

FUYU HARDWARE COMPANY LIMITED

FUYU HARDWARE COMPANY LIMITED

BUSINESS PLAN

FOR

ESTABLISHMENT OF STEEL ROLLING MILLS

FUYU HARDWARE COMPANY LIMITED

1.0. EXECUTIVE SUMMARY.

FUYU HARDWARE COMPANY LIMITED is a private business company incorporated in the United Republic of Tanzania with Certificate of incorporation No. 148422710 issued on 29th December 2020 the main line of production steel bars and related products.

The proposed business plan is therefore a result of knowledge and experience that has been accumulated over 15 years, the proposed new iron mill at is an ambitious undertaking by the company to enhance business by setting up a mill with production capacity from 5,000 metric tons per year where the following products will be produced:

- Reinforced iron bar
- Hollow Section
- pipes
- Black pipe
- Square pipe, Nails
- Mild Steel sheets
- Any other steel related products

The proposed new rolling mill estimated to cost US\$ 2,649,000 and creating new employment of 80 local people.

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1.1 LEGAL STATUS AND COMPANY BACK GROUND BRIEF

FUYU HARDWARE COMPANY LIMITED bears the certificate of registration No. No. 148422710 issued on 29th December 2020 by BRELA.

The shareholders of FUYU HARDWARE COMPANY LIMITED are reputed business family from China; they have been in building materials business for more than 25 years. The share capital of the Company is Fifty Million (Tsh 50,000,000/=) divided into five Thousand (5000) shares of Tsh TenThousand (Tsh 10,000/=)each,

The company is owned by three shareholders, namely: –

Name	% of share owned	Nationality
Lan Haotin P.O. Box 166 Morogoro	0.7	Chinese
Chen Wei P.O. Box 166 Morogoro	0.7	Chinese
Li Jiyu P.O. Box 166 Morogoro	0.6	Chinese
Unallotted shares	98	

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All the directors of the company are therefore well versed people in the business operations, having been engaged in the business for a period ranging between 10 to 20 years, equipped with the wide experience in the business as explained above, the directors of the company are optimistic of successful implementation of the proposed project.

1.2 LOCATION.

The project is located at Plot No.248/9 Mandela Road, Tabata Matumbi Industrial Area, Ilala, Dar es Salaam.

1.3 MISSION

Prompt and professionally high-quality service delivery to customers, aimed at ensuring that they realize the highest value for money, thereby increasing the market share and seizure of every available opportunity for the company's growth.

1.4 Core Values

Service provision with commitment, integrity and creativity while treating each customer as if they were the company's only customer

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1.5 PROJECT SPONSOR

Project will be financed by partially by shareholders and loan from financial institution

2.0 BASIS OF THE BUSINESS PLAN

A study based on rapid appraisal surveys was conducted prior to, and as the basis of preparation of this plan, the surveys were based on the following objectives and approach:

2.1 Study Objectives:

- a) To analyze the relevant market and other factors impacting upon the supply and demand of reinforcement bars and other steel products in the short, medium and long term requirements
- b) To examine the physical and operational characteristics of the existing market in order to determine the positioning of the proposed company's business in the market place.
- c) To conceptualize the proposed company's production and business operations, assess their economic viability, commercial profitability, social feasibility and provide a vision as to how the planned objectives should be realized.

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- d) To provide supporting documentation required for new steel mills for TIC and also in accessing credit facilities required in the financing of the investment capital.

2.2 Study Approach:

- a) Participatory: Semi- structured interview and discussion were held with the Company's Directors, stakeholders in steel works and related businesses
- b) Physical visits to the company's main business premises
- c) A brief market survey on steel industries in Tanzania, Characteristics of demand and the general market structure of metal and steel products, competition among suppliers and producers in the market.
- d) Conduction of profitability/viability test of the investment, using the appropriate financial projections for the initial period of five years proposed for the business operations.

3.0 THE PROJECT

3.1 Project Concept

The project involves establishing a new steel foundry; this will include construction of and installations of modern machines, purchasing vehicles, new generator etc.

