

BUSINESS PLAN

KAD INDUSTRIES LIMITED

1.0 INTRODUCTION

KAD INDUSTRIES LIMITED is a company incorporated in Tanzania with certificate No. 136926454 dated 26th June 2018 as private limited company under the Tanzanian Companies Act, 2002. KAD INDUSTRIES LIMITED is engaged in the business of Transportation and Logistics. KAD INDUSTRIES LIMITED is currently planning to provide global supply chain solutions providers within the country and in east Africa and SADC region.

2.0 OUR MISSION

To become a leading integrated global logistics and supply chain management company providing business enabling solutions and exceeding customer expectations.

3.0 OUR VISION

To deliver customized and unique logistics solutions globally ensuring time and cost savings for customers in a responsible and sustainable manner.

4.0 OUR VALUES

At KAD INDUSTRIES LIMITED, we believe the customer comes first; we are focused to ensure customer delight, superior quality of delivery and increased customer profitability.

At KAD INDUSTRIES LIMITED, at our operations all over the country, we practice an enduring value system based on an open culture, honest and fair business and personal conduct, earning the confidence and trust of our Associates and Customers.

At KAD INDUSTRIES LIMITED, we practice transparency with all agencies that we are involved with.

At KAD INDUSTRIES LIMITED, we value the importance of our colleagues, evolving a sense of togetherness and passion to deliver. OWNERSHIP AND

OPERATIONS

5.0 COMPANY OWNERSHIP AND BOARD OF DIRECTORS

KAD INDUSTRIES LIMITED is promoted by two shareholders, it is a family company.

Share Holders	% of Share	Nationality	Date of Birth
Deodatus Rwehumbiza Katabaro P. O. Box 229 ,Karagwe Tel.+255783570021 Email.fridalcaly@gmail.com	8	Tanzania	20 th May 1974
Alistides Ruta Katabaro P. O. Box 229,Karagwe Tel.+255624289001	2	Tanzania	15 th July 19 78

Email.fridalcaly@gmail.com			
Un allotted shares	90		

6.0 PROJECT LOCATION

Registered office of the KAD INDUSTRIES LIMITED is located at Plot No. 1,2,3 Block E, Usagara. Msungwi , Mwanza, Tanzania

7.0 FLEET SIZE

KAD INDUSTRIES LIMITED is planning to purchase **100** trucks and trailers. With capacity of carrying **60** tons truck and trailer, one truck conducting **3** trips per month operating for ten months per year, carrying **180,000** tons per year

KAD INDUSTRIES LIMITED management intends to continue building its fleet to a level of -

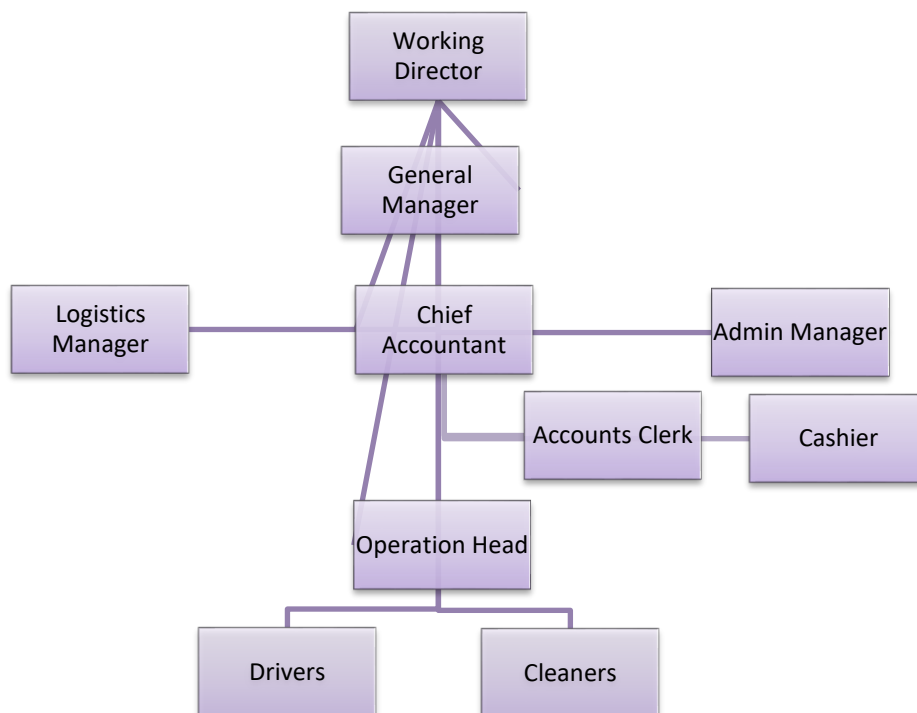
- ✓ 50 trucks by 2021
- ✓ 70 trucks by 2022
- ✓ 90 trucks by 2023
- ✓ 100 trucks by 2024

Required number of trailers will also be added to existing fleet in order to cater to additional requirements in line with truck additions.

