

EAST AFRICA SPECIAL STEEL COMPANY LIMITED

BUSINESS PLAN

FOR

**REINFORCING STEEL BARS MILLS
AND STEEL HOLLOW SECTIONS**

**AT PLOT NO.1,2,3,4 AND 20 BLOCK F KILWA ROAD
MWANAMBAYA, MKURANGA DISTRICT, COAST REGION**

NOVEMBER 2023

1.0. EXECUTIVE SUMMARY.

EAST AFRICA SPECIAL STEEL COMPANY LIMITED is a private business company incorporated in the United Republic of Tanzania with Certificate of incorporation No.170158520 issued on 17th November 2023.

The proposed business plan is therefore a result of knowledge and experience that has been accumulated over 15 years, the proposed new steel plant at **Plot No. 1,2,3,4 and 20, Block F Kilwa Road Mwanambaya Area, Mkuranga District, Coast Region** is an ambitious undertaking by the company to increase capacity of local production of steel bars where the following products will be produced:

- Reinforced iron bar
- Square hollow section
- Rectangular hollow section
- Circular hollow section
- Any other steel related products

The proposed steel plant is estimated to cost US\$ 1 Million and creating new employment of 60 local people.

1.1 LEGAL STATUS AND COMPANY BACK GROUND BRIEF

EAST AFRICA SPECIAL STEEL COMPANY LIMITED bears the certificate of registration No. 170158520 issued on 17th November 2023 by BRELA.

The shareholders of **EAST AFRICA SPECIAL STEEL COMPANY LIMITED**, the founders of the Company are Hongtao Zheng and Minghui Zheng who are both from China, The company is owned by two shareholders, namely: -

| Name | % of share | Nationality |
|---------------|-------------------|--------------------|
| Hongtao Zheng | 70 | Chinese |
| Minghui Zheng | 30 | Chinese |

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

1.2 LOCATION.

The project is located at **Plot No. 1,2,3,4 and 20, Block F Kilwa Road Mwanambaya Area, Mkuranga District, 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 customers.

1.5 BANKERS

The company is currently planning to open bank account with the following banks:

- CRDB BANK
- NMB Bank

1.6 AUDITED REPORTS

EAST AFRICA SPECIAL STEEL COMPANY LIMITED is negotiating with reputable auditing firm.

1.7 PROJECT SPONSOR

Project will be financed by shareholders contribution and loan from financial institutions.

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 steel plant for TIC and also in accessing credit facilities required in the financing of the investment capital.

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) 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) Induction 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 steel plant; this will include construction and installations of modern machines, purchasing vehicles, new generators etc.

The planned production capacity is 36,000 metric tons per year.

3.2 Project planned business project will entail the following main activities:

- Making a visit to China to identify the suitable and appropriate machinery and raw materials for the planned project.
- Construction of the steel rolling mill factory building, workshop, storage facilities at the company's plot at **Plot No. 1,2,3,4 and 20, Block F Kilwa Road Mwanambaya Area, Mkuranga District, Coast Region.**
- Ordering of the foundry and steel mills machinery, motor vehicles and their assorted and equipment from China 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
- Clearing of all the purchased goods from the ports of entry and transporting them to the company's premises in **Plot No. 1,2,3,4 and 20, Block F Kilwa Road Mwanambaya Area, Mkuranga District, Coast Region**
- 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:

EAST AFRICA SPECIAL STEEL COMPANY 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 36,000 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

The Economy of Tanzania in 2021 with an average real GDP growth rate of 6.3% over the past decade (2010-2019), Tanzania is among the fastest-growing economies in Africa and in the world. According to the Bank of Tanzania (BOT) and the International Monetary Fund (IMF), the real GDP of Tanzania grew by 4.9% in 2021 reaching USD 70.28 billion. In 2020, the real GDP of Tanzania grew by +4.8% reaching USD 64.4 billion, and grew by +7% in 2019 to reach USD 60.8 billion.

4.2 Manufacturing Industry

The contribution of the manufacturing sector to the overall GDP of the country has averaged 8% over the last decade, however activities within the sector have been registering an annual growth of over 4% and the sector is currently the third most important to the Tanzania economy behind agriculture and tourism.

4.2.1 Steel processing industry

Tanzania had around 21 steel industries which used to produce approximately 200,000 tons 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.

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.

