LODHIA STEEL LTD

Strategic Investor Status Report

16 SEPTEMBER 2022

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INTRODUCTION

Lodhia Steel Industries Limited ("Lodhia" or the "Company") is an experienced player in the steel industry with more than 18 years of experience in the manufacture and distribution of steel products. The Company has a proven track record in leading socially responsible projects that result in economic benefits to the Country.

Currently, Lodhia plans to implement a greenfield project that involves construction of a new factory for the manufacture of corrugated roofing sheets. This is a new line of business that the Company is venturing into and to implement the project, Lodhia plans to invest a total of USD 45 million for purchase of the necessary equipment, plant and machineries and to construct the factory and other facilities in Kisemvule, Pwani District.

Lodhia requests for Government's support in implementing the project and has prepared this project documentation to substantiate the Company's application for strategic investor status (SIS) with the Tanzania Investment Centre (TIC).

The roofing sheet project is expected to contribute to the social and economic aspects of the Country and is aligned with the Government of Tanzania's plans of industrialization of the economy. Lodhia Management and Shareholders believe and expect the project to contribute the following positive impact to the Tanzania's National Economy:

i. **Employment Opportunities :** A total of 300 new employment opportunities will be created by the project during the construction phase. When operational 250 employees will be directly employed by the Company.

ii. **Taxes and Government Revenue:** Total taxes and other revenue to the Government (Corporate tax, Value Added Tax, and Import Duties) are expected to increase from the current TZS 72 billion to approximately TZS 170 billion annually by the year 2024.

iii. **Foreign Currency Earnings :** Foreign currency earnings from exports sales are expected to increase from the current TZS equivalent of 48 billion to TZS 134 billion annually.

iv. **Introduction of Innovative Technology:** The project will result in introduction of new innovative technologies into the Country further contributing to the technology transfer agenda of the Country. Cold rolling mill, Pickling & Oiling Line, Aluzinc Coating Line, Colour Coating Line, Profiling Machines, Gas Powered Generators, Edge Cutting and Trimming Line, Acid Regeneration Plant, Effluent Treatment Plant and these technologies will be imported into the country in executing the project. This is state-of-the-art and most modern technology, and its introduction will have positive impact in the corrugated roofing sheet industry including reduction in production costs.

v. **Affordability:** Manufacturing of goods locally has been noted to reduce costs and make goods easily accessible to people at affordable prices. Furthermore, Lodhia plans to use the latest technology that will result to reduction of costs of the products and Tanzanian citizens will benefit from competitive prices of similar products available in the market.

vi. **Skills and Knowledge Transfer:** The Tanzanian workforce employed under the project shall be trained on new skills and knowledge increasing their technological know-how.

vii. **Multiplier Effect:** Multiplier effect to the economy is expected to increase especially for Companies involved in the steel value chain including reseller, distributors transporters and financiers. The project will be partly financed by borrowing from Tanzanian banks, hence increasing the multiplier effects in terms of interest paid on the loan and taxes to the government by the banks. Furthermore, resellers and distributors will be local companies resulting into expansion of local businesses and increase in the Country's Gross Domestic Product.

The following chapters provide details of the new project including the capital to be invested, the breakdown of such investment, the envisaged economic benefit to the nation as well as the plans that are in place to protect environment.

It is sincere hope of the shareholders that following this submission, request for strategic investor status will be granted to Lodhia.

ABOUT LODHIA STEEL INDUSTRIES LIMITED

Establishment

- Lodhia Steel Industries Limited has its origin from the Lodhia Group of Companies that began as a trading company known as the Steel Center in 1996. Through its humble beginnings as a trading company, it has grown to establish two entities, Lodhia Steel Industries Limited and Lodhia Plastics, both operating under Lodhia Group of Companies.

- Lodhia Steel Industries Limited has industries in Dar es salaam and Arusha that produces and supplies various types of steel bars, rods, and tube products across Tanzania as well as in neighboring countries.

Location of the Lodhia Steel Industry in Arusha

Shareholding Structure and Brand Recognition

- Lodhia Steel Industries Limited is a family-owned business and is part of the Lodhia Group of Companies. The Company is majority owned by a Tanzanian National with 63% ownership and the remaining 37% belonging to two British Citizens.

- The Lodhia Group plays a vital role in the construction sector, and this has led to recognition by world's largest players including the iconic global manufacturer Saint-Gobain entering into a Joint Venture with Lodhia, after Lodhia started its gypsum board manufacturing plant to create Saint-Gobain Lodhia Gypsum.

Lodhia shareholders have been investing in Tanzania for more than 25 years in various investment projects.

Company Mission and Vision

- The mission of the Company is to deliver the best value products within the scope of manufacturing. Its vision is to become the industry benchmark in African market with a clear focus on each of its business verticals.

Current Business Operations and Products

- Lodhia Steel Industries Limited offers quality steel products. The Company has adopted innovative production techniques, state of the art manufacturing plants and laboratory equipment enabling it to produce high quality steel products.

- The current product portfolio for Lodhia steel includes, flat steel bars, steel rods (TMT bars as per B500 and other deformed and round bars), mild steel angles, mild steel round pipes, mild steel square rods, square hollow sections, rectangular tubes, zed purlins and mild steel plates.

TMT Bars

Flat steel bars

Mild steel round pipes

Mild steel plates

ROOFING SHEETS PROJECT

Overview

- Lodhia Steel Industries Limited (Lodhia Steel) plans to implement a new project for the manufacture of steel corrugated roofing sheets and related products.

- The roofing sheet plant will be constructed in Kisemvule, Mkuranga District in the Coast Region.

- Lodhia Steel aims to utilize latest design technology, modern machinery, and innovation processes to ensure that they produce high quality corrugated roofing sheets.

- A total of USD 45,000,000 (Forty-Five Million United States Dollars) will be incurred towards implementation of the project. This estimated capital investment will be used to establish a new modern plant, that is equipped with the latest technology in the manufacture of corrugated roofing sheets. The Company also plans to acquire various equipment such as cold rolling mill machine, pickling and oiling line, edge trimming machine, Aluzinc coating line, colour coating line, profiling machines, acid regeneration plants, effluent water treatments plants, gas powered generators, transformers and firefighting equipment that will be installed in the factory.

- The factory is expected to produce 140,000 metric tons per annum at full capacity. However, upon completion of the project, it is expected that a total of 100,000 metric tons of corrugated roofing sheets will be produced per annum including Aluzinc and color coated sheets, and this is expected to gradually increase year on year.

Commercial Viability of the Project

The Directors have assessed the project and found it to be commercially viable as indicated below:

- Growth of the construction sector. The demand for roofing sheets and steel products in Tanzania and surrounding Regional markets in general is projected to increase substantially in the near future given high growth rate of the real estate and construction industry. As a result, there is a growing demand and market for high quality roofing products.

- The Lodhia group brand name. Lodhia's commitment to production of high-quality products has resulted to its brand name being recognized by key players including end customers. The Company sees this goodwill in the brand name as an opportunity to further its business operations.

- Industrialization support from the Government. The Government has been providing major

support to investors and its commitment to industrialize the country presents an opportunity for Lodhia.

- Favourable prices of roofing sheets. Players providing corrugated roofing sheets materials import processed raw materials resulting in high prices. Lodhia affirms that they are bringing in machinery to do all the related processes locally thereby saving more on the cost of production and offer more employment to Tanzanians. The Company will be able to sell the products at favourable prices hence assisting the Country in reduced import costs while saving of the country's foreign currency reserves.

- Shareholders' experience with current dealerships and distributions network of hardware shops supplying to construction industries presents a strength for Lodhia to embark on the new project.

