

Introduction

Lake Cement Limited is a strategic investor in Tanzania and has setup an integrated cement manufacturing plant situated at village Kimbiji, Kigamboni District in Dar-es-Salaam.

The plant is the most modern in East Africa and started commercial production in July 2014. The manufacturing facility is fully integrated and includes mining, clinkerization, grinding and logistics. It also has a 10 MW thermal captive power plant for continuous supply of electricity and running of plant. The plant had a rated capacity of 0.4 MPTA of Clinker and 0.5 MPTA (Million Tons per Annum) of cement production when installed.

Over the past 8 years Company has carried out in-house improvements and small de-bottlenecking projects to enhance the capacity of the plant and are currently operating at 0.495 MPTA of Clinker and 0.66 MPTA of Cement with an approximate increase of 25% in clinkerization and 33% in cement grinding capacity.

Some of the highlights of past eight years,

- Developed a highly recognised brand ‘*Nyati Cement*’, known for high strength product and consistent quality.
- Profitable from day one, having sold 100% of its production since inception, paying more than \$4 million of corporate tax for last five years.
- Trusted among customers for reliable service and technical support
- Invested in our own Logistics Fleet for transporting Coal from SW Tanzania and delivering Cement to customers.
- Proven successful in Large Projects – Railways, Dams, Roads, Water Projects, Multi-Story Buildings, Block Makers, IHB & Exports
- Engaged in community development and CSR activities, focusing on Education, Health and Environment
- Keen focus on employee Health, Safety and Labour relations and have been recognized by OSHA and TUICO accordingly

Company had successfully implemented the project in record time and been generating the following revenues for the exchequer:

(Tz in Million)

Financial Year Ended on	SDL	WCF	CSL	ROYALTY	VAT ON SALES	ML/PL RENT	STAMP DUTY	LAND RENT	PROPERTY TAX	CORP TAX (ADV)	TOTAL
Apr - Mar 2014-15	169	-	-	179	6,019	86	4	28	-	-	6,485
Apr - Mar 2015-16	209	32	397	326	17,455	104	3	27	-	-	18,552
Apr - Mar 2016-17	242	52	374	393	16,837	106	2	28	-	-	18,035
Apr - Mar 2017-18	247	55	447	440	15,595	104	5	28	15	-	16,937
Apr - Mar 2018-19	245	55	196	395	20,425	113	6	58	-	8,500	29,993
Apr - Mar 2019-20	245	55	196	395	20,507	113	6	58	-	8,500	30,075
Apr - Mar 2020-21	231	55	394	355	22,109	105	7	36	1	10,018	33,311
Apr - Mar 2021-22	276	46	404	491	22,679	52	6	15	-	14,798	38,767
Total	1,866	350	2,409	2,974	141,626	781	40	279	16	41,816	192,155

Plant Expansion & Upgradation

Lake Cement Ltd has planned expansion and upgradation of the capacity which would be increase from 0.87 MTPA to 1.10 MTPA by further investment of USD \$10 Mn (from 0.66 MTPA to 0.87 MTPA is already under progress).

Raw Materials required such as Limestone, Sand, Clay etc. would be met from the available resources by the Mining Licenses and land owned by Lake Cement Ltd. Current estimates shows that the reserves are adequate enough to meet the requirement for another 45 years.

Other major raw materials like Coal, Gypsum and Iron Ore will be sourced from local sources available in abundance within Tanzania. Cement Bags will be continued to source from Manufacturer in and around Dar es Salaam.

With substantial investment in ultra-modern and state of the art equipment, there will only minor addition in the consumption of coal but the per ton coal consumption will be reduced by 6.7%. However, there will be an additional requirement of 4 MW of power will be procured from Tanesco directly.

The Tanzanian cement market over a period of past 5 years is growing @ 15% to 16% which is expected to continue with the current infrastructural upcoming project. Hence, addition of clinkerization and cement grinding capacity by lake cement is at the most opportune time.

