/2011
:TIN Number 115-729-470 issued 19/12/2011
:VAT Number 40-021743-H issued 22/06/2015
:Business License 03445026 – 07/07/2020
:TAX Certificate 391-0085-0538 (12/02/21)
- 1.1.3 Ownership Type:** Private Limited Liability Company
- 1.1.4 Business of Directors:** :Emmanuel William Mageme – Director/Chairman
:Ngassa William Mageme – Director/Admin
:Mgema William Mageme – Director/Secretary
- 1.1.4 Project Object:** (1) Investment of Steel Tube Mills Plant for manufacturing pipes
(2) Establishment Transport Logistics.
- 1.1.4 Area of Business:** Plot Number 15 Block B Industrial Area
Ngaya Road Plot No 648 and No 919
Kahama Municipal Block “A”
P.O. Box 438 Zongomelo Street
KAHAMA KAHAMA
- 1.1.5 Bankers& Bank Account** NMB Bank PLC Account number: 33610000138

1.1.6 Vision

The Company tend to do the best and one of the leading company around Tanzania country and other or either East and Central Africa for the quality services.

1.1.7 Mission

The company is determined to meet client needs by produce high quality and standard

2.0 ABOUT THE COMPANY BUSINESS INVESTMENT.

2.1 Nature of Business

The ENGAM ENTERPRISES COMPANY LTD is a Private Limited Liability Company; which is Incorporated in Tanzania on 11th day of October 2011 by obtained certificate of incorporation No 86419.

THE COMPANY OBJECTIVES:

Among with other principal activities the Company objectively for Investing in the following.

1. Has presently envisage to invest in a business of industrial manufacturing so as to process various steel pipes products by installing steel tube mills plant to produce steel square pipes, round pipe and steel Ms Plates.
2. Before the above investment inception, the company is carrying on business of distribution of HARDWARES and building material including haulage of Simba Cement from Tanga Cement Portland PLC as appointed Prominent Dealer in Lake Zone.
3. Establishment of Transport haulage solution (logistics) (Already five quantity of Trucks and Trailers had have imported).

2.2 Ownership

The company is limited by shares of the members.

S/N	NAME	SHAREHOLDING	NATIONALITY
1	Emmanuel William Mageme	40	Tanzanian
2	Ngassa William Mageme	40	Tanzanian
3	Mgema William Mageme	20	Tanzanian

2.3 Management Structure/Executive team

NAME	POSITION	EDUCATION QUALIFICATIONS	YEARS OF EXPERIENCE	PREVIOUS OCCUPATION
Emmanuel William Mageme	Managing Director	Form IV with various up-grading Programme Courses	15	
Ngassa William Mageme	Deputy Managing Director			
Mgema William Mageme	General Manager			
Stephen Nyerege	General Manager			
Vacant	H.R. Manager (Admin)			
Vacant	Financial Controller			
Vacant	Project Coordinator			
Vacant	Accountant			
Vacant	Transport Manager			

Key Executive Team

The company is headed up by an experienced team with a long history of investment in the supply and selling construction building materials.

The Managing Director **Mr. Emmanuel William Mageme** is a versatile asset for the company, whereas **Mr. Ngassa William Mageme** is a company pioneer as well as **Mr. Mgema William Mgema** being a company secretary who perform excellent development. This is clear major reason for our consistency rapidly growth.

i. Managing Director

Name: Emmanuel William Mageme

Experience: Over 20 years in business, was a combatant pioneer of ENGAM limited transforming it from the sole proprietorship former business up to where it stands now.

Qualifications: Form four and attended various entrepreneurial business courses

Responsibilities:

- Setting company Strategy and execution thereof
- Staff control, motivation and discipline
- Senior in charge of daily business in general.
- Negotiating contracts with large suppliers/buyers
- Executive Board member
- Establishing new markets

ii. Deputy Managing Director

Name: Ngassa William Mageme

Experience: 10 years

Qualifications: TBA

Responsibilities:

- Chairing meetings for the core senior management team
- Assisting the Managing Director in discharge of all responsibilities
- Strategy implementation through the executive team
- Executive Board member
- General Manager

iii. Operations Manager and Company Secretary

Name: Mgema William Mageme

Experience: Over 7 years in senior position

Qualifications: Bachelor of Accounting (B.com)

Responsibilities:

- Overseeing the operations of the company through the managers appointed.
- Day to day administration issues in the company
- Administer procurement issues locally
- Participates and decides on senior staff recruitment
- Acting as the Managing Director in the absence of the incumbent
- Strategic Planning
- Conclude negotiating with Goods suppliers and large buyers

iv. Human Resources Manager

Name Stephen Nyeriga

Experience 7 years

Educational Qualifications Bachelor of Business Administration

Responsibilities

- Staff recruitment
- Industrial relations in the company
- Staff Training
- Part of Remuneration Committee
- Health and Safety of all staff
- Other Members of the senior management staff are as listed in the table above. In addition, there are technical staff that are important for the running of the sophisticated machinery in each of the production areas/factory and these are listed below:
 - Working with equipment suppliers on technical issues

