

ZHONGTAN HONGYE IRON AND STEEL CO. LIMITED

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BUSINESS PLAN

FOR

PRODUCTION OF STEEL RELATED BUILDING

MATERIALS

1.0 EXECUTIVE SUMMARY.

ZHONGTAN HONGYE IRON AND STEEL CO. LIMITED is a private business company incorporated in the United Republic of Tanzania with Certificate of incorporation No. 183932810 issued on 3rd April, 2025, the main line of production is wire rod, thread, wire, bar and wire rod, steel reinforcement bars, hole section hot rolls iron and steel into basic shapes such as plates, sheets, strips, rods, bars, and tubing. and other 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 **Plot No.7 and 8 Zegereni Industrial Area, Visiga, Kibaha District, Coast Region** is an ambitious undertaking the project of producing steel related building materials 19,800tons per year where the following products will be produced:

- Wire rod,
- Thread,
- Hollow Section
- pipes
- Black pipe

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- Square pipe, Nails
- Mild Steel sheets etc.

The proposed new rolling mill estimated to cost US\$ 3,505,000 and creating new employment of 20 local people and 7 foreigners.

1.1 COMPANY BACK GROUND BRIEF

ZHONGTAN HONGYE IRON AND STEEL CO. LIMITED, the company is owned by two shareholders, these are reputed international businessmen with vast experience in iron steel industry.

Name	% of Shares	Nationality
BAOPING ZHANG	51	China
BAOHUA ZHU	49	China

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, Equiped with the wide experience in the business as explained above, the direcors of the company are optimistic of successful implementation of the proposed project.

1.2 LOCATION.

The project is located at **Plot No.7 and 8 Zegereni Industrial Area, Visiga, Kibaha District, Coast Region**

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.

1.5 BANKERS

The company is currently maintaining new banks account in Tanzania

1.6 AUDITED REPORTS

ZHONGTAN HONGYE IRON AND STEEL CO. LIMITED books of accounts will be audited by reputable auditor firm

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

- i. To analyze the relevant market and other factors impacting upon the supply and demand of steel related building materials in the short-, medium- and long-term requirements
- ii. 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.
- iii. 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.

- iv. To provide supporting documentation required for new steel mills at **Plot No.7 and 8 Zegereni Industrial Area, Visiga, Kibaha District, Coast Region** for TIC and also in accessing credit facilities required in the financing of the investment capital.

2.2 STUDY APPROACH

- i. Participatory: Semi- structured interview and discussion were held with the Company's Directors, stakeholders in steel works and related businesses
- ii. Physical visits to the company's main business premises
- iii. 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.
- iv. 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.

The planned production capacity is 19,800tons per year.

3.2 INVESTMENT AND FINANCING

For the project to be a reality a total investment amounting to US\$ 3,505,000, comprising US\$ 2,000,000 long term loan from financial institution and US\$ 1,505,000 from shareholders equity.

3.3 FINANCING PATTERN

The project will be financed both by equity and loan. Loan contribution will constitute US\$2,000,000, while remaining amount will be in the form of equity and cash generated from business amounting to US\$ 1,505,000

The loan will be negotiated and acquired from financial institutions. The project sponsors expect to procure this loan on the following terms and conditions: -

Loan Amount	:	US\$ 2,000,000
Grace Period	:	0 year
Interest Rate	:	8. % annually
Phases	:	5phases

3.4 IMPLEMENTATION

Project implementation is expected to be relatively very short once TIC approval is received. Currently, the supplier of the trucks has already been identified and supply is awaiting word from the project promoters.

3.5 PROJECT PLANNED ACTIVITIES

The business project will entail the following main activities:

- Making shopping visit to China to identify the suitable and appropriate machinery for the planned project.
- Operating the steel rolling mills in Tanzania
- 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.

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- 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 in Kibaha
- Installation of the machinery, registration, insuring and licensing of the vehicles ready for deployment in the company's business

3.6 DEVELOPMENT OBJECTIVES

ZHONGTAN HONGYE IRON AND STEEL CO. 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.

3.6 IMMEDIATE OBJECTIVES

- i. To build and operate a steel rolling mills and installed production capacity of 19,800tos per year of various steel products, mainly for construction materials and metal fabrications

- ii. Enhancing the country's capacity to utilize its iron ore deposits and related natural resources when their commercial exploitation begins,
- iii. 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.

