

**BUSINESS PROPOSAL FOR PROCUREMENT OF  
TRUCKS AND TRAILERS FOR TRANSPORTATION  
OPERATIONS**

**FOR  
M/S JSSC COMPANY LIMITED**

*August, 2020*

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# 1 Executive Summary

This project document gives details on a business proposal by JSSC Company Limited for which the company aims at procuring 20 FM 400 hp 6X4 Tractor High Chassis Height, with B-ride and 20 Afrit 12.9 M Tridem Axle Skeletal Semi Trailers to be used for undertaking various contracts for transporting cement from the Dangote Cement factory in Mtwara to Kabanga border to Burundi, Rusumo to Rwanda and Kalemie to the Democratic Republic of Congo (D.R.C.) and transporting other commodities on the return leg from those destinations to Dar es Salaam using the twenty (20) trucks. The trucks and trailers at some time will also be used to transport machinery and building materials to the above said destinations and other locations in the country.

Currently the JSSC Company is facing a challenge in terms of transporting cement and various commodities as elaborated above and now would like to procure the twenty trucks and their trailers at a cost of \$ 1,900,000 per truck and \$ 33,500 per trailer. The total cost works out to **USD 2,570,000**, which the Company is seeking a foreign loan from Exim Bank in order to fulfill the contracts the company has for transporting cement from Dangote and machinery and other equipment destined to Burundi, Rwanda, the D.R.C. and other locations in the country.

## 1.1 COMPANY:

JSSC Company Limited is a privately owned limited liability company established and registered on the 2<sup>nd</sup> July 2018 pursuant to and in accordance with the provisions of the Companies Act, 2002 (section 15) and given Certificate of Incorporation No. 137135671. The company is registered with the Tanzania Revenue Authority (TRA) and has been assigned the Taxpayer Identification Number (TIN) 137-135-671 with effect from 20<sup>th</sup> July, 2018 and a Tax Clearance No. 131-0091-0891 issued by the commissioner for domestic revenue and it operates under a business licence No. B2975333 for export of cement issued by the Ministry of Industries and Trade on the 13<sup>th</sup> August 2018 and B2912993 for building materials business issued by the Kinondoni Municipal Council on the 20<sup>th</sup> July 2018. Its principal place of business is at Lumumba area, and its Postal address is P.O. Box 11958, Dar es Salaam and its principal business activities include transportation, cartage and haulage.

The authorized share capital of JSSC Company Limited is USD 2,173.913 divided into 1,000 ordinary shares of USD 2.174 each. The current directors and shareholders of the company and their respective number of shares are as follows:

