# BUSINESS PLAN

## For

# Establishment of manufacturing plant of high-quality iron sheets, steel bars and related metal products in Tanzania

**March, 2026**

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## 1.0 EXECUTIVE SUMMARY

CHITAN REAL ESTATE CO. LIMITED is a limited liability company incorporated on 4th November, 2011 under the laws of the United Republic of Tanzania and issued with Certificate of Incorporation No. 87142. The company is owned by VALENCE TUMBO MASAWE (40%), GOODLUCK VALENCE EMMANUEL (10%) and SIGFRID VALENCE EMMANUEL (10%). CHITAN REAL ESTATE CO. LIMITED among others was formed to develop and operate a new plant at Mapinga area, Bagomoyo District, Pwani Region, Tanzania where there will be manufacturing of high quality iron sheets, steel bars and related metal products in Tanzania.

CHITAN REAL ESTATE CO. LIMITED aims to become a leading manufacturer and supplier of high-quality iron sheets, steel bars, and related metal products in Tanzania. With the rapid expansion of infrastructure projects (under initiatives like the Standard Gauge Railway) and the booming real estate sector in urban centers like Dar es Salaam, Dodoma, and Mwanza, there is a massive demand for locally produced, affordable construction materials.

Currently, the market is served by a mix of imports and a few local players. Our strategy leverages Tanzania's strategic location within the East African Community (EAC) and the Southern African Development Community (SADC) to not only satisfy local demand but also export to neighboring landlocked countries (Rwanda, Burundi, DRC, Zambia, Malawi).

We will establish a 10-acre manufacturing complex with a hot rolling mill for rebar and angles and a cold rolling mill for galvanized iron (GI) sheets.

The project entails construction of factory building, purchase and installation of plant and machinery, acquiring supporting equipment, acquiring steel bars rolls as raw materials requirements and working capital to finance the purchases and importation. The total project cost is estimated at **USD 3 million** and will be funded by shareholders themselves.

The company has established strategies to get into the market and ready to compete with the rival distributors.

They are going to commence the project in the next 30 days from now and all necessary infrastructures are ready and still others will be imported from time to time.

## 2.0 INTRODUCTION OF THE BUSINESS PLAN.

### 2.1 Overview of This Business Plan.

This business plan has been written to CHITAN REAL ESTATE CO. LIMITED with two main objectives;

**2.1.1** To be used as a guiding tool to support the inauguration and operation of the new plant based on the financial and human resources the company have and what are aspirations in the coming 5 years of business operations.

**2.1.2** To serve as the basis to assess company`s need of receiving tax incentive from **Tanzania Investment Centre (TIC)** based on the financial resources to support the project which will eventually attract revenue generation and employment creation.

Research and market analysis have been conducted to assess the viability and applicability of the nature of this business, the outcome of the research provided concrete evidence to support this line of business. Furthermore, the preliminary financial and investment projections demonstrate the business will generate substantial income from this project because of having reliable markets to sell the products.

### 2.2 Purposes of the Proposal

The specific purposes of this proposal are:

- Assess the viability of proposed line of business.
- Review general viability of the proposed business, the supply and demand situation in the market, and the amount of financing required as additional working capital.
- Discuss the technical, management, and operational options of the business.
- Analysis the operational and management aspects of the company to determine its capability by considering the industry challenges and overall growth of the company.

## 3.0 COMPANY BACKGROUND

### 3.1 Ownership

CHITAN REAL ESTATE CO. LIMITED was registered with certificate of incorporation number 87142 dated 4th November 2011 by Business Registration & Licensing Authority (BRELA) in Dar es Salaam, Tanzania under the Directorship of:

(1) VALENCE TUMBO MASAWE (40%), a mechanical expert and industries operators with 20 years of field experience and unmatchable experience in management of reputed businesses.

(2) GOODLUCK VALENCE EMMANUEL (10%), who has 10 years of unmatchable experience in management of various reputed businesses.

(3) SIGFRID VALENCE EMMANUEL (10%), who has 10 years of unmatchable experience in management of various reputed businesses.

### 3.2 Location and Facilities

The Company's site is located at Mapinga area, Bagamoyo District in Pwani Region. This location is strategic for the company's management and future expansion.

