

# **KILIMANJARO TRUCK COMPANY LIMITED**

**TO EXPAND AND ESTABLISH MANUFACTURING**

**FACILITIES FOR**

**BUILDING TRUCKS AND TRAILLERS BODIES**

**Prepared By:**

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## **1.0 EXECUTIVE SUMMARY**

This business plan points out a promising future potential for body building of motor vehicles bodies and its accessories for all types of vehicles including trucks , passenger coaches and buses. The project will involve fabrications of seats, bodies and various accessories.

The base for KILIMANJARO TRUCK COMPANY LIMITED will always be to supply the Tanzania market and therefore sufficient incentives for making the domestic operations feasible and viable are important.

This will also allow the planned export activities and other expansion plans for KILIMANJARO TRUCK COMPANY LIMITED.

The Company envisages establishing its operation in Tanzania to cater for sales, marketing and training activities in the region. The benefits will be to be closer to the market, achieve economies of scale for vehicles and spare parts supply etc.

The company will improve the competitiveness of the Tanzanian transporters in comparison with those in the neighboring countries.

## 2.0 INTRODUCTION

### **Background**

KILIMANJARO TRUCK COMPANY LIMITED has been incorporated in Tanzania and is having certificate of incorporation no 32824 14<sup>th</sup> October 1997 with the objective of carrying various activities including body building designing and assembling motor vehicles bodies, trailers and its accessories for all types of vehicles including trucks passenger coaches and buses. The project will involve fabrications of seats, bodies and various accessories .The plant will have an installed capacity to assemble 200vehicles per annum.

The business plan being submitted is to complement previous efforts undertaken to ensure establishment of fabrication activities at KILIMANJARO TRUCK COMPANY LIMITED and to attract new investments in the local a sub sector generally.

### **MARKET**

KILIMANJARO TRUCK COMPANY LIMITED intends to offer the services of fabrication in terms of body building of various motor vehicle to the local transporters who will have wished to assembly and fabricate various make of motor vehicles including

trucks, coaches/buses. There is also a potential markets for export which can be mainly found among the surrounding countries. The average total markets for heavy trucks and buses in those countries amounts to approximately 2,000 vehicles yearly. It would be a great advantage to have a centralized distribution to these countries.

### **Employment**

KILIMANJARO TRUCK COMPANY LIMITED will employ 200 personnel on full time temporal basis..

### 3.0 **MARKETING STRATEGY**

#### **Strategy**

The marketing strategy will base on three principles; creating an East African hub in Tanzania using network of importers and standardizing the vehicle specifications. By using the existing of importers and dealers the various markets can easily be penetrated.

#### **Regional hub in Tanzania**

By establishing a regional hub some major advantages could be achieved. The project will achieve economies of scale and reducing tied up capital sales and marketing activities for the region could be co-ordinated close to the market rather than from head office.

#### **Sales objective**

The base for KILIMANJARO TRUCK COMPANY LIMITED assembly operations will always be the domestic market. The sales volume is expected to reach 200 heavy trucks and heavy buses per year. The potential export sale is estimated to another 330 vehicles. The main condition for achieving this will be a successful implementation of the outlined marketing strategy.

#### 4.0 INVESTMENT

The total cost for the project is estimated at US\$15.00 ml. Breakdown of investment is as outlined below:

Item	US\$
Civil Works	2,600,000
Plant Machinery Equipment	9,000,000
Furniture & fittings	1,150,000
Vehicles	1,000,000
Pre-operational expenses	500,000
Working Capital	1,600,000
<b>TOTAL INITIAL INVESTMENT</b>	<b>15,850,000</b>
	<b>15,850,000</b>

#### Proposed Financing

The plant is proposed to be financed from shareholders equity contribution and the term Loan.

	Total Costs
Equity	4,755,000
Loan	11,095,000
<b>TOTAL</b>	<b>15,850,000</b>

## **5.0 MOTOR VEHICLE BODY BUILDING INDUSTRY IN TANZANIA**

The transportation sector in Tanzania is faced with importation for readymade Trucks coaches and passenger buses which are very expensive. KILIMANJARO TRUCK COMPANY LIMITED has decided to enter into a business of fabrication and build bodies of various motor vehicles including trucks coaches and buses to reduce costs of this items if were imported.

The KILIMANJARO TRUCK COMPANY LIMITED when established will cater for most of body building and fabrication of variety of vehicles in Tanzania and neighboring countries.

### **Advantages of having a local plant**

Besides offering job opportunities for several hundred people it will also support the ancillary industry. In terms of creating new job opportunities and stimulating economic development the ancillary industry could contribute even more than KILIMANJARO TRUCK COMPANY LIMITED itself. It is also an opportunity for technology transfer both to KILIMANJARO TRUCK COMPANY LIMITED and the sub-suppliers. Furthermore the factory will generate export earnings to the country.