Overview of the Products and Production Process

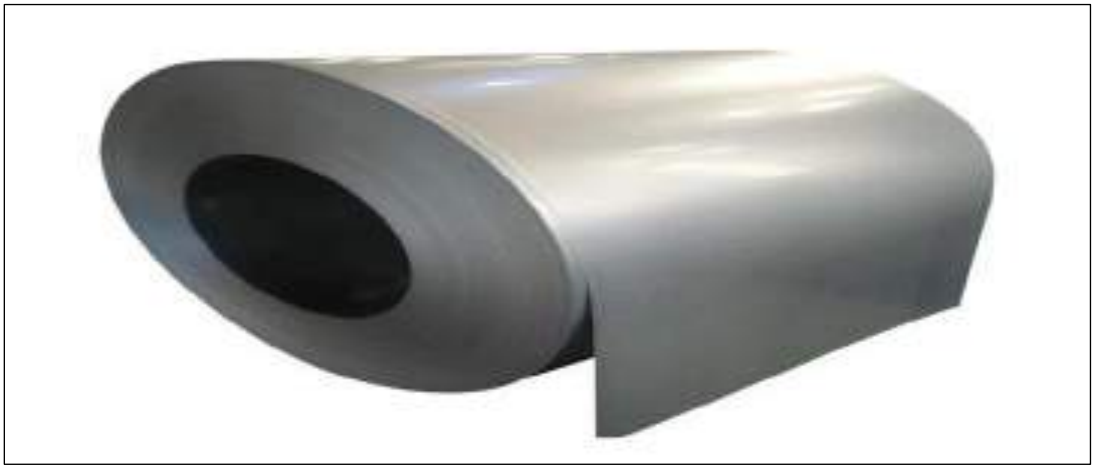
The newly constructed factory is expected to produce two main products:

- **Normal Corrugated Roofing Sheets**

  - The normal corrugated roofing sheets will have repetitive folds that intensify the roofs integrity and are environmental friendly.

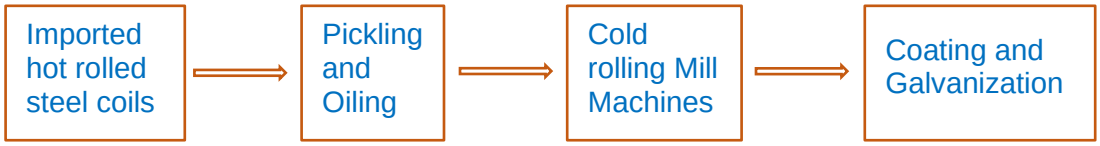
  - Lodhia will import unprocessed hot rolled steel coils from overseas. The coils will then be processed using pickling and oiling plant to remove impurities and other unwanted material on them. The pickled and oiled coils will be then sent to the cold rolling mill for reducing the thickness through cold rolling process and to convert the hot rolled coils into cold rolled coils.

  - Once the desired thickness and cold rolling process is completed, they will be coiled again and kept aside for the next process which is Aluzinc coating process using Galvalume coating plant.



Aluminum zinc coated cold rolled steel coil processed by Lodhia at their Kisemvule plant once the production line starts operating.

- The coated coil will then be placed on the roll former where it is profiled as per requirement in 11/3 corrugation and cut to size as per requirements. Generally corrugated sheets of 3 meters, 2.5 meters and 2 meters will be produced. Lodhia can also produce longer sheets as per requirement from the customers.



Process flow for the production of corrugated roofing sheets.

- The corrugated cut sheets are then packed in bundles of quality ranging from 26 gauge to 32 gauge.

❖ **Profiled Roofing Sheets**

- The profiled roofing sheets will generally be made as per customer's requirements viz a viz length of each sheet. The basic raw materials are hot rolled coils, and these are imported from overseas.

- The Aluminum zinc coated coils will be produced by Lodhia's manufacturing facility in Dar es Salaam.

- The Aluzinc coated coils will be processed through colour coating plant to produce colour coated coils.

- The coated coil will then be placed on the roll former where it is profiled and cut to size as per the requirement of the customers. The length of the profile sheets will range from 2 meters to 6 meters.

Capital Investment

❖ The capital investment incurred by Lodhia will amount to **USD 45 Million** after completion of the project.

❖ Lodhia has already secured a 54-acre land in Kisemvule, for construction of the factory. The land is situated in an area designated as an industrial area, hence acceptable for construction of the roofing sheet factory.

❖ The project will be implemented in phases. Pre-construction activities include mobilization of the labour force for construction, levelling of the land, transportation of construction and working equipment, buying and transportation of construction materials from local sources and transportation of machines.

- Construction activities of the intended structures to be accommodated in the site, will include construction of foundations and basement cellar structures for intended buildings. There will be a shed made up of off-cuts and thatched with corrugated iron sheet. The activities during construction include excavation, erection of structures, and construction of septic tanks, drainage, and landscaping of the area. This will also involve construction of the service center for installation of the machinery and equipment as well as construction of the main building.

- The capital investment will be incurred for the following:

Investment Category	Amount (USD)
Factory buildings and associated infrastructure	16,076,300
Machinery and equipment	25,823,700
Land	650,000
Vehicles and equipment	2,250,000
Fire detection and protection system	200,000
Total Investment	**USD 45,000,000**

Project Site Layout

- The corrugated roofing sheet project will be implemented in plot no. 16 – 22, 32, 33 of Block B and 14 of Block G, Kisemvule, Mkuranga District Coast Region with various title deeds measuring 54 acres. The site will be demarcated into the following key areas:

    - Factory area: In this area the Company plans to construct a factory where the pickling and oiling plant, cold rolling mill, Aluzinc coating plant, colour coating plant, trimming plant, profiling plant and roll forming of the coated coils will be installed to produce corrugated roofing sheets.

    - Main building area: The main building area will comprise of offices and conference facilities

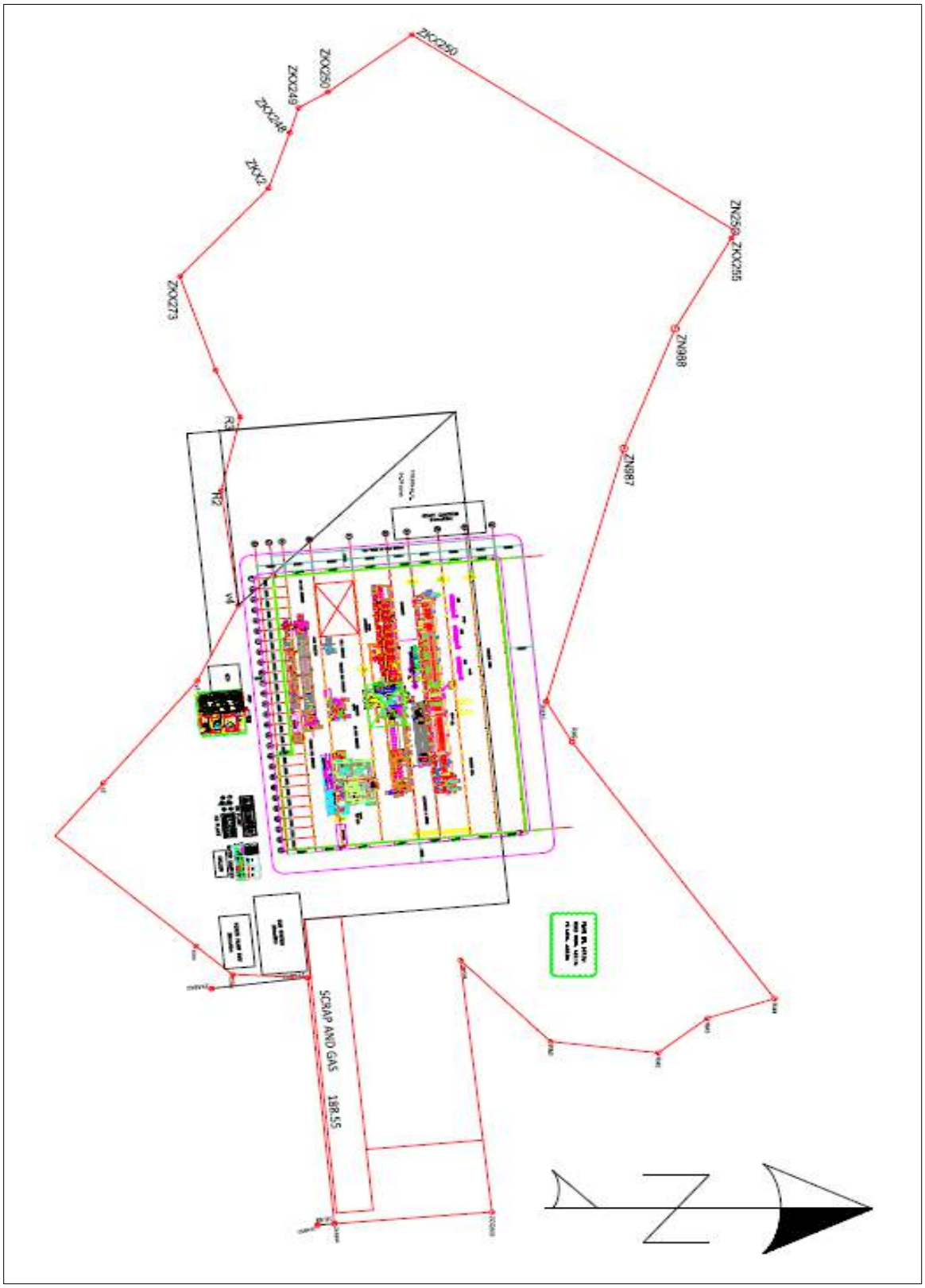
    - Staff housing and canteens.