### 3.3 Mission

Become the largest supplier of high quality iron sheets, steel bars and related metal products in Tanzania for local market with the highest standards of industrial practices, creating sustainable value to shareholders, employees, suppliers, customers, business partners, host communities and environment sustainability by optimizing the company's resources. To provide durable, certified steel products that meet Tanzanian (TBS) and international standards (ISO), driving down construction costs through local manufacturing.

### 3.4 Vision

To be the preferred steel brand in the Corridor of Eastern and Central Africa and to become the largest supplier of high quality iron sheets, steel bars and related metal

products to Tanzania and East and Central African Countries.

### 3.5 Business Strategy

To set up a plant for manufacturing of high quality iron sheets, steel bars and related metal products at Mapinga area, Bagamoyo District in Pwani Region which is considered as strategic location and proximity to Dar es Salaam, Mtwara, Lindi, Morogoro, Tanga and Dodoma Regions.

## 3.6 Strategic Objectives

1. To be a respectable and reliable company in the fields of steel manufacturing industry, which has been making progress continuously in the world and our country.

2. To develop continuously with principle of quality management services quality that provided by considering the competition, productivity, and profitability with values which requires high responsibility ,discipline and with our competent manpower.

## 3.7 Keys to Success

The Company has been promoted by Directors who command a wide network of contacts and clientele in transportation industry and its businesses operational area:

- Seasoned management with over 30 years of business experience in production and trading of vehicles industry.
- Focused and well-defined long-range goals for longevity. Our plan has been developed to allow flexibility and growth.
- Strong marketing goals with niche products and services; targeted services and products delivered with unique marketing approaches.

# 4.0 Market Analysis

## 4.1 Industry Overview

Tanzania is experiencing a construction boom. According to the National Bureau of Statistics (NBS), the construction sector grows at an average of 8-10% annually. The government's focus on affordable housing and industrial parks (Building a Better Tanzania) ensures sustained demand for the next 20 years.

## 4.2 Target Market

1. Construction Companies: Large contractors handling infrastructure (roads, bridges, railways).

2. Hardware Retailers (Distributors): The backbone of the Tanzanian supply chain (e.g.,

Mohammed Enterprises, Sumaria, and local hardware shops).

3. Real Estate Developers: Builders of apartments, commercial complexes, and gated communities.

4. Industrial Fabricators: Workshops requiring angles, channels, and flats for gates, railings, and structural frames.

### 4.3 SWOT Analysis

· **Strengths**:

· Proximity to raw material imports (Port of Dar es Salaam).

· Lower labor costs compared to China or South Africa.

· Avoidance of import duties on finished goods for local customers.

· **Weaknesses**:

· High initial capital expenditure (CAPEX) for heavy machinery.

· Dependency on imported raw materials (billets and coils).

· **Opportunities:**

· Import Substitution: Tanzania imports a significant amount of steel from Uganda, Kenya, and far-east Asia. A local plant can undercut these prices.

· Export: Supply to the mineral-rich DRC and growing Rwanda.

· **Threats**:

· Fluctuation of global scrap metal and billet prices.

· Dumping of cheap, low-quality steel from the Far East.

## 5.0 Products and Services

Our manufacturing will be phased:

**Phase 1: Long Products (Construction Grade)**

· Deformed Steel Bars (Rebar): Sizes 8mm, 10mm, 12mm, 16mm, 20mm, 25mm. (Compliant with TZS 500:2016).

· Round Bars: For general fabrication.

· Angles (Equal & Unequal): For structural frames and supports.

· Flats and Squares: For gates and furniture.

**Phase 2: Flat Products (Roofing & Cladding)**

· Galvanized Iron (GI) Sheets: Plain sheets and corrugated sheets (commonly known as Mabati).

· Colour Coated Roofing Sheets: Premium tiles and profile sheets.

**Phase 3: Downstream Products**

· Binding Wire

· Nails (Masonry & Wire Nails)

· Welded Wire Mesh (for concrete slabs)

## 6.0 Operational Plan

### 6.1 Raw Materials

· For Rebar/Angles: Steel Billets (imported primarily from India, Oman, or locally sourced from MMP Steel if capacity allows).

