

**FUJIAN HEXINGWANG INDUSTRY TANZANIA CO. LIMITED
BOX 63069 KISEMVULE-MKURANGA COAST REGION**

**FUJIAN HEXINGWANG INDUSTRY
TANZANIA CO. LIMITED
BUSINESS PLAN
FOR EXPANSION
STEEL REINFORCEMENT BAR MILLS**



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1.0 EXECUTIVE SUMMARY.

FUJIAN HEXINGWANG INDUSTRY TANZANIA CO. LIMITED is a private business company incorporated in the United Republic of Tanzania with Certificate of incorporation No.123412 issued on 1st February 2016, the main line of expansion production was steel reinforcement bars.

The proposed business plan is therefore a result of knowledge and experience that has been accumulated over 15 years, the proposed new iron mill at **Plot No. 24, Block C Kisemvule-Mkuranga, Coast Region** is an ambitious undertaking the project of producing steel reinforcement bar 180,0000 metric tons per year where the following products will be produced:

- Hollow Section
- pipes
- Black pipe
- Square pipe, Nails
- Mild Steel sheets

The proposed new rolling mill estimated to cost US\$ 150m and creating new employment of 200 local people.

1.1 LEGAL STATUS AND COMPANY BACK GROUND BRIEF

FUJIAN HEXINGWANG INDUSTRY TANZANIA CO. LIMITED bears the certificate of registration No. 123412 issued in 2016 by BRELA.

The shareholders of **FUJIAN HEXINGWANG INDUSTRY TANZANIA CO. LIMITED**, the shareholder of this newly formed company is companies registered in Tanzania founder of the Company is Fujian Hexingwang Industry Tanzania Co. Limited and Mr. Xinda Xu from China, these are reputed international business companies with vast experience in iron steel industry.

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The company is owned by two shareholders, namely:-

Name	% of Shares	Nationality
Fujian HexingWang Industry Co. Limited	90	China
Xingda Xu	10	China

All the directors of the company are therefore well versed people in the business expansion, having been engaged in the business for a period ranging between 10 to 20 years, Equiped with the wide experience in the business as explained above, the directors of the company are optimistic of successful expansion of the proposed project.

1.2 LOCATION.

The expansion project is located at **Plot No. 24, Block C Kisemvule – Mkuranga, 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

Service provision with commitment, integrity and creativity while treating each customer as if they were the company's only customer.

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1.5 BANKERS

The company is currently maintaining various banks in account by the following banks

1.6 AUDITED REPORTS

FUJIAN HEXINGWANG INDUSTRY CO. 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 reinforcement bars 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.
- 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 new steel mills at Kisemvule for TIC and also in accessing credit facilities required in the financing of the investment capital.

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2.2 Study Approach:

- a) Participatory: Semi- structured interview and discussion were held with the Company's Directors, stakeholders in steel works and related businesses
- b) Physical visits to the company's main business premises
- c) A brief market survey on steel 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

The project involves establishing a expansion steel foundry; this will include construction of and installations of modern machines, purchasing vehicles, new generator etc.

The planned production capacity is 180,000 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 steel rolling mills 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

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- Clearing of all the purchased goods from the ports of entry and transporting them to the company's premises in Mkuranga
- 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:

FUJIAN HEXINGWANG INDUSTRY CO. 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 metallurgical processing.

3.3.2 Immediate Objectives:

- a) To build and operate a steel rolling mills and installed production capacity of 180,000 metric tons per year, of various steel products, mainly for construction reinforcements and metal fabrications
- b) Enhancing the country's capacity to utilize its iron ore 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 Steel 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. 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.

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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. Due to financial difficulties and lack of adequate supply of raw materials some of the rolling mills have closed down their production lines, leaving only 14 industries in production at the moment.

According to NDC, it is estimated that demand for billets by the local steel industries is between 700,000 to 1,000,000 tons.

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Tanzania is endowed with iron ore deposit at Katewaka, Ludewa district in Iringa Region, Liganga and Mchuchuma in Mbeya region and some parts of Morogoro region where studies have confirmed huge deposits. The remaining 2% is used for other metallurgy products, bio-chemicals and other chemical products. The development of steel processing industry in the country is therefore expected to greatly benefit from these findings in a very near future.

FUJIAN HEXINGWANG INDUSTRY CO. 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:

FUJIAN HEXINGWANG INDUSTRY CO. 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, Seniors officers etc

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

The Managing Director will be closely assisted by well qualified professionals in the steel industry, forging process, metallurgical industrial management and operations. The company managers, heads of departments and operational staff for the rolling mills will be recruited for their competence, experience and good track record in their respective fields and in previous employments.