The Cement consumed in Year 2022 is 7.9 MTPA, and growth of infrastructure is one of the key indicators of a country's growth and development. If Tanzania has to attain a middle-class economy, the most important development required is in infrastructure i.e. creation of Roads/Railways/Airports/ Schools/Hospitals/ New Cities and Towns/ bridges/ Malls/Ports etc.

In the year 2023, the cement demand is going to be close to 9.3 MTPA and by end of year 2025 the cement demand should touch around 16 to 17 MTPA, this indicates that the addition of capacity with this expansion will be around 5.8% of the demand and will be easily absorbed.

Key points of the Expansion:

1. Increase in Cement Production additionally by 15%.
2. The Engineering and Project team under the guidance of top management has come up with a novel idea of combining Erection and Commissioning in all stages together with minimum shutdown thereby the full capacity can be reached immediately after successful completion of project.
3. Making Nyati Cement formidable name as leading manufacturing in Cement Industry and highly efficient in East Africa region for lowest investment per ton of capacity enhancement.
4. Based on the investment and contribution to the local economy Tanzania Investment Centre has accorded Strategic Investor Status for this Project / Expansion signifying the importance this project will bring infrastructural development in Tanzania.

5. This expansion will result in direct and indirect employment creation of 80 Tanzanian nationals and 5 expatriates.
6. The upgradation of the equipment will make Lake Cement's plant the most technologically modern and efficient, with the lowest energy consumed per ton of cement in the region.
7. Company has competitive advantage in terms of proximity to major cement market in and around Dar Es Salaam, Sufficient deposit of major raw materials and proven track record of running operations in cost-efficient manner.
8. Investment Summary for Cement Plant Expansion:

Particulars	USD Million
Land & Building	0.58
Plant, Machineries and Structures	8.98
Furniture & Fixtures	0.01
Engineering Consultancy	0.14
Contingency @ 3%	0.30
TOTAL	10.01
<i>Company Contribution</i>	
<i>Borrowings & Loans</i>	10.01
TOTAL	10.01

Project is planned to commission by Dec'23 so as to have full capacity utilization by April'24.

The suppliers of the expansion project have been narrowed down and selected from experienced and established companies from Europe, India and China depending on the criticality of the equipment.

List of Project Procurement & Services

Annexed are Financial Projections clearly explains financial viability of the project.

Annexure-1: Projected Profit & Loss Account

Annexure-2: Projected Balance Sheet

Annexure-3: Projected Cash flow

i. Profit and Loss Projections ('000 USD)