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The planned production capacity is 5,000 metric tons per year. wholesale price per ton estimated to be \$1,500 per ton

3.2 Project planned business project will entail the following main activities:

- Making shopping visit to China, India and other supplier countries to identify the suitable and appropriate machinery and raw materials for the planned project.
- Construction of the steel rolling mills factory building, workshop, storage facilities.
- Ordering of the foundry and steel mills machinery, motor vehicles and their assorted and equipment from China and other overseas suppliers and entering into agreements for the purchase/ acquisition of those assets.
- Consigning the purchased machinery and motor vehicles including all the equipment and accessories from countries of their origin to Tanzania
- Clearing of all the purchased goods from the ports of entry and transporting them to the company's premises
- Installation of the machinery, registration, insuring and licensing of the vehicles ready for deployment in the company's business

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3.3 Project Objectives

3.3.1 Development Objectives:

FUYU HARDWARE COMPANY LIMITED aims at playing a significant role in the participation of the company in the efforts to maximize exploitation of the largely existing business potential in manufacturing industry particularly in metallurgical processing.

3.3.2 Immediate Objectives:

- a) To build and operate a steel rolling mills and installed production capacity of 5,000 metric tons per year, of various steel products, mainly for construction reinforcements and metal fabrications
- b) Enhancing the country's capacity to utilize its iron ore deposits and related natural resources when their commercial exploitation begins,
- c) Creating employment opportunities to skilled and semi skilled Tanzanians in both the metallurgical industrial operations, including their supplies and distribution in the company's business.

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4.0 Overview of the Manufacturing Sector and Steel industry in Tanzania

4.1 The economy

Tanzania is one of the fastest growing economies in Africa, thanks to the sustained economic reforms which are being undertaken since the late 1980's.

The country's economy has been constantly growing since mid 1990's by average of 5.9%, and now growing at average of 7% which make Tanzania economy to be among the fastest growing economy in Africa and world at large. The overall vision is to transform the sector of the economy from the present level of per capita GDP of about US\$867 to medium developed country with an average per capita GDP of around US\$2,500 (National Development Vision 2025), the GDP from manufacturing 926,333TZSmillion.

4.2 Manufacturing Industry

Manufacturing in Tanzania Tanzania's manufacturing sector generated USD 4.1 billion (8% of GDP) in 2018, compared to USD 3 billion in 2014, representing an increase of 39%. Since agriculture is the mainstay of the Tanzanian economy, the manufacturing industry is centered around the processing of local agricultural goods. The manufacturing sector in Tanzania consists mainly of food

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processing (24%), textiles and clothing (10%), chemicals (8.5%), and others, including beverages, leather and leather products, paper and paper products, publishing and printing, and plastics. Export of Tanzanian manufactured goods include cotton yarn, processed coffee and tobacco, sisal products (yarn and twine), wheat flour, plastic items, textile apparel, and cement. Tanzania's manufactured goods export reached USD 795 million in 2018, compared to USD 1.2 billion in 2014 (-36%), and accounting for 18% of the total value of goods export. Tanzania Key Industries Tanzania Agribusiness Currently, the majority of crops in Tanzania are marketed in their raw forms, while value-addition to agricultural products is mostly on a small-scale secondary level. Still, the Tanzanian agriculture value-added net output increased by 46% during the period 2012-2017, from USD 10.5 billion to USD 15.3 billion. Currently, value-added products in Tanzania include cotton yarn, manufactured coffee and tobacco, sisal products (yarn and twine), and wheat flour. In line with the 2025 Vision of the Ministry of Agriculture, Food and Cooperatives of Tanzania, there should be at least two new products developed from each of the staple crops, horticultural crops, livestock, and fisheries by that year. Tanzania Construction Materials Construction materials in Tanzania include cement and

