

LAKE COAL MINING LIMITED BUSINESS PLAN



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TABLE OF CONTENTS

TABLE OF CONTENTS	i
LIST OF ABBREVIATION	ii
EXECUTIVE SUMMARY	iii
CHAPTER ONE	1
1.1 BUSINESS DESCRIPTION	1
CHAPTER TWO	3
2.0 ENVIRONMENTAL AND INDUSTRIAL ANALYSIS	3
Social Factors	4
Technological Factors	4
2.1.2 SWOT Analysis	4
2.2 INDUSTRY ANALYSIS	5
CHAPTER THREE	6
3.1 MARKET ANALYSIS	6
CHAPTER FOUR	9
4.1 OPERATIONS SEGMENT OR MANUFACTURING SEGMENT	9
CHAPTER FIVE	10
5.0 ORGANIZATION PLAN	Error! Bookmark not defined.
5.3 Authority of Principal	10
5.4 Management Team Background	10
5.5 Training and Evaluation	10
CHAPTER SIX	12
6.0 FINANCIAL PLAN	12
SOURCE OF FUND	12
Business performance	13

LIST OF ABBREVIATION

PLC	Public Limited Company
LTD	Limited
PESTL	Political, Economic, Social, Technological Legal Factors
USD	United States Dollar
SWOT	Strength, Weakness, Opportunities, Threat's analysis
ILO	International Labor Organization
WHO	World Health Organization

EXECUTIVE SUMMARY

Lake Coal Mining Limited is a limited liability type of business which aims at mining of coal. The idea of mining coal came about through observing that there is high demand for the coal and it is profitable.

Lake Coal Mining Limited is going to be positioned at Liyombo village, Mbinga district -Ruvuma. Whereas this location is suitable as transportation costs of raw materials and final product is minimum. The prices offered for the products are very affordable so as to be able to accommodate all its customers.

This Lake Coal Mining Limited will require a sum of **USD. 10,000,000/=**. The money will be used to acquire machine, equipment, and to meet initial operations for mining of coal.

CHAPTER ONE

1.1 BUSINESS DESCRIPTION

LAKE COAL MINING LIMITED is Limited company whose owners are legally responsible for its debts only to the extent of the amount of capital they invested. Having limited liability status means the company is an entity in its own right. This has several advantages for instance this means that one will not be personally liable for any financial losses made by the business this gives additional protection in case things go wrong. It is easier for the company to secure loans and investments. The company will exist beyond the life of its shareholders even if they retire or resign the company will continue to exist and operate.

Lake Coal Mining limited will be dealing with mining of coal. We decided to deal with mining of coal as we have seen local companies engage in mining of coal and we find that we too have potential to engage in it and it is a good economic opportunity as it gives much promise for great results.

Coal is an essential resource for over 37% of the world's electricity supply. It is fundamental in powering homes and industries, providing energy for transport and producing steel and concrete.

Coal is an essential resource for tackling the challenges facing the modern world, specifically the rapid increase in energy consumption. Coal is significantly cheaper and more accessible than other fossil fuels and its reserves are distributed much more equally around the planet earth.

This venture which requires 10,000,000 USD as a capital. The capital will be obtained from different sources including bank loan and subsidiary companies and the own capital.

SOURCE OF CAPITAL

SOURCE OF CAPITAL	AMOUNT
LOAN FROM BANK	7,000,000/= US DOLLARS
SUBSIDIARY COMPANIES	2,500,000/= US DOLLARS
OWN CAPITAL/EQUITY	500,000/= US DOLLARS
Total Amount	10,000,000/= US DOLLARS

1.2 Principal Activities.

- i. Mining of coal.

1.3 Business objectives

- I.** To maintain high level of customer satisfaction by ensuring supply of quality products.
- II.** To improve the social economic environment to brighten the growth , prospect of the people living in and around the mines.
- III.** To ensure high level of employee motivation.
- IV.** To strengthen the human resource base for the development of the requisite skill and expertise.
- V.** To expand the operations in the areas of mining and mineral processing to meet the growing demand from domestic and international markets.
- VI.** To ensure renewal of mining leases by obtaining Forest and environment clearance and ensuring compliance of all application laws.

1.5 Vision statement.

We are aspiring to become a socially responsible Coal mining company through maximizing value of all stakeholders.

1.6 Mission statement.

To be a responsible mining company that discovers and processes energy resources for the use of society.