## **Conclusion and Recommendation**

Results of the analysis of the proposed venture indicate that:-

- the venture is expected to be commercially viable;
- The venture will create job opportunities.
- The venture will benefit the Government through several taxes both direct. The sponsor desire is to start immediately to avoid cost escalations. Every assistance from concerned parties is expected to make this venture a success.

## **5.1 Proposed Action**

We propose that the government take the following actions to support the fabrication operation at KILIMANJARO TRUCK COMPANY LIMITED in order to benefit from the positive effects this feasibility study has pointed out:

- To give sufficient incentives
- Assuring that the incentives are stable and remain unchanged for at least five years. This will allow necessary investment decisions to be taken.
  
- Work for obtaining duty preferences for vehicles to be imported in the country within the framework of SADC, EAC etc. This is expected to give positive effects on the export possibilities to neighboring countries.

## **6.0 PROJECT IMPLEMENTATION AND MANAGEMENT**

### **Implementation Schedule**

The project sponsors are ready and prepared to implement the project as soon as the Tanzania Investment Centre approves the project. The Important activities identified for implementation of the project are: -

Obtain TIC approval
Funds mobilization
Civil Works Construction
Ordering equipment
Receiving equipment
Installation
Trial runs
Commercial production

The sponsors are ready to start implementation of the project immediately with equity funds from both local and foreign collaborators. The machinery suppliers are able and prepared to deliver the plant and machinery within a period of the one-month.

The company will have a Managing Director. Who will be answerable to a Board of Directors. There will be two departments namely: Production and Finance and Administration. Finance and Administration Manager will head the department of Finance and Administration Manager.

## 7.0 PROJECT COSTS AND FINANCING

### Project Costs

The project capital costs are detailed and summarized below as follows:-

<b>Item</b>	<b>US\$</b>
Civil Works	2,600,000
Plant Machinery Equipment	9,000,000
Furniture & fittings	1, 150,000
Vehicles	1,000,000
Pre-operational expenses	500,000
Working Capital	1,600000
<b>TOTAL INVESTMENT</b>	<b>15,850,000</b>
	<b>15,850,000</b>

### Buildings

Building costs have been based on current contracting rates obtained from the National Construction Council.

### Machinery and Equipment

A detailed list of plant and equipment will be made available and the total machines is estimated at us\$ 9.0 m

## **Vehicles**

The budget for vehicles including three ten-ton trucks, one saloon car and two small 1-ton pick-up. The vehicles are estimated to cost US\$. 500,000.

## **Furniture and Fittings**

The budgeted costs include expenses for office furniture, telecommunication and firefighting equipment. Expenses for installation of water, electricity systems and computer are also included in this budget.

## **Pre-Operational Expenses**

The pre-operational budget includes costs for the company Registration and Feasibility study preparation, traveling expenses, training and recruitment expenses and legal and consulting fees.

## **Project Financing**

The project's fixed capital cost to the tune of US\$ 15.850m is financed by loan and equity contribution .The details of Financing Plan are given below:

	<b>Total Costs</b>
Equity	4,755,000
Loan	<b>11,095,000</b>
<b>TOTAL</b>	<b>15,850,000</b>

## **8.0 FINANCIAL ANALYSIS**

### **8.1 Basic Assumptions**

In the financial analysis the following major assumptions have been taken into consideration.

1. Capital foreign costs have been based on an exchange rate of tshs. 1600 per one USA Dollars.
2. Component prices have been based on quotations current prices.
3. The number of working days has been taken to be 300 day working on a single shift per day.

4. The vehicles prices have been based on past experience in sales and are Ex-factory.
5. Taxation is 30% of taxable profit.
6. Salaries and wages have been based on the current scale in the country.
7. The fixed assets of the Company are depreciated on a straight-line method.
8. Operating costs have been taken as 70% of the total revenue.

## **8.2 Project Profit and Loss Statements**

The project will start making profit in the first year of operation. .

## **8.3 Projected Cash flow**

The projected cash flow show very good cash generation throughout the project period. the forecasts show a very healthy cash position and therefore there is no doubt that the project will be able to meet all its financial obligations including overdraft repayment and interest without any strains.

## 9.0 **ECONOMIC EVALUATION**

### 9.1 **Transfer of Technology**

The project involves transfer of technology from various European/Asian countries to Tanzania for the fabrication and body building of vehicles.

### 9.2 **Employment Effects**

The project will create jobs. The Expatriates Production Manager will train semi-skilled operators on the job.

### 9.3 **Other Development Values**

- The project will make available vehicles at reasonable and affordable prices.
- The project will substitute import and save foreign exchange and potential to earn foreign exchange through exports to PTA countries. About 25% of the vehicles will be exported.
- The government will earn revenue in terms of taxes and other levies.