    - Godowns : These areas shall contain warehouses for the storage of raw materials and finished products

    - Utilities area – acid regeneration plant, effluent treatment plant, gas power generating plants, chillers, water tanks etc.

    - Circulating roads around the plant and utilities and towards the gate from the plant

Lodhia's current steel plants layout



Layout of the proposed roofing sheet plant

Buildings and Associated Infrastructure (USD 16,076,300 Million)

- Lodhia plans to incur a total of USD 14,576,300 in constructing buildings for various purposes, utility plants, roads within the factory, borewell, office building, staff accommodation, staff canteen, workers canteen and facilities, medical clinic etc.

- The building structure and architecture will be complete with service, ventilation, air-conditioning, cold/hot-water plumbing, sanitary plumbing, compressed air circulation to various plants and lighting facilities in place.

- Lodhia also plans to incur a total of USD 1.50 million to develop basic infrastructure within the factory area which will include roads, compound wall, drainage systems and parking areas.

External Plant Layout

Machinery and Equipment (USD 25,873,000 Million)

The project will involve the installation of various equipment and machinery including installation of a new pickling and oiling plant, cold rolling mill machines, acid recycling plant, effluent treatment plant, Aluzinc coating plan and colour coating plant. Lodhia will also purchase gas powered generators to produce power required for the galvalume plant and roll forming machines that will have 24 forming stations made with heat treatment and hard chrome surface.

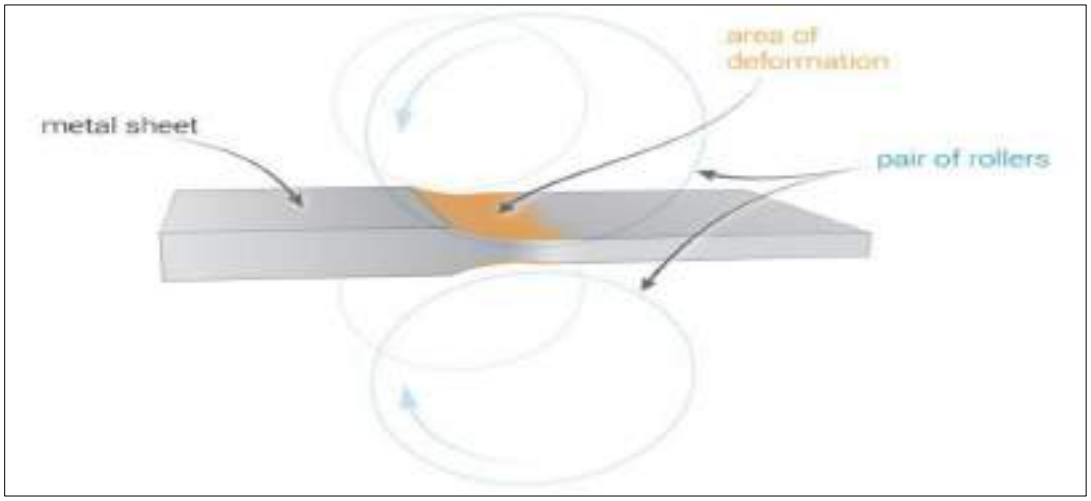
The Company expects to purchase the following key machines and equipment:

- **Cold Rolling Mill Machines**

  - A state-of-the-art cold rolling mill is essential for the production of steel strips that satisfies the highest quality demands at high productivity level. A cold rolling mill machine is used for reducing the thickness of sheet/strip/coils of hot rolled coils to the desired thickness and to improve various properties like surface finish, strength, thickness tolerances and achieving required hardness.

  - Lodhia will import as raw materials hot rolled steel coils which will then undergo cold rolling process at the factory. During the cold rolling process, the raw materials are put under mechanical stress, causing a permanent change to their crystalline structure. This causes an increase in its strength and often improves corrosion resistance. Before moving on to cold rolling, the hot rolled steel coils are first 'pickled', in the pickling and oiling line to remove impurities from the surface of the hot rolled coils.

  - Lodhia expects to install the latest advanced modern cold rolling milling machines which are highly automated. This will enable Lodhia to manage its costs of production and supply an affordable product to the market. The cold rolling mill will be fitted with thickness gauges that check the steel as it comes out of the rollers.



Cold rolling Process

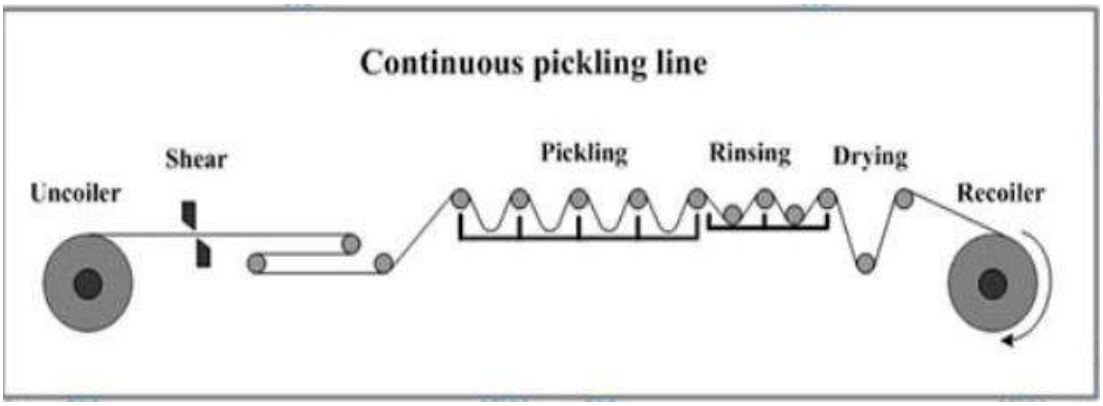
Picture of a cold rolling mill expected to be installed.