Outsourced services

NAME	FUNCTION	QUALIFICATIONS & EXPERIENCE	KEY PERSON	MAIN RESPONSIBILITY
TanCrops	Accounts	5-Year BBA Kampala University	Specioza Matonange	Books of accounts monthly & annually
LAGHE CONSULT	Auditing	6 years. CPA	Leopold Bulondo	Audit & financial risk management analysis
TanFund& Associates	Project Manager	i) B.Com(International Business) UDOM ii) Bachelor of Accountancy/ Finance (IFM University)	Anitha William Ephraim M.Mwand	Business Consult and Advisory Service
ECHMAK ADVOCATES	Law firm	LLB (UDSM) 6years practice	Emmanuel Makungu	Appointed Law Firm

3.0 PROJECT CONCEPT

Over this fifth phase of new government policy which decided to facilitate INDUSTRIALIZATION ECONOMIC Activities which creating an environment conducive to development by the main actors - Traders, manufactures and other in commerce Goods. At this Juncture we are being encouraged to Invest industrial productive sector especially those bases on exploitation to the country's natural resources.

The company therefore envisage to set out projects to install high Precision Steel Tube Mill Plant being full automation Turnkey pipes manufacturing to produce Steel Pipes in various shapes and size.

The proposed Steel tube mill plant is a continuation of equipments to be installed in a line for the production of high frequency induction welded (HFIW) carbon steel tubes.

The process involved is cold forming of carbon steel strip in circular/vertical shape, longitudinal welding, sizing, converting into specified shape and cutting to PREDETERMINED length.

The Steel Tubes Mill is designed to produce tubes with various sizes (of diameter and thickness) and square/rectangular tubes of corresponding sizes.

3.1 STEEL TUBES MILL PROJECT

This is a very busy industry with a number of players ranging from small to medium and fairly large. There are also competitors who Import materials from outside countries such as Dubai, China and South Africa sometime neighbor like Uganda and Kenya.

But government's efforts are really meant to promote the local industries and they are imposing space customs tariff duties in order to make it difficult for importer to bring in such products.

The country has been an upsurge in construction of various amenities range from domestic premises, schools, hostels, road infrastructure, water sanitation project and industrial premises. This has been ongoing for the past ten years but this year 2021 has seen massive increase owing to the fifth phase second period of government's rapid industrialization policy, This means that Government, individuals and business are ramping up building of infrastructure that this call is heeded. This means that demand for products such as steel pipes will be high and continue to increase over the coming years onwards.

3.2 STEEL TUBES MANUFACTURING FACTORS

The factory is to produce varieties of steel pipes for building and construction purposes (flat bars, square pipes and round pipes) these products are sold to wholesalers (stockiest) and contractors who have to be big project with Government and its Agencies together with Individual people.

3.3 PROJECT LOCATION

The project chosen to be built at Zongomela Kahama Tanzania (Dodoma Locality) offered to Lowa/ Mpunze at Plot No 648 and Plot 919 Block “A”. Zongomela Kahama municipality along Nyandekwa - Ushetu Road: It’s situated in Industrial Area whereby an area about 10 acres has been acquired and developed accordingly.

The Project Site is adjacent to essential utilities including electricity, possible infrastructure with available KUWASA water supply, telephone network available

The location has adequate space for the factory Project accommodation various warehouses (Godowns) in place and room for further Expansion.

It’s well connected through the main Road system with the next of the country of even more importance the site location is well connected with the rest of the District entrance Captures (i.e. Nzega, Igunga, Ushetu, Mbogwe, Chato Bukombe, Kibondo, Biharamulo, Kasulu, Katavi, Sumbawanga, Urambo, Kalima, Shinyanga Maswa, Bariadi, Nyang’hwale and Geita etc).

3.4 LAND AND BUILDING

This Site Premises will be surrounded by Count Yard fence to be Cement block inside coverage. Till now there two complex warehouse already built and we expect to import three special fabricated Steel warehouses/Godwons meant for proper enough storage facilities.

The land has Title deeds find hereof appended. Also land has been developed by constructing various infrastructures being now work in progress.

4.0 PROJECT ENGINEERING

Layout of site and premises

The layout have been established at Plot No 648 and 919 Block “A” respectively.

Whereby some infrastructures including some buildings work in progress are being going on faster for completion stage.

The Project Investors is hereby presenting its final feasibility studies along with Business Investment Plan for the way forward adoption including incentives.

4.1 CHOICE OF TECHNOLOGY

The chosen technology is intended for manufacturing of high frequency straight seam welding tube, square tube and special shapes tube of diameter 15mm – 63.7mm or whatever mould adjustment sizes. The production line adopts advanced pass technology, Plc automatic control system with stable operations, convenient operations and repairs and reached the advanced level in the same industry in structure and accuracy. Equipment from the material to tube run out, the speed adjusts according to the tube specification of changing.

4.2 CHOICE OF EQUIPMENT

The Project Investors/Sponsors have decided to select/choose equipment/machinery from China. This plant Equipment seem to be favorable chosen by mostly of Tubes Mills manufacturer in Tanzania such as KOM Group and other in the country.

The variety of Steel Tube Mill Categories are herewith appended for further clearly choice and comparatively adopted prior imported.

The complete set of Plant Equipment required for this Project is elaborated as it shown below:- (appended brochure).

4.3 TECHNICAL ASPECTS

The specification of the Equipment to be procured for each of the above operation will be clearly spelt out in the Proforma Invoice (s) to be secured by the Promoters.