5.1.2 Technical Aspect;

Plant, Machinery & Equipment; **FUJIAN HEXINGWANG INDUSTRY CO. LIMITED** is planning to use the best and most suitable technology available for the planned steel rolling mills and allied activities in the factory. All the

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machines will be the modern items in the market today but not wholly automated. This is to avoid acquisition of the ultra high tech, state of the art equipment and machinery, which cannot be easily maintained in the country for maximum efficiency and productivity.

Since these machines are not available in the local market, the company will import all of them. The company already started negotiations with machines suppliers; the deal is expected to be closed in the near future.

5.2 External Environment:

5.2.1 The market:

FUJIAN HEXINGWANG INDUSTRY CO. 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 also 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 steel 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. Currently there are about 14 steel processing factories in the country, 10 are concentrated in Dar es Salaam, 2 are in Arusha and other 2 are in Mwanza

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

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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.

5.2.3 Market Potential:

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

5.2.4. Competition:

FUJIAN HEXINGWANG INDUSTRY CO. LIMITED is expecting to face completion from existing iron 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 rolling mill with production capacity of 180,000 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 steel 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 **FUJIAN HEXINGWANG INDUSTRY CO. 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

FUJIAN HEXINGWANG INDUSTRY CO. LIMITED

PARTICULAR	US\$
Land and Buildings	20,000,000.00
Machinery & Equipment	35,000,000.00
Motor Vehicles	3,175,000.00
Furniture & Fixtures	10,000.00
Pre exp	15,000.00
Others	26,800,000.00
Working Capital	65,000,000.00
TOTAL	150,000,000.00

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Appendix II

FUJIAN HEXINGWANG INDUSTRY CO. LIMITED FIXED ASSETS US\$

NAME OF ASSETS	1	2	3	4	5	6	7	8
Land And Buildings	20,000,000	19,600,000	19,200,000	18,800,000	18,400,000	18,000,000	17,600,000	17,200,000
Machinery, Tools & Equipment	35,000,000	30,625,000	26,250,000	21,875,000	17,500,000	13,125,000	8,750,000	4,375,000
Motor Vehicles	3,175,000	2,381,250	1,587,500	793,750	0	-793,750	-1,587,500	-2,381,250
Furniture & Fixtures	10,000	9,000	8,000	7,000	6,000	5,000	4,000	3,000
Total	58,185,000	52,615,250	47,045,500	41,475,750	35,906,000	30,336,250	24,766,500	19,196,750
DEPRECIATION	1	2	3	4	5	6	7	8
Land and buildings	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Machinery tools & Equipment	4,375,000	4,375,000	4,375,000	4,375,000	4,375,000	4,375,000	4,375,000	4,375,000
Motor Vehicles	793,750	793,750	793,750	793,750	793,750	793,750	793,750	793,750
Furniture & Fixtures	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
ANNUAL DEPRECIATION	5,569,750	5,569,750	5,569,750	5,569,750	5,569,750	5,569,750	5,569,750	5,569,750

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Appendix III

FUJIAN HEXINGWANG INDUSTRY CO. LIMITED
PROJECTED INCOME & EXPENDITURE
STATEMENT (US\$)

	1	2	3	4	5	6	7	8
Revenue	137,340,000.00	151,074,000.00	166,181,400.00	182,799,540.00	201,079,494.00	221,187,443.40	243,306,187.74	267,636,806.51
Operating Expenses:	89,271,000.00	98,198,100.00	108,017,910.00	118,819,701.00	130,701,671.10	143,771,838.21	158,149,022.03	173,963,924.23
Profit before Depreciation & Interest	48,069,000.00	52,875,900.00	58,163,490.00	63,979,839.00	70,377,822.90	77,415,605.19	85,157,165.71	93,672,882.28
Interest	6,000,000.00	6,000,000.00	6,000,000.00	6,000,000.00	6,000,000.00	6,000,000.00	6,000,000.00	6,000,000.00
Depreciation	5,569,750.00	5,569,750.00	5,569,750.00	5,569,750.00	5,569,750.00	5,569,750.00	5,569,750.00	5,569,750.00
Net Profit	36,499,250.00	41,306,150.00	46,593,740.00	52,410,089.00	58,808,072.90	65,845,855.19	73,587,415.71	82,103,132.28
Tax (30%)	10,949,775.00	12,391,845.00	13,978,122.00	15,723,026.70	17,642,421.87	19,753,756.56	22,076,224.71	24,630,939.68
Profit After Tax	25,549,475.00	28,914,305.00	32,615,618.00	36,687,062.30	41,165,651.03	46,092,098.63	51,511,191.00	57,472,192.60
Accumulated Profit	25,549,475.00	37,941,320.00	51,919,442.00	67,642,468.70	85,284,890.57	105,038,647.13	127,114,871.84	151,745,811.52