8.0 ORGANISATION FLOW CHART

KAD INDUSTRIES LIMITED management is headed by Deodatus Rwehumbiza Katabaro working as Managing Director. Core management team comprises of 1 General Manager, 1 HR and Admin Manager, 1 Logistics Manager, 1 Chief Accountant and 2 Junior accounting clerks. Operational team headed by 3 operational managers and includes drivers and cleaners.

The organisation chart of the KAD INDUSTRIES LIMITED is presented herein below:



Employees Distribution Summary

Employment	Foreign Skilled	Local Skilled	Local Unskilled	Total
Women	1	5	5	11
Men	4	15	120	135
TOTAL	5	20	125	146

8.0 TANZANIA TRANSPORT

The Tanzanian transport sector comprises surface transport (including roads, railways), inland waterways (lakes and rivers), air transport, and sea transport.

Tanzania's transport sector contributed 8.1% to the country's real GDP in 2018 with USD 3.8 billion, compared to USD 2.8 billion in 2014, representing an increase of 33%.

Main growth drivers include the increase in the number of passengers carried and freight handled through road transport.

According to Tanzania's 2025 Development Vision, investments in infrastructure, particularly in the development of the road network, are the Government's top priority.

The World Bank (WB) and the African Development Bank (AfDB) support Tanzania in achieving its infrastructure development goals by providing grants and credits for projects.

Tanzania Road Transport

Road transport is the most widely used form of transport in Tanzania, carrying over 90% of the passengers and 75% of the freight traffic in the country.

The road network in Tanzania currently comprises 86,472 kilometers of roads, of which 12,786 kilometers are trunk roads, 21,105 kilometers are regional roads and the remaining 52,581 kilometers are district, urban and feeder roads.

Tanzania's Ministry of Works, Transport, and Communication through the Tanzania National Roads Agency (TANROADS) is managing the national road network of about 33,891 kilometers, comprising 12,786 kilometers of trunk and 21,105 kilometers of regional roads.

The remaining network of about 53,460 kilometers of urban, district and feeder roads is under the responsibility of the Prime Minister's Office Regional Administration and Local Government (PMO-RALG).

Tanzania Rail Transport

Railway transport is the second most important mode of transport after road and critical for long distance freight along the main transport corridors in Tanzania.

Tanzania has a total of 3,676 kilometers of railway lines operated by two railway systems, Tanzania Railways Corporation (TRC) and Tanzania - Zambia Railways (TAZARA).

The mainline of TRC comprises the central corridor between the port of Dar es Salaam in the east, linking central and western areas of the country and terminating at Kigoma on Lake Tanganyika in the west.

The TAZARA line is 1,860 kilometers in length, of which 975 kilometers is in Tanzania and 885 kilometers in Zambia.

Tanzania Air Transport

The total number of air passengers in Tanzania reached 6.2 million in 2019, compared to 5.2 million in 2015, representing an increase of 18%.

Currently (2020), there are 19 airline operators in Tanzania, including some of the leading international air carriers such as British Airways, KLM, Qatar Airways, and SWISS.

There are 58 airports in Tanzania and more than 300 private airstrips owned by mining companies and tour operators.

The Julius Nyerere International Airport (JNIA), located in Dar es Salaam, is the largest and busiest airport in Tanzania, accounting for over 70% of Tanzania's air passengers.

In August 2019, Tanzanian President John Magufuli inaugurated Terminal 3 of the JNIA. The new terminal, which cost USD 314 million set the airport capacity at 8 million passengers annually.

In 2019, the AfDB approved a USD 272.12 million loan to Tanzania for the construction of a new international airport in the capital Dodoma. The new airport will be built in the district of Msalato, 12 kilometers from the capital Dodoma.

The new facility is expected to handle at least 50,000 aircrafts and one million passengers per year.

Tanzania Water Transport

Tanzania has a coastline of about 720 kilometers on the Indian Ocean, and also borders Lake Victoria, Lake Nyasa, and Lake Tanganyika.

