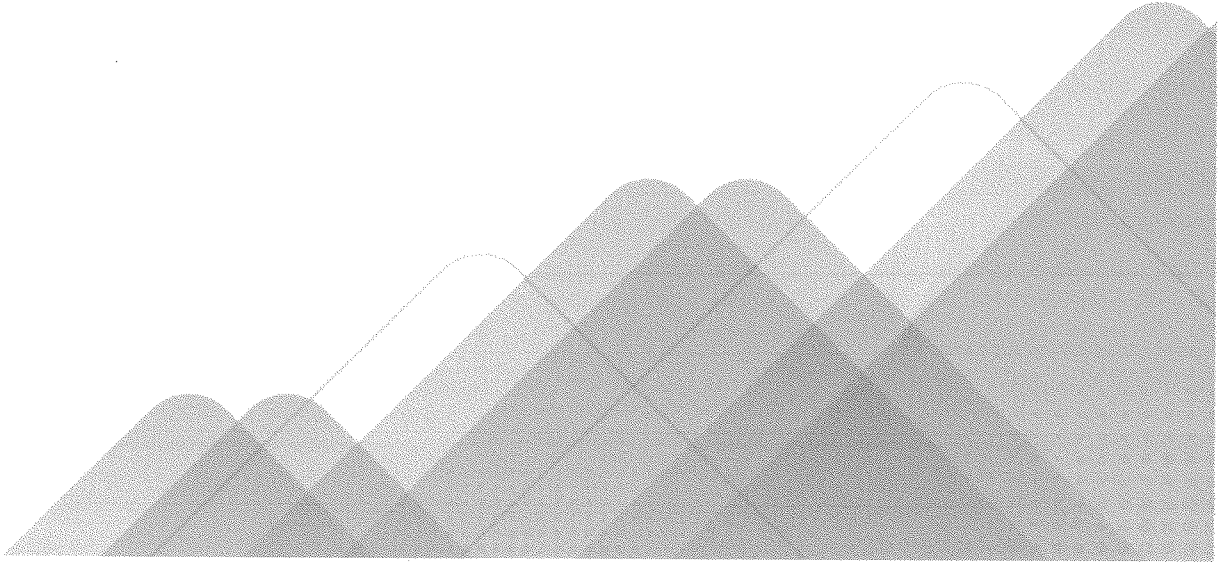




LODHIA INDUSTRIES LIMITED
Comprehensive Business Plan for the Establishment of a Tube Rolling Mill

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Executive Summary

1 Introduction

This study is done with an objective of preparing a Feasibility Report for M/s LODHIA INDUSTRIES LIMITED, of Dar es Salaam for a project for setting up a tube rolling manufacturing unit in the Coast Region, Tanzania.

The scope of services for the proposal feasibility report for development of manufacturing unit for the production of steel tubes in Mkuranga, Coast Region, include: Market assessment, Development program, land and civil works, project implementation schedule, project cost, financial projections, and conclusion & recommendations.

The overall approach comprised a combination of secondary and primary research. A multi-disciplinary team of appropriate personnel with experience in techno economic studies and market research were deployed for undertaking this assignment.

The assignment commenced with a planning for the primary and secondary research. Initially, our team interacted with LODHIA INDUSTRIES LIMITED officials to understand the requirements of the study.

Later, the team continuously interacted with LODHIA INDUSTRIES LIMITED for their inputs on the plan of the unit, machinery, the constructing cost, project cost, financing etc.

The data obtained from the secondary and primary research has been analyzed and incorporated in the report. A worksheet model has been prepared for feasibility calculations.

The report is prepared based on best of the information provided by the various stakeholders and associations/agencies. The information in the report should not be claimed and be used as evidence for any purpose.

2 Demographic Indicators & Development – Tanzania

Recent data show that Tanzania's real GDP growth was about 5.1% in 2023 and is estimated at ~5.5% in 2024, with a projection of ~6.0% in 2025. Meanwhile, inflation has remained moderate, helping stabilize the economy.

Foreign Direct Investment (FDI) inflows have surged in recent years. In 2023, Tanzania received approximately USD 1.3 billion in FDI. In 2024, FDI rose sharply to USD 1.72 billion, a 28.3 % increase from 2023. Also, during the third quarter of fiscal year 2024/25 alone, approved investments (foreign + domestic) were USD 2.16 billion — of which FDI accounted for USD 1.36 billion.