Apart from the equipment recommended spare part will be included for all requirements to satisfy on operating periods of at least one year tenure of period.

The Steel Tube Milling Company to be known as “ENGAM STEEL TUBE MILL PLANT”.

5.0 INDUSTRY AND MARKET

This section sets out product description, market analysis, marketing strategy, pricing strategy and competition analysis. The business venture is classified partly as supporting the construction industry as well as the transport / cargo service business;

Details of the Construction Industry in Tanzania

The construction industry in Tanzania includes real estate, transport infrastructure, and other civil works, including water supply. Construction contributed 13.6% to Tanzania's GDP during 2015, reaching almost USD6b. In 2010 the sector accounted for only 7.8% of the country's GDP or USD1.6b. The growth rate of the Tanzanian construction sector was 4.3% in Q1 2016, compared to 23.2% in Q1 2015. According to the Tanzania National Bureau of Statistics (NBS), the slowing of the growth rate was due to reduced investments in construction activities. However, for the fiscal year 2016–2017 the government of Tanzania has budgeted TZS5.47t equivalent to 25.4% of the total budget, excluding public debt service, for infrastructure development projects.

The demand is driven by consumer spending and manufacturing output. The profitability of individual companies depends on efficient operations. Large companies have advantages in account relationships, bulk fuel purchasing, fleet size, and access to drivers. Small operations can compete effectively by providing quick turnaround, serving a local market, or transporting unusually sized goods.

Product and Service Description

This business will be having two intertwined services;

- The transportation services which will attract charges for the distribution purposes , this would contribute 38% to total revenue expected;
- The steel tube pipes manufacturing at the end creates distribution and selling would contribute 62% to the total revenue.

5.2 Competitors

There are a number of local companies involved in manufacturing, selling and distribution of pipes these include:

- Tanzania Steel Pipes (TSP)
- Sita Steel Rolling Ltd (1996)
- MM Intergrated Steel Mills Ltd
- KOM Group Steel Tube Mills
- Motisum Group (Subbash Patel) Ltd
- Lodhia Steel Industries Ltd
- China Steel Tubing
- Lake Steel Tanzania
- Coastal Steel Industries
- GSM Tanzania Ltd
- Tanu Africa Ltd
- Kamal Group

Marketing and Pricing Strategy

The company has set selling points at Geita, Shinyanga, Simiyu, Kahama, Nzega and Igunga. In addition, the company has recruited a number of direct sales agents who are paid on commission basis for recruiting new clients and retaining existing ones.

Above and below the line marketing is done to pursue new clients as well as retain existing ones based on availability of products, their differentiation and after service support.

Pricing setting is cost plus, weighted average margin ranges from 10%-17% on all products. Due care is taken by the pricing committee to ensure set prices are competitive.

6.0 The Demand

The demand for steel pipes is very good; ENGAM ENTERPRISES would be manufacturing himself to produce pipes which is deemed to be of high quality, a competitive prices. In addition, government policy for promoting industrialization and the adopted strategy to protect locally manufactured products by giving local manufacturers direct access to government projects and tenders is an added advantage. Government policy does not compromise when it comes to issues of quality and abundant quantity thus giving the clients the assurance of quality products.

Besides the government policy for stimulating industrialization other factors are:

6.1 Growth of Population

As population grows, consumers for different types of products also increase. The Tanzania population is around 50 million and annual population growth rate is around 2.7% as per the 2012 national census. In addition, there is a big shift towards urbanization as people move from rural areas to cities and towns where there are massive construction, water and other developmental projects taking place, all these add to the market for all the company's manufactured products which are important for commercial, industrial and domestic use.

6.2 Growth of Economic Activities

Multiplication of economic activities especially in urban areas increases the demand for water, houses, domestic goods and other related home facilities. There are a lot of Schools, Health facilities, Colleges, Hotels, Resorts, Industries & factories, Companies and offices, Sports facilities, Building Construction projects etc which all demands strong National investment in manufacturing industries to produce various goods to support the community. ENGAM products will be key in the construction of various amenities that will provide outlets or enabling infrastructure to carry out all the development projects going on in the country

6.3 Rapid Industrialization Policy by the Government

The newly announced policy where the fifth phase Government forcefully driven by the President is pushing a radical industrialization policy for the economy means that there is a renewed drive to build factories, water infrastructure and other supporting infrastructure throughout the country. With construction of industry facilities also comes with dwelling houses and sanitation facilities. All these add up to increase demand for all ENGAM STEEL TUBE MILLS MANUFACTURING manufactured products that are used in the completion of these amenities.

6.4 Free Education policy

The government announced and implemented the free education policy commencing 2016 for Primary and Secondary school levels. This has put pressure on the existing infrastructure which has therefore meant that there must be more classrooms constructed in the different parts of the country more water projects to support those communities; all these are opportunities for KOM GROUP limited her manufacturing companies.

6.5 Competitive Advantages

Management is aware of the competition where that exists and is always awake to the fact that once you are at the top, it is much more difficult to stay there. They therefore always take steps to ensure that they do not relax and have other players usurp their position. Despite the competition, Tanga Cement is an established name and brand basing on the quality of company's goods relative to competitors. The following are key differentiators:-

- **Reliability**- the machinery that company expect to put in place ensures that the products are available at all times with technical people being locally available to ensure machine downtime is minimized to the barest. The foreign companies that supply the machinery provide spares and after sales services should the problem be beyond the locally trained personnel.
- Understanding what clients are trying to achieve, and helping them find theright distribution solution to create long-term relationships.

