

RAS LOGISTICS (T) LIMITED

PROJECT DOCUMENT

ON

ESTABLISHMENT

OF

TRANSPORTATION COMPANY

Prepared By:

RAS LOGISTICS(T) LIMITED

P.O.BOX 10981

Dar-Es –Salaam

1.0 EXECUTIVE SUMMARY

1.1 Company Background

Messrs RAS LOGISTICS(T) LIMITED is a private limited liability company, established in 12th December 2014 under Certificate of Incorporation No. 113742 and it is licensed to carry out a variety of businesses, ranging from transportation sector, industry and management to clearing and forwarding. It is a large size trucking company mainly catering for transit of hard and liquid cargo including petroleum products, containers of various goods and agriculture and mining products from neighbouring countries. The company has its headquarters based in plot no 39, Kwa Azizi Ally area, Temeke District, Dar-es salaam.

1.2 The Project

This project envisages establishing cargo transportation facilities to cater for various cargoes including petroleum products, containers of various goods and agriculture and mining products from neighbouring countries. The Company intends to acquire about 60 trucks with trailers (semi/pull type) with the total capacity of 18000 Tons per annum , pick-ups and related handling service facilities.

1.3 Investment Costs

The project cost is estimated at **US\$5.180m** which will be contributed by the sponsors.

INVESTMENT COST

US\$

	TOTAL
Land & Building	300,000
Motor vehicle	4,705,000
Workshop equipment	10,000
Furniture and fixture	5,000
Others	10,000
Working capital	150,000
Total	5,180,000

1.4 Financing Plan

The promoters propose to finance the above investment costs in the following manner:

SOURCE	US \$
Equity	5,180,000
Sub total	5,180,000

The working capital of US\$ 150,000 is to be financed through shareholders equity contribution.

2.0 INTRODUCTION

2.1 Background

- 2.1.1 ***RAS LOGISTICS (T) LIMITED*** intends to establish a transportation project for transportation of various cargo to include hard and liquid products which involves acquisition of cargo haulage trucks with trailers, establishing workshops and terminal comprising of container yard, truck parking places, go down and offices.

- 2.1.2 The technical appraisal of the project has been prepared in a view to assessing the project's viability and to be used to obtain certificate of incentives.

- 2.1.3 It is proposing a project development strategy which involves establishing and acquisition of transport fleet trucks in order to obtain the project's earnings capacity through handling cargo and be more competitive in the transport sector.

3.0 The Company and Sponsors

3.1 The Company

RAS LOGISTICS (T) LIMITED is a private liability company engaged in the transportation business. The company was established in 12th December 2014 under Certificate of Incorporation No. 113742. It is primarily a family business with the following shareholders.

Director/Shareholder	no of Shares	%
Jayasankaran Thanikkal	5000	50
Rajasree Jayasankaran	5000	50
Unallotted	-	-

Sponsors/shareholders

The shareholders have extensive and long-term exposure to the transport industry through their involvement in the transport sector.

4.0 THE PROJECT

The project envisages establishing a trucking company, which deals with transportation of transit cargo to and from neighbouring countries. The project promoters intend to Purchase the number of cargo haulage trucks/trailers. This involves acquiring 60 trucks and 60 trailers with the total capacity of 18000 Tons per annum . In addition, acquire 4WD patrol vehicles to assist in highway patrols and maintenance services.

- The company will also Purchase machinery and equipment/tools such as cranes, forklifts and repair equipment to enhance smooth operation of its transport fleet. The company will also Acquire new office furniture, fittings, computers and telecommunication system.

4.1 Location

The company headquarters is based in Dar-es salaam

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4.2 Trucks and Trailers Requirement

The company proposes to acquire 60 new trucks and 60 trailers that will have average load carrying capacity of 30 tons per truck/trailers. The trucks will operate from Tanzania. The company will also purchase Handling Equipment such as Workshop equipment, Tools, Mechanics Equipment and other equipment related to workshop activities.

4.3 Service Vehicles

In order to strengthen monitoring performance and maintenance of transport fleet the company requires 4WD Pick up – for highway patrol

5.0 THE MARKET ANALYSIS

5.1 Demand for Trucking Facilities

The demand for transit transport facilities is made up of neighbouring countries imports and exports which passes via Dar-es salaam to more than half of the regions in Tanzania and the neighbouring countries .Main commodities being transported comprise consumer goods, Petroleum products, agricultural inputs, food vegetable oil, gas oil , various types of minerals imported stuff and various raw materials for various Industries . From above, it can be seen that road transport accounts for a substantial share of between 99% of the transport facilities utilized.

5.1.1 Local Demand for Trucking Facilities

It is estimated that 90 percent of the bulk of cargo, containerised goods and liquid cargo is handled through road transport system.