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cement products, bricks and building blocks, wood building columns, and others. Tanzania's cement production amounted to 4.5 million tonnes in 2018, compared to 2.8 million tonnes in 2014, representing an increase of 61%. The Tanzania Portland Cement Company (TPCC) is the leading company in Tanzania's cement industry, holding 36% of the market share. The company's production of cement stands at 2 million tonnes per year as a result of the construction of a new Cement Mill (CM5), completed in 2014. Africa's leading cement producer, Dangote Cement, commissioned the largest cement factory in Tanzania (the Mtwara plant) in December 2015. The Tanzanian plant is part of Dangote's regional plan to shift Africa from cement importer to producer, raising the yearly production by 25 million tonnes per annum. Tanzania Industrialization The Government of Tanzania focuses on industrialization as the main catalyst to transform the economy, generate sustainable growth, and reduce poverty. The Government of Tanzania introduced its Sustainable Industrial Development Policy (SIDP) in 1996 to phase itself out of investing directly in productive activities and let the private sector take that role. The main purpose of the Government's SIDP is to design a plan for industrializing Tanzania so that the country becomes semi-industrialized by 2025. In order for

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Tanzania to become a semi-industrialized country, the contribution of manufacturing to the national economy must reach a minimum of 40% of the GDP by 2025. Foreign Direct Investments (FDIs) are expected to provide the capital for the desired industrial development.

4.2.1 Steel processing industry

Tanzania had around 21 steel industries which used to produce approximately 200,000tons of steel products per annum. The industry uses mainly scrap metal as its raw materials, most of which is obtained locally, however due to growing demand, producers are sometimes forced to import scrap metal from neighboring countries, where there is excess of the materials, which can be obtained at competitive prices. Due to financial difficulties and lack of adequate supply of raw materials some of the rolling mills have closed down their production lines, leaving only 14 industries in production at the moment.

According to NDC, it is estimated that demand for billets by the local steel industries is between 700,000 to 1,000,000 tons.

Tanzania is endowed with iron ore deposit at Katewaka, Ludewa district in Iringa region, Liganga and Mchuchuma in

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Mbeya region and some parts of Morogoro region where studies have confirmed huge deposits. The remaining 2% is used for other metallurgy products, bio-chemicals and other chemical products. The development of steel processing industry in the country is therefore expected to greatly benefit from these findings in a very near future.

FUYU HARDWARE COMPANY LIMITED is poised to exploit to the maximum, the anticipated development in this Sector for its own enhanced growth.

5.0 BUSINESS ENVIRONMENT ANALYSIS;

5.1 Internal Approach;

5.1.1 Management:

FUYU HARDWARE COMPANY LIMITED as a corporate entity is managed under the Board of Directors. Day to day management of its conducted under the company's Managing Director who is also CEO- Chen Wei who is also the founder of the company. He is as explained earlier a well experienced businessman. He has been in the business since over 15 years in managerial level.

This project is his brain child. He is therefore well prepared to embark on implementation of the proposed project and in the successful operation of its business thereafter.

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The Managing Director will be closely assisted by well qualified professionals in the steel industry, forging process, metallurgical industrial management and operations. The company managers, heads of departments and operational staff for the rolling mills will be recruited for their competence, experience and good track record in their respective fields and in previous employments. 80 people to be employed by the project.

Employment	Foreign Skilled	Local Skilled	Local Unskilled	Total
Women	2	5	10	17
Men	8	15	40	63
TOTAL	10	20	50	80

5.1.2 Technical Aspect;

Plant, Machinery & Equipment; **FUYU HARDWARE COMPANY LIMITED** is planning to use the best and most suitable technology available for the planned steel rolling mills and allied activities in the factory. All the machines will be the modern items in the market today but not wholly automated. This is to avoid acquisition of the ultra high tech, state of the art equipment and machinery, which cannot be easily maintained in the country for maximum efficiency and productivity.

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Since these machines are not available in the local market, the company will import all of them. The company already started negotiations with machines suppliers from **China and India**; the deal is expected to be closed in the near future.

Due quality of machines to be used in production, the wastage is estimated to be around **10 –15%**

5.2 External Environment:

5.2.1 The market:

FUYU HARDWARE COMPANY LIMITED marketing policy aim at two objectives:

- further penetration/ entrenchment into the market's main segments to increase and retain a larger market share
- Early investment cost recovery to enhance economic viability of the company's business and expedite its growth.

The policy will be hinged on continual conduction of market surveys as a way of establishing current market situations and also as the means of enabling the company to develop marketing strategies which will facilitate achievement of set out sales goals, on monthly and annual basis. Surveys will enable the company to identify the potential market for its

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products and plan strategies for its penetration. The aim is to maximize penetration of new market and retain the market segments which the company shall have already won.

