

Hong Yu Steels (T) Company Limited,
Plot No. 03, Block A Zegereni, Kibaha District, Coast region

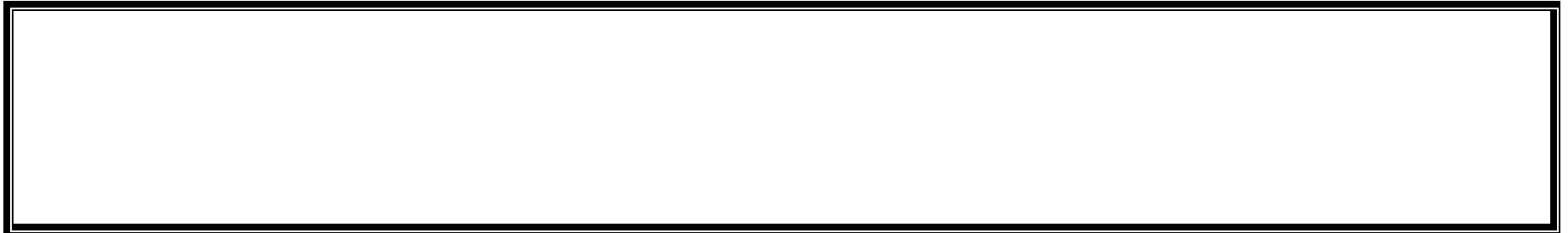
HONG YU STEELS (T) COMPANY LIMITED

BUSINESS PLAN

FOR

MANUFACTURING OF BUILDING MATERIALS

Hong Yu Steels (T) Company Limited,
Plot No. 03, Block A Zegereni, Kibaha District, Coast region



1.0 EXECUTIVE SUMMARY.

HONG YU STEELS (T) COMPANY LIMITED is a private liability company incorporated in the United Republic of Tanzania with Certificate of incorporation No.80007 issued on 23rd November 2010, the main line of production is manufacturing.

The proposed business plan is a result of knowledge and experience accumulated over 15 years. The proposed production of building materials at **Plot No. 03, Block A Zegereni, Kibaha District, Coast Region**. It's an ambitious undertaking the project of producing building materials such as Flat bars, Nails, Wire Rod and other building materials of over 100,0000 metric tons per year for starters and later on we shall increase the up to 150,000 to 500,000 per year where the following products will be produced:

- Nails
- Wire Rods
- Flat Bars

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- Furnace bricks
- And many other Building materials

The proposed new project of manufacturing of Building Materials is estimated to cost US\$ 2.9m and creating new employment of 200 local people.

1.1 LEGAL STATUS AND COMPANY BACK GROUND BRIEF

HONG YU STEELS (T) COMPANY LIMITED bears the certificate of registration No. 80007 issued on 23rd November 2010 by BRELA.

The shareholders of **HONG YU STEELS (T) COMPANY LIMITED**, the shareholder of this formed company Ni Liangjun and Lin Hangping both Chinese nationals from China. These are reputed international business professionals with vast experience manufacturing industries.

Two shareholders own the company, namely:-

Name	% of Shares	Nationality
Ni Liangjun, P. O. Box 30073, Dar Es Salaam, Tanzania	67%	China

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Lin Hanping, P. O. Box 30073, Dar Es Salaam, Tanzania	33%	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, Equipped with the wide experience in the business as explained above, the directors of the company are optimistic of successful implementation of the proposed project.

1.2 LOCATION.

The new project is located at **Plot No. 3, Block A Zegereni Street, 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

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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 various banks in account by the following banks such as NMB, CRDB and KCB.

1.6 AUDITED REPORTS

HONG YU STEELS (T) COMPANY LIMITED has been maintaining good financial reports, which are 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:

- a) To analyze the relevant market and other factors impacting upon the supply and demand of building materials and other steel products in the short, medium and long term requirements
- b) To examine the physical and operational characteristics of the existing market in order to determine the positioning of the proposed company's business in the market place.

