

BUSINESS PLAN PROPOSAL FOR UD STEEL LIMITED



**ESTABLISHMENT OF THE
MANUFACTURING
PROJECT FOR THE
PRODUCTION OF THE
BUILDING MATERIALS
PROJECT**

**UD STEEL LIMITED
STEEL PRODUCTION**

BUSINESS PLAN FOR UD STEEL LIMITED - STEEL REBAR MANUFACTURING

Executive Summary:

UD STEEL LIMITED is a proposed steel rebar manufacturing plant to be established in Tanzania, with a projected annual production capacity of 30,000 tonnes. The project aims to capitalize on Tanzania's growing demand for construction materials, driven by infrastructure development and urbanization. Utilizing locally sourced raw materials from the Njombe region, UD STEEL LIMITED will contribute to import substitution, generate employment, and foster local industrial growth. The total estimated investment for the project is \$2,000,000.

1. Company Description:

Company Name: UD STEEL LIMITED

Location: The project is located in Njombe Tanzania, considering the proximity to raw materials in Njombe and access to major transportation and markets routes.

Mission: To be among the leading producer of high-quality steel rebars in Tanzania, contributing to the nation's infrastructure development while operating sustainably and creating value for stakeholders.

Vision: To become the preferred supplier of steel rebars in East Africa, recognized for quality, reliability, and environmental responsibility.

Legal Structure: A Private Limited Company been created under the certificate of incorporation number 184827077.

The **shareholders** of the company and their share distribution are as follows;

- i. LIN SHAOGUANG- Director 60%
- ii. LI GANG- Director 40%

2. Products and Services:

UD STEEL LIMITED will primarily manufacture steel rebars (reinforcing bars) for the construction industry. These will meet relevant Tanzanian and international quality standards (e.g., TBS, ISO).

Product Specifications: Rebars will be produced in various diameters and lengths as required by the market, suitable for concrete reinforcement in buildings, bridges, roads, and other civil engineering projects.

Future Expansion (Potential): Depending on market demand and profitability, the company may explore diversification into other steel products such as angles, channels, or wires.

3. Market Analysis:

Target Market: The primary market for UD STEEL LIMITED will be the Tanzanian construction sector, including:

Real estate developers (commercial and residential)

Government infrastructure projects (roads, bridges, ports, railways)

Building contractors

Individual home builders

Market Size and Growth: Tanzania's construction industry is experiencing robust growth, driven by:

Government Initiatives: Vision 2030 initiatives and ongoing infrastructure projects (e.g., SGR railway, hydropower projects, road networks).

Urbanization: Rapid growth of urban centers leading to increased demand for housing and commercial buildings.

Population Growth: A growing population necessitates more housing and public infrastructure.

Competition:

The market includes both local steel producers and importers. UD STEEL LIMITED will differentiate itself through:

Quality: Adherence to high manufacturing standards.

Competitive Pricing: Leveraging local raw material sourcing and efficient production.

Reliable Supply: Consistent availability of products.

Customer Service: Strong relationships with clients.

SWOT Analysis:

Strengths: Local raw material sourcing (Njombe), experienced management (to be recruited), modern machinery.

Weaknesses: New market entrant, potential initial operational challenges, reliance on stable power supply.

Opportunities: Growing construction sector, government support for local industries, potential for export to East African Community (EAC).

Threats: Price fluctuations of raw materials, intense competition from importers, policy changes, unforeseen economic downturns.

4. Operations Plan:

Production Capacity: 30,000 tonnes of steel rebars per year.

Raw Materials:

Primary Raw Material: Steel scrap (or iron ore, if a direct reduction or blast furnace process is intended) will be purchased from the Njombe region. (Note: The viability depends on the consistent supply, quality, and cost-effectiveness of this raw material in Njombe for 30,000 tonnes/year. Further detailed feasibility study on raw material supply is crucial).

Other Consumables: Electrodes, refractory materials, ferroalloys, oxygen, lubricants, etc.

