

# TANZANIA INVESTMENT CENTRE

## DIRECTORATE OF INVESTMENT FACILITATION



**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 21<sup>st</sup> June, 2022**

29<sup>th</sup> June, 2022

PROJECT'S PROFILE				
S/N	ITEM	DESCRIPTION		
1.	Company Name	<b>M/s Lodhia Steel Industries Limited</b>		
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 +255717626262,		
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 15<sup>th</sup> May 2015 with objectives of establish and operate a project for manufacturing rolled – hollow sections pipes and related product with initial investment cost of USD 8.5m. The project was registered on 15<sup>th</sup> May, 2015, and 9<sup>th</sup> 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 11<sup>th</sup> 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 project purchased another plot of land next to the plant which is 53 acres. The Land use plan is designated for Industrial purpose.

## 2.0 OBJECTIVE OF THE VISIT

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

- (i) Request for extension of implementation period of TIC and increase of capital to Lodhia Steel Industries Ltd. CoI
- (ii) Current project's implementation status as per TIC registration proposed activities.
- (iii) Challenges facing the project so as to justify the reasons for delays for Project Implementation period.
- (iv) Future plan for the project

## 3.0 ON SITE

The PVV team includes: -

- |       |                  |   |                                   |
|-------|------------------|---|-----------------------------------|
| (i)   | George K. Mukono | - | Ag. IFM (A) (Team Leader) - TIC   |
| (ii)  | Fidelis Obaga    | - | PIO - EZO (TIC)                   |
| (iii) | Noel Bomani      | - | On internship Labor Officer (TIC) |

#### 4.0 PVV METHODOLOGY/ MODUS OPERANDI

The PVV team uses the following methodology during the visit;

- i. To interview and collect information from the Lodhia Company CEO and General Manager.
- 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.

#### 4.0 OBSERVATIONS

The PVV team visited the project on 21<sup>st</sup> June, 2022 and had site visit with Mr. Habhachu Raju, General Manager of the Company and after the visit we had a consultative meeting/discussion with Mr. Manoj S G - Lodhia Company's Director & CEO, the following are the key issues which were observed: -

- (i) The team was informed by company's CEO Mr Manoj that approximately 80% 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 is still ongoing (*see attached pictures*)
- (iii) The team was informed that the remaining 60% 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. (*see attached picture*)
- (iv) Installed machines include two tube mills, one rolling mill, billet plant, continuous casting machine (CCM) and gas plant. This is still on going and upgrading some parts of the machines.

- (v) The team observed two vessels for bulk gas storage, and dismantled plant parts for installation of AOD plant is on going and expected to complete next year 2023.
- (vi) Construction of base for installation of AOD plant is underway while site clearance for installation of Oxygen and Nitrogen Gas plant is ongoing. This installation was supposed to be done since last year but due to delays in importation of some of the products from India due to Covid – 19 pandemics in India. They have already started installation of the AOD (*see in annex pictures attached*)

#### **5.0. TEAM FINDINGS DURING THE VISIT**

- (i) Investor has plan to finalize the remaining 20% of construction which are not yet finished which are mainly for scrap plant (gas plant) - *see attached constructions pictures on going* 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 is expecting to get bank finance with CRDB and suppliers have agreed to supply machinery on credit after extension of TIC Certificate.
- (iv) The project has created direct employments more than 800 people from steel industries only and after extension of different facilities which is part of the steel industries i.e; Oxygen and Nitrogen Gas plant, AOD plant and Scrap processing plant will increase to 1,200 employments.
- (v) Team also finds out, due to the old machines of steel production, the demand of steel in the market is very high, so the company

need to upgrade and increase their production from 300 tons per year to 600 tons per year.

- (vi) Team also finds out that, the company has a furnace which produce 200 billets per day, and they already ordered the modern one which may produce 300 billets per day.
- (vii) Team also finds out, upgrading process of the machineries and the industry in general, have the intention to increase production and efficiency, in terms of speed, quality and automation. Also, to adhere with government directives on environmental issues.

## 6.0. 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 initial's 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 plant production is under capacity due to the use of old technology which is very slow and capacity of production cannot compete with the standards of the market with other players.
- (viii) 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.