❖ **Pickling and Oiling Line**

- In adhering to its quality standards, it is paramount that the corrugated roofing sheets produced are free of contaminants. To ensure this, the project will include installation of a pickling and oiling line. Pickling cleans the steel surface by placing the steel into contact with hydrochloric acid which will be used as a pickling liquor.

- The sheet steel that undergoes acid pickling will oxidize (rust) when exposed to atmospheric conditions of moderately high humidity. For this reason, a thin film of oil is applied to create a barrier to moisture in the air. By applying oil on the surface of a recently pickled and rinsed metal, this corrosion is prevented, and the metal can be stored for long lengths of time with minimal oxidation.

- The pickling and oiling line enables the Company to manufacture high quality products that are free from rust. This increases the life span of the corrugated roofing sheets and ensures adherence to quality standards.



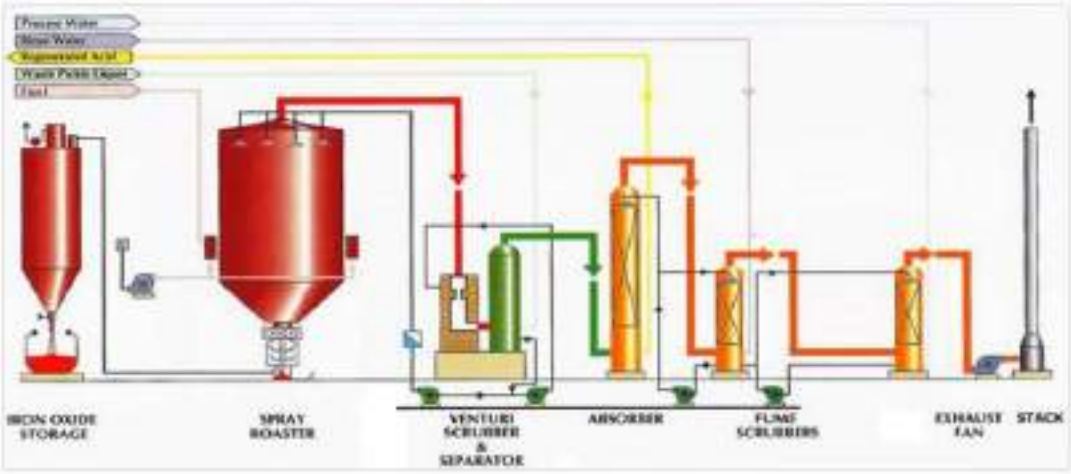
Pickling process

Pickling and Oiling Line

❖ **Acid Regeneration Plant**

- The sheet steel will need pickling before moving to the cold rolling process. For pickling Lodhia will use hydrochloric acid. The waste acid produced will be regenerated and reused in order to minimize costs and a high fresh acid demand.

- With our acid regeneration technology, the entire loop is closed. Waste acid coming from the pickling line is regenerated and then used to fill the demand for fresh acid. Furthermore, the majority of effluents from the pickling line can be eliminated, thus saving costs for the entire pickling process, and minimizing the environmental impact.



Acid regeneration process

❖ **Effluent Treatment Plant**

- As part of its environmental protection plan, Lodhia plans to have in place an effluent treatment plan for treatment of wastewater.

- After completion of the manufacturing process, wastewater is produced as a by product. This wastewater, called effluent contains both toxic and non-toxic materials and cannot just be disposed to the environment because of the harmful materials it contains.

- The effluent treatment plant purifies the industrial wastewater in order to recycle it or dispose of it safely. The ETP will be designed to remove the physical, chemical, and biological materials present in the wastewater. The plant is critical in that it will enable Lodhia to keep the environment safe from hazardous materials.

Effluent Treatment Plant

❖ **Aluzinc Coating Plant**

- The corrosion resistance of steel materials has a significant impact on the durability of the products. This is particularly important for corrugated roofing sheets. To thus, create an efficient type of corrosion resistant products, a coating consisting of 55% aluminum and 45% zinc will be applied on the roofing sheets.

- Aluminum protects the steel base by creating a protective layer between the surface and the atmosphere. This aluminum barrier is very strong and stable, as the alumina layer formed on the surface is not soluble regardless of the environment, thus guaranteeing corrosion resistance for a long time. Zinc provides the same protection as galvanized steel when steel is vulnerable or bare (accidental cuts and scratches).

- Lodhia's corrugated roofing sheet plant is 120m long one, and is expected to be producing best quality roofing sheets in the market and as such Lodhia will procure and install an aluzinc coating plant for coating of the roofing sheets with aluminum and zinc. The newly created Aluzinc is up to six times more resistant to the effects of corrosion as compared to any other galvanized metal.

Vertical view of the Aluzinc coating plant.

Aluzinc coating plant

Arial view of the Aluzinc coating plant

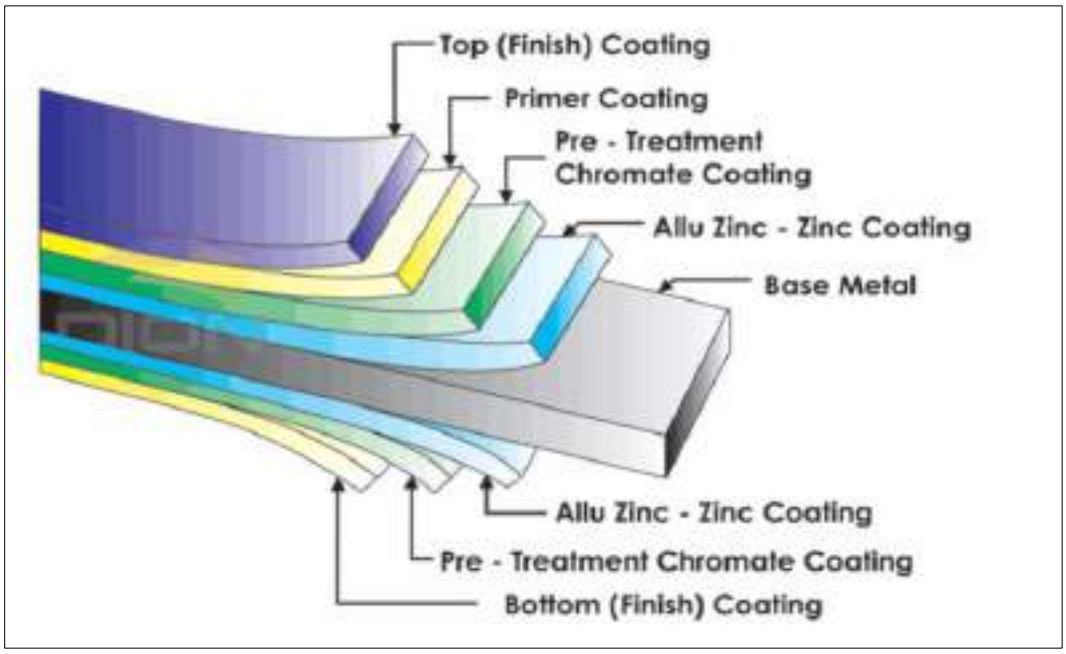
❖ **Color Coating Plant**

- The product portfolio, for the new project includes color coated roofing sheets. These sheets will be produced by applying a decorative and protective organic coating to the aluzinc coated plates.

- Color coating gives the steel long-term protection under broad range of corrosive conditions, extending from atmospheric exposure to full immersion in strongly corrosive solutions. The color coated roofing sheets will be manufactured in various colors depending upon the choice and use.

- A highly automated color coating plant will be installed in the factory for color coating of the roofing sheets. The machines will use the latest technology and ensure efficiently coating of the steel coils through a continuous process that starts by uncoiling the coil to be processed and mechanically joining the head end of the strip to the tail end of the previous coil. The process also includes cleaning if necessary, and chemical pre-treatment of the metal surface and either one side or two side, single or multiple application of (liquid) paints or coating powders.

