

# **SITA STEEL ROLLINGS LIMITED**

**FEASIBILITY STUDY FOR ESTABLISHMENT  
OF**

**MANUFACTURING FACILITY**

**FOR**

**STEEL AND PLASTIC BUILDING MATERIALS**

**May 2022**

## **1.0 EXECUTIVE SUMMARY**

### **1.1 INTRODUCTION**

Tanzania is a growing economy with high potential. The economy is relatively diversified and there still exists opportunities especially in the building sector in the area of building materials made of plastic & Steel Products of all types. Steel such as Black Pipes and Wire products and steel plates with the combination of plastic pipes and other various products of steel and plastic are crucial to the development of any modern economy and is considered to be the backbone of human civilization. It is on this strength that the company wishes to embark on the production of building materials specializing in Steel & Plastic pipes and other related steel products for Residential, Commercial and Industrial Complexes.

### **1.2 The Project**

After the company has been able to establish that there is unsatisfied market of the buildings materials made of steel & plastic pipes, has decided to fulfill their medium and long-term objective of expanding to establish a manufacturing facility of the steel and plastic products here in Tanzania to satisfy the local market and excess to sell outside the country.

### 1.3 Sponsors and Management

The project is being sponsored by Messrs. **SITA STEEL ROLLINGS LIMITED**. whose directors and share holdings are as follows: -

Name of ShareHolder	Nationality	%SHARE-Holding
Jayantilal Khimchand Ramji Shah	Kenyan	25.76
Mahendra Khimchand Ramji Shah.	Kenyan	25.76
Prafull Khimchand Ramji Shah	Kenyan	33.4
Bhavesht Jayantlal Shah	Kenyan	3.79
Hiten Jayantlal Shah	British	3.79
Jai Mahendra Shah	Kenyan	7.56

### 1.4 Company Vision

The project promoters wish to see **SITA STEEL ROLLINGS LIMITED** as the leading producer of quality building materials of Steel and Plastics Products used in the construction industry in Tanzania. The customers should associate the company's name with high quality products manufactured to international standards in a modern environment. This includes positioning **SITA STEEL ROLLINGS LIMITED** clearly in relation to the competitors and placing the company as a leading steel & plastic building materials manufacturer in areas of production technology, quality control, safety, and working environment.

## 1.5 LOCATION

The project will be located *at Lingato Street, Kisarawe II Ward, Kigamboni District, Dar Es Salaam* and is well served by all the necessary infrastructure and environment requirements and well suited to the nature of the envisaged project.

## 1.6 Value of the Investment

The value of the current investment is estimated as follows: -

	Equity	Term Loan	
Land And Building	\$ 500,000	\$ 3,500,000	\$ 4,000,000
Plant, Machinery & Equipment	\$ 600,000	\$ 2,400,000	\$ 3,000,000
Vehicles		\$ 360,000	\$ 360,000
Furniture & Fittings	\$ 200,000		\$ 200,000
Initial Working Capital		\$ 4,000,000	\$ 4,000,000
<b>Grand Total</b>	<b>\$ 1,360,000</b>	<b>\$ 10,200,000</b>	<b>\$ 11,560,000</b>

## 1.7 Proposed Sources of Finance

Funds for the execution of the project will be the source and injection of funds from the sponsors and the term loan from various banks.

SOURCE	US\$
<b>Fixed Assets</b>	
Equity	1,360,000
Long term loan	10,200,000
<b>GRAND TOTAL</b>	<b>11,560,000</b>

## **1.8 Markets**

The market demand for steel & plastic pipes is high and increasing. Most of the products produced are expected to be sold in Tanzania, Uganda, Kenya, Ethiopia, Burundi, Rwanda and Central Africa, which include Zambia and Malawi.

Products from the intended manufacturing facility will be substantially more stable and serve basic building materials in the construction sector and in the economy as a whole. In this regard, several discernible future trends will enhance the prospects for investment today in building materials to produce steel & plastic related products.