6.6 Analysis of Strengths, Weaknesses, Opportunities and Threats.

The table below presents the business's (SWOT) analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Strong customer base • Own Premises for factories installation and warehouse storages. • Strong, experienced and successful management team. • Established brand name of ENGAM • Favorable physical business location. 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Lack of adequate working capital to meet installation and other related activities.
<p>Opportunities</p> <ul style="list-style-type: none"> • Growth of population in urban area and in the country generally, estimated at 2.7% annually. • Government policy towards rapid industrialization. • Having own arranging transport facilities to distribute products to various distances. • Operating from own premises lowering costs. 	<p>Threats.</p> <ul style="list-style-type: none"> • Competition from other dealers. • Unforeseen Changes in government policies. • Volatility of domestic currency against hard currencies (dollar).

7.0 PRODUCTION OF PIPES -2021/22 PERIOD

7.1 Steel Materials Procurement Expenses

- PLAN : The Project envisages to procure about 4,788 MT of steel materials from various supplies at the year. The USD 4,690,678 are due to steel materials purchases, Transportation, Port charges, TRA Taxes whereas USD 695,400 are for administrative expenses. (see table 6.:1)
- The targeted Steel pipes that is expected to be produced at ENGAM STEEL TUBE are 1,710,513 various pcs of pipes.

The projected Steel material procurement expenses are fully described in the attached table, find herewith appended as Table 6:1

TABLE 2 – PROPOSED STEEL MATERIALS PROCUREMENT EXPENSES 2021/022

(Purchases Estimates – 4,788MT STEELS MATERIALS).

ENGAM ENTERPRISES COMPANY LIMITED

Table No. 6:1 Steel Tube Mill Manufacturing expenses: 2021/022

Production expenses

S/NO	DESCRIPTION	EXPENSES FOR 1.0 TONE/RATE	TOTAL EXPENSES FOR 4,788 MT STEEL METAL
A:	<u>OPERATING EXPENSES</u>	USD	(USD)
1.	Purchases-Raw Materials(COIL STEEL)	671,229	3,213,844
2.	Transport Charges (DAR-KHM) - Coils	60,830	291,254
3.	Import Duty & TAXES - Coils	162,008	775,694
4.	Port Handling Charges (others)	57,014	272,983
5.	Plant –Repair &Maintenance	15,519	74,306
6.	Electricity & Utility Power	10,823	51,818
7.	Fuel and Lubricant & Water	2,251	10,779
	SUBTOTAL	2,263	4,690,678
B:	<u>ADMINISTRATIVE EXPENSES</u>		
1.	Salaries (+ NSSF/PAYE/SDL)	16,418	78,611
2.	Wages (casual labour)	8,874	42,490
3.	Finance Cost (+ Bank Charges/Interest)	23,810	114,000
4.	Telephone/interest/IT expenses	5,346	25,598
5.	Legal fees (Auditors/Advocate)	4,112	19,691
6.	GENERAL/Miscellanea expenses	86,677	415,010
	SUBTOTAL	145/15	695,400
	GRAND TOTAL EXPENSES	1,124/91	5,386,078

SALARIES AND WAGES – 2021/22 - LOCAL CURRENCY : TZS

S/NO	EMPLOYEE	REQUIRED	ANNUALLY	MONTHLY	TOTAL
1.	General Manager	1	12	2,000,000	24,000,000
2.	HRM/ADMIN	1	12	1,500,000	18,000,000
3.	Accountant	1	12	1,500,000	18,000,000
4.	Production Manager	1	12	1,000,000	12,000,000
5.	Marketing Manager	1	12	1,600,000	12,000,000
6.	Engineer	1	12	1,200,000	14,400,000
7.	Operation/Transport Manager	1	12	700,000	8,400,000
8.	Electrician	1	12	700,000	7,200,000
9.	Plant Technician	2	12	600,000	14,400,000
10.	Storekeeper	1	12	450,000	5,400,000
11.	Security Officer	1	12	350,000	4,200,000
12.	Supportive Worker	6	12	300,000	21,600,000
SALARIES	TOTAL	18	12	725,000	156,600,000

NARRATION

Securities payable = 156,000,000/00

Add 10% = 15,600,000/00

Pay roll/SDL 6% = 9,396,000/00

Grand Total = 181,596,000/00

8:0 FINANCIAL PLAN

This section sets out proposed project financing plan, financing needs, financing estimated project investment costs for 2021/2022 and the proposed security for applied facility.

