

TANZANIA INVESTMENT CENTRE

DIRECTORATE OF INVESTMENT FACILITATION



EASTERN ZONE

**REPORT ON VISIT TO M/S LODHIA STEEL INDUSTRIES LIMITED, PLOT NO. 6/3 & 6/5,
BLOCK B, KISEMVULE IN MKURANGA DISTRICT, COAST REGION CONDUCTED ON
05TH OCTOBER, 2021**

OCTOBER 06TH, 2021

PROJECT'S PROFILE				
S/N	ITEM	DESCRIPTION		
1.	Company Name	M/s Lodhia Steel Industries Limited		
2.	Project Location	Plot No. 6/3 & 6/5, Block B, Kisemvule Mkuranga District Coast Region		
3.	Project Core Activities	To establish and operate a project for manufacturing rolled – hollow sections pipes and related products		
4.	Address & Mobile Number	P. O. Box 12167, ARUSHA		
5.	Contact Person	Mr. Manoj, S.G (CEO) +255717626262,		
6.	Shareholders	Name	Nationality	% Share
		Arun Vithaldas Lodhia	Tanzania	46.7
		Dovua Arun Lodhia	British	20
		Mihir Kumar Anand	British	6.7
		Un Allotted	Tanzania	26.6

1.0 INTRODUCTION

M/S Lodhia Steel Industries Ltd is a TIC registered project with Certificate of Incentives No. 042859, issued on 15th May 2015 with objectives of establish and operate a project for manufacturing rolled – hollow sections pipes and related product with initial investment cost of

The project was registered on **15th May, 2015, and 9th November, 2018** was granted extension of the Certificate of Incentives for **one (1) year** which its period of implementation ended in **November 2019 and on 11th February 2020** the certificate was extended up to **October 2020**.

2.0. PROJECT LOCATION

Project is located at Plot No. 6/3 &6/5, Block B, Kisemvule, Mkuranga, Pwani Region. The Land use plan is designated for Industrial purpose.

3.0. OBJECTIVE OF THE VISIT

The objective of the visit was to carry out project verification in order to ascertain:-

- (i). Project's implementation status.
- (ii). Challenges facing the project so as to justify the reasons for delays for Project Implementation period.

4.0 PRESENT

The PVV team includes:-

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|-------|-------------------|---|-----------------------------|
| (i) | Julie Muro | - | IPFO – EZ (Team Leader) |
| (ii) | Mwanamkuu Shoka - | | Land Officer (TIC) |
| (iii) | Navone Kisaka | - | NEMC Officer (TIC) |
| (iv) | Abubakari Hamidu | - | On internship Officer (TIC) |

5.0 PVV METHODOLOGY

The PVV team uses the following methodology to gather information

- i. To interview and collect information from the Lodhia Company CEO
- ii. To take copies of relevant document /photos as evidence for Certificate of Incentive extension application.
- iii. To conduct tour visit in the site to verify progress of construction activities

6.0 OBSERVATIONS

The PVV team visited the project on 5th October, 2021 and had consultative discussion with Mr. Manoj S,G - Lodhia Company's CEO, the following are the key issues which were observed:-

- (i). The team was informed by company's CEO Mr Manoj that approximately 70% of the project has been completed which it is part of phase I of the project.
- (ii). Construction of project components/facilities like Administrative office building, workshop, plant building, installation of plant equipment and machineries.
- (iii). The team was informed that the remaining 30% of construction are not yet but was mainly for scrap plant (gas Plant) which is the second phase II of the project implementation which they are planning to finalize.
- (iv). Installed machines include two tube mills, one rolling mill, billet plant, continuous casting machine (CCM) and gas plant.
- (v). The team observed two vessels for bulk gas storage, and dismantled plant parts for installation of AOD plant.
- (vi). Construction of base for installation of AOD plant is underway while site clearance for installation of Oxygen and Nitrogen Gas plant is ongoing.

7.0. PVV FINDINGS

- (i) Investor has plan to finalize the remaining 30% of construction which are not yet finished which are mainly for scrap plant (gas plant) which is the second phase of the project implementation.
- (ii) The remaining 30% shall include installation of Oxygen and Nitrogen Gas plant, AOD plant and Scrap processing plant.
- (iii) The investor has also managed to get bank finance with CRDB and suppliers have agreed to supply materials on credit.

8.0. CHALLENGES

- (i). Shortage of capital due to challenges in acquiring loan from local banks due to internal problems within banks but (currently the company has acquired loan from CRDB)
- (ii). Effects of Covid 19 caused delays in importation of plants from India for 18 months. This pandemic also caused travel restriction imposed by countries hence delays of experts for machines installations.
- (iii). Power fluctuation which has caused the investor to look for alternative source of energy with added cost from the initials plans. In this regard the facility has been connected with gas from TPDC which has replaced use of Heavy Fuel Oil (HFO).
- (iv). Delay of installation of machineries and equipment within the plant.
- (v). Delay of TANESCO connecting power grid to the plant

- (vi). The plant is operating at 60-65% of its total production capacity due to scarcity of raw materials which are scrap metals.
- (vii). The existing legislations in Tanzania does not allow importation of scrap metals and that the only source for the metals is local collection which does not suffice the demand
- (ix) The scrap metals collected locally are too lighter to meet commercial production scale thus, the company imports iron billets to support production which are expensive

9.0 FUTURE PLAN

Planned activities includes: -

- (i) Complete all construction works after two years
- (ii) Install gas generators as alternative source of power
- (iii) Acquire, install and commission production plant and machineries also start production
- (iv) Source and recruit human resources for factory operations
- (v) To increase the capacities of rolling Mill, and billet plant in 2021 & 2022

10.0 RECOMMENDATIONS

Despite the setbacks encountered among others it included financing problems, outbreak of Covid 19 pandemic, investor has committed to complete the project and has managed to get bank finance with CRDB Bank and also suppliers have agreed to supply materials on credit and the electrical problems are no longer exists.

The team is in opinion that despite project has already been issued with 5 years of Certificate of Incentive it can be considered for extension of the Certificate due to the fact that the project is in it's final stage of implementation and the delaying factors which hinder the project to continue such as **Financing, Lack of raw materials, effect of Covid 19** which lead to lockdown to other countries are nonexistence. Moreover the investor has so

far managed to create more than 900 jobs for local employees which make a significant contribution to the nation so adding more time to the project will help the investor to complete project and create other more jobs and bring in new technology.

If one-year extension is approved the investor will not be able to enjoy the benefits of certificate due to the reason that the implementation duration for the last Certificate expired on 15th May, 2020 and if the Investor is considered for one-year extension the implementation period will end up on 15th May, 2020 the team finds that the project has significant outcome being both direct and indirect among the noted benefits upon completion of the project being employment (direct and indirect), business promotion and widening of tax base which will eventually contribute to economic growth and development of the nation. **We therefore in opinion that project to be considered for extension period of two (2) years but investor will only enjoy the implementation period of one year 1.**


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Julie Muro – IPFO – EZ


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