Particulars	Yr 1(22-23)	Yr 02	Yr 03	Yr 04	Yr 05	Yr 06	Yr 07	Yr 08	Yr 09	Yr 10
Cement Capacity Qty (MT) Exising	660,000	660,000	660,000	660,000	660,000	660,000	660,000	660,000	660,000	660,000
Cement Capacity Qty (MT) with OPC	660,000	640,000	870,000	940,000	940,000	940,000	940,000	940,000	940,000	940,000
Cement Capacity Qty (MT) with Expansion	660,000	800,000	950,000	1,000,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
Cement Sales Qty (MT)	660,000	800,000	950,000	1,000,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
Sales Realisation @ \$ / MT	86	86	82	82	82	85	85	85	85	85
Total Sales Realisation	56,760.00	68,800.00	77,900.00	82,000.00	86,100.00	89,250.00	89,250.00	89,250.00	89,250.00	89,250.00
Coal Consumption	15,109.87	17,887.40	18,002.79	18,950.31	19,897.82	19,897.82	19,897.82	19,897.82	19,897.82	19,897.82
Power Cost - Supply from Tanesco	897.84	1,451.06	3,446.26	3,627.64	3,809.02	3,809.02	3,809.02	3,809.02	3,809.02	3,809.02
Mining material Cost (Limestone etc..)	3,229.60	3,914.67	4,648.67	4,893.33	5,138.00	5,138.00	5,138.00	5,138.00	5,138.00	5,138.00
Gypsum	1,336.50	1,620.00	1,923.75	2,025.00	2,126.25	2,126.25	2,126.25	2,126.25	2,126.25	2,126.25
Iron Ore	703.56	852.80	1,012.70	1,066.00	1,119.30	1,119.30	1,119.30	1,119.30	1,119.30	1,119.30
Packing Materials	3,300.00	4,000.00	4,750.00	5,000.00	5,250.00	5,250.00	5,250.00	5,250.00	5,250.00	5,250.00
Stores, Spares & Consumables	6,600.00	8,000.00	7,600.00	8,000.00	8,400.00	8,400.00	8,400.00	8,400.00	8,400.00	8,400.00
Diesel Cost	1,650.00	2,000.00	2,375.00	2,500.00	2,625.00	2,625.00	2,625.00	2,625.00	2,625.00	2,625.00
Factory Exp & Others	900.00	945.00	1,039.50	1,091.48	1,146.05	1,203.35	1,263.52	1,326.69	1,393.03	1,462.68
Salary,Wages & Contract Labour	3,600.00	3,780.00	4,158.00	4,365.90	4,584.20	4,813.40	5,054.07	5,306.78	5,572.12	5,850.72
Selling and Admn Expenses	2,400.00	2,520.00	2,772.00	2,910.60	3,056.13	3,208.94	3,369.38	3,537.85	3,714.75	3,900.48
Interest on WC	1,080.00	1,080.00	1,080.00	1,080.00	720.00	720.00	720.00	720.00	720.00	720.00
Interest on Term Loan	350.00	1,400.00	1,890.00	1,470.00	1,050.00	630.00	210.00	-	-	-
Total (B)	41,157.37	49,450.93	54,698.66	56,980.25	58,921.77	58,941.09	58,982.37	59,256.72	59,765.28	60,299.28
Cash Profit (A-B)	18,602.63	19,349.07	23,201.34	25,019.75	27,178.23	30,308.91	30,267.63	29,993.28	29,484.72	28,950.72
Depreciation	3,301.81	3,301.81	5,368.68	5,099.77	5,099.77	5,099.77	5,099.77	4,799.77	4,799.77	4,799.77
Current Tax Paid	4,811.23	5,137.70	3,680.26	4,973.88	6,344.02	7,818.90	8,161.64	8,300.63	8,280.64	8,197.76
Deferred Tax Provision	(220.98)	(323.52)	1,669.54	1,002.11	279.52	(256.16)	(611.28)	(742.58)	(875.16)	(952.47)
Corporate Tax	4,590.25	4,814.18	5,349.80	5,975.99	6,623.54	7,562.74	7,550.36	7,558.05	7,405.48	7,245.29
Net Profit	10,710.57	11,233.08	12,482.86	13,943.99	15,454.92	17,646.40	17,617.50	17,635.46	17,279.47	16,905.66
	20,032.63	21,829.07	26,171.34	27,569.75	28,948.23	31,658.91	31,197.63	30,713.28	30,204.72	29,670.72

Projected Balance Sheet ('000 USD)