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

Tanzania manufacturing sector contributed 5.6% to the country GDP in 2014 with usd2.69bn compared to usd1.47bn in 2009, representing an increase of 82%.

Since agriculture is the mainstay of the Tanzanian economy, the manufacturing industry is centered on the processing of local agriculture goods.

The agriculture sector in Tanzania consists mainly of food processing (24%), Textile and clothing (10%), Chemicals (8.5%) and others.

Tanzania's manufactured goods exports tripled over the past 5 years increasing from US\$497.7m in 2010 to US\$1.4billion in 2015 accounting for 25% of Tanzania's total exports value-

4.3 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

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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 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.

ZHONGTAN HONGYE IRON AND STEEL CO. 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 MANAGEMENT

ZHONGTAN HONGYE IRON AND STEEL CO. 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 will be assisted by directors, Managers, Seniors officers etc.

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.

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.

5.2 TECHNICAL ASPECT

ZHONGTAN HONGYE IRON AND STEEL CO. 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.

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; the deal is expected to be closed in the near future.

5.3 THE MARKET

ZHONGTAN HONGYE IRON AND STEEL CO. LIMITED, 's marketing policy aim at two objectives:

- further penetration/ entrenchment into the market's main segments to increase and retain a larger market share

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- 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 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 construction sector contributed 13.6% to Tanzania's

GDP during 2015 reaching almost US\$6b. In 2010 the sector accounted for only 7.8% of the country GDP or US\$1.6b.

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.

5.4 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 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.

5.5 COMPETITION

ZHONGTAN HONGYE IRON AND STEEL CO. LIMITED, is expecting to face competition from existing iron industry which controls a sizeable market share of steel products in Tanzania and iron bar importers, the company plan to increase market share

by investing in a new and bigger rolling mill with production capacity of 3,000 tons per month

6.0 PROJECT OPERATING COSTS

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

6.1 REVENUE ASSUMPTIONS

- For the purpose of this project all revenue will come from steel products produced at the factory
- 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.
- Steel pipe US\$820 per ton
- Square pipe 1 1/4" x 1 1/4" – \$4
- Channel 4inches 6mm – \$58
- Angle Line 2" 6mm (50*50) – \$22
- Production annual capacity 19800 tons

6.2 FINANCIAL ASPECTS FOR THE PROJECT

(i) Projected Profit and Loss Statement

The attached Appendix I shows the projected income for the 5years period. The position depicted is that the

project earns profit throughout its life. Accumulated after tax profits improve from. **US\$1,370,950** in the 1st year to **US\$ 7,873,504** in the 5th year.

(ii) **Projected Cash Flows**

The project's cash flows are shown in Appendix II. They depict a good liquid position right from the first year. Cash accumulation builds up from **US\$ 1,572,450** in the first year to **US\$8,561,004** at the end of 5th years of the project's operations.

(iii) **Projected Balance Sheet**

The shareholder's equity is shown in Appendix III. shareholders equity grows from **US\$1,505,000** in the first year to **US\$ 9,378,504** at the end of 5th years of the project's operations based.

(iv) **Payback Period**

Total investment is **US\$ 3,505,000** cash accumulation in 3rd year **US\$ 4,919,130** which is more than the initial investment, The project payback Period is exactly 3 years.

7.0 ECONOMIC ASPECTS OF THE PROJECTS

Besides the financial/monetary returns to the owners, there are other benefits to be derived for the whole country viz.

(i) Employment Opportunities

Employment and poverty reduction are among the major concern of the Central and the Local Government authorities. It is gratifying to note that **ZHONGTAN HONGYE IRON AND STEEL CO. LIMITED**, is going to provide additional employment to 27 people 20 of whom will be nationals. This is a significant contribution coming from investors.