The steel products market situation in the country is characterized by about 70% of the demand being supplied by internal manufacturers, while the remaining 30% is supplied by imports. Currently there are about 14 steel processing factories in the country, 10 are concentrated in Dar es Salaam, 2 are in Arusha and other 2 are in Mwanza Construction industry which is estimated to consume between 80%–85% of all steel products in the local market, has been also growing over years. The contribution of manufacturing activity to GDP increased to 8.1% in 2018 from 7.7% in 2017.

The market surveys conducted during feasibility study for this project established that, demand for steel products in the country is growing with each passing year.

5.2.1.1 Market Potential:

As explained in the topic above, the demand for steel products is on the rise, while the construction sector is one of fastest growing sectors in the country, with new rise

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buildings being constructed every day, the fifth Government initiative of industrialization, construction of economic infrastructure such as standard gauge, improvement of ports, fly over, etc all these create the demand for steel products in the country.

5.2.1.2 Competition:

FUYU HARDWARE COMPANY LIMITED is expecting to face competition from local manufacturers and importers has mentioned above already management is well prepared for that with production capacity of 5,000 metric tons per year

6.0 PROJECT OPERATING COSTS

In order to realize its intended objective, the project operating costs will be 80% of total revenue.

7.0 REVENUE ASSUMPTIONS

- For the purpose of this project all revenue will come from steel products produced
- The annual revenue to grow by 10% annually
- Revenue projections are based on experiences gained by the firm for being in the market for five years now.

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8.0 CONCLUSION AND RECOMMENDATION

8.1 Conclusion

The project is viable and profitable throughout the project period, after the foregoing economic and financial evaluation of the project; we strongly recommend that **FUYU HARDWARE COMPANY LIMITED** Board of Directors approval and accept the business proposal. The new project deserves this support because of its viability, since it is technical feasible, economically viable and socially acceptable

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App
endix I

FUYU HARDWARE COMPANY LIMITED COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	40,000.00
Machinery & Equipment	1,400,000.00
Motor Vehicles	200,000.00
Furniture & Fixtures	2,000.00
Pre exp	2,000.00
Others	5,000.00
Working Capital	1,000,000.00
TOTAL	2,649,000.00

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Appendix II

FUYU HARDWARE COMPANY LIMITED PROJECTED PAYBACK PERIOD

NAME OF ASSETS	1	2	3	4	5
Land And Buildings	40,000	39,200	37,760	36,320	35,520
Machinery, Tools & Equipment	1,400,000	1,370,000	1,340,000	1,310,000	1,280,000
Motor Vehicles	200,000	190,000	186,500	176,500	166,500
Furniture & Fixtures	2,000	1,800	1,600	1,400	1,200
Total	1,642,000	1,601,000	1,565,860	1,524,220	1,483,220
DEPRECIATION	1	2	3	4	5
Land and buildings	800	800	1,440	1,440	800
Machinery tools & Equipment	70,000	70,000	70,000	70,000	70,000
Motor Vehicles	10,000	10,000	3,500	10,000	10,000
Furniture & Fixtures	200	200	200	200	200
ANNUAL DEPRECIATION	81,000	81,000	75,140	81,640	81,000

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Appendix III

FUYU HARDWARE COMPANY LIMITED PROJECTED
INCOME & EXPENDITURE STATEMENT (US\$)

	1	2	3	4	5
Revenue	7,500,000.00	8,100,000.00	8,748,000.00	9,447,840.00	10,203,667.20
Operating Expenses:	6,000,000.00	6,480,000.00	6,998,400.00	7,558,272.00	8,162,933.76
Profit before Depreciation & Interest	1,500,000.00	1,620,000.00	1,749,600.00	1,889,568.00	2,040,733.44
Interest	90,000.00	72,000.00	54,000.00	36,000.00	18,000.00
Depreciation	81,000.00	81,000.00	81,000.00	81,000.00	81,000.00
Gross Profit	1,329,000.00	1,467,000.00	1,614,600.00	1,772,568.00	1,941,733.44
Tax (30%)	398,700.00	440,100.00	484,380.00	531,770.40	582,520.03
Profit After Tax	930,300.00	1,026,900.00	1,130,220.00	1,240,797.60	1,359,213.41
Accumulated Profit	930,300.00	1,957,200.00	3,087,420.00	4,328,217.60	5,687,431.01