EAST AFRICA SPECIAL STEEL COMPANY 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:

EAST AFRICA SPECIAL STEEL COMPANY LIMITED as a corporate entity is managed under the Board of Directors. Day to day management is conducted under the company's Managing Director Mr. Hongtao Zheng.

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. Over 60 people to be employed by the project.

| Employment | Foreign Skilled | Local Skilled | Local Unskilled | Total |
|--------------|-----------------|---------------|-----------------|-------|
| Women | 0 | 3 | 12 | 15 |
| Men | 10 | 5 | 30 | 45 |
| TOTAL | 10 | 8 | 42 | 60 |

5.1.2 Technical Aspect;

Plant, Machinery & Equipment; **EAST AFRICA SPECIAL STEEL COMPANY 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 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 from **China**; the deal is expected to be closed in the near future.

Due quality of machines to be used in production, the wastage is estimated to be around **10 -15%**

5.2 External Environment:

5.2.1 The market:

EAST AFRICA SPECIAL STEEL COMPANY 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

5.2.1.1 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.

5.2.1.2 Competition:

EAST AFRICA SPECIAL STEEL COMPANY LIMITED is expecting to face competition from already existing manufacturers and importers of steel bars

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 Plot No. 1,2,3,4 and 20, Block F Kilwa Road Mwanambaya Area, Mkuranga District, Coast Region.
- 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 **EAST AFRICA SPECIAL STEEL COMPANY 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.

EAST AFRICA SPECIAL STEEL COMPANY LIMITED COST STRUCTURE (US\$)

| PARTICULAR | |
|-----------------------|---------------------|
| Land and Buildings | 100,000.00 |
| Machinery & Equipment | 600,000.00 |
| Motor Vehicles | 80,000.00 |
| Furniture & Fixtures | 1,000.00 |
| Pre exp | 16,000.00 |
| Others | 3,000.00 |
| Working Capital | 200,000.00 |
| TOTAL | 1,000,000.00 |

Appendix III

EAST AFRICA SPECIAL STEEL COMPANY LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

| - | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 5,112,000.00 | 5,367,600.00 | 5,635,980.00 | 5,917,779.00 | 6,213,667.95 | 6,524,351.35 | 6,850,568.91 | 7,193,097.36 |
| Operating Expenses: | 4,600,800.00 | 4,830,840.00 | 5,072,382.00 | 5,326,001.10 | 5,592,301.16 | 5,871,916.21 | 6,165,512.02 | 6,473,787.62 |
| Profit before Depreciation & Interest | 511,200.00 | 536,760.00 | 563,598.00 | 591,777.90 | 621,366.79 | 652,435.14 | 685,056.89 | 719,309.74 |
| Depreciation | 12,100.00 | 12,100.00 | 12,100.00 | 12,100.00 | 12,100.00 | 12,100.00 | 12,100.00 | 12,100.00 |
| Gross Profit | 499,100.00 | 524,660.00 | 551,498.00 | 579,677.90 | 609,266.79 | 640,335.14 | 672,956.89 | 707,209.74 |
| Tax (30%) | 149,730.00 | 157,398.00 | 165,449.40 | 173,903.37 | 182,780.04 | 192,100.54 | 201,887.07 | 212,162.92 |
| Profit After Tax | 349,370.00 | 367,262.00 | 386,048.60 | 405,774.53 | 426,486.76 | 448,234.60 | 471,069.82 | 495,046.82 |
| Accumulated Profit | 349,370.00 | 716,632.00 | 1,102,680.60 | 1,508,455.13 | 1,934,941.89 | 2,383,176.48 | 2,854,246.30 | 3,349,293.12 |

Appendix IV

| | | | | | | 5 | 6 | 7 | 8 |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| SOURCES: | | | | | | | | | |
| Profit before interest and depreciation | 0 | 511,200.00 | 536,760.00 | 563,598.00 | 591,778.00 | 621,367.00 | 652,435.00 | 685,057.00 | 719,309.74 |
| Equity | 1,000,000.00 | | | | | | | | |
| Total Sources | 1,000,000.00 | 511,200.00 | 536,760.00 | 563,598.00 | 591,778.00 | 621,366.80 | 652,435.20 | 685,056.80 | 719,309.74 |
| Capital expenditure | 781,000.00 | | - | - | - | - | | | 0.00 |
| working Capital & Others | 219,000.00 | | | | | | | | 0.00 |
| Cash | 0 | 361,470.00 | 379,362.00 | 398,148.60 | 417,874.53 | 438,586.76 | 460,516.14 | 483,169.82 | 507,146.82 |
| Tax | - | 149,730.00 | 157,398.00 | 165,449.40 | 173,903.37 | 182,780.04 | 192,100.54 | 201,887.07 | 212,162.92 |
| Sub total | 1,000,000.00 | 511,200.00 | 536,760.00 | 563,598.00 | 591,778.00 | 621,366.80 | 652,435.20 | 685,056.80 | 719,309.74 |
| Total applications | 1,000,000.00 | 511,200.00 | 536,760.00 | 563,598.00 | 591,778.00 | 621,366.80 | 652,435.20 | 685,056.80 | 719,309.74 |
| Accumulated cash | | 112,000.00 | 491,362.00 | 889,510.60 | 1,307,385.13 | 1,745,971.89 | 2,394,777.02 | 2,877,946.85 | 3,385,093.66 |