Manufacturing Process **Typical for Rebar Production:**

1. Scrap/Raw Material Preparation: Sorting, cleaning, and sometimes pre-heating.
2. Melting: Using an Electric Arc Furnace (EAF) or Induction Furnace to melt the scrap/iron into molten steel.
3. Refining: Removing impurities and adjusting the chemical composition in a ladle refining furnace.
4. Continuous Casting: Pouring molten steel into molds to form billets (semi-finished products).

5. Reheating: Heating billets in a reheating furnace.

6. Rolling: Passing reheated billets through a series of rolling stands to form the desired rebar shape and size.

7. Cooling and Finishing: Cooling, cutting to length, bundling, and quality control.

Equipment: The project will procure modern and efficient machinery to ensure high-quality output and operational efficiency.

Quality Control: Strict quality control measures will be implemented at every stage of production, from raw material inspection to final product testing, to ensure adherence to relevant standards.

Environmental Considerations: Implementation of measures to minimize environmental impact, including dust control, waste management, and energy efficiency. Compliance with all Tanzanian environmental regulations.

5. Management Team:

This section would detail the key management personnel, their experience, and their roles. For this plan, it's a placeholder.

Proposed Key Positions: General Manager, Production Manager, Sales & Marketing Manager, Finance Manager, Quality Control Manager, Human Resources Manager.

Organizational Structure: (Simple hierarchical structure initially, with clear reporting lines).

6. Investment and Financial Plan:

INVESTMENT BREAKDOWN	
Land and Buildings	\$413,000
Furniture and Equipment	\$380,000
Machinery and Equipment	\$430,000
Vehicles	\$336,000
Working Capital	\$441,000

Total Investment Amount: \$2,000,000

PROJECTED INCOME STATEMENT

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEARS5
Sales Revenue	2,000,000	2,720,000	2,864,000	3,,036,800	3,244,160
Cost of Sales	1,120,000	1,120,000	1,120,000	1,120,000	1,120,000
Gross Profit	1,480,000	1,600,000	1,744,000	2,916,800	2,124,160
Operating Expenses					
Administrative Overhead					
Costs	105,000	106,050	107,111	108,182	109,263

Motor Vehicle running	5000	5,050	5,101	5,152	5,203
Expenses	8,000	8,080	8,161	8,242	8,325
Salaries and Wages	78,000	78,780	79,568	80,363	81,167
Depreciation	81,000	81,810	82,628	83,454	84,289
Marketing Costs	6,500	6,565	6,631	6,697	6,764
Utility Costs	10,500	10,605	10,711	10,818	10,926
Insurance	10,000	10,100	10,201	10,303	10,406
Interest on Loan	12,200	12,322	12,445	12,570	12,695
Communication	1,750	1,768	1,785	1,803	1,821
Total Expenses	207,950	210,030	212,130	214,251	216,394
Profit before Tax	1,272,050	1,389,971	1,531,870	1,702,549	1,907,766
Tax (30%)	381615	416,991	459,561	510,764	572,329
Profit After Tax	890,435	972,979	1,072,309	1,191,785	1,335,437

PROJECT BALANCE SHEET

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Fixed Assets	1,559,000	1,383,750	1,310,000	1,200,000	1,90,000
Long term Assets					
Depreciation	106,250	106,250	106,250	106,250	106,250
Total long term assets	1,383,750	1,277,500	1,203,750	193,750	116,250
Current Assets					
Cash	1,406,100	1,684,700	1,979,050	1,292,735	1,625,723
Account Receivable	105,000	110,250	216,535	421,763	527,628
Inventory	214,710	376,383	438,469	402,292	467,493
Total Current Assets	1,110,000	1,110,000	1,110,000	1,110,000	1,110,000
Total Assets	1,493,750	1,387,500	1,313,750	1,203,750	1,93,750
Current Liabilities					
Accounts Payable	84,000	88,200	92,610	97,241	102,103
Other Current Liablit	70,000	73,500	77,175	81,034	85,085
Subtotal Current Liabi	154,000	1,616,700	169,785	178,274	187,188
Long term Liabilities					
Long term Liabilitie	1,820,000	1,820,000	1,820,000	1,820,000	1,820.00
Total Liabiities	383,750	277,500	203,750	93,750	16,250
Net Assets	820,810	877,633	951,268	44,516	7,656
Captil and Reserves					
Owners Contribution	1,780,000	1,780,000	1,780,000	1,780,000	1,780,000
Retained Earning	40,810	97,633	171,268	264,516	377,656

Total Capital	1,559,000	1,387,500	1,313,750	1,203,750	1,93,750
----------------------	------------------	------------------	------------------	------------------	-----------------

7. Sales and Marketing Strategy:

- Product Positioning: High-quality, locally produced, competitively priced steel rebars.
- Pricing Strategy: Cost-plus pricing, competitive pricing, and value-based pricing.