## **1.9 Projections**

### **1.9.1 Projected Profit and Loss**

The projected profit and Loss Accounts are shown on the appendices. On the basis of the operating assumptions and costs, the diversification of the trading operations and the initial processing (blending and mixing) of the various raw materials will be profitable throughout the projected review period of 10 years.

### **1.9.2 Liquidity Projections**

The liquidity performance is shown at Appendices. These projections take into account the assumed sources and applications of funds over the planned period and show the ability of the company to meet financial commitments and capital expenditure requirements.

## **2.0 THE PROJECT**

### **2.1 INTRODUCTION**

Tanzania is a growing economy with high potential. The economy is relatively diversified and there still exists opportunities especially in the building sector in the area of PVC & Steel Products of all types. Steel such as wire products, plates and pipes with the combination of plastic pipes and other various products of steel and plastic are crucial to the development of any modern economy and is considered to be the backbone of human civilization. It is a key for development and growth of other sectors, especially the construction sub-sector. Construction activities e.g., airports, roads, housing, water, electricity, and other engineering infrastructures require considerable steel & plastic related raw materials.

In fact, the level of per capita consumption of steel and its various related products are treated as one of the important indices of the level of socio-economic development and living standard of the people in any country. It is on this strength that the company wishes to embark on the production of building materials specializing in steel & plastic related products for Residential, Commercial and Industrial Complexes

### **2.2 THE PROJECT CONCEPT**

The project entails the manufacturing of building materials to include steel & plastic related products. Other facilities will include establishment of factory facilities and procurement of furniture, motor vehicles, generators and computers. The management has already embarked on this journey and initial processes of acquiring the land for the proposed project plans has begun. The Business Plan is to be presented to relevant Government authorities to obtain Land, necessary permits and investment incentives.

To implement the entire project an Investment of **US\$ 11,560,000** will be required and will comprise of equity and the term loan. Market for the products will be within Tanzania and indirectly export to the neighboring countries.

**2.3 THE COMPANY SITA STEEL ROLLINGS LIMITED** has been incorporated on 15<sup>th</sup> August 1996 with certificate of incorporation no **30456**. The project is being promoted by six shareholders. After being in the manufacturing of steel for more than 20 years and being able to establish a market in almost every region of Tanzania, the shareholders have decided to expand and start another project to meet the local demand and that of the neighboring countries. The shareholders are from Kenya and one from Britain. The names of the promoters along with their Shareholdings are as follows:

<b>Name of ShareHolder</b>	<b>Nationality</b>	<b>% Holding</b>
Jayantilal Khimchand Ramji Shah	Kenyan	25.76
Mahendra Khimchand Ramji Shah	Kenyan	25.76
Praful Khimchand Ramji Shah	Kenyan	33.4
Bhavesh Jayantilal Shah	Kenyan	3.79
Hiten Jayantilal Shah	British	3.79
Jai Mahendra Shah	Kenyan	7.56

## **2.4 Company Vision**

The project promoters wish to see **SITA STEEL ROLLINGS LIMITED** as the leading producer of quality building materials, products of Steel and Plastics used in the construction industry in Tanzania. The customers should associate the company's name with high quality products manufactured to international standards in a modern environment. This includes positioning **SITA STEEL ROLLINGS LIMITED** clearly in relation

to the competitors and placing the company as a leading steel & plastic building materials manufacturer in areas of production technology, quality control, safety, and working environment.

## **2.5 PROJECT DESCRIPTION**

Integrated Plastic and Steel Building materials project intends to be actively involved in the manufacturing of steel pipes and other steel related products & plastic pipes. The machineries will be sourced from India and Europe. The factory total production capacity will be 42,500 tons per annum and its break is as follows; Steel related products - 40,000 Tons per annum and Plastic Pipes - 2,500 tons per annum.