3 Genesis & Details of the Project

The project involves set up of a tube rolling unit at Mkuranga Coast Region.

M/s. LODHIA INDUSTRIES LIMITED of Dar es Salaam, was incorporated on the 18th February, 2003 as private limited liability company under the Companies Ordinance (Cap 212 of the Laws of Tanzania).

The day-to-day activities would be managed by an individual appointed for the said purpose. It is expected that a significant number of people will be employed, during the construction of the commercial complex and about 200 local citizens would be employed permanently, excluding the security guards, once it becomes operational.

4 Project Cost and Means of Finance

The development cost of the entire project has been estimated to be around US \$ 10.12 million. The major factors contributing towards the cost of the project is the cost of machinery and building construction.

It has been conveyed to us that the promoters have already had consent form the bank. Considering the size of this project, and also keeping in mind the 3 months of implementation period, the contingencies and pre-operational expenses have been estimated at US\$ 100,000/-

The finance for the project is already arranged for by the promoters. The table below indicated in details the manner in which the investment is going to be arranged:

COST OF THE PROJECT AND MEANS OF FINANCE		
USD		
NO.	PARTICULARS	TOTAL
1	Building and Civil Work	1,300,000
2	Plant and Machinery	1,600,000
4	Motor Vehicles	100,000
5	Furniture & Fixture	20,000
6	Pre-operative Expenses	100,000
8	Working Capital	7,000,000
	TOTAL	10,120,000

5 Financial Projections

Details of financial projections are attached as appendices to this report. However, in brief the annexed project financials show that the project will be one with a full proof financing scheme.

For the purpose of calculations and projections the following assumptions were made:

1. Long term loan is availed @ 9% per annum

The detailed calculations of the projected financial are given in the annexure. The Net Present Value for the project comes out to be US\$ 4,149,771/= and the IRR is reasonably good at 23%. Pay Back for the project is estimated to be around 3.19 years.

The next annexure indicates the calculation for the Break-Even Analysis and the Margin of Safety. It must be noticed that the average Return on Investment for the five years is more than 23%, which is a very good sign for the investors.

As far as DSCR is concerned we can see that for the coming years it is expected to be more than 1 which means that the company can repay the loan from its current profits only and not require to repay from its accumulated resources.

6 Development Value

The Project's development value to the country is as under: -

The project will generate employment to several people both during the development and after completion. It has been estimated that directly or indirectly this project will provide employment to nearly 200 individuals excluding the security guards.

Government will also earn revenue in terms of various levies on the Company associated with the operation of the complex. Further as indicated in the financial projections the total contribution for five years by way of income-tax itself will be to the tune of about US\$ 8.24 mn apart from Vat, Paye and other local taxes. Last but not the least, the manufacturing units are always considered to be a national property and will therefore add to the national wealth.

It may be mentioned here that total investment of US\$ 10.12 million will play a good part in boosting the local economy. Considering all relevant factors, it is being

recommended that the grant of 0% import duty and VAT deferment on capital goods and deemed capital goods is granted to this project not only to make the project viable but also to catalyze other development benefits that may accrue to the country on acceptance of this project.

1.1 Approach and methodology

Approach

The overall approach comprised a combination of secondary and primary research. A multi-disciplinary team of appropriate personnel with experience in techno economic studies and market research were deployed for undertaking this assignment.

Methodology.

The assignment commenced with a detailed planning for the primary and secondary research. Initially, our team interacted with LODHIA INDUSTRIES LIMITED officials to understand the requirements of the study. Later, the team continuously interacted with LODHIA INDUSTRIES LIMITED for their inputs on the plan of the commercial complex, the material that would be used, the construction cost, project cost, financing etc.

> Secondary Research

Detailed desk research was undertaken to gain a fair understanding of the construction industry, its trends, market size, best practices etc. The sources from which the secondary data was collected included in-house database, internet, and various periodicals. The secondary research was used for planning the primary research for the study and identifying the data to be collected by way of primary research. Detailed desk research was undertaken to gain a fair understanding of the construction industry, its trends, market size, best practice etc. The sources from which the secondary data was collected included inhouse database, internet, and various periodicals. The secondary research was used for planning the primary research for the study and identifying the data to be collected by way of Primary research.

> Primary Research

Interview guidelines were developed for the compilation of the necessary information by way of interview.