Both sea and inland waterways ports in Tanzania are managed and operated by the Tanzania Ports Authority (TPA).

The TPA's main Indian Ocean ports are Dar es Salaam, Mtwara, and Tanga. Minor seaports serving coastal traffic include Lindi, Kilwa Masoko, Mafia Island, Bagamoyo, Pangani, and Kwale.

Dar es Salaam is Tanzania's principal port with intrinsic capacity of 10.1 tonnes per year. The port handles over 92% of the total maritime ports' throughput.

The port serves land-linked countries of Malawi, Zambia, Democratic Republic of Congo, Rwanda, Burundi, and Uganda.

These countries are connected to the port through two railway systems (TRL-1.0 metre gauge and TAZARA-1.067 cape gauge), road network, as well as the TAZAMA oil pipeline to Zambia.

TPA also operates Tanzania's lake ports, maintaining around 20 ports on Lake Victoria. Some major ports include Bukoba, Kemono Bay, Musoma, and Nansio.

Principal lake ports on Tanganyika include Kigoma and Kasanga. Additionally, there are 15 smaller ports along the lake. These ports provide trade connections between Burundi, Eastern Democratic Republic of the Congo, and Zambia.

Lake Nyasa has 4 important ports, at Itungi, Mbamba Bay, Liuli, and Manda. There are up to 10 other smaller TPA ports on the lake that facilitate passenger movement along the lake and between the countries of Malawi, Mozambique, and Tanzania.

9.0 TANZANIAN MARKET

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 Howard University. According to the reports published in the past, Tanzania was considered to be the first on improvement index. Investors in Tanzania are highly optimistic of the future of the economy.

The Tanzanian national economy performed fairly well from independence in 1961 to early 1970s. Following the introduction of the Arusha Declaration in 1967, the economy was centrally planned, with all major means of production being under the Government.

Continued implementation of this policy and other exogenous factors such as the war with Uganda and the onslaught of severe drought around that time resulted in serious economic problems as was reflected by the following social economic indicators:

- Declining GDP annual growth rates
- Declining real per capita income

- Increasing annual inflation rates
- Deepening imbalance of external trade
- Shortage of foreign exchange and reserves
- Shortage of basic food items such as maize, wheat, sugar and rice
- Decreased production of important cash crops such as cotton, coffee, cashew nut and sisal.
- Shortage of other basic goods such as building materials, textiles and detergents

Under these circumstances, the performance of most production sectors deteriorated. These included, among others, construction as well as trade, hotels and tourism sectors. Shortage of foreign exchange to buy building materials and other tradable goods and restriction of foreign private investment in tourism and other sectors were the major causes of the poor performance of these and other sectors.

As a deliberate effort to reverse the declining social economic trend as well as to cope with the dynamics of globalization, Tanzania's economy, since mid-1980s, has been undergoing transformation from being a strictly regulated economy to a liberalized market driven system where the private sector is assuming its rightful role as the engine of growth. The Government has been implementing structural reforms covering the entire spectrum of the economy in order to permit the efficient and effective performance of the economy at both macro and micro levels.

The need to provide a conducive and favourable investment climate in order to promote both local and foreign investments in the country necessitated the

institution of appropriate policies, strategies as well as corresponding legal and institutional frameworks conducive to attracting such investments.

Some of the notable frameworks and strategies included the following:

- The National Investment Act, which repealed and replaced the Tanzania Investment Act, resulting into the transformation of the Investment Promotion Centre into Tanzania Investment Centre.
- Liberalisation of trade, that is, removal of restrictions on internal and external trade. (Price decontrols and floating of the shilling)
- The Public Corporations Act (1992) which provided the legal framework for divestiture of public organisations and creation of the Presidential Parastatal Reforms Commission (PSRC) to implement the programme.
- The Banking and Financial Institutions Act (1991), which provided the legal framework for the establishment of private banks and other financial institutions.
- Liberalisations of financial markets.

The increase in growth rate was mainly attributed to strong performance (increased growth) in wholesale and retail trade, hotels and restaurants (including tourism); mining and quarrying; manufacturing, construction and transport and communication sectors.

10.0 THE TANZANIA DEVELOPMENT CORRIDORS

Development of transport corridors has been one of the main strategies adopted by the Government of Tanzania to facilitate trade.