### 9.4 **Foreign exchange Effects**

The foreign exchange expenditure on the project is repaid fully during the first year and the project is able to meet payment of all its foreign exchange expenditure

in terms of components purchased and spares. The project is import substitution

## 10.0 CONCLUSION AND RECOMMENDATIONS

The Financial and economic evaluation of the proposed project shows that: -

1. The project is profitable and contributes to Government revenue by way of Taxes and other levies.
2. The project will generate direct employment. In addition to this direct employment there will be other indirect employments, which will be created by the effects of having the plant in Dar es Salaam.
3. The project is based on proven technology from abroad. The technology is simple and easy to operate.
4. The project will substitute imports and save foreign exchange and has potential to earn foreign exchange through exports to PTA countries.

5. After the economic and technical evaluation of the project, we strongly recommend that this project be approved by TIC and granted Certificate of Incentives. The feasibility study clearly comes out with strong recommendation for the project because it is technically feasible.

APPENDIX: I

**KILIMANJARO TRUCK COMPANY LIMITED**  
**INVESTMENT COST**

<b>Item</b>	<b>US\$</b>
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Furniture & fittings	1,150,000
Vehicles	1,000,000
Pre-operational expenses	500,000
Working Capital	1,600,000
<b>TOTAL INVESTMENT</b>	<b>15,850,000</b>
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**KILIMANJARO TRUCK COMPANY LIMITED**  
**PROJECT FINANCING**

	Total Costs
Equity	4,755,000
Loan	11,095,000
<b>TOTAL</b>	<b>15,850,000</b>

US\$



# KILIMANJARO TRUCK COMPANY LIMITED

## PROFIT & LOSS FORECAST

	1	2	3	4	5	6	7	8	9	10
		80%								
<b>TURNOVER</b>		53,760	90%	67200	67200	67200	67200	53,760	60480	67200
Sales revenue			60480	67200	67200	67200	67200	53,760	60480	67200
<b>Cost of Sales</b>		37632	42336	47040	47040	47040	47040	47040	47040	47040
			42336	47040	47040	47040	47040	47040	47040	47040
<b>GROSS PROFIT</b>		16,128	18144	20,160	20,160	20,160	20,160	20,160	20,160	20,160
			18144	20,160	20,160	20,160	20,160	20,160	20,160	20,160
<b>OVERHEADS</b>		4,838	5,443	6,048	6,048	6,048	6,048	6,048	6,048	6,048
			5,443	6,048	6,048	6,048	6,048	6,048	6,048	6,048
<b>OTHER COSTS</b>		1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722
Depreciation			1,722	1,722	1,722	1,722	1,722	1,722	1,722	1,722
Profit before tax		9,544	10,955	12,366	12,366	12,366	12,366	12,366	12,366	12,366
<b>OPERATING PROFIT</b>		9,544	10,955	12,366	12,366	12,366	12,366	12,366	12,366	12,366
Taxation 30%		2863	3287	3710	3710	3710	3710	3710	3710	3710
<b>NET PROFIT</b>		6,681	7,668	8,656	8,656	8,656	8,656	8,656	8,656	8,656

US\$

# KILIMANJARO TRUCK COMPANY LIMITED

## CASH FLOWS

Sources	0	1	2	3	4	5	6	7	8	9	10
Profit before interest and depreciation	16,128	18144		20,160	20,160	20,160	20,160	20,160	20,160	20,160	20,160
Loan	-	-	-	-	-	-	-	-	-	-	-
Equity	<b>15,850</b>										
<b>Total sources</b>	<b>16,128</b>	<b>18144</b>		<b>20,160</b>	<b>20,160</b>	<b>20,160</b>	<b>20,160</b>	<b>20,160</b>	<b>20,160</b>	<b>20,160</b>	<b>20,160</b>
Applications											
Capital expenditure	<b>15,850</b>										
Tax	-	2863	3287	3710	3710	3710	3710	3710	3710	3710	3710
<b>Sub-Total</b>	<b>15,850</b>	<b>2863</b>	<b>3287</b>	<b>3710</b>	<b>3710</b>	<b>3710</b>	<b>3710</b>	<b>3710</b>	<b>3710</b>	<b>3710</b>	<b>3710</b>
<b>Total Applications</b>	<b>-</b>	<b>2863</b>	<b>3287</b>	<b>3710</b>	<b>3710</b>	<b>3710</b>	<b>3710</b>	<b>3710</b>	<b>3710</b>	<b>3710</b>	<b>3710</b>
Net Cash Flow	-	13,265	14,857	16450	16450	16450	16450	16450	16450	16450	16450
Accumulated cash	-	<b>13,265</b>	<b>28,122</b>	<b>44,572</b>	<b>61,022</b>	<b>77,472</b>	<b>93,922</b>	<b>11,037</b>	<b>126,822</b>	<b>143,278</b>	<b>159,722</b>