Various facilities are required in order to establish a processing plant. This will include the main building with floor-roof clearance of above 4 meters for equipment installation, warehousing for raw materials and yard for finished goods storage, electrical power supply (3 phases), water supply, compressed air supply. Other facilities include a generator, 300 to 600 KVA will also be included including the following fleet of cars; delivery and distribution trucks, and pick-ups.

## **2.6 PRODUCTION PROCESS**

The manufacturing process is also relatively simple as it will be using machinery which is mainly automated. It is planned to utilize 60% of the plant capacity in the first year and grow to 100% in the 5<sup>th</sup> year. The production will ensure quality in the entire production process and that the PVC & steel products will have sufficient structural comprehensive strength to meet the building code requirement.

## 2.7 Raw Materials

The primary raw material in Steel products including wire production is steel. Steel is made up of primarily iron. Steel pipes are made of **steel that has not been coated with a substrate such as zinc or paint..** Other metals that may be present in the alloy include aluminium, manganese, titanium, tungsten, vanadium, and zirconium. Some finishing materials are sometimes used during production Carbon Steel, Hot Rolled/Galvanized steel.

The primary raw materials for plastic products are HDPE, PPR, and PVC granules. Out of these granules , plastic pipes that are being used in commercial buildings or to houses are produced and designed to make it easier for assembling the water pipe system in the establishment which of recent has high demand worldwide and also in the Tanzanian market.

## 2.8 The Products

The company targets to deliver 50% of its products to up market residential housing and 50% to commercial and industrial projects. The main Raw Materials will be sourced from overseas depending on the type of raw materials needed. Various vehicles will be purchased for the project. It is anticipated that the production will annually grow by 15% and stabilize in the fourth year.

## 3.0 MARKET AND MARKET POTENTIAL

The company's main aim is to manufacture quality wire rod, steel & plastic pipes building materials for the local and neighboring countries surrounding

Tanzania. There is a huge market potential in the residential, commercial and industrial housing which has remained untapped. Tanzania has a population of 60 ml people. The provision of housing in urban centers, rural and Industrial sites remain inadequate hence once the project is undertaken will not face any marketing problem.

### **3.1 Market Demand**

There is huge demand for steel related construction products & plastic pipes. The firm targets 50 % of its production to the up market residential housing and 50% to the industrial and commercial high-rise complexes. The Target Markets are Real estate developers and builders for residential and self-serviced apartments.

The company sales force will be calling on architects and engineers to push sales and strengthen the market specially the residential and municipal markets. The other targeted markets are industrial and commercial complexes. The company aims at a later stage to export to neighboring countries Zambia, Mozambique, Rwanda and Burundi and in later years to all EAC & SADC countries.

## **4.0 MANPOWER**

### **4.1 Management and organization**

Sita Steel Rollings Limited project promoter will coordinate the project to implementation. Manpower requirement has been estimated at 51 employees and 150 casual labors

## 4.2 Training and Requirement

The company will recruit the key staff and the operators 3 months before the operations start to enable them participate in the trial production. This will be part of their orientation and training programme. On the job training will be a continuous process in production, machinery repairs and maintenance sales and marketing.

## 5.0 PROJECT COST AND FINANCING

### 5.1 Investment Cost

The value of the current investment is estimated as follows: -

USD

	<b>EQUITY</b>	<b>TERM LOAN</b>	<b>TOTAL</b>
Land And Building	500,000	3,500,000	4,000,000
Plant, Machinery & Equipment	600,000	2,400,000	3,000,000
Vehicles		360,000	360,000
Furniture & Fittings	200,000		200,000
Initial Working Capital		4,000,000	4,000,000
<b>Grand Total</b>	1,360,000	10,200,000	11,560,000

### 5.2 Proposed Sources of Finance

Funds for the execution of the programme will be own source and injection of funds from the sponsors and the term loan from various banks.