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- c) To conceptualize the proposed company's production and business operations, assess their economic viability, commercial profitability, social feasibility and provide a vision as to how the planned objectives should be realized.
- d) To provide supporting documentation required for manufacturing plant at Zegereni, Kibaha for TIC and in accessing credit facilities required in the financing of the investment capital.

2.2 Study Approach:

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

3.0 THE PROJECT

3.1 Project Concept

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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 100,000 metric tons per year.

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

- Making shopping visit to China, India and other supplier countries to identify the suitable and appropriate machinery for the planned project.
- Operating the building material manufacturing plant 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.
- 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 Zegereni, Kibaha
- Installation of the machinery, registration, insuring and licensing of the vehicles ready for deployment in the company's business

3.3 Project Objectives

3.3.1 Development Objectives:

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HONG YU STEELS (T) COMPANY LIMITED aims at playing a significant role in the participation of the company in the efforts to maximize exploitation of the largely existing business potential in manufacturing industry particularly in Building materials.

3.3.2 Immediate Objectives:

- a) To build and operate a building material manufacturing plant and intends on producing capacity of 100,000 metric tons per year for starters, of various steel products and related building products, mainly for construction.
- b) Enhancing the country's capacity to utilize its iron, sand and related raw materials deposits and related natural resources when their commercial exploitation begins,
- c) Creating employment opportunities to skilled and semi skilled Tanzanians in both the metallurgical industrial operations, including their supplies and distribution in the company's business.

4.0 Overview of the Manufacturing Sector and Building Material 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.

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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-

4.2.1 Steel processing industry

Tanzania had around 21 steel industries, which used to produce approximately 200,000tons of steel products per annum. The industry uses mainly scrap metal as its raw materials, most of which is obtained locally, However due to growing demand, producers are sometimes forced to import scrap metal from neighboring countries, where there is excess of the materials, which can be obtained at competitive prices.

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Due to financial difficulties and lack of adequate supply of raw materials, some of the manufacturing plants have closed down their production lines, leaving only some industries in production at the moment.

HONG YU STEELS (T) COMPANY LIMITED is poised to exploit to the maximum, the anticipated development in this Sector for its own enhanced growth.

5.0 BUSINESS ENVIRONMENT ANALYSIS;

5.1 Internal Approach;

5.1.1 Management:

HONG YU STEELS (T) COMPANY LIMITED as a corporate entity is managed under the Board of Directors. Day to day management of its conducted under the company's Managing Director who will be assisted by directors, Managers, senior officers etc

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

Well-qualified professionals in the manufacturing industry will closely assist the Managing Director. The company managers, head of departments and operational staff for the manufacturing plant will be recruited for their competence, experience and good record of accomplishment in their respective fields and in previous employments.

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5.2 External Environment:

5.2.1 The market:

HONG YU STEELS (T) COMPANY 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
- 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 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 Building 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.

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.

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5.2.1.1 Market Potential:

As explained in the topic above, the demand for building 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 building products in the country.

5.2.1.2 Competition:

HONG YU STEELS (T) COMPANY LIMITED is expecting to face completion from existing manufacturing 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 project adding more building products production/manufacturing with production capacity of 100,000 metric tons per year

6.0 PROJECT OPERATING COSTS

In order to realize its intended objective the project operating costs will be 60% of total revenue.

7.0 REVENUE ASSUMPTIONS

- For the purpose of this project all revenue will come from building Material products produced at the factory

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- 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.