· For Sheets: Hot Rolled Coils (HRC) and Cold Rolled Coils (CRC).

· Fluxes: Zinc for galvanizing.

### 6.2 Manufacturing Process

1. Melting Shop (Optional/Phase 4): Initially, we will utilize a Re-rolling Mill. We will purchase

billets, reheat them in a pusher-type furnace, and pass them through a series of rolling stands to achieve the desired shape (rebar/angle).

2. Rolling Mill: For sheets, HRC will be pickled, cold-rolled to thickness, and annealed.

3. Galvanizing Line: Sheets will be passed through a zinc bath to prevent corrosion.

4. Corrugation/Profiling: The flat sheets are passed through rollers to create the required profile for roofing.

5. Quality Control: Tensile strength testing, bend tests, and weight checks will be conducted in an on-site lab.

### 6.3 Facilities & Equipment

· Land: 10 Acres (Leased or Purchased).

· Sheds: 50,000 sq ft (Melting/Rolling), 20,000 sq ft (Finishing/Storage).

· Machinery: Re-heating Furnace, Roughing & Finishing Mill Stands, Cooling Bed, Shearing & Baling machines, Overhead Cranes, Galvanizing Pot.

### 6.4 Labor Requirements

· Direct Labor: 150 skilled/unskilled workers (operators, helpers, security).

· Management: 15 staff (Plant Manager, Mechanical Engineer, Metallurgist, Accountant, Sales Manager).

## 7.0 Marketing and Sales Strategy

### 7.1 Branding

We will brand our products with an embossed logo (e.g., "CHITAN STEEL") to prevent counterfeiting. We will emphasize "TBS Certified" on all products to build trust.

### 7.2 Pricing Strategy

· Penetration Pricing: Initially offer a 5% discount to bulk hardware distributors to switch from Kenyan/Ugandan suppliers.

· Value Add: Offer cut-to-size services for rebar (saving wastage for contractors) at a nominal fee.

### 7.3 Distribution Channels

1. Direct Sales Force: Targeting major construction sites in Dar es Salaam and Dodoma.

2. Distributor Network: Appoint master dealers in every major region (Arusha, Mbeya, Mwanza, Zanzibar).

3. Export Agents: Partner with logistics companies to facilitate cross-border trade to the DRC (via Kigoma) and Rwanda.

## 8.0 Financial Plan

Note: All figures are estimates based on current market rates in USD for planning purposes.

### 8.1 Start-up Costs (Initial Investment)

**Item Estimated Cost (USD)**

i. Land Acquisition (10 Acres) and Site development $450,000

ii. Plant & Machinery

- Steel Bar/Rebar rolling Mill (20 tons/shift) $650,000

- Roll forming line for iron Sheet Rolling/Galvanizing Line $400,000

- Overhead Cranes & Electricals $450,000

iii. Furniture, Fixtures & Fittings $80,000

iv. Pre-operative (TBS/Duty/Licensing & Permits $250,000

v. Vehicles (Trucks/Forklifts) $220,000

vi. Working Capital (3 months) $500,000

**Total Estimated CAPEX $3,000,000**

### 8.2 Revenue Projections (Year 1)

· Production Capacity: Re-rolling Mill: 60,000 tons/year (Operating at 60% utilization initially).

· Average Selling Price: Rebar $700/ton, Sheets $850/ton.

**· Estimated Revenue Year 1: $25 Million - $30 Million.**

### 8.3 Profitability

· Gross Margin: Estimated at 15-20% (Steel is a volume business; margins are tight but turnover is high).

· Break-Even Point: Expected within 3 to 4 years, depending on the stability of power supply and raw material costs.

## 9.0 Risk Management

· Power Interruption: Tanzania experiences grid instability. Mitigation: Install a heavy-duty diesel generator bank to ensure the furnace does not cool down rapidly, which could damage equipment.

· Raw Material Price Volatility: Global billet prices fluctuate. Mitigation: Sign long-term supply contracts with Indian or Omani mills and maintain a buffer stock of 2 months.

· Competition: Established players may lower prices to block entry. Mitigation: Focus on consistent quality and service (on-time delivery) rather than just price. 8. Risk Management

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duty diesel generator bank to ensure the furnace does not cool down rapidly, which could damage equipment.