8:1 Finance required

The company wishes to apply for a variety of finance options as tabulated below and thus consolidating all its finances under one umbrella as under

PROJECT FINANCING PLAN – TABLE NO.7: ATTACHED

FINANCIAL INVESTMENT PLAN (USD)					
SOURCE	EXISTING	NEW FUNDING		TOTAL USD	GEARING RATIO
		USD	USD		
PROMOTER'S EQUITY	803,201	321,364	-	1,124,565	34%
PREVIOUS BANK LOAN	69,264	-	487,284	566,558	18%
PREVIOUS BANK O/D	34,632	-	-	34,632	2%
FINANCING BANK LOAN (IN PROCESS)	-	-	681,818	681,818	20%
FINANCING BANK L/C (IN PROCESS)	-	-	890,238	890,238	26%
TOTAL FINANCE	907,097	321,364	2,069,350	3,297,811	100%

TABLE NO 8. ESTIMATED PROJECT INVESTMENT

VALUE (TZS/USD)

ESTIMATED PROJECT INVESTMENT COST (TZS & USD)				
ITEM DESCRIPTION	EXISTING (OWN) USD	PROPOSED/ ADDITIONS		TOTAL USD''000''
		LOCALITY(USD)	FOREIGN(USD)	
LAND	56,920	-	-	56,920
BUILDINGS	454,549	323,364	-	775,913
PLANT, MACHINARY & EQUIPMENT	-	-	681,818	681,818
ANCILLARY VEHICLE	36,190	-	86,580	122,770
COMMERCIAL VEHICLE	136,905	-	410,714	547,619
FURNITURE & FITTINGS (OFFICE EQUIPMENT	30,519	-	-	30,519
TOTAL FIXED ASSETS	715,084	321,364	1,179,112	2,215,560
ADDITIONAL WORK KING CAPITAL	192,013	-	890,238	1,082,251
TOTAL PROJETCT INVESTEMENT COST	907,097	321,364	2,069,350	3,297,811

SECURITY PROPERTIES – DEVELOPED INDUSTRIAL SITE 2021

S/N	PARTICULARS	QTY	AMOUNT (USD)
1.	<p>PLOT NO: 648 BLOCK “A” <u>AT ZONGOMELA-KAHAMA</u></p> <p>AREA: 3900 SQ METRES TITLE: 1294</p> <p>ERECT: GODOWN, OFFICE AND SET TOILET BUILDING</p>	1	32,835
		SET	254,187
			287,022
2.	<p>PLOT NO: 919 BLOCK “A” I <u>AT ZONGOMELA-KAHAMA</u></p> <p>AREA: 3,875 SQ METRES TITLE: 1310</p> <p>ERECT: GODOWN WAREHOUSE COMPLEX S E T</p> <p>FOR INSTALLING STEEL TUBE MILL PLANT</p>	1	24,089
		SET	521,722
			545,811
	GRAND TOTAL		832,833

**PLANT AND MACHINERY INVESTMENT
ERW STEEL TUBE MILL MACHINERY – PROSPECTIVE INVESTMENT**

B/N	PARTICULAR	UNIT	QTY	RATE	AMOUNT
#	STEEL TUBE MILL PLANT WITH THE FOLLOWING COMPONENT				
1	AIR TUBE MILL COMPLETE ASSY ASSY FORMING MACHINE	ASSY	1	411,255	411,255
2	STEEL CUTTING TO LENGTH 1 COMPLETE SET WITH COUNTING AND SIZING MACHINE (SHEARING) & SLITTING MACHINE		1	194,805	194,805
3	SUSPENDED MOVING INDUSTRIAL CRANE		1	75,758	75,758
	TOTAL			681,818	681,818

OTHER EQUIPMENTS

ENGAM ENTERPRISES COMPANY LIMITED

TABLE 11:

PROJECT VEHICLE REQUIREMENT-2021-2022

S/NO	ITEMS	CITY	RATE USD	TOTAL AMOUNT USD
1	LARGE TRUCKS			
	CHINESE-SINO TRUCK	10	38,353	383,333
	-TRAILERS	10	16,429	<u>164,286</u>
			SUB TOTAL	547,619
2	SMALL VEHICLES			
	-TOYOTA LANDCRUISER	2	32,576	65,152
	-TOYOTA L/C SALOON-4 DOOR	1	28,354	<u>28,354</u>
			SUBTOTAL	93,506
3	MOTOR CYCLES			
	CHINESE-SANLG	3	952	2,857
	BAJAJ-TVS	2	2,380	4,762
	FORK LIFT	2	10,823	<u>21,645</u>
			SUBTOTAL	<u>29,264</u>
			GRAND TOTAL	670,389

9.0: FINANCIAL ANALYSIS

The company has not gone into this decision blindly as a proper market research has been conducted. Clearly, there is guaranteed demand for all their manufactured products as described above despite the fact that many economic transformations are happening in the country.

The shareholders are already established business and have demonstrated great management skills in growing the existing and in diversified businesses. They are heeding the government's call to help industrialize the country which promotes self-employment spirit, local entrepreneurs, income-generation, financial deepening, and provides employment to local people as well. Shareholders have **invested a in buildings**, storage facilities, infrastructure, plants and machinery to follow which demonstrates investment commitment as per annexure 1- estimates project investment The income when accruing to the employees helps to uplift family's welfare in poverty alleviation. Expansion of the business means that there are more employment opportunities opening up for the local population.

Therefore, securing a credit, facility applied will triple company's turnover, profitability and net worth.

9.1: PROJECTED PROFIT AND LOSS STATEMENTS

The projected profit and loss account are presented as on **annexure No. 2** to this report. The various assumptions underlying the project performance have been discussed above. On the basis of these assumptions, the project is expected to make a profit of TZS 1,212,706 million in year one, increasing to USD 1,856,228 in year four. Appendix 2 shows more details.