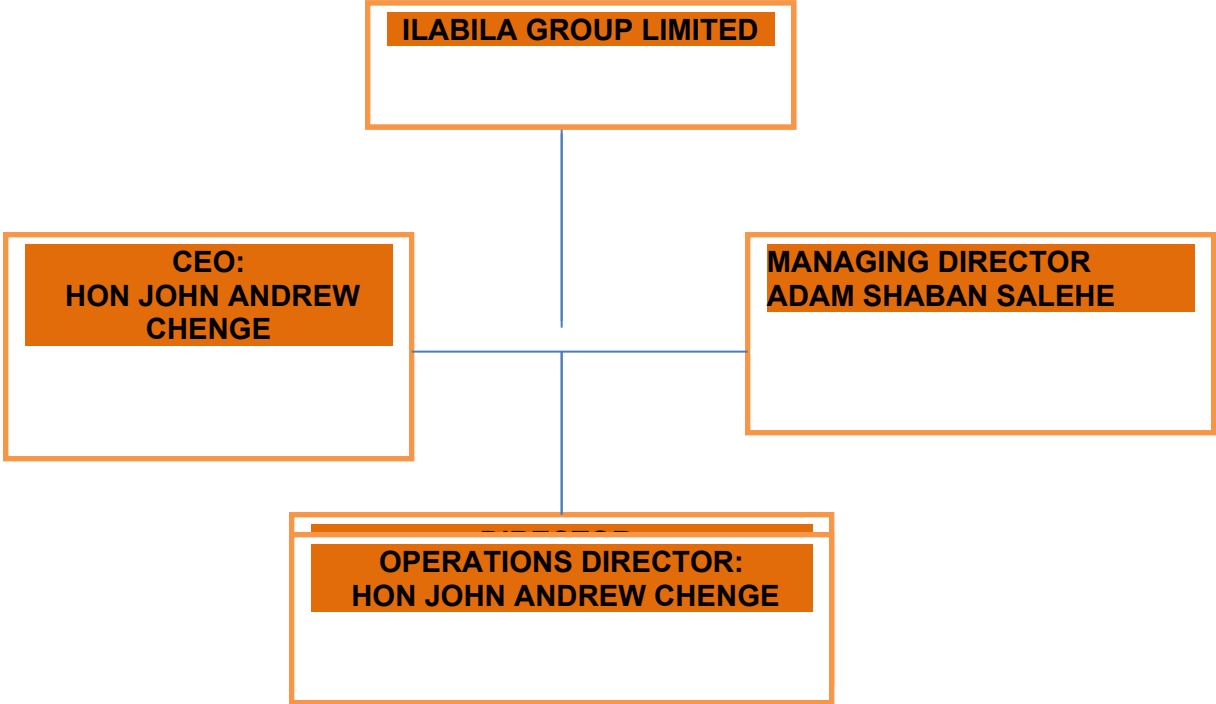
Andrew John Chenge	370 shares
Maduhu Sang'udi Kitalima	330 shares
Adam Shaban Salehe	300 shares

# 2 Management and Organization

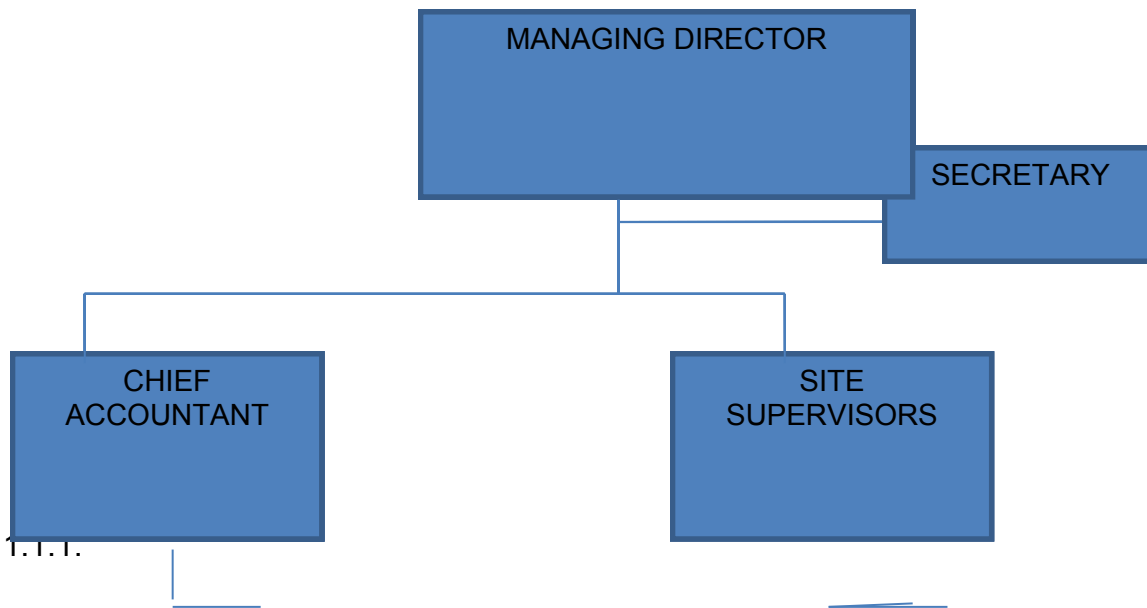
There is a Board of Directors which oversees all company operations and sets in motion the company operational strategies. The current directors of the company are as follows:

- CEO: Hon Andrew John Chenge
- Director: Mr. Maduhu Sang’udi Kitalima
- Managing Director: Mr. Adam Shaban Salehe

## 1.2 Board of Directors



### 1.3 Operational Management Structure



### 1.4 CV of the Directors

Hon Andrew John Chenge is the founding member and inspiration behind JSSC Company Limited and he has extensive experience in Tanzania, Europe and around the world. Hon Andrew John Chenge is the Board Chairman of the JSSC Company Limited and CEO. He is a Tanzanian businessman with extensive experience in Business Management and marketing of industrial goods for local and international market.