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## 10.0 Implementation schedule

The project implementation schedules cover the activities starting from the project planning, evaluation, approval, testing, trial-run and commissioning. The implementation program requires a total of 10 months starting from the project approval up to plant commissioning and starts commercial production.

The cost for project implementation shall include project management, project design, detail engineering, procurement of plant and machinery, erection and commissioning, consultancy services and personnel training. The table below indicates processes, activities and time frame for project implementation.

| Start- up Schedule | Particular/Activity | Time frame (Months) |
|---|---|---|
| 1 | Ordering of equipment/machineries | 2 Months |
| 2 | Supplier to prepare the ordered equipment /machineries | 1 Month |
| 3 | Shipping | 3 Month |
| 4 | Importation and Installation plant and supporting equipment | 1 Months |
| 5 | Trial running and Commissioning | 1 Month |
| 7 | Starting assembling | 2 Months |
| **Total** | | **10 Months** |

The Company will be staffed with eligible personnel with corresponding authority and responsibility for achievement goals and objectives of the company. The highest body of company will be Board of Directors responsible for handling policy issues, approving strategic plan and follow up activities of General Manager.

## 11.0 ENVIRONMENT AND SOCIAL IMPACT

In adherence to regulations, the company obtained environment guidelines from National Environment Management Council regarding milling project. The following environment factors have been considered in order to protect environment as well as to comply with other regulatory bodies including OSHA, TBS.

### a. Factory Design

The factory designs are planned properly in a way that not only is environmentally friendly but also aesthetically appealing. The facility will comprise of the processing plant, office space, warehouse, an open and a reserve water tank which will be designed to allow adequate ventilation and lightning to minimize energy consumption.

### b. Plants, Machinery and Equipment

The equipment designs make and capacity ratings have been carefully selected based on their suitability and minimal environmental emissions as advised by industrial experts.

## 12.0 ORGANIZATION STRUCTURE AND MANAGEMENT

### 12.1 Organization Structure

The organization structure will be staffed with eligible personnel with corresponding authority and responsibility for achievement goals and objectives of the company. The highest body of the company is Board of Directors responsible for handling policy issues, approving strategic plan and follow up activities of the General Manager.

The General Manager is accountable to the Board of Directors and responsible for planning, executing, monitoring and controlling whole activities of the company. Further to that, General Manager will be responsible for management of day to day business operations and will lead five departments as follows:

### a. Human Resource and Administration Department

This is the main department which will handles all matters of the company. It will be responsible for rules and regulations, security of the employees and other facilities to workers. This department also encircles quality control, production, security and information technology departments.

### b. Commercial Department

This will be the most important department of the company. It is responsible for management of finance, sales and marketing activities of the company.

### c. Procurement, Stores and Logistics Department

This is the most important department of the factory. The function of this department is to deal with raw materials procurement and logistics as well as handling store goods.

### d. Production Department

The main function of production department is to produce maximum high quality of products. The department has to maintain a quality standard for products and their raw materials which are being tested with different laboratory. The department will also handle the equipment in the process and packing house.

### e. Mechanical Department

The mechanical department is merged with electrical department and has mechanical workshop that provides all equipment for smooth running of the plant. In case of failure of machine or any part this department is responsible for repair. The operation activity of mechanical department is to provide mechanical and electrical maintenance and repair.

## 12.2 Governance Structure

The company will operate as a motor vehicles assembling project. Since the scale of operation is relative medium, there will be a diversified Board of Directors with Board Charter will be formed to manage the project. The Board of Directors will be involved with numerous responsibilities among others including:

- Oversee management, finances, and quality;
- Set strategic direction of the company;
- Build community relationships;
- Establish ethical standards, values, and compliance; and
- Select General Manager and monitor his or her progress.

## 12.3 Staff Plan

The total manpower required for the project is 57 people for production operations, marketing and administration with a total wage bill of USD 38,400 per month. The table below indicates staff plan for the project.