1.2 Data Analysis and Report Preparation

The data obtained from the secondary and primary research has been analyzed and incorporated in the report. A worksheet model has been prepared for feasibility calculations.

Report Format

The report is presented in 07 chapters.

Chapter 1 Introduction

This chapter outlines the objectives, scope, approach & methodology for the study.

Chapter 2 Demographic Indicators & Development – Tanzania

This chapter discusses about the demography of Tanzania and the macroeconomic developments that are taking place in the Country.

Chapter 3 Genesis & Details of the Project

The chapter discusses the initiation of the project, the stakeholders, location, construction details, components of the projects, employment details and other relevant details.

Chapter 4 Project Cost and Means of Finance

The chapter presents the elements of the project cost and discusses the means of financing for the project.

Chapter 5 Financial Projections

Financial statements including projected income statement, projected cash flow statement and projected balance sheet for the first 05 years of operation and financial indicators such as IRR and payback period are given in this chapter.

The Return on Investment on annual basis for the project has also been calculated.

Chapter 6 Developmental Value

This chapter mentions about the benefits incurring to the nation and the citizens as a result of this implementation of the project in consideration.

Chapter 7 Conclusions and Recommendations

The chapter discusses the conclusions derived from the study and recommendations how to go ahead.

Annexure

1.3 Limitations

The report is prepared on the basis of best of the information provided by the various stakeholders and association/agencies. The information in the report shall not be claimed and be used as evidence for any purpose.

2. Demographic Indicators and Development – Tanzania.

2.1 Tanzania – The Developing Economy

In the African continent Tanzania is among the fastest developing economies. Tanzania has clinched the top slot in the improvement index as published by the Centre for International Development at Harvard University.

The report titled “The Africa Competitiveness Report 2022/2021” ranks Tanzania as first on improvement index. Investors in Tanzania are highly optimistic of the future of the economy.

Low inflation, a reasonable stable currency, friendly government and peaceful country are what most of the international company chiefs quoted as being economic driving force.

Tanzania has been showing an appreciable growth in the past few years. The development taking place in the country has been in pace with the other developing nations.

Tanzania has been showing an appreciable growth in the past few years. The development taking place in the country has been in pace with the other developing nations. The GDP in real terms grew by **5.5% in 2024**, up from **5.1% in 2023** Over the years the construction has shown a decent increase.

3. Genesis & Details of the Project

3.1 Introduction

The project involves setting up a tube rolling manufacturing plant in the Coast Region.

Tanzania is growing commercially and is being viewed positively by outside world. The tourists are becoming more and more interested in viewing the national parks and hidden beauties. Tanzania depends largely on the performance of its agricultural sector for its social and economic development. Like many developing countries it is the agricultural sector that constitutes the major source of national food reserves and, at the same time is an engine for generating foreign exchange and raw materials for basic industries.

However, present economic reforms taking place in the country have started to show that other sectors of the economy like – general engineering and fabrication, tourism, general trade and commerce in non-tradition products, are becoming increasingly important sectors of the economy, especially considering their potential for generating foreign exchange earnings.

As a consequence, it is imperative that the need for more and more manufacturing units will be felt and the fact is that there is shortage of such manufacturing units in Dar es Salaam which is the financial capital of the Country.

It is therefore inferred that such project should be undertaken. It is confirmed that LODHIA INDUSTRIES LIMITED has the required expertise for the Project.

With ready market, availability of proven management expertise and availability of funding to the extent needed, the success of the project is guaranteed.

3.3 Ownership:

Arun Vithaldas Lodhia, Divya Arun Lodhia, and Mihir Kumar Anand are the promoters and first directors of the LODHIA INDUSTRIES LIMITED. Its head office is in Dar es Salaam.

Lodhia Industries Shareholding Details		
	No. of Shares	% of Shares
Arun V. Lodhia	34,600.00	61%
Divya Lodhia	21,400.00	38%
Mihir Anand	1,000.00	2%
Total	57,000.00	100%

3.4 Location

The site is to be developed at Mkuranga Coast Region. This place is well served with the necessary utility facilities, including the central sewerage system for all liquid waste. Communication links are also available.

3.5 Day to day management.

The management of the company has the required expertise in-house. The day-to-day activities would be managed by an individual appointed for the said purpose.