- The schematic arrangement of the color coated steel will be as follows:



- The colour coating plant will be as below:

❖ **Roll Forming Main Machine**

- The project will also include installation roll forming machines that will have 24 forming stations made with heat treatment and hard chrome surface. The shaft will be of high frequency surface treated and grinding process. The forming speed is estimated to 0-60 meters per minute (The longer the length of finished product, the faster the speed is and vice versa).

- Every type of roofing sheet produced by the company will have its own machine. The Company will also install an air-cooling system that uses powerful fans to cool down the hydraulic oil.

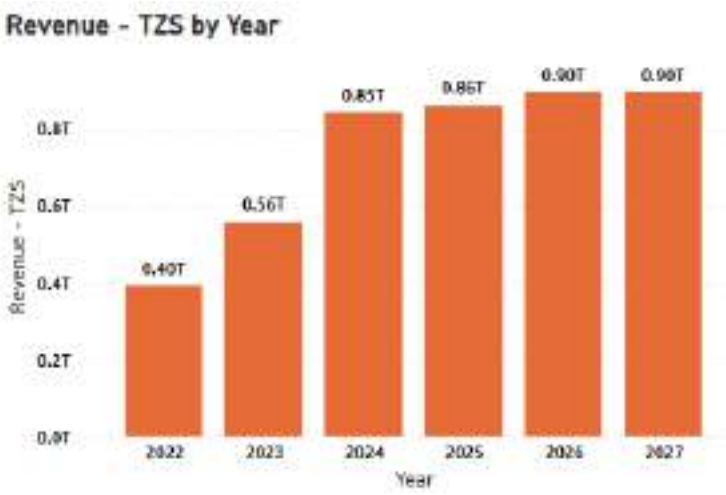
Roll forming machine

Fire Detection and Protection System (USD 200,000)

❖ Fire control system will be installed to enable the detection and prevention of fire within the factory. All electrical equipment will be of high quality and correspond to the most updated safety measures. Fire extinguishers and hydrant's will be placed in each officer area and in all common areas.

The Next Five Years

- With the completion of the new project, the revenue of Lodhia Steel Industries Limited are expected to increase year on year for the next five years. The projected revenues are expected to increase from approximately TZS 400 billion (with current steel plants it runs) to 900 billion by the year 2026.



The cumulative revenues for the company are expected to reach a total of TZS 4.46 Trillion from the year 2022 to 2027.

The increase in revenue will result to increase in taxes and contribution to the government.

KEY SOCIO-ECONOMIC BENEFITS

The Company contributes to the growth of the Tanzanian economy, including local district economies in terms of taxes, direct and indirect employment, and corporate social responsibilities. The Company prides itself in providing hundreds of jobs with levels of security and benefits unprecedented in the region.

A cumulative investment of USD 45 Million will create significant social and economic benefits crucial for economic growth and development of Tanzania, as indicated further below:

Socio Economic Aspect	Benefit derived by implementation of the project
Government Revenue and Taxes	▪ The new project will directly increase government revenue with levies and municipal taxes at the local government level and at the national level through corporate taxes, payroll taxes, value added tax and other taxes. ▪ Revenue to the government in terms corporate and value added tax are expected to increase from the current TZS 71 billion to TZS170 billion. ▪ Furthermore, the government will earn indirect revenues using services from government institutions such as TANESCO and water utilities.
Employment Opportunities	▪ The company currently employs 1,100 staff in Dar es Salaam and Arusha. ▪ During the construction of the factory, the company expects to have 350 workers on site working on both civil and building works (formal and informal). ▪ Upon completion of the construction, the company will hire at least 400 new employees for the factory.
Export Revenue and Improvement in Balance of Payments	▪ The company will increase export revenue for the country as it expects to sell its products not only in Tanzania but also in East and Central African Countries. ▪ Furthermore, with the increase in local production, the quantity of imported roofing sheets will decline and aid in saving foreign currency. The increase in exports and reduction in imports will contribute to improving the country's Balance of Payments.

Socio Economic Aspect	Benefit derived by implementation of the project
Roofing Infrastructure	▪ The company will help bridge the gap of demand for corrugated sheets that exists in the country. Furthermore, it may drive the existing prices to lower and become more affordable to many Tanzanians. ▪ With access to quality roofing sheets at affordable prices, the roofing infrastructure of the country will tremendously improve, with a shift from old / low quality roofs to those with a longer lifespan. This will also have a positive impact on the environment with less discarding of short-lasting iron sheets
Technological Transfer	▪ The new plant will use the latest technology – which ultimately uses resources (raw materials, labour, and utilities) more efficiently. With this approach, the company contributes to the environment sustainability.
Skills Transfer	▪ The company will provide an opportunity for on job training on the operation of the plant. This will ultimately impart skills to local staff on the operation of latest machinery.
Multiplier effect	▪ Establishment of the plant will have a multiplier effect on the economy of the country in the following ways: - Procuring goods and services from local suppliers (such as raw materials and transport). - Use agents/ distributors to sell its products across the country - Growth of business around the factory especially to service providers in the field of transport and food vendors. - Part of the project funding will be by way of borrowing. These local banks will benefit from the project through interest and commissions earned, and down the value chain the Government will also earn its revenue via taxes paid by these banks.

REQUEST FOR INCENTIVES

For successful implementation of the project Lodhia requests, the Government for tax and non-tax incentives that will immensely assist in the implementation of the project. Significant socio and economic benefits will be achieved by the Country from implementation of the project as outlined in the previous section.

The project being a large-scale project with significant capital investment will take 1.5 years to complete and returns are generated on a longer time horizon. Support from the Government is necessary for viability of the project.

As such, Lodhia Steel Industries Limited requests the Tanzania Investment Center (TIC) to award the Company with Strategic Investor Status (SIS) together with the following incentives:

Tax and Non-Tax Incentives Requested

1. Corporate Tax Exemption for 5 years.

2. VAT, Import Duty and Excise Duty Exemption for all Imported and locally procured capital and deemed capital goods. The list of capital and deemed capital goods is attached as **Appendix I** to this submission.

3. VAT, Import Duty and Excise Duty Exemption for all Imported and locally procured vehicles. The list of vehicles is attached as **Appendix II** to this submission.

4. Exemption of Excise duty and fuel levy on Diesel, Engine Oil, Lubricants , and transmission oil and hydrochloric acid, per month for Ten (10) years. The detailed list is attached on **Appendix I**

5. City Service Levy exemption for 10 years,

6. Withholding Tax Exemption on all foreign remittances towards purchase of services and loans for 5 years.

7. Work and Residence Permits for 20 Expatriates.

8. Exemption from Customs Processing Fee for all imports.

9. Exemption from Payment of Railway Development Levy.

10. Exemption from TBS' pre-shipment and destination inspections for all project goods as indicated in the attached Appendix I and II.

11. Exemption from payment of TBS inspection fees for all project goods as indicated in the attached Appendix I, and II.

KEY RISKS AND CHALLENGES

Presence of Substandard Roofing Products

- The presence of substandard roofing sheets in the market presents a risk to manufacturers of high-quality roofing sheets as these sub-standard products distort market prices resulting to decrease in consumer confidence on locally produced roofing sheets. Cases occur whereby some of these sub-standard products are imported into the Country.

- The Tanzania Bureau of Standards has approved new national standards for iron sheets and coils, and has provided trainings to producers, importers and distributors of roofing sheets and coils to make sure that they adhere to the new required standards.

- Lodhia has always adhered to the Tanzania Bureau of Standards (TBS) requirements and has been awarded a certification by TBS. Lodhia believes that the strong brand that the company has and its commitment to production of high-quality products, are an advantage for the Company and plans to capitalize on its strong brand and wide customer base to take advantage of the opportunities that exist in the market.