<b>SOURCE</b>	<b>US\$</b>
<b>Fixed Assets</b>	
Equity	1,360,000
Long term loan	10,200,000
<b>GRAND TOTAL</b>	<b>11,560,000</b>

### **5.3 Land and Development**

The project will be situated on a plot that have already been identified at ***Lingato Street, Kisarawe II Ward, Kigamboni District, Dar Es Salaam*** and therefore the ownership facilities are in processes and once the land formalities are finalized the investor will be in a position to start the implementation of the project .

**5.4 Plant and Machinery** cost is estimated **US\$.3,000,000** and Vehicles cost estimated is **US\$360,000**

**5.5 Furniture and fittings** cost estimated is **US\$ 200,000**

**5.6 Utilities** include electricity and water

**5.7 Advertisement** The firm will undertake aggressive advertising and promotion to create public product awareness in pushing sales.

### **5.8 Depreciation**

The details of depreciation charges are shown below and the provisions have been calculated on straight-line basis.

a)	Land and building	<b>5%</b>
b)	Machinery/plant	<b>12.5%</b>
c)	Vehicles	<b>25%</b>
d)	Furniture & Fittings	<b>12.5%</b>

### **5.9 Corporate Tax**

The project will pay corporate Tax 30% starting from first year of **US\$2.4m** increasing to **US\$4.3** in year 6, as a result of project profitability.

### **5.10 Revenue Assumptions**

Sales will be generated from sales of wire rod, steel & plastic pipes.

**5.11 Operating Expenses:** The costs constitute 60 % of the annual sales. It will increase by 10% annually as sales increase.

### **5.12 Cash flow Projections**

The cash flow is positive right from the first year.

## **6.0 PROJECT SOCIAL AND ECONOMIC JUSTIFICATION**

- The project will create direct employment to about 51 people. And more than 150 casual laborers
- The project will create indirect jobs in the construction Industry
- The project will contribute to poverty alleviation, in the sense that it will ensure constant income to families in meeting the basic needs like food clothing, education fees, homes improvement and development.
- It will at later stage generate forex from exports to the regional markets, SADC and EAC
- It will create revenue to the government in the form of taxation

## **7.0 CONCLUSION AND RECOMMENDATION**

It is evident from the financial and economic analysis contained in this report that the proposed plastic & steel building material project is financially and economically viable. The project is therefore highly recommended to be given a certificate of incentives to speed up the economic and social development of this project and also to enable them to obtain land for the development of their intended project.

# SITA STEEL ROLLINGS LIMITED

## Investment Cost

US \$

	<b>EQUITY</b>	<b>TERM LOAN</b>	<b>TOTAL</b>
Land And Building	500,000	3,500,000	<b>4,000,000</b>
Plant, Machinery & Equipment	600,000	2,400,000	<b>3,000,000</b>
Vehicles		360,000	<b>360,000</b>
Furniture & Fittings	200,000		<b>200,000</b>
Initial Working Capital		4,000,000	<b>4,000,000</b>
<b>Grand Total</b>	<b>1,360,000</b>	<b>10,200,000</b>	<b>11,560,000</b>

# SITA STEEL ROLLINGS LIMITED

## Financing Pattern

SOURCE	US\$
<b>Fixed Assets</b> Equity Long term loan	1,360,000 10,200,000
<b>GRAND TOTAL</b>	<b>11,560,000</b>

# SITA STEEL ROLLINGS LIMITED

## Depreciation Schedule

Investment	Total Costs	Rate	1	2	3	4	5	6	7	8	9
Land Buildings	4,000,000	4.0%	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000	160,000
Plant & Machinery & Equipment	3,000,000	12.5%	375,000	375,000	375,000	375,000	375,000	375,000	375,000	375,000	0
Motor Vehicles	360,000	25.0%	90,000	90,000	90,000	90,000	-	-	-	-	-
Furniture & Fixtures	200,000	12.5%	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	-
<b>Total Costs</b>			<b>650,000</b>	<b>650,000</b>	<b>650,000</b>	<b>650,000</b>	<b>560,000</b>	<b>560,000</b>	<b>560,000</b>	<b>560,000</b>	<b>160,000</b>
									<b>0</b>	<b>0</b>	<b>0</b>