12.3.1 Shareholders

12.3.2 Board of Directors

12.3.3 General Manager

12.3.4 Commercial Manager Procurement & Logistics Manager

12.3.5 Production Manager Human Resource and Administration Manager

12.3.6 Technical Manager.

| **Details of Human Resource Title** | **Number of Employee** | **Monthly Salary (USD)** | **Total Monthly Salary (USD)** |
|---|---|---|---|
| General Manager | 1 | 3,500 | 3,500 |
| Commercial Manager | 1 | 2,500 | 3,500 |
| Procurement and Logistics Manager | 1 | 2,500 | 2,500 |
| Production Manager | 1 | 3,000 | 3,000 |
| Technical Manager/Quality Controller | 1 | 3,000 | 3,000 |
| Accountant | 2 | 650 | 1,300 |
| Marketing Officer | 2 | 650 | 1,300 |
| Procurement Officer | 2 | 650 | 1,300 |
| IT Officer | 1 | 700 | 700 |
| Supervisor | 3 | 1,000 | 3,000 |
| Maintenance Technician | 2 | 650 | 1,300 |
| Workers - Adm & Operations | 40 | 350 | 14,000 |
| **Total** | **57** | **38,400** | |

## 13.0 INVESTMENT COST AND FINANCING PLAN

### 13.1 INVESTMENT COST

The total project cost is estimated at **USD 3 million** made up of the following items

a. Land and Site Development

b. Plant & Machinery

c. Furniture and Fittings

d. Motor vehicles

e. Pre-operation Expenses

h. Initial Working capital to cater for raw material, electricity, water, salaries, packing materials and marketing and distribution expenses. The table below indicated details of estimated investment cost.

| | Items | Amount-USD |
|---|---|---|
| 1 | Land & Site Development | 450,000 |
| 2 | Plant & Machinery (Core) | 1,500,000 |
| 3 | Furniture, Fixtures and Fittings | 80,000 |
| 4 | Motor Vehicles (Logistics) | 220,000 |
| 5 | Pre-operation Expenses (Permits/TBS/Duty) | 250,000 |
| 6 | Initial Working Capital | 500,000 |
| **Total** | | **3,000,000** |

### 13.2 FINANCIAL ASSSUMPTIONS BEHIND THE PROJECT TO BE IMPLEMENTED

#### 1. Core Financial Assumptions

These are the baseline inputs driving the projections.

Assumption Category Value Notes

#### Project Timeline

Construction / Setup 6-9 Months Procurement and installation of rolling mills and corrugating lines.

Projection Period 5 Years 2025 – 2029 (Post-commissioning).

**Financing Structure**

Total Investment (CAPEX) $ 3,000,000 Fixed Capital.
Debt / Equity Ratio 60:40 Assumes a commercial loan to leverage returns.
Interest Rate (USD Loan) 8% Annual interest rate on foreign currency loan.
Loan Term 5 Years Including a 1-year grace period on principal.

**Operational Assumptions**

Corporate Tax Rate 30% Tanzanian corporate income tax.
Annual Inflation / Price Esc. 3% Applied to sales price and costs annually.
Days of Operation 330 Days/Year Single shift (8 hours) initially; overtime/scalability later.
Raw Material Source Imported (90%) Steel billets and coils imported primarily from India/China.
Local Raw Materials 10% Scrap metal (collected locally for remelting, if furnace installed).
Depreciation (Plant) Straight-line (10 Years)
Depreciation (Vehicles) Straight-line (5 Years)
Working Capital Cycle 60 Days To cover raw material import lead times and receivables**.**

**2. Sales Forecast / Revenue Projections**

Product Mix & Pricing Strategy:

The facility will allocate capacity based on market demand. Steel Bars (Rebar) is the highest volume product, while Iron Sheets offer higher margins per ton.

· Rebar (Steel Bars): High volume, lower margin (construction backbone).
· Iron Sheets (CGI): Roofing material, higher margin, branded product.
· Related Products (Angles, Channels): Niche structural components.