EAST AFRICA SPECIAL STEEL COMPANY LIMITED PROJECTED BALANCE SHEET (US \$)

| Fixed Assets | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|-------------------------------|------------|------------|------------|------------|--------------|--------------|--------------|--------------|--------------|
| Opening balance | - | 781,000.00 | 768,900.00 | 756,800.00 | 744,700.00 | 732,600.00 | 720,500.00 | 708,400.00 | 696,300.00 |
| Total Long-term Assets | - | 781,000.00 | 768,900.00 | 756,800.00 | 744,700.00 | 732,600.00 | 720,500.00 | 708,400.00 | 696,300.00 |
| Less depreciation | - | 12,100.00 | 12,100.00 | 12,100.00 | 12,100.00 | 12,100.00 | 12,100.00 | 12,100.00 | 12,100.00 |
| Closing balance | - | 768,900.00 | 756,800.00 | 744,700.00 | 732,600.00 | 720,500.00 | 708,400.00 | 696,300.00 | 684,200.00 |
| Working capital | 219,000.00 | 219,000.00 | 219,000.00 | 219,000.00 | 219,000.00 | 219,000.00 | 219,000.00 | 219,000.00 | 219,000.00 |
| Accumulated cash | - | 112,000.00 | 491,362.00 | 889,510.60 | 1,307,385.13 | 1,745,971.89 | 2,394,777.02 | 2,877,946.85 | 3,385,093.66 |

| | | | | | | | | | |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total assets | 219,000.00 | 1,099,900.00 | 1,467,162.00 | 1,853,210.60 | 2,258,985.13 | 2,685,471.89 | 3,322,177.02 | 3,793,246.85 | 4,288,293.66 |
| Financed by | | | | | 850,200.00 | | | | |
| Equity | 1,000,000.00 | 1,000,000.00 | 1,000,000.00 | 1,000,000.00 | 1,000,000.00 | 1,000,000.00 | 1,000,000.00 | 1,000,000.00 | 1,000,000.00 |
| Accumulated profit | - | 349,370.00 | 367,262.00 | 386,048.60 | 405,774.53 | 426,486.76 | 448,234.60 | 471,069.82 | 495,046.82 |
| Total equity | 1,000,000.00 | 1,349,370.00 | 1,367,262.00 | 1,386,048.60 | 1,405,774.53 | 1,426,486.76 | 1,448,234.60 | 1,471,069.82 | 1,495,046.82 |
| | - | - | - | - | - | - | - | - | - |
| Total equity and debts | 1,000,000.00 | 1,349,370.00 | 1,367,262.00 | 1,386,048.60 | 1,405,774.53 | 1,426,486.76 | 1,448,234.60 | 1,471,069.82 | 1,495,046.82 |

EAST AFRICA SPECIAL STEEL COMPANY LIMITED PROJECTED PAYBACK PERIOD

| Year | Profit After Tax | Depreciation | Total Cash Flow | Accumulated Cash Flow |
|------|------------------|--------------|-----------------|-----------------------|
| 1 | 349,370.00 | 12,100.00 | 361,470.00 | 146,800.00 |
| 2 | 367,262.00 | 12,100.00 | 379,362.00 | 526,162.00 |
| 3 | 386,048.60 | 12,100.00 | 398,148.60 | 924,310.60 |
| 4 | 405,774.53 | 12,100.00 | 417,874.53 | 1,342,185.13 |
| 5 | 426,486.76 | 12,100.00 | 438,586.76 | 1,780,771.89 |
| | 121,183.65 | 12,100.00 | 133,283.60 | 1,914,055.54 |