3.6 Employment

It is expected that a significant number of people will be employed, during the construction of the commercial complex and about 200 local citizens would be employed permanently, excluding the security guards, once it becomes operational. Security personnel will be contracted from an outside security firm.

3.7 Strategies

In order to achieve the objectives, it is planned to implement the following strategies;

- (i) Establish an effective preventive maintenance program of the equipment, which will ensure sustainable equipment availability for operation.
- (ii) Establish a quality assurance and control system that will ensure provision of quality products and services.
- (iii) Conduct regular evaluations of production and servicing processes to ensure optimum costs of products and services.
- (iv) Devise and implement productivity improvement measures
- (v) Develop and implement an effective marketing policy
- (vi) Develop and implement an advertising and promotion program (vii) Establish effective financial and resources management.

3.8 Market

Recent reforms taking place in the economy indicate that there is and increase in demand for steel tubes. The following are some of the factors that have contributed to such an increase in demand for these products in the country: -

5.2 Financial Indicators

Considering the usage and demand of Steel tube, company is utilizing 65% capacity utilization from 2024 and then 5% increase every year. On the basis as mentioned above, the profitability for the company in 2024 has been worked out as following:

Table i: Annual Profitability of the Company

Particulars	2024
Capacity Utilisation	65%
Sales Turnover	177,278,000
Less Cost of Production	157,865,000
Gross Profit	19,413,000
Less	
Administration Expenses	11,300,050
Marketing Expenses	3,260
Financial Expenses on Long Term Loan	3,913,030
Depreciation	2,497,660
Total Indirect Cost	17,714,000
Operating Profit Before Tax	1,699,000
Taxation @ 30%	509,700
Operating Profits After Tax	1,189,300
Proposed Dividends	-
Cumulative Net Cash Profits CF to Balance Sheet	1,189,300
Net Cash Profit from Operations	3,686,960

The detailed calculations of the projected financial are given in the annexure. The Net Present Value for the project comes out to be US\$ 4,149,771/- and the IRR is reasonably good at 23%. Pay Back Period for the project is estimated to be around 3.19 years.

The next annexure indicates the calculations for the Break-Even Analysis and the Margin of Safety. It must be noticed that the average Return on Investment for the five years is more than 23%, which is a very good sign for the investors.

The chart below indicated the summary of the projected profits of the company from the first five years of the operations.

Over a period of five years operations the total amount of Reserves generated shall be to the tune of US\$ 19.23 MN. It shows a comfortable position for the company.

6. Developmental Values

The project's development value to the country is as under: -

- (i) The project will generate employment to several people both during the construction and after completion. It has been estimated that directly or indirectly this project will provide employment to nearly 200 individuals excluding the security guards.
- (ii) Government will also earn revenue in terms of various levies on the Company associated with the operation of the complex. Further r as indicated in the financial projections the total contribution for five years by way of income-tax and withholding tax will be to the tune of about US\$ 8.24 MN apart from VAT, Paye and other local tax.
- (iii) The project will also contribute directly and indirectly in the generation of foreign exchange.
- (iv) Last but not least, the manufacturing units are always considered to be a national property and will therefore add to the national wealth.

7. Conclusions & Recommendations

The economic impact from implementing and operating it is also positive.

Since the project is technically feasible, financially and economically viable, socially and from nation's point of view desirable a fast implementation thereof is recommended. It is important that there are no cost overruns so as to enable the realization of the benefits as outlined above.

It may be mentioned here that total investment of US\$ 10.12 million will play a good part in boosting the local economy.

Considering all relevant factors, it is being recommended that the grant of 0% import duty & VAT deferments on capital goods and deemed capital goods is granted to this project not only to make the project viable but also to catalyze other development benefits that may accrue to the country on acceptance of this project.

FINANCIAL PROJECTIONS

INVESTMENT BREAKDOWN (USD)	
PARTICULARS	TOTAL
Building and Civil Work	1,300,000
Plant and Machinery	1,600,000
Motor Vehicles	100,000
Furniture & Fixture	20,000
Pre-operative Expenses	100,000
Working Capital	7,000,000
TOTAL	10,120,000