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Appendix IV

FUYU HARDWARE COMPANY LIMITED PROJECTED CASH FLOW US\$

	0	1	2	3	4	5
SOURCES:						
Profit before interest and depreciation	0	1,500,000.00	1,620,000.00	1,749,600.00	1,889,568.00	2,040,733.44
Equity	1,149,000.00					
Loan	1,500,000.00					
Total Sources	2,649,000.00	1,500,000.00	1,620,000.00	1,749,600.00	1,889,568.00	2,040,733.44
Applications:						
Capital expenditure	1,642,000.00	-	-	-	-	-
working Capital & Others	1,007,000.00	-	-	-	-	-
Cash	0	1,101,300.00	1,179,900.00	1,265,220.00	1,357,798.00	1,458,213.00
Tax	-	398,700.00	440,100.00	484,380.00	531,770.40	582,520.03
Sub total	2,649,000.00	1,500,000.00	1,620,000.00	1,749,600.00	1,889,568.40	2,040,733.03
Total applications	2,649,000.00	1,500,000.00	1,620,000.00	1,749,600.00	1,889,568.40	2,040,733.03
Accumulated cash		1,101,300.00	2,281,200.00	3,546,420.00	4,904,218.00	6,362,431.00

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Appendix V

FUYU HARDWARE COMPANY LIMITED PROJECTED BALANCE SHEET US \$

	0	1	2	3	4	5
Fixed Assets						
Opening balance	-	1,642,000	1,601,000	1,565,860	1,524,220	1,483,220
Total Long-term Assets	-	1,642,000.00	1,601,000.00	1,565,860.00	1,524,220.00	1,483,220.00
Less depreciation	-	81,000.00	81,000.00	81,000.00	81,000.00	81,000.00
Closing balance	-	1,561,000.00	1,520,000.00	1,484,860.00	1,443,220.00	1,402,220.00
Working capital	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
Accumulated cash	-	1,101,300.00	2,281,200.00	3,546,420.00	4,904,218.00	6,362,431.00
Total assets	1,000,000.00	3,662,300.00	4,801,200.00	6,031,280.00	7,347,438.00	8,764,651.00
Financed by						
Equity	1,149,000.00	1,149,000.00	1,149,000.00	1,149,000.00	1,149,000.00	1,149,000.00
Net profit	-	930,300.00	1,026,900.00	1,130,220.00	1,240,797.60	1,359,213.41
Total equity	1,149,000.00	2,079,300.00	2,175,900.00	2,279,220.00	2,389,797.60	2,508,213.41
Long term loan	1,500,000	1,200,000	900,000	600,000	300,000	0
Total debts	1,500,000.00	1,200,000.00	900,000.00	600,000.00	300,000.00	-
Total equity and debts	2,649,000.00	3,279,300.00	3,075,900.00	2,879,220.00	2,689,797.60	2,508,213.41

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Appendix VI

FUYU HARDWARE COMPANY LIMITED PROJECTED LONG TERM LOAN REPAYMENT

Repayments US\$				
Year	principle	Loan Interest (8%)	Total Amount Paid	Loan Balance
0				
1	300,000	90000	390,000	1,500,000
2	300,000	72000	372,000	1,200,000
3	300,000	54000	354,000	900,000
4	300,000	36000	336,000	600,000
5	300,000	18000	318,000	300,000
6	0	18,000		0

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Appendix VII

FUYU HARDWARE COMPANY LIMITED PROJECTED PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	930,300.00	81,000.00	1,011,300.00	1,011,300.00
2	1,026,900.00	81,000.00	1,107,900.00	2,119,200.00
3	1,130,220.00	81,000.00	1,211,220.00	3,330,420.00
4	1,240,797.60	81,000.00	1,321,797.60	4,652,217.60
5	1,359,213.41	81,000.00	1,440,213.41	6,092,431.01