Capacity Utilization Ramp-up:

· Year 1: 50% (Market entry, testing, brand establishment)

· Year 2: 70%

· Year 3: 85%

· Year 4: 90%

· Year 5: 95%

| Product Line | Unit | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|---|---|
| Steel Bars (Rebar) | Tons | 3,600 | 5,040 | 6,120 | 6,480 | 6,840 |
| Avg. Selling Price | USD/Ton | $680 | $700 | $721 | $743 | $765 |
| Revenue – Bars | USD | 2,448,000 | 3,528,000 | 4,412,520 | 4,814,640 | 5,232,600 |
| | | | | | | |
| Iron Sheets | Tons | 1,200 | 1,680 | 2,040 | 2,160 | 2,280 |
| Avg. Selling Price | USD/Ton | $820 | $845 | $870 | $896 | $923 |
| Revenue – Sheets | USD | 984,000 | 1,419,600 | 1,774,800 | 1,935,360 | 2,104,440 |
| | | | | | | |
| Angles/Channels | Tons | 600 | 840 | 1,020 | 1,080 | 1,140 |
| Avg. Selling Price | USD/Ton | $750 | $773 | $796 | $820 | $845 |
| Revenue - Angles | USD | 450,000 | 649,320 | 811,920 | 885,600 | 963,300 |
| | | | | | | |
| TOTAL REVENUE | USD | 3,882,000 | 5,596,920 | 6,999,240 | 7,635,600 | 8,300,340 |

## 14.0 Direct Costs Analysis (Cost of Goods Sold)

The primary cost driver is the Raw Material (Steel Billet) . We assume a base landed cost of $550 per ton in Year 1 (including freight, port charges, and import duty to Dar es Salaam).

| Cost Component Basis | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|---|
| Production Volume (Tons) | 5,400 | 7,560 | 9,180 | 9,720 | 10,260 |
| Raw Materials (Billets/Coils) | | | | | |
| $/Ton | $550 | $567 | $584 | $601 | $619 |
| Total Raw Material Cost | USD 2,970,000 | 4,286,520 | 5,361,120 | 5,841,720 | 6,350,940 |

| | | | | | |
|---|---|---|---|---|---|
| Direct Labor USD | 180,000 | 252,000 | 315,000 | 342,000 | 369,000 |
| Operators & Supervisors | | | | | |
| Utilities (Power/Fuel) USD | 240,000 | 336,000 | 420,000 | 456,000 | 492,000 |
| High consumption for rolling mills | | | | | |
| Packing & Consumables USD | 40,000 | 56,000 | 70,000 | 76,000 | 82,000 |
| TOTAL DIRECT COSTS USD | 3,430,000 | 4,930,520 | 6,166,120 | 6,715,720 | 7,293,940 |
| | | | | | |
| Gross Profit USD | 452,000 | 666,400 | 833,120 | 919,880 | 1,006,400 |
| Gross Margin % % | 11.6% | 11.9% | 11.9% | 12.0% | 12.1% |

(Note: Margins are tight in Year 1 due to low utilization. Margins expand slightly as fixed overhead is absorbed over more tons, but are capped by raw material volatility.)

**15.0 Operating Expenses (OPEX)**

| Expense Item | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Notes |
|---|---|---|---|---|---|---|
| Salaries (Admin & Mgmt) | 96,000 | 99,000 | 102,000 | 105,000 | 108,000 | |
| Management, Accountants, HR | | | | | | |
| Sales & Marketing | 80,000 | 90,000 | 100,000 | 105,000 | 110,000 | |
| Distributor margins, adverts | | | | | | |
| Rent / Lease | 24,000 | 24,720 | 25,462 | 26,226 | 27,012 | |
| Office/yard space if not owned | | | | | | |
| Transport & Logistics | 60,000 | 86,000 | 108,000 | 118,000 | 128,000 | |
| Delivery to Mwanza, Arusha, etc. | | | | | | |
| Insurance | 15,000 | 15,450 | 15,914 | 16,391 | 16,883 | |
| Maintenance | 20,000 | 25,000 | 30,000 | 35,000 | 40,000 | |
| Increases with age of machinery | | | | | | |
| Other Admin Costs | 20,000 | 21,000 | 22,050 | 23,153 | 24,311 | |
| TOTAL OPEX | 315,000 | 361,170 | 403,426 | 428,770 | 454,206 | |

## 16.0 . Income Statement Analysis (Projected P&L)

This statement bridges the gap from Gross Profit to Net Income.

| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|---|
| Total Revenue | 3,882,000 | 5,596,920 | 6,999,240 | 7,635,600 | 8,300,340 |
| Less: Direct Costs | (3,430,000) | (4,930,520) | (6,166,120) | (6,715,720) | (7,293,940) |
| Gross Profit | 452,000 | 666,400 | 833,120 | 919,880 | 1,006,400 |
| Less: Operating Expenses | (315,000) | (361,170) | (403,426) | (428,770) | (454,206) |
| EBITDA | 137,000 | 305,230 | 429,694 | 491,110 | 552,194 |
| Less: Depreciation (Plant & Equipment) | (200,000) | (200,000) | (200,000) | (200,000) | (200,000) |
| EBIT (Operating Profit) | (63,000) | 105,230 | 229,694 | 291,110 | 352,194 |
| Less: Interest Expense (Loan Servicing) | (144,000) | (115,200) | (86,400) | (57,600) | (28,800) |
| Profit Before Tax (PBT) | (207,000) | (9,970) | 143,294 | 233,510 | 323,394 |
| Less: Tax (30%) 0 0 (Tax shields from losses) | | (42,988) | (70,053) | 97,018) | |
| Net Profit (Loss) | (207,000) | (9,970) | 100,306 | 163,457 | 226,376 |

## 17.0 Key Financial Ratios & Health Check

· Breakeven Point: The project reaches operational breakeven (EBIT positive) in Year 2. It reaches net income positive in Year 3 after utilizing carried-forward losses to reduce tax.

· Payback Period: Given the initial investment of $3,000,000 and the accumulated cash flow (Net

Profit + Depreciation), the project will recover its initial investment by approximately Year 5 or early Year 6.

· Net Profit Margin:

· Year 1: -5.3%

· Year 3: 1.4%

· Year 5: 2.7%

(Note: 2-3% net margin is standard for low-cost steel re-rolling mills in competitive markets; value-added products like sheets push this higher.)

## 18.0 Critical Risks and Mitigation for the Tanzania Market

**1. Raw Material Price Volatility:**

· Risk: Global steel prices fluctuate.

· Mitigation: Implement a "cost-plus" pricing model with major contractors. Maintain a flexible scrap metal purchase program locally when global prices spike.

**2. Currency Devaluation (TZS vs. USD):**

· Risk: You sell in TZS but buy raw materials in USD.

· Mitigation: Open a Foreign Currency Account. Hedge by pricing large contracts in USD equivalent. Keep inventory turnover high (30-45 days).

**3. Power Interruption:**

· Risk: Tanzania experiences grid instability.

· Mitigation: Budget for a heavy fuel oil (HFO) generator or investigate solar hybrid solutions for critical operations to avoid ruinous downtime costs.

**4. Competition from Imports:**

· Risk: Cheap Chinese or Indian imports.

· Mitigation: Focus on consistent quality and the "Made in Tanzania" brand preference for government projects (Local Content Policy). Offer shorter lead times than imports.

## 19.0 PERSONNEL PLAN ANALYSIS

| "USD" | Qt | | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|---|---|---|
| **Net Revenues** | | | **2,875,000** | **3,622,500** | **4,437,563** | **5,325,075** | **6,290,245** |
| Staff Salaries | | **Monthly Income** | | | | | |
| General Manager | 1 | 3,500 | 42,000 | 43,050 | 44,126 | 45,229 | 46,360 |
| Commercial Manager | 1 | 2,500 | 30,000 | 30,750 | 31,519 | 32,307 | 33,114 |
| Procurement & Logistics Mngr | 1 | 2,500 | 30,000 | 30,750 | 31,519 | 32,307 | 33,114 |
| Production Manager | 1 | 3,000 | 36,000 | 36,900 | 37,823 | 38,768 | 39,737 |
| Technical Manager | 1 | 3,000 | 36,000 | 36,900 | 37,823 | 38,768 | 39,737 |
| Accountants | 2 | 650 | 15,600 | 15,990 | 16,390 | 16,799 | 17,219 |
| Marketing Officer | 2 | 650 | 15,600 | 15,990 | 16,390 | 16,799 | 17,219 |
| Procurement Officer | 2 | 650 | 15,600 | 15,990 | 16,390 | 16,799 | 17,219 |
| IT Officer | 1 | 700 | 8,400 | 8,610 | 8,825 | 9,046 | 9,272 |
| Supervisor | 3 | 1,000 | 36,000 | 36,900 | 37,823 | 38,768 | 39,737 |
| Maintenance Technician | 2 | 650 | 15,600 | 15,990 | 16,390 | 16,799 | 17,219 |
| Workers - Admin & Operations | 40 | 350 | 168,000 | 172,200 | 176,505 | 180,918 | 185,441 |
| **Total Salary** | **57** | | **448,800** | **460,020** | **471,521** | **483,309** | **495,391** |
| **Benefits** | | | | | | | |
| Percent (%) | | | 10% | 10% | 10% | 10% | 10% |
| Total benefit costs | | | 44,880 | 46,002 | 47,152 | 48,331 | 49,539 |
| **Total S & M Compensation** | | | **493,680** | **506,022** | **518,673** | **531,639** | **544,930** |
| % of Revenue | | | 17.2% | 14.0% | 11.7% | 10.0% | 8.7% |