Tanzania serves as a transit country for the import and export of Malawi, Zambia, DR Congo, Burundi, Rwanda and Uganda, using the port of Dar es Salaam. The main rail and road connections in Tanzania are, therefore, in an east-west direction, linking the ports with the hinterlands of those neighbouring countries. Tanzania is devoting much attention to the corridor concept in its development policy by concentrating efforts in the Mtwara Corridor, Dar-es-Salaam Corridor, Central Corridor and the Tanga Corridor. The major challenge is to link import, export and transit traffic from and to neighbouring countries with transport development efforts, making Tanzania a natural regional hub.

The geography of Tanzania, including its size, diversity and dispersion, give roads a special position in the integration of the national economy. In particular, roads serve rural areas, where the majority of the people live, more effectively than any other mode of transport. The current Tanzania Road Network length is about 85,000 km, which includes trunk and regional roads (35,000 km) managed by the Tanzania National Roads Agency (TANROADS), and the urban, district and feeder roads with a total of 50,000 km, managed by Local Government Authorities (LGA). There are also some unclassified roads, such as those managed by the Tanzania National Parks Authority (TANAPA), and by the Mining Companies and village authorities.

11.0 SWOT ANALYSIS

STRENGTHS

Strengths of the business are -

- ✓ Promoters have sound experience in this business and have talented Management.
- ✓ Rapid growth in sector due to effective management
- ✓ Influence & Networking of Directors in the Business Sector.
- ✓ Business location is at prominent place.
- ✓ Good roads and highway in Tanzania.
- ✓ Confirmed business via agreement entered with few companies.

WEAKNESSES

Weakness of the business are -

- ✓ New entry in logistics market
- ✓ Stiff competition from local market
- ✓ Limited market share growth

OPPORTUNITIES

Opportunities of the business are -

- ✓ Potential market encourages foreign investors
- ✓ Increasing market share due to rail transport limitations

- ✓ Augmented demand for world -class logistics and warehousing services
- ✓ Increased use of logistics services in sectors such as technology, consumer retail, automotive and industrial

THREATS

Threats of the business are -

- ✓ Complex Tax Structure
- ✓ Unorganised sector and competition
- ✓ Different laws in different countries
- ✓ Increasing fuel rates therefore increasing transportation costs

12.0 FINANCIAL ASPECTS FOR THE PROJECT

(i) Projected Profit and Loss Statement

The attached Appendix I shows the projected income for the 11years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. **US\$3,499,650** in the 1st year to **US\$ 37,904,708.73** in the 8th year.

(ii) Projected Cash Flows

The project's cash flows are shown in Appendix II. They depict a good liquid position right from the first year. Cash accumulation builds up from **US\$ 5,700,150** in the first year to **US\$ 52,508,708** at the end of 8th years of the project's operations based on the 100 trucks and trailers obtained.

(iii) Projected Balance Sheet

The project's assets cash flows are shown in Appendix III. Owners' equity grows from US\$ 19,620,000 in the first year to US\$ 57,524,708 at the end of 8th years of the project's operations based

(iv) Payback Period

Total investment is US\$US\$29,620,000, cash accumulation in 6th year US\$ 35,902,540, which is more than the initial investment by US\$6282540, The project payback Period is exactly 6 years.

The project has a relatively short payback period. It is remarkably impressive for a project whose investment is as big as US\$29,620,000 is being recovered within 6 years.

(v) Loan repayment

Total investment loan is US\$US\$10,000,000 to be repaid within 5 years.

13.0 ECONOMIC ASPECTS OF THE PROJECTS

Besides the financial/monetary returns to the owners, there are other benefits to be derived for the whole country viz.

(i) Employment Opportunities

Employment and poverty reduction are among the major concern of the Central and the Local Government authorities. It is gratifying to note that the company, is going to provide additional employment to 146 people. This is a significant contribution coming from local investors.

(ii) Revenue to the Government

The Project is expected to pay a substantial annual amount in the form of corporation tax and other taxes

(iii) Foreign Exchange Earning

Since the project's clientele is mostly towards neighbouring countries the project will thus earn foreign currency for the United Republic of Tanzania. Out of all project expected cargo overhauling transactions will be settled in foreign currencies. In this study we have assumed that the project will be paid in foreign currency

14.0 CONCLUSION

(i) The project is profitable and contributes to government revenue by way of taxes.

(ii) The project provides employment to 146 people.

(iii) The project is an encouraging sign to prove that we have good business environments and we have local investors who have confidence in their country. Tanzania so much so that they are

ready to invest such large sums of investment despite the odds of the sector in question.