5.1.2 Future Prospects

On the strength of the following positive business environmental factors/economic indicators, there are good prospects for the sizes of both transit and local cargo to rise. There is a rise in the number of ships which calls at the Tanzania coastal area which is bound to push up the volume of cargo handled which in turn requires more transshipment which in turn requires more tranship facilities inclusive of trucking facilities.

Another effect which will have positive effects on the demand of the Dar es Salaam port is its increasing performance and efficiency in handling containers. This positive development is expected to attract more container ships to call at the port thereby creating opportunities for increased build up of cargo.

5.2 Supply of Trucking Facilities

Road transport accounts for 99% of total freight volume and 90% of passenger transport. There are more than 10,000 trucks registered in Tanzania which has now become important for transit export and import cargo for neighbouring countries

5.3 Demand/Supply Gap

Analysis of the market has established that there is demand for road transport as there is an increasing number of ships calling in Tanzania and also increase of economic activities throughout Tanzania and the countries surrounding it. The demand for road transport is over 95% per annum while the present fleet is operating under capacity

5.4 Competition

Leading clearing and forwarding companies prefer to give business to transporters with sizeable own fleet of reliable trucks/trailers.

RAS LOGISTICS (T) LIMITED with 60 new trucks/trailers is therefore poised to emerge as one of the major transporters of transit cargo in Tanzania with no serious competition since demand for road transport is already higher than supply of trucks for transit cargo.

6.0 PROJECT IMPLEMENTATION SCHEDULE

The project is expected to start implementation immediately. The critical activities are securing finance to purchase or acquiring more transport trucks/trailers. It will take up to three years to purchase the no of trucks intended

7.0 MANAGEMENT AND ORGANISATION STRUCTURE

RAS LOGISTICS (T) LIMITED is organised directly under the Shareholders, who form part of Board of Directors.

The Managing Director appointed by the Board of Directors is the overall in charge of day-to-day operations of the Company. The following heads of sections – the Manager of Operations, Administrative officer, Financial Controller, Chief Mechanics, Container Terminal Manager and Senior Logistics Officer, assists him.

7.2 Manpower Requirements

To improve its transport system the company expects to employ 120 people. Out of these 60 will be truck drivers.

7.3 Recruitment and Training

The company will start recruiting as soon as the important documents such as certificate of incentives and business licences are ready. All are expected to have strong background in transportation. However, all the new employees are expected to receive on-the-job training

8.0 FINANCIAL ANALYSIS

Revenue Assumptions

The basic revenue underlying the projected revenue are detailed below:

Basic Revenue Assumptions

- 1) The project will operate total fleet of 60 trucks/trailers with annual capacity of 18000 Tons per annum.
- 2) The entire fleet is deployed to haul mainly international transit cargo only with 59% return cargo.
- 3) Due to the long distances involved and condition of roads, the load factor is assumed at 70% only.
- 4) Freight rates have been conservatively estimated at US\$ 4500 per trip to destination
- 5) The revenue and operating cost assumptions have been projected at constant prices; it being assumed that any increase in costs will be offset by a corresponding increase in freight rate.

Freight Revenue

Based on the above revenue assumptions, the trucks will realise earnings for the company of about US\$3.2 million in the first year after acquiring the trucks/trailers. This is expected to increase to US\$6.48 million in year 6th and onwards.

Operating Costs and Assumptions

The operating costs is estimated at 65% of the operating costs .

Projected Profit and Loss Accounts

The accounts clearly demonstrate that the project will be very profitable after acquiring new trucks with pre-tax profits of about USD 2.26 million from year 6 of operation onwards.

Projected Cash flow

The strong liquidity position confirms the project's ability to meet all financial obligations.

Profitability

The projected profitability levels compare well the profit levels being achieved by other transit cargo transporters of a similar scale. The project's long-term retained earnings are considerably high due to the gains from the current establishment.

9.0 PROJECT COST AND FINANCING PLAN

Estimated Project Cost

The total project cost is estimated at US\$ **5,180,000**. The breakdown of these investments is as outlined below.

	US\$
	TOTAL
Land & Building	300,000
Motor vehicle	4,705,000
Workshop equipment	10,000
Furniture and fixture	5,000
Others	10,000
Working capital	150,000
Total	5,180,000

Land, buildings, equipment and planting material costs are based on professional valuations and current quotations. A contingency allowance of 5%-10% has been included for individual items to cover potential cost over-runs and changes.

Proposed Financing Plan

It is proposed that the project be financed as follows:

	US\$'000
Sponsors equity	5,180,000
Total Financing	5,180,000

Economic Development Considerations

Employment Creation

The project will create approximately 120 jobs with capacity to expand the employment levels in the later years upon.

Foreign exchange Earnings

This is a great contribution to the country in foreign exchange earnings as a result of a transits activities with neighbouring countries.