Increase in Capital and Operating Costs

- Input costs have continually increased in the recent months potential posing risk of diminishing returns in the Company's profit margins. Fuel prices have increased significantly, and these will result to increase in distribution costs of the Company's products. Capital costs have also been increased due to the high inflation rate on products such as fuel.

- Lodhia plans to utilize its experience in the steel industry and the good relationship that is has with its suppliers to contain its input costs and provide the market with affordable high-quality roofing sheets.

Import Duty on Capital Goods

- The roofing sheet project is a large-scale project that takes a long time to break even due to the significant amount of investment made. Due to this, taxes that are paid during the project implementation on deemed capital goods are not recovered from profitability and are regarded as investment costs.

- Lodhia appreciates that capital goods are not taxed, but some of the capital goods for do not appear as capital goods in the EAC common External Tariff. These goods are commonly known as deemed capital goods and requests 100% exemptions on Import Duty for these deemed capital goods to support execution of the project.

- The project will contribute to the social economic development of the country from the first day of operations as indicated in the previous sections of this report. Tax exemptions on capital goods and deemed capital goods would ease the cost of the investment.

ENVIRONMENTAL PROTECTION PLANS

The proposed project will be situated in an area designated as an industrial area. The Company is compliant with all environmental regulations and has submitted a project brief to the National Environment Management Council (NEMC) for review and approval.

Lodhia will strictly abide by the guidelines provided by Occupational safety and Health Authority (OSHA) in ensuring the safety and health of its workers and nearby community and the environment at large.

In order to comply with the Environmental Management Act of 2004 and other Environmental issues and Compliances the Company plans to perform the following activities to ensure that the investment is sustainable and in line with environmental protection policies:

Solid Waste Management and Disposal

- The project will introduce on site sorting of solid waste to be disposed in areas earmarked by the municipal authorities. Those which can be recycled, like paper, steel, plastic materials will be sorted for recycling by authorized local companies.

- The by-products of the production process can be re-used as raw material for the same products.

- Dustbins and bags will be used to collect and transport all un-decomposed wastes to the designated waste disposal areas. All scraps will be gathered and recycled again. The main sources of wastewater generation will be toilets and other common human consumption wastes. Construction of septic tanks within the project area's boundaries will be used to discharge domestic washbasin, toilet, and bathroom wastewater. Within the site, a stormwater drainage system will be built.

Dust Management

- The factory floor will be concreted with cement and paving blocks. Water spraying will be used during compaction to avoid dust generation.

Energy Efficient Technology

- Machinery and equipment expected to be procured will be state of the art machinery that are energy efficient with minimal noise and dust pollution. The Company shall use gas powered generators, using gas supplied by TPDC in powering the equipment and machinery expected to be installed at the factory.

Environmental Conservation

- Un-built areas will be landscaped and planted with green grasses and trees to act as carbon sinks.

Employee Safety and Health

- The project will ensure all employees are provided with personal protective equipment (PPE) and ensure compliance with international regulations of having noise levels max 70dB (A) during the daytime and max 55dB(A) during the nighttime

CONCLUDING REMARKS

The Sixth Phase Government, Led by H.E Samia Suluhu Hassan has renewed the confidence of Lodhia shareholders and management implement a new project for the production of corrugated roofing sheets. Lodhia is witnessing various favourable policies and initiatives that have been implemented by the Government. This is demonstrated by the Government to support industrialization and investment within Tanzania through various policy initiatives that are in place.

The Company also recognizes the opportunity that exists in the construction market. The Government's implementation of various development and infrastructure projects is evidence of this. The Company also recognizes the opportunity that exists in the export market. The export market is critical to the development of the country and creates foreign exchange earnings which are important in managing the country's balance of payments.

Projections done by the company so far have shown positive results and viability of the project. Furthermore, over the past four years, the construction sector has been growing by 14.3 percent per annum. The growth of the sector has been primarily driven by the works on both private and commercial real estate projects and other governmental projects.

The Management and Shareholders of Lodhia believe that this submission has presented the case for request of Strategic Investor Status (SIS) through the Tanzania Investment Centre (TIC).

The company is committed to ensuring that the fiscal and non-fiscal incentives that will be awarded alongside the Strategic Investor Status will be diligently used in the implementation of the project as well as in the delivery of the declared benefits to the economy.

APPENDICES

APPENDIX I : CAPITAL GOODS AND DEEMED CAPITAL GOODS TO BE IMPORTED FOR THE CORRUGATED ROOFING SHEET PROJECT

APPENDIX II : VEHICLES AND HEAVY-DUTY TRUCKS TO BE IMPORTED FOR THE CORRUGATED ROOFING SHEET PROJECT

LODHIA STEEL INDUSTRIES LIMITED
STRATEGIC INVESTOR STATUS
APPENDIX I : CAPITAL GOODS AND DEEMED CAPITAL GOODS TO BE IMPORTED FOR THE CORRUGATED ROOFING SHEET PROJECT

Cranes	Unit of Quantity	Approx Quantity
Excavators	No	4
Dumpers	No	6
Hydra	No	20
Cranes	No	45

Earth Moving Equipment	Unit of Quantity	Approx Quantity
Pickling Lean shed (Row J to H) -- Capacity 05 TON, Span 08 mtr, TOR 08 mtr	No	1
Pickling Line (Row H to G) -- Capacity 30 TON, Span 18 mtr, TOR 8 mtr	No	2
Rolling Mill (Row G to F) -- Capacity 30 TON, Span 26 mtr, TOR 10 mtr	No	2
Bell Annealing (Row G to F) -- Capacity 30 TON, Span 26 mtr, TOR 20 mtr	No	2
Galvalume Line (Row F to E) -- Capacity 30 TON, Span 24 mtr, TOR 14 mtr	No	4
Galvalume High Bay (Row F to E) -- Capacity 05 TON, Span 24 mtr, TOR 31 mtr	No	1
Utility Bay (Row E to D) -- Capacity 05 TON, Span 14 mtr, TOR 8 mtr	No	1
Color Coating line (Row D to C) -- Capacity 15 TON, Span 20 mtr, TOR 12 mtr	No	3
Finishing Bay (Row C to B) -- Capacity 10 TON, Span 18 mtr, TOR 09 mtr	No	3

Utilities	Unit of Quantity	Approx Quantity
AIR COMPRESSORS 1000 CFM	No	5
Air Receiver	No	5
Air Filters	No	1
STEAM BOILER 4 TONS / HOUR	No	1
WATER COOLING TOWERS 300 M3/HOUR	No	2
Chilling Plant for CRM - 150 ton, GL - 50 ton, CCL - 50 ton	No	1
NITROGEN GAS GENERATOR (PSA) 295 M3/HOUR	No	1
HYDROGEN GAS GENERATOR (Water electrolysis) 100 M3/HOUR	No	1
COIL TRANSFER TROLLEY 40 MT (05 Nos)	No	1
C HOOK	No	8
DIGITAL WEIGH BRIDGE OF 100 TONS	No	1
DIGITAL WEIGHING SCALE OF 25 TONS	No	4
DIGITAL WEIGHING SCALE OF 10 TONS	No	4
Roll Grinder for Cold Rolling Mill Rolls	No	1
Roll Grinder for Rubber Rolls	No	1
Bench Grinder Machine	No	1
Surface Grinder	No	1
Milling machine Vertical	No	1
Milling machine Horizontal	No	1
Lathe 14 ft	No	1
Lathe 23 Ft.	No	1
30" Shaping Machine	No	1
24" Hack Saw Machine	No	1
50 mm Radial Drilling Machine	No	1
OIL FILTRATION UNIT 06 Nos	No	1
TRANSFORMERS -- 3 MVA, 690V		
3 MVA, 433V	No	1
2.5 MVA, 433V	No	1
3.5 MVA, 433V	No	1
GAS POWER GENERATORS 0F 1000 kVA	No	5
SINUSOIDAL MACHINES	No	3
BOX PROFILE	No	1
TILE PROFILE	No	1
CUT TO LENGTH	No	1
RIDGE SLITTING MACHINE	No	1
BENDING MACHINE (RIDGE)	No	1
MANUAL CTL	No	1
BAILING PRESS	No	1
Hydrochloric Acid	Lot	1
Engine Oil	Lot	1
Lubricants	Lot	1
Diesel	Lot	1
Transmission Oil	Lot	1