(ii) Revenue to the Government

The Project is expected to pay a substantial annual amount in the form of corporation tax and other taxes

8.0 PROJECT IMPLEMENTATION SCHEDULE

It is expected that the Project will be take 15 months to implement as shown below: -

	ACTIVITY	PERIOD
1.	Processing TIC Certificate of Incentive	July 2025
2.	Funds Mobilization	July – Dec 2028
3.	Ordering of machine	August 2025 – July 2033
5.	Arrival of machine	September 2025– July 2033
6.	Trial Operations	September 2025
7.	Commercial Operations	October 2025

9.0 **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 **ZHONGTAN HONGYE IRON AND STEEL CO. 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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Appendix I

ZHONGTAN HONGYE IRON AND STEEL CO. LIMITED COST STRUCTURE US\$

Land and Buildings	800,000
Machinery & Equipment	1,500,000
Motor Vehicles	100,000
Furniture & Fixtures	5,000
Pre exp	20,000
Others	80,000
Working Capital	1,000,000
TOTAL	3,505,000

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Appendix II

ZHONGTAN HONGYE IRON AND STEEL CO. LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

	1	2	3	4	5
Revenue (Food & drinks)	14,400,000	15,120,000	15,876,000	16,669,800	17,503,290
Operating Expenses:	12,240,000	12,852,000	13,494,600	14,169,330	14,877,797
Profit before Depreciation & Interest	2,160,000	2,268,000	2,381,400	2,500,470	2,625,494
Interest	160,000	128,000	96,000	64,000	32,000
Depreciation	41,500	41,500	41,500	41,500	41,500
Gross Profit	1,958,500	2,098,500	2,243,900	2,394,970	2,551,994
Tax (30%)	587,550	629,550	673,170	718,491	765,598
Profit After Tax	1,370,950	1,468,950	1,570,730	1,676,479	1,786,395
Accumulated Profit	1,370,950	2,839,900	4,410,630	6,087,109	7,873,504

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Appendix III

ZHONGTAN HONGYE IRON AND STEEL CO. LIMITED PROJECTED CASH FLOW US\$

SOURCES:		1	2	3	4	5
Profit before interest and depreciation	-	2,160,000	2,268,000	2,381,400	2,500,470	2,625,494
Equity	1,505,000					
Loan	2,000,000					
Total Sources	3,505,000	2,160,000	2,268,000	2,381,400	2,500,470	2,625,494
Applications:						
Capital expenditure	2,405,000	-	-	-	-	-
working Capital & Others	1,100,000					
Cash	-	1,572,450	1,638,450	1,708,230	1,781,979	1,859,895
Tax	-	587,550	629,550	673,170	718,491	765,598
Sub total	3,505,000	2,160,000	2,268,000	2,381,400	2,500,470	2,625,494
Total applications	3,505,000	2,160,000	2,268,000	2,381,400	2,500,470	2,625,494
Accumulated cash		1,572,450	3,210,900	4,919,130	6,701,109	8,561,004

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Appendix IV

ZHONGTAN HONGYE IRON AND STEEL CO. LIMITED PROJECTED BALANCE SHEET US \$

Fixed Assets		1	2	3	4	5
Opening balance	-	2,405,000	2,363,500	2,322,000	2,280,500	2,239,000
Total Long-term Assets	-	2,405,000	2,363,500	2,322,000	2,280,500	2,239,000
Less depreciation	-	41,500	41,500	41,500	41,500	41,500
Closing balance	-	2,363,500	2,322,000	2,280,500	2,239,000	2,197,500
Working capital	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Accumulated cash	-	1,572,450	3,210,900	4,919,130	6,701,109	8,561,004
Total assets	1,100,000	5,035,950	6,632,900	8,299,630	10,040,109	11,858,504
Financed by						
Equity	1,505,000	1,505,000	1,505,000	1,505,000	1,505,000	1,505,000
Accumulated profit	-	1,370,950	2,839,900	4,410,630	6,087,109	7,873,504
Total equity	1,505,000	2,875,950	4,344,900	5,915,630	7,592,109	9,378,504
Long term loan	200,000	1,600,000	1,200,000	800,000	400,000	-
Total debts	200,000	1,600,000	1,200,000	800,000	400,000	-
Total equity and debts	1,705,000	4,475,950	5,544,900	6,715,630	7,992,109	9,378,504

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Appendix V

ZHONGTAN HONGYE IRON AND STEEL CO. LIMITED PROJECTED LONG TERM LOAN REPAYMENT US \$

Year	Principle	Loan Interest (8%)	Total Amount Paid	Loan Balance
1	400,000	160,000.00	560,000.00	2,000,000.00
2	400,000	128,000.00	528,000.00	1,600,000.00
3	400,000	96,000.00	496,000.00	1,200,000.00
4	400,000	64,000.00	464,000.00	800,000.00
5	400,000	32,000.00	432,000.00	400,000.00