

VSSM METALS LIMITED

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BUSINESS PLAN

FOR

PRODUCTION OF HOLLOW STEEL SECTIONS

AND OTHER STEEL RELATED PRODUCTS

VSSM METALS LIMITED

1.0 EXECUTIVE SUMMARY.

VSSM METALS LIMITED is a private business company incorporated in the United Republic of Tanzania with Certificate of incorporation No.183935119 issued on 19th April 2025, the main line of production was steel reinforcement bars, hole section and other related products

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 **Kibwe Area, Kibaha District, Coast Region** is an ambitious undertaking the project of producing steel reinforcement bar 3000tons hole section per month 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 COMPANY BACK GROUND BRIEF

VSSM METALS LIMITED, the company is owned by three shareholders, these are reputed international businessmen with vast experience in iron steel industry.

Name	% of Shares	Nationality
ABJINDERPAL SINGH SETH	70	India
AMIT VIRD	15	India
ALI SYED GHAZANFAR	15	Pakistani

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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, Equiped with the wide experience in the business as explained above, the direcors of the company are optimistic of successful implementation of the proposed project.

1.2 LOCATION.

The new project is located at **Kibwe Area, Kibaha District, Coast Region.**
Kibwe Area, Kibaha 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 customer.

1.5 BANKERS

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

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1.6 AUDITED REPORTS

VSSM METALS 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.

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

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- 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 new steel foundry; this will include construction of and installations of modern machines, purchasing vehicles, new generator etc.

The planned production capacity is 800,000 pieces of 12mm 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
- 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

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3.3 Project Objectives

3.3.1 Development Objectives:

VSSM METALS 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 800,000 piece of 12mm 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. 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

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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.

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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.

VSSM METALS 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:

VSSM METALS 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

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their competence, experience and good track record in their respective fields and in previous employments.

5.1.2 Technical Aspect;

Plant, Machinery & Equipment; **VSSM METALS 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; the deal is expected to be closed in the near future.

5.2 External Environment:

5.2.1 The market:

VSSM METALS 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

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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 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.

5.2.1.1 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.

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5.2.1.2 Competition:

VSSM METALS LIMITED, is expecting to face competition 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 mills with production capacity of 800,000 piece of 12mm 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
- 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 **VSSM METALS 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

VSSM METALS LIMITED, COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	200,000.00
Machinery & Equipment	250,000.00
Motor Vehicles	70,000.00
Furniture & Fixtures	5,000.00
Pre exp	2,000.00
Others	8,000.00
Working Capital	28,000.00
TOTAL	563,000.00

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Appendix II

VSSM METALS LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

	1	2	3	4	5
Revenue	480,000	576,000	691,200	829,440	995,328
Operating Expenses:	312,000	374,400	449,280	539,136	646,963
Profit before Depreciation & Interest	168,000	201,600	241,920	290,304	348,365
Interest	16,890	12,667	8,445	4,222	-
Depreciation	14,000	14,000	14,000	14,000	14,000
Gross Profit	137,110	174,933	219,475	272,082	334,365
Tax (30%)	41,133	52,480	65,843	81,625	100,309
Profit After Tax	95,977	122,453	153,633	190,457	234,055
Accumulated Profit	95,977	218,430	372,063	562,520	796,575

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Appendix III

VSSM METALS LIMITED PROJECTED CASH FLOW US\$

	-	1	2	3	4	5
SOURCES:						
Profit before interest and depreciation	-	168,000	201,600	241,920	290,304	348,365
Equity	281,500					
Loan	281,500					
Total Sources	563,000	168,000	201,600	241,920	290,304	348,365
Applications:						
Capital expenditure	525,000	-	-	-	-	-
working Capital &Others	38,000					
Cash	-	126,867	149,120	176,078	208,679	248,055
Tax	-	41,133	52,480	65,843	81,625	100,309
Sub total	563,000	168,000	201,600	241,920	290,304	348,365
Total applications	563,000	168,000	201,600	241,920	290,304	348,365
Accumulated cash		126,867	275,987	452,065	660,744	908,799

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Appendix IV

VSSM METALS LIMITED PROJECTED BALANCE SHEET US \$

Fixed Assets	-	1	2	3	4	5
Opening balance	-	469,000	11,886,580	11,652,160	11,417,740	11,183,320
Additions	-	-	-	-	-	-
Total Long-term Assets	-	469,000	11,886,580	11,652,160	11,417,740	11,183,320
Less depreciation	-	14,000	14,000	14,000	14,000	14,000
Closing balance	-	455,000	11,872,580	11,638,160	11,403,740	11,169,320
Working capital	38,000	38,000	38,000	38,000	38,000	38,000
Accumulated cash	-	126,867	275,987	452,065	660,744	908,799
Total assets	38,000	619,867	12,186,567	12,128,225	12,102,484	12,116,119
Financed by						
Equity	281,500	281,500	281,500	281,500	281,500	281,500
Accumulated profit	-	95,977	218,430	372,063	562,520	796,575
Total equity	281,500	377,477	499,930	653,563	844,020	1,078,075
Long term loan	281,500	211,125	140,750	70,375	-	-
Bank overdraft	-	-	-	-	-	-
Total debts	281,500	211,125	140,750	70,375	-	-
Total equity and debts	563,000	588,602	640,680	723,938	844,020	1,078,075

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Appendix V

VSSM METALS LIMITED PROJECTED LONG TERM LOAN REPAYMENT

Year	Principle	Loan Interest (6%)	Total Amount Paid	Loan Balance
1	70,375	16,890.00	87,265.00	281,500.00
2	70,375	12,667.50	83,042.50	211,125.00
3	70,375	8,445.00	78,820.00	140,750.00
4	70,375	4,222.50	74,597.50	70,375.00

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Appendix VI

VSSM METALS LIMITED PROJECTED PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	95,977	14,000	109,977	158,760
2	122,453	14,000	136,453	295,213
3	153,633	14,000	167,633	462,846
4	190,457	14,000	204,457	667,303
5	234,055	14,000	248,055	915,358