LODHIA STEEL INDUSTRIES LIMITED
STRATEGIC INVESTOR STATUS
APPENDIX I : CAPITAL GOODS AND DEEMED CAPITAL GOODS TO BE IMPORTED FOR THE CORRUGATED ROOFING SHEET PROJECT

Colour Coating Line Equipment	Unit of Quantity	Approx Quantity
Entry Storage Saddles	No.	1
Entry Coil Car	No.	1
Uncoiler with Hold Down Roll	No.	1
Entry Threading Table	No.	1
Pinch Roll	No.	1
Entry Storage Saddles	No.	2
Entry Coil Car	No.	2
Uncoiler with Hold Down Roll	No.	2
Entry Threading Table	No.	2
Pinch Roll	No.	2
Pinch Roll	No.	3
Double Decker Shearing Machine	No.	1
Scrap Trolley	No.	1
Deflector Rolls	No.	2
Pinch Roll	No.	4
Stitcher	No.	1
Pinch Roll Cum Deflector Roll	No.	1
Bridle Unit	No.	1
Steering Unit	No.	1
Entry Accumulator	No.	1
Steering Unit	No.	2
Bridle Unit	No.	2
Degreasing Tank	No.	1
Brushing Unit	No.	1
Degreasing Tank	No.	2
Hot Water Rinsing Unit	No.	1
Cold Water Rinsing	No.	1
Air Knife	No.	1
Chemical Coater	No.	1
Chemical Oven	No.	1
Fume Exhaust and Scrubbing System	No.	1
Steering Unit	No.	3
Prime Coater	No.	1
Prime Oven	No.	1
Water Quench Tank	No.	1
Air Cooling Section	No.	1
Bridle Unit	No.	3
Steering Unit	No.	4
Finish Coater – A	No.	1
Finish Coater - B	No.	1
Finish Oven	No.	1
Water Quench Tank	No.	1
Air Cooling Section	No.	1
Bridle Unit	No.	4
Steering Unit	No.	5
Exit Accumulator	No.	1
Steering Unit	No.	6
Bridle Unit	No.	5
Pinch Roll	No.	5
Exit Shear	No.	1
Exit Pinch Cum Deflector Roll	No.	6
Threading Table	No.	1
Recoiler with Pusher Plate	No.	1
Belt Wrapper	No.	1
Exit Coil Car	No.	1
Exit Coil Storage Saddles	No.	1
Sleeve Loading Arrangement	No.	1
Hydraulic System	No.	1
Pneumatic System	No.	1
Interconnection Piping	No.	1
Foundation Bolts and Leveling Shims	No.	1
Coater Rooms (Supplier Scope)	No.	1
Paint Transfer Pumps	No.	1
Incinerator	No.	1

LODHIA STEEL INDUSTRIES LIMITED
STRATEGIC INVESTOR STATUS
APPENDIX I : CAPITAL GOODS AND DEEMED CAPITAL GOODS TO BE IMPORTED FOR THE CORRUGATED ROOFING SHEET PROJECT

Aluzinc Line	Unit of Quantity	Approx Quantity
Entry Storage Saddles	No.	1
Entry Coil Car	No.	1
Uncoiler With Hold Down Roll and OBBS	No.	1
Entry Threading Table	No.	1
Pinch Cum Deflector Roll	No.	1
Entry Storage Saddles	No.	2
Entry Coil Car	No.	2
Uncoiler With Hold Down Roll and OBBS	No.	2
Entry Threading Table	No.	2
Pinch Cum Deflector Roll	No.	2
Pinch Roll	No.	1
Double Decker Shearing Machine	No.	1
Scrap Trolley	No.	1
Scrap Down Table	No.	1
Deflector Roll 1 & 2	No.	1
Pinch Roll Cum Def Roll	No.	3
Seam Welder	No.	1
Bridle Unit	No.	1
Bridle Unit	No.	2
Steering Unit	No.	1
Entry Accumulator	No.	1
Steering Unit	No.	2
Bridle Unit	No.	3
Pinch Roll	No.	2
Tensiometer Assembly	No.	1
Pinch Roll	No.	3
Needle Bed	No.	1
Non-Ox Furnace	No.	1
Ceramic Lined Induction Heated Pot (Main and Premelt Pot)	No.	1
Galvanizing Rig	No.	1
Air Wiping Equipment	No.	1
Cooling After Galvanizing	No.	1
Water Quench Tank	No.	1
Air Dryer	No.	1
Steering Unit	No.	3
Bridle Unit	No.	4
Coating Gauge	No.	1
Bridle Unit	No.	1
Tension Leveler	No.	1
Bridle Unit	No.	1
Bridle Unit	No.	1
Dip Type Chemical Tank	No.	1
Chemical Coater	No.	1
Induction Type Strip Heater	No.	1
Logo Marker (1W+1S)	No.	1
Logo Dryer	No.	1
Bridle Unit	No.	5
Steering Unit	No.	4
Exit Accumulator	No.	1
Steering Unit	No.	5
Bridle Unit	No.	6
Pinch Roll	No.	4
Exit Shear	No.	1
Exit Pinch cum Def Roll	No.	4
Threading Table	No.	1
Recoiler with Pusher Plate & EPC	No.	1
Belt Wrapper	No.	1
Exit Coil Car	No.	1
Sleeve Loading Mechanism	No.	1
Exit Coil Storage Saddles	No.	1
Hydraulic System	No.	1
Pneumatic System	No.	1
Video Jet Printer	No.	1
Conduit Pipes and Cable Trays	No.	1
Compressor and Air Dryer	No.	1
DM Water Plant	No.	1
Cooling Towers	No.	1
Air Conditioning for Mill ECR	No.	1
All Transformers, HT Panel,	No.	1
Hand rails, stairs, trench covers, ducts support	No.	1
Structure for Furnace and cooling after galvanizing	No.	1

LODHIA STEEL INDUSTRIES LIMITED
STRATEGIC INVESTOR STATUS
APPENDIX I : CAPITAL GOODS AND DEEMED CAPITAL GOODS TO BE IMPORTED FOR THE CORRUGATED ROOFING SHEET PROJECT