**Mr Maduhu Sang’udi Kitalima is a seasoned Businessman with extensive experience in Business Management with an experience of over 20 years.**

**Mr. Adam Shaban Salehe is the Managing Director with the company and has extensive experience in the IT sector and general management spending over several years experience overseas.**

Under the Board there is an experienced Management team headed by the Managing Director who is responsible for the day-to-day operations of the company, assisted by the Site Supervisors, Chief Accountant and other support staff who are responsible for the proper execution of the cement and other commodities transportation from the source of the cement factory in Mtwara to the market areas as stipulated above and from Dar es Salaam to other destinations described above.

### **1.5 THE TRUCKS REQUIREMENTS:**

JSSC has the requirement for about 20 Trucks Full length trailers for the satisfaction of the logistics contracts

Model of Trucks:

- a. Mercedes Benz Trucks
- b. Volvo Trucks
- c. Asian Trucks such as Howo, Sino, Fotonetc

Barge at the back:

20 Trailers Afrit 12.9M Tridem Axle Skeletal Semi-Trailer.

Cargo Description-6m & 12m Containers, High Cube Containers; 30Tons Centre Mount Container  
Dimensions- Width 2.49m, Height.1.4M.

## **3 Products and Services**

The trucking industry plays a very important role in the economy of the country; they provide essential services to the Tanzanian economy by transporting large quantities of raw materials, machines, equipment, building materials, and finished goods over land—typically from manufacturing plants such as Dangote Cement Factory to retail distribution centres and from warehouses to construction sites. As matter of fact, heavy duty trucks are indispensable in the construction and transport industry.

The trucking industry is responsible for the majority of freight movement over land, and is a major stakeholder in the manufacturing, transportation, and warehousing industries in Tanzania and in other parts of the neighboring countries such as Rwanda, Burundi and the Democratic Republic of Congo.

In this project the activities in the trucking industry is regulated by the Ministry of Transportation and Communication, Land Transport Regulatory Authority (LATRA) and the Tanzania National Roads Agency (TANROADS) and of course the Police force in the country. They ensure that drivers and trucking companies adhere to safety rules and regulations and also that potential truck drivers undergo special training on how to handle large vehicles before applying and obtaining their commercial driver's license .

The advancement in technology in areas such as computers, satellite communication, and the

internet, has contributed immensely to the growth of the industry. The advancement in technology is responsible for increase of productivity of trucking companies operations as it helps us effectively monitor our trucks and drivers and it helps drivers save time and effort. JSSC Company will rely on this advance in technology to monitor the transportation of cement and other goods from Dangote Cement factory and other location respectively to market areas..

## 4 Market Analysis

Networking is an effective way for building our client base and we have plans in place to leverage on all our networks. In view of that, we will look out for opportunities where we can network with building materials industries, entrepreneurs, manufacturers and merchants etc. As a matter of fact, our first port of call will be to connect with the Chamber of Commerce in the areas; we are likely going to get our first major deal from them.

All our key employees will be directly or indirectly involved in sales and marketing. We will also encourage freelancers to work with us; whenever they refer clients to us and in the process will earn a percentage of the deal.

Lastly, we will leverage on the power of the media by advertising our services using both online and offline platforms. We will work hard to ensure that we get repeated business from any business deal we execute and also we will encourage our customers to help us refer their friends to us. Part of our strategy is to reward loyal customers and to leverage on word of mouth marketing from satisfied customers.