The projected staff costs are in consideration from the investment in the newly expansion phase of the project with experienced staff team which will yield the maximum output in the coming phases of productions. The staff budget is in line with the expected levels of operating income and we are comfortable.

At full capacity the plant will have a total of 57 staff with different disciplines with vast experiences in the manufacturing, finance and marketing and strategic business experts.

## 20.1 DIRECT COSTS ANALYSIS

| "USD" | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|---|---|---|---|---|
| **Revenue** | **2,875,000** | **3,622,500** | **4,437,563** | **5,325,075** | **6,290,245** |
| **Cost of Revenue** | | | | | |
| Spare & parts | 1,293,750 | 1,630,125 | 1,996,903 | 2,396,284 | 2,830,610 |
| Other materials | 90,000 | 94,500 | 99,225 | 104,186 | 109,396 |
| Other overhead costs | 50,000 | 52,500 | 55,125 | 57,881 | 60,775 |
| **Total Direct Costs at 100% capacity** | **1,433,750** | **1,777,125** | **2,151,253** | **2,558,351** | **3,000,781** |
| **Gross Profit** | **1,441,250** | **1,845,375** | **2,286,309** | **2,766,724** | **3,289,464** |
| % of Revenue | **50.13%** | **50.94%** | **51.52%** | **51.96%** | **52.29%** |
| Salaries and wages | 448,800 | 460,020 | 471,521 | 483,309 | 495,391 |
| Insurance | 10,000 | 11,000 | 12,100 | 13,310 | 14,641 |
| Utilities | 3,000 | 3,300 | 3,630 | 3,993 | 4,392 |
| Miscellaneous expenses | 7,500 | 8,250 | 9,075 | 9,983 | 10,981 |
| **Total Administrative and Operating costs** | **469,300** | **482,570** | **496,326** | **510,594** | **525,405** |
| Other Expenses | | | | | |
| Loan repayments | - | - | - | - | - |
| Depreciation | 397,476 | 437,224 | 480,946 | 529,041 | 581,945 |
| Total Cost of Revenues | 866,776 | 919,794 | 977,271 | 1,039,635 | 1,107,350 |
| % of Revenue | 30.1% | 25.4% | 22.0% | 19.5% | 17.6% |
| **Allocation of Cost of Revenue between:** | | | | | |
| Variable | 1,433,750 | 1,777,125 | 2,151,253 | 2,558,351 | 3,000,781 |
| Fixed | 469,300 | 482,570 | 496,326 | 510,594 | 525,405 |
| **Total** | **1,903,050** | **2,259,695** | **2,647,579** | **3,068,945** | **3,526,186** |

The components of direct costs (costs of revenue) are in line with the targeted levels of production revenue which give us comfort in the generation of strong operating income which will lead to sustainable profitability. The projected operating income are promising which will be able to cover both short-term and long-term obligations on time without delay.

## 19.0 Recommendation

Based on the $3,000,000 investment, the project is financially viable but requires careful working capital management. The first 18 months will be tight (cash negative). Success hinges on securing a stable supply of raw materials at competitive prices and achieving the 70% utilization rate by Year 2. The projected IRR (Internal Rate of Return) over a 7-year horizon would likely fall in the range of 12-18%, which is acceptable for the manufacturing sector in this region.