Cold Rolling Mill Equipment	Unit of Quantity	Approx Quantity
Entry Storage Saddles at Pay-Off Reel	No.	1
Coil Car at Pay-Off Reel	No.	1
Pay-Off Reel with CPC & OBBS	No.	1
Snubber Roll	No.	1
Peeler Table	No.	1
Three Roll Feeder	No.	1
Hydraulic Shearing Machine	No.	1
Carryover Table	No.	1
Coil Saddles at ETR	No.	1
Coil Car at ETR	No.	1
Entry Tension Reel	No.	1
ETR Pusher Plate	No.	1
ETR OBBS	No.	1
Threading Table at ETR	No.	1
ETR Deflector Roll with Turn Down Roll	No.	1
ETR Thickness Gauge Support	No.	1
Pressure Pad with Side Guides	No.	1
Entry Air Wiper	No.	1
Back Up Roll Wiper	No.	1
Entry Roll Coolant Headers	No.	1
Mill Stand		
a. Mill Housings	No.	1
b. Bed Plates	No.	1
c. Hydraulic Roll Force Cylinders	No.	1
d. Back Up Rolls and Bearings	No.	1
e. Intermediate Rolls and Bearings	No.	1
f. Work Rolls and Bearings	No.	1
g. BUR Chocks	No.	1
h. IMR Chocks	No.	1
i.WR Chocks	No.	1
j .Mae-West Blocks	No.	1
k. IMR Shifting Mechanism	No.	1
l. Pass Line Adjustment Mechanism	No.	1
m. Mill Access Doors	No.	1
Mill Drive		
a. Main Reduction Gear Box Cum Pinion Stand	No.	1
b. Spindle Support	No.	1
Gear Spindles	No.	1
Quick WR and IMR Roll Change Trolley with side shifting	No.	1
BUR Roll Change Trolley	No.	1
Delivery Air Wiper	No.	1
Delivery Coolant Headers	No.	1
Delivery Thickness Gauge Support	No.	1
Delivery Shearing Machine	No.	1
Delivery Deflector Roll with Turn Down Roll	No.	1
Threading Table at DTR	No.	1
Delivery Tension Reel	No.	1
DTR Pusher Plate	No.	1
DTR OBBS	No.	1
Delivery Coil Car	No.	1
Coil Saddles at DTR	No.	1
HYDRAULIC SYSTEMS		
a. Hydraulic System - AGC	No.	1
b. Hydraulic System - Bending	No.	1
c. Hydraulic System - Auxiliary	No.	1
Pneumatic System	No.	1
Gear Box Lubrication System	No.	1
Air-Oil Lubrication System	No.	1
Roll Coolant Filtration System	No.	1
Fume Exhaust System	No.	1

LODHIA STEEL INDUSTRIES LIMITED
STRATEGIC INVESTOR STATUS
APPENDIX I : CAPITAL GOODS AND DEEMED CAPITAL GOODS TO BE IMPORTED FOR THE CORRUGATED ROOFING SHEET PROJECT

Cold Rolling Rewinding and Trimming Equipment	Unit of Quantity	Approx Quantity
Entry Storage Saddles	No.	1
Entry Coil Car	No.	1
Uncoiler with OBBS & CPC	No.	1
Snubber Roll	No.	1
Peeler Table	No.	1
Entry Pinch Roll cum Deflector	No.	1
Shearing Machine	No.	1
Scrap Trolley	No.	1
Scrap Down Table	No.	1
Side Guide Assembly	No.	1
Tensioner Assembly	No.	1
Trimmer Head Assembly	No.	1
Passing Table	No.	1
Scrap Baller	No.	1
Deburring roll	No.	1
Pinch Cum Deflector Roll	No.	1
Threading Table	No.	1
Recoiler with Pusher Plate with OBBS & EPC	No.	1
Exit Coil Car	No.	1
Exit Coil Storage Saddles	No.	1
Hydraulic System	No.	1
Pneumatic System	No.	1

Acid Regeneration Plant Equipment	Unit of Quantity	Approx Quantity
REACTOR AND VENTURI CIRCULATION		
Combustion air blower	No	1
Cyclone	No	1
Gas pipes	No	1
Venturi	No	1
Diffusor	No	1
Separator	No	1
Venturi circulation pump	No	1
Acid feed pump	No	1
Emergency water tank	No	1
ABSORBER SYSTEM	No	1
OXIDE HANDLING SYSTEM	No	1
TANK FARM	No	1

LODHIA STEEL INDUSTRIES LIMITED
STRATEGIC INVESTOR STATUS
APPENDIX II : VEHICLES AND HEAVY DUTY TRUCKS TO BE IMPORTED FOR THE CORRUGATED ROOFING SHEET PROJECT

Vehicles	Unit of Quantity	Approx Quantity
Bus	No	6
Trucks 7-10 tons	No	30
Trucks - horses 30 tons	No	70
Trailers	No	70
Tractors	No	10
Tippers	No	8
Pick ups 4 x 4 - single cabin	No	8
Pick ups 4 x 4 - double cabin	No	5
SUV 4 x 4	No	5
Saloon cars	No	5

FINANCIAL STATEMENTS

OTHER OPERATIONG COST

Other Operations Cost			**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**
Motor Vehicle running expens			47,000	47,400	47,800	48,200	48,600
Salaries and Wages			41,000	45,100	49,610	54,571	60,028
Adminitrative Overhead Costs			25,100	27,610	30,371	33,408	36,749
Utility Costs			64,000	70,400	77,440	85,184	93,702
Interest on Loan			21,000	23,100	25,410	27,951	30,746
Communication Exepnses			1,900	2,090	2,299	2,529	2,782
Total Costs			**200,000**	**215,700**	**232,930**	**251,843**	**272,607**

FIXED ASSETS SCHEDULE

NAME OF ASSETS			**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**
Land and Buildings			12,400,000	11,780,000	11,160,000	10,540,000	9,920,000
Plant & Machines			23,681,000	18,944,800	14,208,600	9,472,400	4,736,200
Motor Vehicle			487,200	482,200	477,200	472,200	467,200
Furniture & Fixtures			300,000	262,500	40,000	35,000	30,000
Total			**36,868,200**	**31,469,500**	**25,885,800**	**20,519,600**	**15,153,400**
Depreciation			**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**
Land and Buildings			620,000	620,000	620,000	620,000	620,000
Plant & Machines			4,736,200	4,736,200	4,736,200	4,736,200	4,736,200
Motor Vehicles			5,000	5,000	5,000	5,000	5,000
Furniture &Fixtures			37,500	37,500	37,500	37,500	37,500
ANNUAL DEPRECIATION			**5,398,700**	**5,398,700**	**5,398,700**	**5,398,700**	**5,398,700**
CLOSING FIXED ASSETS			**31,469,500**	**26,070,800**	**20,487,100**	**15,120,900**	**9,754,700**

PROJECT BALANCE SHEET

		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Fixed Assets		36,868,200	31,469,500	25,885,800	20,519,600	15,153,400
Long term Assets						
Depreciation		5,398,700	5,398,700	5,398,700	5,398,700	5,398,700
Total long termassets		**31,469,500**	**26,070,800**	**20,487,100**	**15,120,900**	**9,754,700**
Current Assets						
Cash		406,100	684,700	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		**700,000**	**700,000**	**700,000**	**700,000**	**700,000**
Total Assets		**32,169,500**	**26,770,800**	**21,187,100**	**15,820,900**	**10,454,700**
Curent 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 Liabilties						
Long term Liabilitie		1,820,000	1,820,000	1,820,000	1,820,000	1,820.00
Total Liabiities		**31,469,500**	**26,070,800**	**20,487,100**	**15,120,900**	**9,754,700**
Net Assets		**820,810**	**877,633**	**951,268**	**1,044,516**	**1,157,656**
Captil and Reserves						
Owners Contribution		780,000	780,000	780,000	780,000	780,000
Retained Earning		**40,810**	**97,633**	**171,268**	**264,516**	**377,656**
Total Capital		**32,169,500**	**26,770,800**	**21,187,100**	**15,820,900**	**10,454,700**

PROJECTED INCOME STATEMENT

			YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR5
Sales Revenue			9,010,000	10,812,000	12,974,400	15,569,280	18,683,136
Cost of Sales			1,802,000	1,802,000	1,802,000	1,802,000	1,802,000
Gross Profit			**7,208,000**	**9,010,000**	**11,172,400**	**13,767,280**	**16,881,136**
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			**7,000,050**	**8,799,971**	**10,960,270**	**13,553,029**	**16,664,742**
Tax (30%)			4,900,035	6,159,979	7,672,189	9,487,120	11,665,320
Profit After Tax			**2,100,015**	**2,639,991**	**3,288,081**	**4,065,909**	**4,999,423**