8.0 CONCLUSION AND RECOMMENDATION

8.1 Conclusion

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

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Appendix I

EAST AFRICA STEEL TOWER CO. LIMITED COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	100,000.00
Machinery & Equipment	1,500,000.00
Motor Vehicles	150,000.00
Furniture & Fixtures	30,000.00
Pre exp	200,000.00
Others	120,000.00
Working Capital	800,000.00
TOTAL	2,900,000.00

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CASH FLOWS PROJECTION FOR FIVE YEARS FROM 2021 TO 2025

	Pre-Startup EST	,2022	2023	2024	2025	2026	Total
Cash on Hand (beginning of month)		\$ 2,900,000	\$ 2,900,000	\$ 4,300,000	\$ 5,740,000	\$ 7,324,000	\$ 23,164,000
CASH RECEIPTS							
Cash Sales			\$ 1,000,000	\$ 1,000,000	\$ 1,100,000	\$ 1,210,000	\$ 4,310,000
Collections fm CR accounts		\$ -	\$ 400,000	\$ 440,000	\$ 484,000	\$ 532,400	\$ 1,856,400
Estimated Capital for startup	\$ 2,900,000		\$ -	\$ -	\$ -	\$ -	\$ 2,900,000
Loan							\$ -
TOTAL CASH RECEIPTS	\$ 2,900,000	\$ -	\$ 1,400,000	\$ 1,440,000	\$ 1,584,000	\$ 1,742,400	\$ 9,066,400
Total Cash Available (before cash out)	\$ 2,900,000	\$ 2,900,000	\$ 4,300,000	\$ 5,740,000	\$ 7,324,000	\$ 9,066,400	\$ 32,230,400
CASH PAID OUT							
Purchases other fixed assets		\$ -	\$ 7,200	\$ 7,920	\$ 8,712	\$ 9,583	\$ 33,415
Purchases vehicles		\$ 1,000,000	\$ -	\$ 41,000	\$ -	\$ -	\$ 1,041,000
Gross wages (exact withdrawal)		\$ 15,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 255,000
Payroll expenses (taxes, etc.)		\$ 4,500	\$ 20,400	\$ 20,400	\$ 20,400	\$ 20,400	\$ 86,100
Supplies (office & oper.)		\$ 1,000	\$ 1,100	\$ 1,210	\$ 1,331	\$ 1,464	\$ 6,105
Repairs & maintenance		\$ 1,250	\$ 1,375	\$ 1,513	\$ 1,664	\$ 1,830	\$ 7,631
Advertising		\$ 150	\$ 165	\$ 182	\$ 200	\$ 220	\$ 916
Car, delivery & travel		\$ 1,800	\$ 1,980	\$ 2,178	\$ 2,396	\$ 2,635	\$ 10,989
Accounting & legal		\$ 4,500	\$ 4,950	\$ 5,445	\$ 5,990	\$ 6,588	\$ 27,473
Rent		\$ 12,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 156,000
Telephone & internet		\$ 120	\$ 132	\$ 145	\$ 160	\$ 176	\$ 733
Utilities		\$ 150	\$ 165	\$ 182	\$ 200	\$ 220	\$ 916
Insurance		\$ 21,200	\$ 21,412	\$ 21,626	\$ 21,842	\$ 22,061	\$ 108,141
Taxes (real estate, etc.)		\$ 240	\$ 240	\$ 240	\$ 240	\$ 240	\$ 1,200
Interest		\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 375,000
Miscellaneous		\$ 200	\$ 220	\$ 242	\$ 266	\$ 293	\$ 1,221
SUBTOTAL	\$ -	\$ 1,137,110	\$ 230,339	\$ 273,282	\$ 234,400	\$ 236,710	\$ 2,111,840
Loan principal payment		\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 4,223,681
Capital purchase (land)		\$ 100,000					\$ 8,413,946
Capital purchase (excavators)		\$ -	\$ 1,000,000	\$ 100,000	\$ -	\$ -	\$ 15,786,892
Owners' Withdrawal			\$ -	\$ -	\$ 10,000,000	\$ 12,500,000	\$ 31,232,684
TOTAL CASH PAID OUT	\$ -	\$ 1,987,110	\$ 1,980,339	\$ 1,123,282	\$ 10,984,400	\$ 13,486,710	\$ 61,769,042
Cash Position (end of month)	\$ 2,900,000	\$ 912,890	\$ 2,319,661	\$ 4,616,718	\$ (3,660,400)	\$ (4,420,310)	\$ (29,538,642)