CHAPTER TWO

2.0 ENVIRONMENTAL AND INDUSTRIAL ANALYSIS

ENVIRONMENTAL ANALYSIS.

PESTL analysis is the external factors which used by the marketers to analyses and monitor the macro-environmental (external marketing environment) factors that have an impact on an organization. Lake Coal Mining Limited is one of many coal mining companies in TANZANIA, hence this is yet another breakthrough for our mining & energy sector.

Political: These factors include a government may impose a new tax or duty due to which entire revenue generating structures of organizations might change. Political factors include tax policies, Fiscal policy, trade tariffs etc. that a government may levy around the fiscal year and it may affect the business environment (economic environment) to a great extent.

Economic: These factors are determinants of an economy's performance that directly impacts a company and have resonating long term effects. [For example] a rise in the inflation rate of any economy would affect the way companies' price their products and services. Adding to that, it would affect the purchasing power of a consumer and change demand/supply models for that economy. Economic factors include inflation rate, interest rates, foreign exchange rates, economic growth patterns etc. It also accounts for the FDI (foreign direct investment) depending on certain specific industries who're undergoing this analysis.

Due to the economic factor the Lake Coal Mining Limited is affected because the Tanzania currency in the market does not have stability compared to Dollar. Hence, we will come with a solution to expand to various branches inside and outside the country and we will regard the uses of dollar in our business after it has had growth.

Social Factors

Also known as socio-cultural factors, are the areas that involve the shared belief and attitudes of the population. These factors include – population growth, age distribution, health consciousness, and career attitudes and so on. These factors are of particular interest as they have a direct effect on how marketers understand customers and what drives them.

Technological Factors

We all know how fast the technological landscape changes with consideration that the company is highly technologically related field and how this impacts the way we mine and market our products. The Lake Coal Mining limited will observe properly three technology factors:

- Improved and environmentally friendly ways of mining coal
- New ways of distributing coal
- New ways of communicating with target market

2.1.2 SWOT Analysis

SWOT analysis is the abbreviation that stands for Strengths, Weaknesses, Opportunities, and threats related to business competition or project planning. It is intended to specify the objectives of the business venture or project and identify the internal and external factors that are favourable and unfavourable to achieving those objectives. Users of a SWOT analysis often ask and answer questions to generate meaningful information for each category to make the tool useful and identify their competitive advantage.

STRENGTHS

- Presence of substantial coal reserves in the area where the mining will be conducted.
- Intellectual potential from intellect staff with extensive knowledge in the mining field.
- Availability of world-class scientific and technical resources aiding in sustainable coal mining process.
- Availability of experienced workforce hence maximizing production.

OPPORTUNITIES

- Tanzanian government through the ministry of energy and minerals understands the importance of domestic coal reserves.
- The rising demand for electrical energy that cannot only be generated through water sources hence that is where coal comes in aid of electricity production.
- Steady growth and development of clean coal technologies around the globe.

WEAKNESSES

- Mines need large expanses of land to produce coal
- Negative impact of mining on the natural environment
- Emission of large amounts of harmful gases from coal power stations
- The underground riches are non-renewable resources

THREATS

- Economic cycle i.e., foreseen recession
- Global competition as coal is widely available and distributed around planet earth
- Increasing cost of production due to use of high technology for sustainable mining with little environment consequences.
- Shortage of available workforce

2.2 INDUSTRY ANALYSIS

Future Trend

The future trend of Lake Coal Mining Limited is to keep growing as the years go on due to increase demand of coal hence increase in revenue and profit.

Competitors

In the industries there are large numbers of competitors but we will produce the quality product and services to the customers to enable us to flourish in the market or industry.

Industries forecast

We are aspiring to become a socially responsible Coal mining company through maximizing value of all stakeholders.

CHAPTER THREE

3.1 MARKET ANALYSIS

Market Target

Target market can be referred to as a subset of total market. It represents a part of population that the business aims to focus on, target market can include consumers of a product on age basis, location basis and income basis. The target market for Lake Coal Mining Limited are Industries like steel producing industries, cement and concrete etc.

Market trend

We expect to keep on growing through mining of coal, hence this will bring greater profit and growth to our business in time.

Market Strategies

Market Strategies, we plan to provide promotion through media channels like televisions, radios, billboards advertisements, social media, through conducting seminars also to educate customers on the importance of supporting local businesses instead of importing and how it will aid in growth of our economy to a significant scale. In order to make effective market planning we shall have effective use of the 4P's.