9:2 INTEREST AND LOAN REPAYMENT

It's anticipated the project will take foreign currency loan of USD 1,179,113 (or equivalent) from a bank. The term loan is expected to have the following terms and condition.

Principle Amount (term loan) - USD 1,179,113

Interest Rate (principle) - 7%

Repayment - USD 1,179,113

The Loan is assured to be repaid over a period of 4 years.

PRINCIPAL LOAN REPAYMENT will be affected by equal USD 294,778 per annum

INTEREST AND LOAN REPAYMENT SCHEDULE

Loan amount	- USD 1,175,112
Annual Interest Rate	- 7%
Grace Period	- 1 year
Total Interest payment	- USD 190,860
Total Principle payment	- USD 1,179,112
Total Amount	- USD 1,369,972

Annexure 3: Projected & Loan repayment schedule

Year	1	2	3	4	5	TOTAL
INTEREST PAYMENT	Grace period (USD)	82,538	56,126	31,562	20,634	190,860
PRINCIPAL LOAN REPAYMENT	(USD)	294,778	294,778	294,778	294,778	1,179,112
PRINCIPAL LOAN BALANCE	USD 1,179,112	884,334	589,556	294,778	NIL	NIL
TOTAL PAYMENT	USD	377,316	728,220	1,054,560	1,369,972	1,369,972

9.3: PROJECTED CASH FLOWS

The detailed cash flow projections are summarized in a separate analysis attached hereto. Net cash generation looks health throughout the projected period. The projections do indicate how profitable steel industry is and leaves no doubt that the health cash position will be able to meet its short and long term financial obligations.

The projected cash flow of the project is presented as Annexure 4. Due to the reasonable profitability of the project, cash build up will be fast. The project will start with a net cash surplus of USD 1,212,700 during year one of production. By year five the net cash flow is projected to reach USD 1,856,228.

9.4 DISCOUNTED CASH FLOW

9.4.1 : INTERNAL RATE OF RETURN – (IRR)

The internal rate of return on total investment as well as equity is both attractive.

The internal rate of return on total investment is 63.1% and is seen to be well above the capital lending rates in the market under all probable adverse conditions. The highest lending rate in the market at this time of making this report is.

The Net Present Value (NPV) has been calculated as USD 3,389,662.

These indicators imply that proposed project is financial viable, and thus it should be implemented.

9.5 :THE SENSITIVITY ANALYSIS

In this study two variable have been tested for sensitivity:

10% Decrease in Revenue and 10% Increase in Investment Costs.

10% decrease in revenue gives the following indicators:

- **Net Present Value becomes USD 2,801,380**
- **Internal Rate of Return drops to 49.4%.**

From above sensitivity test we can easily conclude that this project is relatively sensitive to both decrease in business. However, a price reduction of 10% does not affect financial viability of the project.

10% Increase in investment costs brings about the following indicators:

- **Net Present Value becomes USD 2,801,380**
- **Internal Rate of Return drops to 61.5%.**

This implies that the project is also not adversely affected by a 10% increase in investment costs, as the indicators still depict financial viability. It is worth noting that the project is more sensitive to decrease in revenue than an increase in investment costs.

9:6 ECONOMIC EFFECTS

The proposed ENGAM STEEL TUBE PLANT has a number of development values to the Country

BACKWARD LINKAGE

- a) The project will provide additional facilities for steel tube mills production that previously were being imported from outside countries.
- b) The project when fully implemented will stimulate construction growth, especially availability of steel pipes in the Lake zone.

9:7 FORWARD LINKAGES

C) EMPLOYMENT EFFECTS

The project will make significant addition to both employment opportunities and the distribution of income particularly for unskilled casual laborers.

The project will create direct jobs for at least 60 people.

- a) Manufacturing Mill Distributors as whole in the business industry.
- b) Construction engineering for pipes demands.
- c) Transport sector by transporting steel material, distribution of produced steel pipes to the factories and customers respectively

9.8 ENVIROMENTAL EFFECTS:

The major environmental effect in any steel tube plant is forged irons and other solid matter.

Disposes of these not a problem while other foreign matter are simply carried out.

10.0 CONCLUSION AND RECOMENDATIONS

10.1 Conclusion

- i. This privately owned company will be operated efficiently with overheads kept to minimum. This way the company would be in a position to secure loan to ensure that the stakeholder would receive their realization on time. In any case promoters are injecting some fund from the start of the steel raw material procurement
- ii. After an initial tax holiday as a result of Tanzania's Investment promotion policy the factory would be paying income tax.
- iii. The statutory Authorities, would benefit from levies to be paid by the millers on an annual basis.
- iv. The project will generate employment opportunities to about 60 people and several other casual workers will be employed during the milling period.

10.2: Recommendation

Since the project is socially desirable, technically feasible, financially and economically viable, a fast implementation of the venture is highly recommended to fill a substantial gap in the steel pipes producing capacity.

The detailed discussion in the previous sections reveals that, this businesses financially viable and economically justifiable. The need to triple production in steel tube mills business is in line with demand supply gap, government policy to industrialize the country and have fully sensitized through its campaign of feel proud of Tanzania indigenous products utilization.

Management analysis also shows that the key staff will be well trained in the industry with integrity and goodwill in the market.