Economies of Scale

Profitability is greatly affected by economies of scale. The project will be profitable with subsequent to 60 trucks; improved communication and infrastructure facilities this will increase transport logistics significantly. It will increase profitability dramatically hence guaranteeing higher returns in the long run.

10.0 CONCLUSION

This business plan has attempted to highlight the main elements of the business plan in preparation for an investment decision of a total of US\$. **5,180,000** net is being anticipated pursuant to this report. It is the strong opinion of the Directors and management alike that this business is worth serious consideration by TIC as the project is commercially, financially and economically viable.

ANNEXTURE AND APPENDICES

RAS LOGISTICS (T) LIMITED

Estimated Investment Project Cost

USD

	TOTAL
Land & Building	300,000
Motor vehicle	4,705,000
Workshop equipment	10,000
Furniture and fixture	5,000
Others	10,000
Working capital	150,000
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RAS LOGISTICS (T) LIMITED

Project's financing Plan

SOURCE	US \$
Equity	5,180,000
Sub total	5,180,000

RAS LOGISTICS(T) LIMITED

PROJECTED DEPRECIATION SCHEDULE

USD 000

Item/year	Rate %	Amount	1	2	3	4	5	6	7	8	9	10
Land and Buildings	5	300,000	15	15	15	15	15	15	15	15	15	15
Motor Vehicles	25	4,705,000	1,176	1,176	1,176	1,176	0	0	0	0	0	0
Machinery & Equipment	12.5	10,000	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	0	0
Furniture & Fixtures	12.5	5,000	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63	0.63
TOTAL		5,020,000	1,193	1,193	1,193	1,193	16.93	16.93	16.93	16.93	15.63	15.63

RAS LOGISTICS(T) LIMITED

PROJECTED INCOME STATEMENT

US\$000

Item/year	1	2	3	4	5	6	7	8	9	10
Sales Revenue	3,240	4,536	5,184	6,480	6,480	6,480	6,480	6,480	6,480	6,480
Cost of Sales	2,106	2,948	3,370	4,212	4,212	4,212	4,212	4,212	4,212	4,212
GROSS PROFIT	1,134	1,588	1,814	2,268	2,268	2,268	2,268	2,268	2,268	2,268
Operating Profit										
Gross Operating Profit	1,134	1,588	1,814	2,268	2,268	2,268	2,268	2,268	2,268	2,268
CAPITAL & FINANCE CHARGES Depreciation	1,193	1,193	1,193	1,193	16.93	16.93	16.93	16.93	15.63	15.63
Sub Total	1,193	1,193	1,193	1,193	16.93	16.93	16.93	16.93	15.63	15.63
PROFIT BEFORE TAX	(59)	395	621	1,075	2251.1	2251	2251.1	2251.1	2252.4	2252.4
Taxation	-	119	186	323	675.3	675.3	675.3	675.3	676	676
PROFIT AFTER TAX	(59)	276	435	752	1576	1576	1576	1576	1576	1576
Profit Brought Forward	(59)	217	652	1404	2,980	4,556	6,132	7,708	9,284	10,860

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PROJECTED CASHFLOWS

Item/year		1	2	3	4	5	6	7	8	9	10
CAPITAL INFLOW											
Present Equity Capital	-	-	-	-	-	-	-	-	-	-	-
Additional Equity	-	-	-	-	-	-	-	-	-	-	-
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-
Bank Loan	-	-	-	-	-	-	-	-	-	-	-
Sub Total Capital Inflow	5,180	-	-	-	-	-	-	-	-	-	-
OPERATING INFLOW											
Profit before tax		(59)	395	621	1,075	2251.1	2251	2251.1	2251.1	2252.4	2252.4
Depreciation		1,193	1,193	1,193	1,193	16.93	16.93	16.93	15.63	15.63	15.63
Sub Total Operating Inflow		1,134	1,588	1,814	2,268	2268	2,268	2268	2267	2267	2267
TOTAL INFLOW		1,134	1,588	1,814	2,268	2268	2,268	2268	2267	2267	2267
CAPITAL OUTFLOW	5,180										
Investment											
Sub Total Capital Outflow	5,180	-	-	-	-	-	-	-	-	-	-
OPERATING OUTFLOW											
Taxation		-	119	186	323	675.3	675.3	675.3	675.3	676	676
Sub Total Operating Outflow		-	119	186	323	675.3	675.3	675.3	675.3	676	676
TOTAL OUTFLOW	5,180	-	119	186	323	675.3	675.3	675.3	675.3	676	676
NET CASHFLOW	-	1,134	1,469	1,628	1,945	1593	1593	1593	1593	1591	1591
OPENING BALANCE	-	-	1,134	2,603	4,231	6,176	7,769	9362	10,955	12,548	14,139
CLOSING BALANCE	-	1,134	2,603	4,231	6,176	7,769	9,362	10,955	12,548	14,139	15,730