## **6.0 FUTURE PLAN**

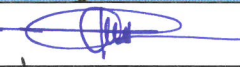

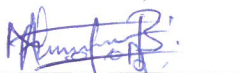
Planned activities includes: -

- (i) Complete all construction works after two years (by 2024)
- (ii) Finalizing all process of acquiring 53 acers of land part of extension of plant.
- (iii) Complete construction of Shades warehouse for storage of scrapers as per NEMC regulations
- (iv) Install gas generators as alternative source of power
- (v) Acquire, install and commission production plant and machineries also start production
- (vi) Source and recruit human resources for factory operations
- (vii) To increase the capacities of rolling Mill, and billet plant in 2021/2022 to 2023/2024 company plans.

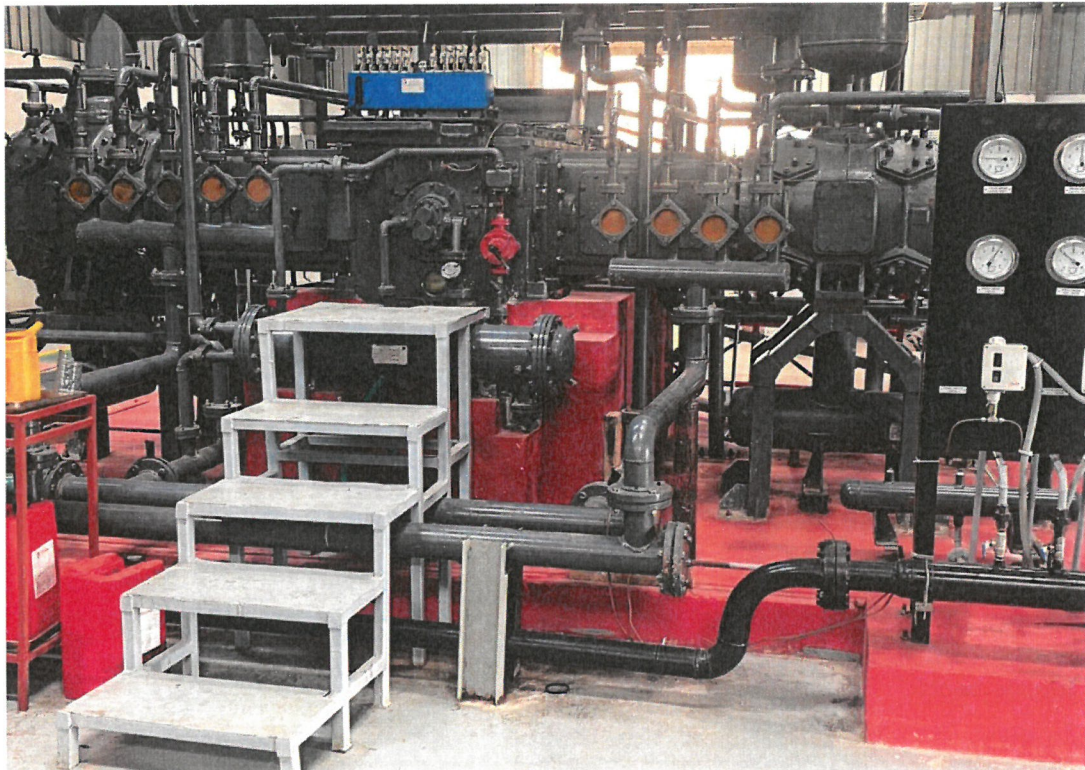
## 7.0 RECOMMENDATIONS

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 its 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.

The company is committed to implement the project as per its plan. However, in order to complete the remained activities, the company needs to import some equipment and utilize exemption facility, which previously was approved by Tanzania Revenue Authority. Considering the significance of the project to the National Economy and the amount of capital invested, the PVV team hints that the requested extension of the Certificate of Incentives to be approved. Based on what the team findings and observation on during the visit and the documents submitted by an Investor as the justification of their request for an extension of CoI, the team recommend for One year extension for Certificate of Incentives instead of two years requested by an Investor so as investors can utilize the remaining capital goods granted in order to finalize the phase II extension of the plant.

S/n	Name	Position	Date	Signature
1.	George K. Mukono	Ag. IFM – (A)	29/06/2022	
2.	Fidelis Obanga	PIO - EZO	29/06/2022	
3.	Noel Bomani	Internship Labor Officer (TIC)	29/06/2022	

**Different pictures which show the progress of Lodhia Steel Industries Ltd during the Project visit verification by TIC Team**





*Extension of the of the new warehouse/shade for storage of scrapers and cutting of scrapers as per NEMC requirements*



*New Shades for storage of scrappers which is under constructions*





*Lodhia Steel Industries Ltd General Manager from left Mr. ...., Aftercare Manager tClearance of the new area for extension of the Manufacturing plant*