15.0 **RECOMMENDATION**

After the foregoing economic and financial evaluation of the project, we strongly recommend that this project be implemented and be given all the support required by all the concerned Government Ministries and Agencies, including the Tanzania Revenue Authority, TRA and the Tanzania Investment Centre - (TIC). The project deserves this support because of its viability, since it is technical feasible, economically viable and socially acceptable.

APPENDIX I

KAD INDUSTRIES LIMITED PROJECTED PROFIT AND LOSS STATEMENT

US\$

	1	2	3	4	5	6	7	8
Revenue	24,000,000.00	25,200,000.00	26,460,000.00	27,783,000.00	29,172,150.00	30,630,757.50	32,162,295.38	33,770,410.14
Operating Expenses:	16,800,000.00	17,640,000.00	18,522,000.00	19,448,100.00	20,420,505.00	21,441,530.25	22,513,606.76	23,639,287.10
Profit before Depreciation & Interest	7,200,000.00	7,560,000.00	7,938,000.00	8,334,900.00	8,751,645.00	9,189,227.25	9,648,688.61	10,131,123.04
Interest	600,000.00	480,000.00	360,000.00	240,000.00	120,000.00	-	-	-
Depreciation	1,600,500.00	1,600,500.00	1,600,500.00	1,600,500.00	1,600,500.00	1,600,500.00	1,600,500.00	1,600,500.00
Gross Profit	4,999,500.00	5,479,500.00	5,977,500.00	6,494,400.00	7,031,145.00	7,588,727.25	8,048,188.61	8,530,623.04
Tax (30%)	1,499,850.00	1,643,850.00	1,793,250.00	1,948,320.00	2,109,343.50	2,276,618.18	2,414,456.58	2,559,186.91
Profit After Tax	3,499,650.00	3,835,650.00	4,184,250.00	4,546,080.00	4,921,801.50	5,312,109.08	5,633,732.03	5,971,436.13
Accumulated Profit	3,499,650.00	7,335,300.00	11,519,550.00	16,065,630.00	20,987,431.50	26,299,540.58	31,933,272.60	37,904,708.73

APPENDIX II

KAD INDUSTRIES LIMITED PROJECTED CASH FLOWS

US\$

	0	1	2	3	4	5	6	7	8
SOURCES:									
Profit before interest and depreciation	0	7,200,000.00	7,560,000.00	7,938,000.00	8,334,900.00	8,751,645.00	9,189,227.25	9,648,688.61	10,131,123.04
Equity	19,620,000.00								
Loan	10,000,000.00								
Total Sources	29,620,000.00	7,200,000.00	7,560,000.00	7,938,000.00	8,334,900.00	8,751,645.00	9,189,227.25	9,648,688.61	10,131,123.04
Applications:									
Capital expenditure	17,605,000.00	-	-	-	-	-			
working Capital & Others	12,015,000.00								
Cash	0	5,700,150.00	5,916,150.00	6,144,750.00	6,386,580.00	6,642,301.50	6,912,609.08	7,234,232.03	7,571,936.13
Tax	-	1,499,850.00	1,643,850.00	1,793,250.00	1,948,320.00	2,109,343.50	2,276,618.18	2,414,456.58	2,559,186.91
Sub total	29,620,000.00	7,200,000.00	7,560,000.00	7,938,000.00	8,334,900.00	8,751,645.00	9,189,227.25	9,648,688.61	10,131,123.04
Total applications	29,620,000.00	7,200,000.00	7,560,000.00	7,938,000.00	8,334,900.00	8,751,645.00	9,189,227.25	9,648,688.61	10,131,123.04
Accumulated cash		5,700,150.00	11,616,300.00	17,761,050.00	24,147,630.00	30,789,931.50	37,702,540.58	44,936,772.60	52,508,708.73