Distribution Channels:

- Direct sales to large contractors and developers.
- Partnerships with hardware stores and building material suppliers.
- Sales agents in key regions.

Promotional Activities:

- Participation in construction trade fairs and exhibitions.
- Building relationships with key stakeholders in the construction industry.
- Online presence (website, social media for B2B engagement).
- Product brochures and technical specifications.

8. Risk Assessment and Mitigation:

Raw Material Supply Volatility:

Mitigation: Long-term contracts with suppliers in Njombe, diversification of scrap sources, maintaining adequate inventory.

Market Price Fluctuations for Steel:

Mitigation: Hedging strategies (if available), efficient cost control, focus on value-added services.

Competition:

Mitigation: Continuous focus on quality, cost efficiency, customer service, and innovation.

Operational Risks (e.g., equipment breakdown, power outages)

Mitigation: Regular maintenance, spare parts inventory, backup power solutions generators.

Regulatory Changes:

Mitigation: Staying informed about government policies and regulations, proactive engagement with relevant authorities.

Environmental Risks:

Mitigation: Adherence to environmental standards, investment in pollution control technologies.

9. Appendices

Detailed Financial Projections

Developmental Values

The traditional “three R’s” of reduce, reuse, and recycle are part of a waste hierarchy which may be considered in product and package development.

- Prevention – Waste prevention is a primary goal. Packaging should be used only where needed. Proper packaging can also help prevent waste. Packaging plays an important part in preventing loss or damage to the packaged product (contents). Usually, the energy content and material usage of the product being packaged are much greater than that of the package. A vital function of the package is to protect the product for its intended use: if the product is damaged or degraded, its entire energy and material content may be lost.
- Minimization – (also "source reduction") The mass and volume of packaging (per unit of contents) can be measured and used as criteria for minimizing the package in the design process. Usually “reduced” packaging also helps minimize costs. Packaging engineers continue to work toward reduced packaging.
- Reuse – Reusable packaging is encouraged. Returnable packaging has long been useful (and economically viable) for closed loop logistics systems. Inspection, cleaning, repair and recuperate are often needed. Some manufacturers re-use the packaging of the incoming parts for a product, either as packaging for the outgoing product or as part of the product itself. Recycling – Recycling is the reprocessing of materials (pre- and post-consumer) into new products. Emphasis is focused on recycling the largest primary components of a package: steel, aluminium, papers, plastics, etc. Small components can be chosen

which are not difficult to separate and do not contaminate recycling operations. Packages can sometimes be designed to separate components to better facilitate recycling.

- Energy recovery – Waste-to-energy and Refuse-derived fuel in approved facilities make use of the heat available from incinerating the packaging components.
- Disposal – Incineration, and placement in a sanitary landfill are undertaken for some materials. Certain US states regulate packages for toxic contents, which have the potential to contaminate emissions and ash from incineration and leachate from landfill. Packages should not be littered.

Development of sustainable packaging is an area of considerable interest to standards organizations, governments, consumers, packagers, and retailers.

7. Conclusions & Recommendations

The economic impact from implementing and operating it is also positive.

Since the project is technically feasible, financially and economically viable, socially and from nation's point of view desirable a fast implementation thereof is recommended. It is important that there are no cost overruns so as to enable the realization of the benefits as outlined above.

It may be mentioned here that total investment of US\$ 2million will play a good part in boosting the local economy.

Considering all relevant factors it is being recommended that the grant of incentives on import duty & VAT deferments on capital goods and deemed capital goods is granted to this project not only to make the project viable but also to catalyze other development benefits that may accrue to the country on acceptance of this project.