Socio-economic analysis depicts that the company plays big role in improving people living standard, modernizing the community, impacting new skills and technology transfer.

It is, therefore, recommended that the business deserves favorable financing consideration for the total exposure of TZS 2,723.7 Million as term loan and TZS 2.5 Million as supporting LC commodities importation.

Conclusively, its reflecting that the ENGAM steel tube mill industrial business will be profitable and beneficial to all interested stakeholders including sponsors themselves, financiers and public as a whole.

Therefore every support financially and mankind inside and outside the country should be given priority so as to implement and accomplish the project achievement in time.

We hereby beg to deliver.

“ENGAM ENTERPRISES COMPANY LIMITED”

EMMANUEL WILLIAM MAGEME
CHAIRMAN/MANAGING DIRECTOR

Enclosures Annexures appended

ENGAM ENTERPRISES COMPANY LIMITED

PROJECTED INCOME STATEMENT FOR 5 YEARS

ITEM/YEAR	2021	2022	2023	2024	2025
SALE REVENUE	16,443,322	18,087,655	19,896,421	22,880,885	25,168,974
LESS:					
COST OF SALES	10,834,969	11,918,466	13,110,313	15,076,860	16,584,546
ADMINISTRATIVE/DISTRIBUTION EXPENSES	1,343,082	1,477,347	1,625,082	1,868,845	2,055,730
FINANCE-COST(BANK /CHARGES/INT.)	263,340	289,674	318,642	366,439	403,083
PROFIT BEFORE TAXATION	4,001,971	4,402,168	4,812,375	5,568,741	6,125,615
TAXATION CHARGES (30%)	1,200,591	1,320,650	1,452,713	1,670,623	1,837,685
PROFIT/LOSS FOR THE YEAR	2,801,380	3,082,000	3,389,662	3,898,118	4,287,930
OTHER COMPREHENSIVE INCOME					
PROFIT FOR THE YEAR	2,801,380	3,082,000	3,389,662	3,898,118	4,287,930

ENGAM ENTERPRISES COMPANY LIMITED

Annexure 2: Projected statement of Profit/Loss & other Comprehensive Income

DESCRIPTION (IN USD)	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	2020/21	2021/22	2022/23	2023/24	2024/25
Revenue (in USD)	In USD	In USD	In USD	In USD	In USD
Sales – Steel Pipes	7,118,321	7,830,153	8,613,168	9,905,143	10,895,657
Cost of sales	4,690,463	5,159,509	5,675,460	6,526,779	7,179,457
Gross Profit	2,427,858	2,670,644	2,937,708	3,378,364	3,716,200
LESS					
Administrative/ Distribution Costs	581,421	639,563	703,519	809,047	889,952
Finance Cost(Bank expense	114,000	125,400	137,940	158,631	174,494
Profit before Tax Income	1,732,437	1,905,681	2,096,249	2,410,686	2,651,754
Taxation charges(30%)	519,731	571,704	628,874	923,205	795,526
Profit/Loss for the yaer	1,212,706	1,333,977	1,467,375	1,687,481	1,856,228
Other Comprehensive Income	-	-	-	-	-
Profit for the year	1,212,706	1,333,977	1,467,375	1,687,481	1,856,228

STEEL PIPES PRICING STRUCTURE: 2021

		PER UNIT DETAIL				PER COIL(4,000KG)				PER DAY(18,000KG)			PER 10 Monthsx 26days/Ann11m		
		WEIGHT (KG)	PRODUCT ONCO T	EX- FACTORY TZS	RETAIL TZS	PIPE PCS	PROO COST "000"	EX FACTORY "0000	RETAIL "00001'	PRODCos "000Q"	Ex- FACTORY "000Q"	RETAIL "000"	PROO COST "000!"	EX . FACTORY "000"	RETAIL "000"
	3/4" X 3/4"	2,3	70,000	9,500	11,000	1429	10,003	13,576	15,715	45,003	61,076	70,719	11,970,798	16,246,216	18,811,254
	1 x 1	3,2	8,500	11,000	12,500	1,250	10,625	13,750	15,625	47,813	61,875	70,313	12,718,258	16,458,750	18,703,258
	1 X 1 H	3,6	9,500	12,500	14,000	6,111	10,555	13,888	15,555	47,500	62,500	70,000	12,635,000	16,625,000	18,620,000
	TOTAL	9,6	25,000	33,000	37,500	3,790	36,183	41,214	46,884	140,316	185,451	211,032	37,324,056	49,329,966	56,134,512
	AVERAGE	3,2	8,333	11,000	12,500	1,263	10,394	13,728	15,633	46,772	61,817	70,344	12,441,352	16,443,322	18,711,504
	1 in 1:=2,196,893 Sin 1:=8,787,872 (53,820.68												COIL 1,197PCS	G.PROFIT 4,001,970	