Product strategies

Lake Coal Mining Limited mainly mining of COAL; we strategize in producing/mining the best quality, for different suppliers and clients.

Pricing strategies

Pricing strategy refers to all of the various methods that small businesses use to price their goods or services. Pricing strategies are useful for numerous reasons like maximizing profit margins, also to maintain market share and many others. Pricing options give opportunity to customers to choose on the type of products and services to spend their money on. Lake Coal Mining Limited intends to have pricing structures that will be inclusive to all consumers hence increase market and facilitate major sales.

The following are the pricing strategies opted for by Lake Coal Mining Limited;

The cost-plus strategy; basically, the company accounts for all the costs that go into manufacturing, including fixed costs such as the wages that are paid to the employees, the staff, the rent and the utility bills. All these should be distributed among the various offerings that the company makes to its customers.

Triple pricing strategy; this pricing strategy used by the company, it is commonly known as the Good, Better, best pricing strategy. The good item is basically the cheapest. The mid-prices item which is the better item and the most expensive item is the best item. This is a good pricing strategy as it is inclusive and all consumers are able to fit in the price ranges.

Promotion strategies

We plan to provide promotion through media outlets like television stations, radio stations, newspapers, banners and billboards also through social media through platforms like Instagram, face book, WhatsApp and others. Also, through conducting seminars also to educate customers on the importance of supporting local businesses instead of importing from outside countries as it is significant for the economic growth of a company.

Also, through better pricing, Service that we will provide will be of good price and affordable to our customers. Through this we are hoping to attract many customers. And that is one of the reasons why we decided to open our business.

Production Capacity:

The Lake Coal Mining Limited is expecting to manufacture SUGAR with the below capacity.

SNO.	Product	Capacity
1	COAL	100,000 TONS PER YEAR

Employment:

The Lake Coal Mining Limited is expecting to offer the employment to the residents and nonresidents. The project is going to provide 370 direct employments. Whereas local employees will comprise of 250 men and 100 women while foreign employees will comprise of 18 men and 2 women.

CHAPTER FOUR

4.1 OPERATIONS SEGMENT OR MANUFACTURING SEGMENT

Management and Organization of Lake Coal Mining Limited.

The company will be under its Owners as the CHIEF EXECUTIVE OFFICER, whereas they have employed Directors, company secretary, managers, operating staff, sales persons, marketing manager, machine operators and other employees.

Technology utilization

The business will apply the modern technology in the operation activities for example the use of time management software which require only a person to have a specific password to utilize our systems, the use of modern machinery that aid in mining of COAL.

Since the business is operating in the competitive industry so this application of modern technology will be advantageous daily operations especially in handling competition from companies abroad as **Lake Coal Mining Limited** is not the only coal mining company hence it has cutthroat competition from local and abroad companies who also mine coal.

Purchasing and Stock

Our venture will purchase materials for instance machinery will be imported that will be used in the coal mining process.

Health and safety

Health and safety are a set of laws that have been made to protect the health and the safety of people when they are working. Health and safety rules vary a lot from one country to another. Some countries have very strict rules. Rules about Health and Safety have been made since 1950 when the International Labour Organization (ILO) and the World Health Organization (WHO) agreed about standards of health in the workplace.

Health and safety laws will deal with such things as: the temperature in the workplace (it must not be too hot or too cold), smoking in the workplace and other things that might cause pollution or which might cause fire hazards, how many toilets per person there should be, whether they need safety equipment (e.g. hard hats in case anything falls on their heads), whether it is safe for a person to be left alone in the workplace, the rights of disabled people, how many hours in the day people can work for etc.

Lake Coal Mining Limited aims to use part of the profit it makes to provide various services to the communities also the ventures ensure that the health and safety of the employees are taken into high consideration as employees are assets to the business and should be treated with respect and fairness.

Ionization and human resource management that will facilitate achievement of efficient production and distribution of goods.

Owners will manage the venture with assistance of the director and managers. Their duties include overall management of the business, finance management and Administration. The operation manager will manage production activities including ordering of materials and mining activities.

5.3 Authority of Principal

The authority will come from the top and will flow direct to the low stage of the organization which is subordinate level.

5.4 Management Team Background

The directors and management will be responsible to recruit all the employees of the venture also to review the organization various annual report.

5.5 Training and Evaluation

The organization ensures that they will get the employees who are graduate from institution or colleges or university that are known and registered and experts in the mining field, also training will be advocated for the employees so as to facilitate smooth operations of the company and operations.