**US \$**



**SITA STEEL ROLLINGS LIMITED**  
**Revenue Schedules USD**

	<b>60%</b>	<b>70%</b>	<b>80%</b>	<b>90%</b>	<b>100%</b>
- PLASTIC PRODUCTS	1,440,000	1,680,000	1,920,000	2,160,000	2,400,000
STEEL PRODUCTS -	21,000,000	24,500,000	28,000,000	31,500,000	35,000,000
<b>Total Revenue</b>	<b>22,440,000</b>	<b>26,180,000</b>	<b>29,920,000</b>	<b>33,660,000</b>	<b>37,400,000</b>

# SITA STEEL ROLLINGS LIMITED

## Profit & Loss Profit

	1	2	3	4	5	6	7	8	9	10
	US \$000									
Revenue					100%					
Total revenue	22,440	26,180	29,920	33,660	37,400	37,400	37,400	37,400	37,400	37,400
Cost of sales	13,464	15,708	17,952	20,196	22,440	22,440	22,440	22,440	22,440	22,440
<b>Gross Profit</b>	8,936	10,472	11,960	13,464	14,960	14,960	14,960	14,960	14,960	14,960
<i>Other costs</i>	650	650	650	650	560	560	560	560	560	160
Depreciation										
<b>Profit Before Tax</b>	8,286	9,822	11,310	12,814	14,400	14,400	14,400	14,400	14,800	14,800
Taxation 30%	2,486	2,947	3,390	3,844	4,320	4,320	4,320	4,320	4,440	4,440
<b>Net Profit</b>	5,800	6,875	7,920	8,970	10,080	10,080	10,080	10,080	9,960	9,960
<b>Cumulative Profit</b>	5,800	12,675	20,595	29,565	39,645	49,725	59,805	69,885	79,845	89,805

# SITA STEEL ROLLINGS LIMITED

## Projected Cash Flow

	US \$ '000'										
	0	1	2	3	4	5	6	7	8	9	10
<b>INFLOWS</b>											
Equity&loan	11,560										
Operating Inflow	-										
Profit Before Tax	-	8,286	9,822	11,310	12,814	14,400	14,400	14,400	14,400	14,800	14,800
Depreciation	-	650	650	650	650	560	560	560	560	160	160
<b>Total Inflows</b>	<b>11,560</b>	<b>8,936</b>	<b>10,472</b>	<b>11,960</b>	<b>13,464</b>	<b>14,960</b>	<b>14,960</b>	<b>14,960</b>	<b>14,960</b>	<b>14,960</b>	<b>14,960</b>
<b>OUTFLOWS</b>											
Investment	11,560										
Taxation		2,486	2,947	3,390	3,844	4,320	4,320	4,320	4,320	4,440	4,440
<b>Total Outflow</b>		<b>2,486</b>	<b>2,947</b>	<b>3,390</b>	<b>3,844</b>	<b>4,320</b>	<b>4,320</b>	<b>4,320</b>	<b>4,320</b>	<b>4,440</b>	<b>4,440</b>
<b>Net Cash Flow</b>		<b>6,450</b>	<b>7,525</b>	<b>8,570</b>	<b>9,620</b>	<b>10,640</b>	<b>10,640</b>	<b>10,640</b>	<b>10,640</b>	<b>10,520</b>	<b>10,520</b>
<b>Cumulative net cash flow</b>		<b>6450</b>	<b>13,975</b>	<b>22,545</b>	<b>32,165</b>	<b>42,805</b>	<b>53,445</b>	<b>64,085</b>	<b>74,725</b>	<b>85,245</b>	<b>95,765</b>