Particulars	Yr 1(22-23)	Yr 02	Yr 03	Yr 04	Yr 05	Yr 06	Yr 07	Yr 08	Yr 09	Yr 10
Shareholders' Funds	16,551.55	16,551.55	16,551.55	16,551.55	16,551.55	16,551.55	16,551.55	16,551.55	16,551.55	16,551.55
Retained Earnings	31,604.42	32,837.50	35,320.36	39,264.34	44,719.27	50,365.67	55,983.17	61,618.63	66,898.10	71,803.76
Deferred Tax Liability	9,221.08	8,897.56	10,567.10	11,569.21	11,848.73	11,592.57	10,981.29	10,238.71	9,363.55	8,411.08
Secured Long Term Loan	10,000.00	30,000.00	24,000.00	18,000.00	12,000.00	6,000.00	-	-	-	-
Current Liabilities										
Bank Overdrafts	12,000.00	12,000.00	12,000.00	12,000.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00
Trade & Other Payables	5,000.00	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00
Total	84,377.04	107,286.61	105,439.00	104,385.10	100,119.54	99,509.79	98,516.01	103,408.89	107,813.19	111,766.39
Fixed Assets - Gross	81,350.14	93,850.14	118,734.95	120,734.95	121,234.95	121,734.95	122,234.95	122,734.95	123,234.95	123,734.95
Additions incl. CWIP	12,500.00	24,884.81	2,000.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00
Less : Dep	29,642.60	32,944.41	38,313.09	43,412.86	48,512.63	53,612.40	58,712.17	63,511.94	68,311.71	73,111.48
Net Fixed Assets	64,207.53	85,790.53	82,421.85	77,822.08	73,222.31	68,622.54	64,022.77	59,723.00	55,423.23	51,123.46
Current Assets										
Stock In Hand	7,908.03	8,851.42	9,373.61	9,577.48	9,781.36	9,781.36	9,781.36	9,781.36	9,781.36	9,781.36
Trade Receivables	5,581.40	6,765.33	7,660.17	8,063.33	8,466.50	8,776.25	8,776.25	8,776.25	8,776.25	8,776.25
Other Advances and Deposits	2,000.00	2,000.00	1,266.67	1,333.33	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00	1,400.00
Cash & Bank Balance	4,680.08	3,879.32	4,716.70	7,588.87	7,249.37	10,929.63	14,535.62	23,728.27	32,432.35	40,685.31
Total	84,377.04	107,286.61	105,439.00	104,385.10	100,119.54	99,509.79	98,516.01	103,408.89	107,813.19	111,766.39

i. Projected Cash Flows ('000 USD)

Particulars	Yr 1(22-23)	Yr 02	Yr 03	Yr 04	Yr 05	Yr 06	Yr 07	Yr 08	Yr 09	Yr 10
<i>OP. CASH & CURRENT BALANCES</i>	3,000.00	4,680.08	3,879.32	4,716.70	7,588.87	7,249.37	10,929.63	14,535.62	23,728.27	32,432.35
<i>CASH PROFIT</i>	18,602.63	19,349.07	23,201.34	25,019.75	27,178.23	30,308.91	30,267.63	29,993.28	29,484.72	28,950.72
Less : Corporate Tax Paid	(4,811.23)	(5,137.70)	(3,680.26)	(4,973.88)	(6,344.02)	(7,818.90)	(8,161.64)	(8,300.63)	(8,280.64)	(8,197.76)
Total Available Funds	16,791.40	18,891.45	23,400.39	24,762.57	28,423.08	29,739.38	33,035.62	36,228.27	44,932.35	53,185.31
SOURCE / (UTILISATION)										
Dividend to Shareholders	(8,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(10,000.00)	(12,000.00)	(12,000.00)	(12,000.00)	(12,000.00)	(12,000.00)
Secured Long Term Loan	10,000.00	20,000.00	(6,000.00)	(6,000.00)	(6,000.00)	(6,000.00)	(6,000.00)	-	-	-
Trade & Other Payables	-	2,000.00	-	-	-	-	-	-	-	-
Bank Overdraft	3,000.00	-	-	-	(4,000.00)	-	-	-	-	-
Fixed Assets	(12,500.00)	(24,884.81)	(2,000.00)	(500.00)	(500.00)	(500.00)	(500.00)	(500.00)	(500.00)	(500.00)
Current Assets :										
Stock In Hand	91.97	(943.39)	(522.19)	(203.87)	(203.88)	-	-	-	-	-
Trade Receivables	(4,081.40)	(1,183.93)	(894.83)	(403.17)	(403.17)	(309.75)	-	-	-	-
Other Advances and Deposits	(621.89)	-	733.33	(66.67)	(66.67)	-	-	-	-	-
NET SOURCE / (UTILISATION)	(12,111.32)	(15,012.13)	(18,683.69)	(17,173.70)	(21,173.71)	(18,809.75)	(18,500.00)	(12,500.00)	(12,500.00)	(12,500.00)
CL. CASH & CURRENT BALANCE	4,680.08	3,879.32	4,716.70	7,588.87	7,249.37	10,929.63	14,535.62	23,728.27	32,432.35	40,685.31

The Payback period of the project is around 2 years.