FIXED ASSETS SCHEDULE					
NAME OF ASSETS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Land and Buildings	1,300,000	1,235,000	1,170,000	1,105,000	1,040,000
Plant & Machines	1,600,000	1,200,000	900,000	675,000	506,250
Motor Vehicle	100,000	87,500	76,563	66,992	58,618
Furniture & Fixtures	20,000	17,500	15,313	13,398	11,724
Total	3,020,000	2,540,000	2,161,875	1,860,391	1,616,592
Depreciation	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Land and Buildings	65,000	65,000	65,000	65,000	65,000
Plant & Machines	400,000	300,000	225,000	168,750	126,563
Motor Vehicles	12,500	10,938	9,570	8,374	7,327
Furniture & Fixtures	2,500	2,188	1,914	1,675	1,465
ANNUAL DEPRECIATION	480,000	378,125	301,484	243,799	200,355
CLOSING FIXED ASSETS	2,540,000	2,161,875	1,860,391	1,616,592	1,416,237

OTHER OPERATING COST					
Other Operations Cost	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Motor Vehicle running expenses	10,000	10,500	11,025	11,576	12,155
Salaries and Wages	82,500	86,625	90,956	95,504	100,279
Administrative Overhead Costs	1,032,000	1,548,000	1,563,480	1,579,115	1,594,906
Utility Costs	960,000	1,008,000	1,058,400	1,111,320	1,166,886
Interest on Loan	623,700	587,160	550,620	514,080	477,540
Raw Materials	62,400,000	93,600,000	94,536,000	95,481,360	96,436,174
Total Costs	65,108,200	96,840,285	97,810,481	98,792,955	99,787,940

PROJECTED INCOME STATEMENT

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEARS5
Sales Revenue	68,800,000	103,200,000	104,232,000	105,274,320	106,327,063
Cost of Sales	62,400,000	93,600,000	94,536,000	95,481,360	96,436,174
Gross Profit	6,400,000	9,600,000	9,696,000	9,792,960	9,890,890
Operating Expenses					
Administrative Overhead Cost	1,032,000	1,548,000	1,563,480	1,579,115	1,594,906
Motor Vehicle running	10,000	10,500	11,025	11,576	12,155
Salaries and Wages	82,500	86,625	90,956	95,504	100,279
Depreciation	480,000	378,125	301,484	243,799	200,355
Utility Costs	960,000	1,008,000	1,058,400	1,111,320	1,166,886
Insurance	92,000	87,400	83,030	78,879	74,935
Interest on Loan	623,700	587,160	550,620	514,080	477,540
Total Expenses	3,280,200	3,705,810	3,658,996	3,634,272	3,627,056
Profit before Tax	3,119,800	5,894,190	6,037,004	6,158,688	6,263,834
Tax (30%)	935,940	1,768,257	1,811,101	1,847,606	1,879,150
Profit After Tax	2,183,860	4,125,933	4,225,903	4,311,081	4,384,683

PROJECTED BALANCE SHEET

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Fixed Assets	3,020,000	2,540,000	2,161,875	1,860,391	1,616,592
Long term Assets					
Depreciation	480,000	378,125	301,484	243,799	200,355
Total long-term assets	2,540,000	2,161,875	1,860,391	1,616,592	1,416,237
Current Assets					
Cash & Bank	42,000	42,500	42,500	43,000	43,000
Account Receivable	8,600,000	8,686,000	8,772,860	8,860,589	8,949,194
Inventory	16,787,860	16,955,739	17,125,296	21,296,422	22,509,386
Total Current Assets	25,429,860	25,684,239	25,940,656	30,200,011	31,501,581
Total Assets	27,969,860	27,846,114	27,801,047	31,816,602	32,917,817
Current Liabilities					
Accounts Payable	16,500,000	12,656,321	11,047,351	11,157,825	8,280,356
Other Current Liability	4,220,000	4,220,000	4,220,000	4,220,000	4,220,000
Subtotal Current Liabilities	20,720,000	16,876,321	15,267,351	15,377,825	12,500,356
Long term Liabilities					
Long term Liabilities	2,030,000	1,624,000	1,218,000	812,000	406,000
Total Liabilities	22,750,000	18,500,321	16,485,351	16,189,825	12,906,356
Net Assets	5,219,860	9,345,793	11,315,695	15,626,778	20,011,461
Capital and Reserves					
Owners Contribution	3,036,000	3,036,000	780,000	780,000	780,000
Retained Earning	2,183,860	6,309,793	10,535,696	14,846,777	19,231,461
Total Capital	27,969,860	27,846,114	27,801,047	31,816,602	32,917,817