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Appendix IV

FUJIAN HEXINGWANG INDUSTRY CO. LIMITED PROJECTED CASH FLOW US\$

	0	1	2	3	4	5	6	7	8
SOURCES:									
Profit before interest and depreciation	0	48,069,000	52,875,900	58,163,490	63,979,839	70,377,822	77,415,605	85,157,165	93,672,882
Loan	150,000,000	-	-	-	-	-	-	-	-
Total Sources	150,000,000	48,069,000	52,875,900	58,163,490	63,979,839	70,377,822	77,415,605	85,157,165	93,672,882
Applications:									
Capital expenditure	58,185,000	-	-	-	-	-	-	-	-
working Capital & Others	91,815,000	-	-	-	-	-	-	-	-
Cash	0	37,119,225	40,484,055	44,185,368	48,256,813	52,735,401	57,661,849	63,080,941	69,311,943
Tax	-	10,949,775	12,391,845	13,978,122	15,723,026	17,642,421	19,753,756	22,076,224	24,630,939
Sub total	150,000,000	48,069,000	52,875,900	58,163,490	63,979,839	70,377,822	77,415,605	85,157,165	93,942,882
Total applications	150,000,000	48,069,000	52,875,900	58,163,490	63,979,839	70,377,822	77,415,605	85,157,165	93,942,882
Accumulated cash		37,119,225	77,603,280	121,788,648	170,045,461	222,780,862	280,442,711	343,523,652	412,835,595
Necessary working capital	91,815,000	91,815,000	91,815,000	91,815,000	91,815,000	91,815,000	91,815,000	91,815,000	91,815,000

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Appendix V

FUJIAN HEXINGWANG INDUSTRY CO. LIMITED PROJECTED BALANCE SHEET US \$

	0	1	2	3	4	5	6	7	8
Fixed Assets	-								
Opening balance	-	58185000	52615250	47045500	41475750	35906000	30336250	24766500	19196750
Additions	-								
Total Long-term Assets	-	58185000	52615250	47045500	41475750	35906000	30336250	24766500	19196750
Less depreciation	-	5569750	5569750	5569750	5569750	5569750	5569750	5569750	5569750
Closing balance	-	52615250	47045500	41475750	35906000	30336250	24766500	19196750	13627000
Working capital	91,815,000.00	91815000	91815000	91815000	91815000	91815000	91815000	91815000	91815000
Accumulated cash	-	37119225	77603280	121788648	170045461	222780862	280442711	343523652	412835595
Total assets	91,815,000.00	37119225	77603280	121788648	170045461	222780862	280442711	343523652	412835595
Financed by									
Loan		150000000	131250000	112500000	93750000	75000000	56250000	37500000	18750000
Net profit	-	25549475	37941320	51919442	67642468.7	85284890.57	105038647.1	127114871.8	151745811.5
Total equity	-	175549475	169191320	164419442	161392468.7	160284890.6	161288647.1	164614871.8	170495811.5

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Appendix VI

FUJIAN HEXINGWANG INDUSTRY CO. LIMITED PROJECTED LONG TERM LOAN REPAYMENT

Repayments US\$				
Year	principle	Loan Interest (4%)	Total Amount Paid	Loan Balance
0				150,000,000
1	18,750,000	6,000,000	24,750,000	131,250,000
2	18,750,000	6,000,000	24,750,000	112,500,000
3	18,750,000	6,000,000	24,750,000	93,750,000
4	18,750,000	6,000,000	24,750,000	75,000,000
5	18,750,000	6,000,000	24,750,000	56,250,000
6	18,750,000	6,000,000	24,750,000	37,500,000
7	18,750,000	6,000,000	24,750,000	18,750,000
8	18,750,000	6,000,000	24,750,000	0
TOTAL	150,000,000	48,000,000	198,000,000	

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Appendix VII

FUJIAN HEXINGWANG INDUSTRY CO. LIMITED PROJECTED PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulative Cash Flow
1	25,549,475.00	5,569,750.00	31,119,225.00	31,119,225.00
2	28,914,305.00	5,569,750.00	34,484,055.00	65,603,280.00
3	32,615,618.00	5,569,750.00	38,185,368.00	103,788,648.00
4	36,687,062.30	5,569,750.00	42,256,812.30	146,045,460.30
5	41,165,651.03	5,569,750.00	46,735,401.03	192,780,861.33
6	46,092,098.63	5,569,750.00	51,661,848.63	244,442,709.96
7	51,511,191.00	5,569,750.00	57,080,941.00	301,523,650.96
8	57,472,192.60	5,569,750.00	63,041,942.60	364,565,593.56
<p>Initial Investment = USD 150000000</p> <p>From above table, payback period is calculated at year 5</p>				