APPENDIX III

KAD INDUSTRIES LIMITED PROJECTED BALANCE SHEET

US\$

Fixed Assets	-								
Opening balance	-	17,605,000	16,054,500	14,504,000	12,953,500	11,403,000	9,852,500	8,302,000	6,751,500
Total Long-term Assets	-	17,605,000.00	16,054,500.00	14,504,000.00	12,953,500.00	11,403,000.00	9,852,500	8,302,000	6,751,500
Less depreciation	-	1,600,500	1,600,500	1,600,500	1,600,500	1,600,500	1,600,500	1,600,500	1,600,500
Closing balance	-	16,004,500.00	14,454,000.00	12,903,500.00	11,353,000.00	9,802,500.00	8,252,000	6,701,500	5,151,000
Working capital	12,015,000	12,015,000	12,015,000	12,015,000	12,015,000	12,015,000	12,015,000	12,015,000	12,015,000
Accumulated cash	-	5,700,150.00	11,616,300.00	17,761,050.00	24,147,630.00	30,789,931.50	37,702,540	44,936,772	52,508,709
Total assets	12,015,000.00	33,719,650.00	38,085,300.00	42,679,550.00	47,515,630.00	52,607,431.50	57,969,540	63,653,272	69,674,708
Financed by									
Equity	19,620,000.00	19,620,000.00	19,620,000.00	19,620,000.00	19,620,000.00	19,620,000.00	19,620,000	19,620,000	19,620,000
Net accumulated profit	-	3,499,650.00	7,335,300.00	11,519,550.00	16,065,630.00	20,987,431.50	26,299,540	31,933,272	37,904,708.
Total equity	19,620,000.00	23,119,650.00	26,955,300.00	31,139,550.00	35,685,630.00	40,607,431.50	45,919,540	51,553,272	57,524,708.73
Long term loan	-	10,000,000	8,000,000	6,000,000	4,000,000	2,000,000	0	0	0
Total debts	-	10,000,000.00	8,000,000.00	6,000,000.00	4,000,000.00	2,000,000.00	-	-	-
Total equity and debts	19,620,000.00	33,119,650.00	34,955,300.00	37,139,550.00	39,685,630.00	42,607,431.50	45,919,540.58	51,553,272.60	57,524,708

PROPOSED FINANCING PATTERN

US\$

FOREIGN LOAN	LOCAL LOAN	LOCAL EQUITY
NIL	10,000,000	19,620,000.00

KAD INDUSTRIES LIMITED PROJECTED DEPRECIATION SCHEDULE

US\$

NAME OF ASSETS	1	2	3	4	5	6	7	8
	Land And Buildings	2,000,000	1,960,000	1,920,000	1,880,000	1,840,000	1,800,000	1,760,000
Machinery, Tools & Equipment	800,000	770,000	740,000	710,000	680,000	650,000	620,000	590,000
Motor Vehicles	14,800,000	13,320,000	11,840,000	10,360,000	8,880,000	7,400,000	5,920,000	4,440,000
Furniture & Fixtures	5,000	4,500	4,000	3,500	3,000	2,500	2,000	1,500
Total	17,605,000	16,054,500	14,504,000	12,953,500	11,403,000	9,852,500	8,302,000	6,751,500
DEPRECIATION	1	2	3	4	5	6	7	8
Land and buildings	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Machinery tools & Equipment	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Motor Vehicles	1,480,000	1,480,000	1,480,000	1,480,000	1,480,000	1,480,000	1,480,000	1,480,000
Furniture & Fixtures	500	500	500	500	500	500	500	500
ANNUAL DEPRECIATION	1,600,500	1,600,500	1,600,500	1,600,500	1,600,500	1,600,500	1,600,500	1,600,500

KAD INDUSTRIES LIMITED COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	2,000,000.00
Machinery & Equipment	800,000.00
Motor Vehicles	14,800,000.00
Furniture & Fixtures	5,000.00
Pre exp	10,000.00
Others	5,000.00
Working Capital	12,000,000.00
TOTAL	29,620,000.00

SUMMARY OF REVENUE AND EXPENDITURE FROM TRUCK TRIPS.

	1	2	3	4	5	6	7	8
Revenue	24,000,000	25,200,000	26,460,000	27,783,000	29,172,150	30,630,757	32,162,295	33,770,410

KAD INDUSTRIES LIMITED PROJECTED LONG TERM LOAN REPAYMENT

Repayments US\$				
Year	principle	Loan Interest (6%)	Total Amount Paid	Loan Balance
0				
1	2,000,000	600000	2,600,000	10,000,000
2	2,000,000	480000	2,480,000	8,000,000
3	2,000,000	360000	2,360,000	6,000,000
4	2,000,000	240000	2,240,000	4,000,000
5	2,000,000	120000	2,120,000	2,000,000

KAD INDUSTRIES LIMITED PROJECT IMPLEMENTATION SCHEDULE

	ACTIVITY	PERIOD
1.	Processing TIC Certificate of Incentive	May 2021
2.	Funds Mobilization	May - Dec 2021
3.	Ordering of Vehicles	Jan 2022 - Dec 2022
5.	Arrival of Vehicles	Jan 2022- Jan 2023
6.	Trial Operations	January 2022
7.	Commercial Operations	March 2022