Annex 4.1 : Cash Flow Statement						
DESCRIPTION	YEAR					
	Year 1	Year 2	Year 3	Year 4	Year 5	
Cash inflows						
Equity	3,297,810	3,297,810	3,297,810	3,297,810	3,297,810.00	
Loan	1,175,112					
Profit before capital charges	1,212,700	1,351,580	1,578,690	1,789,005	1,856,228	
Total Cash Inflows	5,685,622	4,649,390	4,876,500	5,086,815	5,154,038	
Cash Outflows						
Investment						
Fixed Assets	715,084					
Initial Working Capital	1,082,251					
Corporate Tax	1,200,591	1,320,650	1,452,713	1,670,623	1,837,685	
Loan repayment	235,022	235,022	235,022	235,022	235,022	
Total Cash Outflow	3,232,948	1,555,672	1,687,735	1,905,645	2,072,707	
Net Cash flow	2,452,674	3,093,718	3,188,765	3,181,170	3,081,331	
Commulative cash flow	2,452,674	5,546,392	8,735,157	11,916,327	14,997,658	

Annex 4.2 : Cash Flow Statement													
Description	Month												Year
	December	January	February	March	April	May	June	July	August	Septem	October	November	1
Cash inflow:													
Cash equity	1,915,084												1,915,084
Bank loan	1,175,112												1,175,112
Sales revenue	1,678,908	1,370,276	1,370,276	1,370,276	1,370,276	1,370,276	1,370,276	1,370,276	1,370,276	1,532,098	1,112,009	1,158,099	16,443,322
Total Cash Inflow	4,769,104	1,370,276	1,370,276	1,370,276	1,370,276	1,370,276	1,370,276	1,370,276	1,370,276	1,532,098	1,112,009	1,158,099	19,533,518
Cash outflow:													
Fixed Assets	832,833												
Operational Cost	42,758	42,758	42,758	42,758	42,758	42,758	42,758	42,758	42,758	42,758	42,758	42,758	513,096
ManPower	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	43,200
working Capital												1,082,251	1,082,251
Loan Repayment	0	0	0	0	0	0	15,905	15,905	15,905	15,905	15,905	15,905	95,430
Tax													1,200,591
Total Cash outflow	879,191	46,358	46,358	46,358	46,358	46,358	62,263	62,263	62,263	62,263	62,263	1,144,514	2,934,568
Net cash flow	3,889,913	1,323,918	1,323,918	1,323,918	1,323,918	1,323,918	1,308,013	1,308,013	1,308,013	1,469,835	1,049,746	13,585	16,966,708
Accum.cash flow	3,889,913	5,213,831	6,537,749	7,861,667	9,185,585	10,509,503	11,817,516	13,125,529	14,433,542	15,903,377	16,953,123	16,966,708	132,398,043

ENGAM ENTERPRISES COMPANY LIMITED					
Balance Sheet Projections					
Year	Year 1	Year 2	Year 3	Year 4	Year 5
CURRENT ASSETS					
Cash	2,452,674	5,546,392	8,735,157	11,916,327	14,997,658
Working Capital	1,082,251	787,511	787,511	787,511	787,511
Total Current Assets	3,534,925	6,333,903	9,522,668	12,703,838	15,785,169
CURRENT LIABILITIES					
Inventory & Payments	936,174	3,408,414	6,270,441	9,128,737	11,824,731
NET CURRENT ASSETS	2,598,751	2,925,489	3,252,227	3,575,101	3,960,438
FIXED ASSETS (NET DEP.)					
Motor Vehicle	479,167	410,714	342,262	273,810	205,357
Furniture & Fittings	26,704	22,889	19,074	15,260	11,445
Land and Buildings	812,012	791,191	770,371	812,012	791,191
Total Fixed Assets	1,317,883	1,224,795	1,131,707	1,101,081	1,007,993
TOTAL ASSETS	3,916,634	4,150,284	4,383,934	4,676,182	4,968,431
REPRESENTED BY:					
Equity	2,493,222	2,493,222	2,493,222	2,493,222	2,493,222
Retained Earnings	248,300	481,950	715,599	1,007,848	1,300,097
Loan	1,175,112	1,175,112	1,175,112	1,175,112	1,175,112
TOTAL	3,916,634	4,150,284	4,383,933	4,676,182	4,968,431

ENGAM ENTERPRISES COMPANY LIMITED

11.0 PROJECT IMPLEMENTATION SCHEDULE FOR ENGAM STEEL TUDE MILL PLANT

	ACTIVITY PROGRAM	ESTIMATEDDATE TO START	ESTIMATEDDATE TO END	STATUS
1	Project concept and feasibility study conducted	JAN/FEB 2021	MIOMARCH 2021	STARTED
2	Acquisition of factory land and site preparation: some structural trailer ordered	JUNE .2020	ISJAN 2021	ACQUIRED
3	Environment assessment	FEB 20.21	27 MARCH 2021	APPLJED
4	Getting TIC certification documents and licensing (certificate of Incentive)	FEB 2021	WITHIN FEB 2021	APPLIED
5	Technical designs (architectural, engineering, mechanical): setup of all necessary fact ory.	JAN 2021	APRIL 2021	WORK PROGRESS
5;	Manufacturing plant/ machinery importing	MARCH 2021	APRIL 2021	IN PROCESS
7	Shipping, clearance. And release up to .site	A.PRIL .2021	MAY 2021	EX.PECTED
8	Installation and commissioning	JUNE 2021	JULY 2021	EXPECTED
9	Submission of loan facility . application, approval by lender and credit insurer	FEB 2021	MARCH 2021	TIS
10	Recruitment and Training of staff	JUNE 2021	OCT 2021	MGT
11	Steel Metal/Coils Raw Materials Procurement	JUNE 2021	OCT 2021	L/D