Employees	Evaluation base
Director	Organization Performance
Managers	Organization Performance
Mining engineers & miners	Volume of production
Sales People	Sales turnover
Attendant	Attractiveness of environment

CHAPTER SIX

6.0 FINANCIAL PLAN

INCOME STATEMENT PROJECTIONS

STARTING CAPITAL FOR Lake Coal Mining Limited

EQUIPMENT	Amount (USD)
Land/Building	2,000,000
Plant	2,000,000
Vehicles	3,000,000
Furniture & Fittings	150,000
Pre - Expenses	500,000
Others 350,000	
Working Capital 2,000,000	
Total	10,000,000

<u>SOURCE OF FUND</u>	<u>USD</u>
Own Capital	500,000
Borrowings: bank loan	7,000,000
Fund from Subsidiary companies	2,500,000
Total Capital	10,000,000

Assumptions:

1. By the end of financial year 2024, the Company is projected to produce 30,000TONS to be sold locally, being 65% of the Plant capacity and increase production by 5% annually to 85% in 2026.
2. Capital funds to be financed by the shareholders, Local Loans and other partners in Lake Group as unconditional loan repayable at undefined period until the Company starts making profits
3. During the financial year 2024-2025 the Company will employ 370 employees in three level of staff, i.e., management, Supervisors, Machine operators and other 25 support staff. Salaries and wages will be paid in accordance with employment laws in consultation with private sector salary schemes.
4. To ensure continuous flow of working capital, the Company will seek short term funding from financial institution to a tune of TZS 6.9Billion to boost raw material requirement and operational costs. The loan will be interest at the prevailing market rates now at 17%.

Projected Financial statements are presented below:

9.1.1 Five years Projected Profit and loss statement

	2024 TZS (000,000)	2025 TZS (000,000)	2026 TZS (000,000)	2027 TZS (000,000)	2028 TZS (000,000)
Revenue	18,252	20,639	23,218	26,005	29,011
Manufacturing costs	(15,515)	(16,559)	(18,536)	(20,661)	(22,944)
Gross profit	2,737	4,079	4,682	5,344	6,068
Administrative cost	(334)	(350)	(368)	(386)	(406)
Other operating costs	(759)	(1,087)	(978)	(870)	(809)
Operating profit	1,645	2,643	3,336	4,088	4,854
Finance costs	(230)	(230)	(230)	(230)	(230)

Profit before tax	1,415	2,413	3,106	3,858	4,624
Tax charge	(424)	(724)	(932)	(1,157)	(1,387)
Profit after tax	990	1,689	2,175	2,700	3,237

9.1.2 Five years Projected Statement of Financial Position

	2024 TZS (000,000)	2025 TZS (000,000)	2026 TZS (000,000)	2027 TZS (000,000)	2028 TZS (000,000)
Shareholder Funds					
Equity share capital	500	500	500	500	500
Unsecured Loan from associate concerns	6,400	5,250	4,100	2,950	1,800
Reserves & Surplus	990	2,147	3,719	5,743	8,221
	7,890	7,897	8,319	9,193	10,521
Non-current assets					
Property plant and equipment's	6,187	8,372	7,452	6,647	5,911
Investment	-	-	1,150	1,150	1,150
	6,187	8,372	8,602	7,797	7,061
Current assets					
Inventories	1,349	1,524	1,714	1,920	2,141
Trade Receivables	1,521	1,720	1,935	2,167	2,418
Cash and Bank Balances	8,537	6,513	6,974	8,942	11,306
	11,407	9,758	10,624	13,029	15,864

Current Liabilities

Trade Creditors	3,529	3,987	4,482	5,017	5,593
Working Capital Loans	5,750	5,750	5,750	5,750	5,750
Other Current Liability	424	496	674	867	1,062
	9,703	10,233	10,906	11,634	12,405
	7,890	7,897	8,319	9,193	10,521

9.1.3 Five years Projected Statement of cash flow

	2024 TZS (000,000)	2025 TZS (000,000)	2026 TZS (000,000)	2027 TZS (000,000)	2028 TZS (000,000)
Cash flow from operating activities	8,537	2,346	1,611	3,118	3,513
Tax paid	424	496	674	867	1,062
	8,962	2,842	2,285	3,985	4,575
Cash flow from Investment activities	-	(3,220)	0	(0)	-
Cash flow from financing activities	(424)	(1,646)	(1,824)	(2,017)	(2,212)
Increase in net cash flow	8,537	6,513	6,974	8,942	11,306