Over and above, we have perfected strategies to network with people who are likely to refer business our way. In summary, JSSC Company Limited will adopt the following sales and marketing strategies in sourcing for clients for our business;

- Introduce our business by sending introductory letters alongside our profile to stake holders in the construction industry, manufacturing industry, oil and gas industry, timber merchant et al.
- Promptness in bidding for contracts
- Advertise our business in haulage magazines, newspapers, TV stations, and radio stations et al
- Attend expos, seminars, and business fairs et al
- Leverage on the internet to promote our business
- Direct marketing
- Word of mouth (referral marketing)

JSSC Company Limited currently has contracts agreements with various companies and individuals some of them being:

1. Yaates Investments Co. Ltd
2. M/S National Service Construction department
3. Jassie and Company Ltd
4. CRJE (East Africa) Ltd
5. SinoHydro Corporation Ltd Rufiji Hydropower Project
6. Julius Nyerere Hydro Power Project Dar Es Salaam
7. Construction of 4.5KM Bridge Over Lake Victoria

Although Projects 1-5 are expiring, they will be renewed as contained in the agreement since the projects involved are still on-going.

Projects 6 & 7 are new projects, while project 6 is for 4 years; project 7 is for seven (7) years for the period of the construction of the bridge over Lake Victoria. These contracts are awarded to JSSC for definite durations and the company can enter into any agreement in order to satisfy these contracts. The Company also has in the past and is still serving the following specific customers:

- a) Customer in Kabanga is Asa Obeid Nkwale of P.O. Box 123, Ngara whose Telephone number is 0764 748447 whose requirements are 30 trucks of 30 tons each per week.
- b) The Rusumo customer is S & General Supplies Limited of P.O. Box 979 Kigali whose Director is Sebandende Francis who needs 20 trucks of 30 tons each per week.
- c) Another ready customer in the country in Simiyu region whose name is Lucy Yurith John of P.O. Box 29 Bariadi Simiyu and Tel # 0755316666 requires 300 tons of 30 tons each per week

As an administration in our company, we have taken extra time and attention to best understand the challenges before us, without rushing to hasty reaction. The current demands on our transportation system, flat same area revenue points to a simple and candid need for our company to have a new, robust analysis on our transportation priorities for this new expanding market

## **1.6 Our Pricing Strategy**

The company's pricing is based on kilometres per thousands of tons of cement and other commodities transported. We have perfected our plans to charge competitive rates since we have minimal overhead compared to our competition in the industry. We want to leverage on price to win over customers; our prices will be affordable and negotiable. The fact that our business door is open to both individuals and corporations means that we will have different price ranges for different categories of clients. As the business grows, we will continue to review our pricing system to accommodate a wide range of clientele. At the moment our price rate to Kabanga border and Rusumo is the same as that of Simiyu region and stands at between USD 231 - 261 per ton.

## **1.7 Payment Options**

Our payment policy will be inclusive because we are quite aware that different people prefer different payment options as it suits them but at the same time, we will not accept payment by cash because of the volume of cash that will be involved in most of our transactions. Here are the payment options that JSSC Company Limited will make available to its clients;

- Payment by via bank transfer
- Payment via online bank transfer
- Payment via check
- Payment via bank draft

In view of the above, we have chosen banking platforms that will enable our clients pay us without any difficulty. Our bank account numbers with ECO Bank will be made available on our website in

future and promotional materials to clients who may want to deposit cash.

## 5 PROJECT COST:

The company investment is estimated at USD **2,576,318** distributed as presented in Appendix 1 and as summarized below.

ITEM	UNITS	Price per Unit in USD	Total Price in USD
<b>Company Assets</b>			
<b>Land &amp; Buildings</b>			
<b>Motor Vehicles</b>	1	4,076.09	4,076
<b>Furniture and Fittings</b>	1	2,092.00	2,092
<b>Computer and Peripherals</b>	1	150.00	150
<b>TOTAL EXISTING ASSETS</b>			6,318
<b>New Assets</b>			
<b>FM 400 hp 6X4 Tractor High Chassis Height, with B-ride</b>	20	95,000	1,900,000
<b>AFRIT 12.9 m TRIDEM AXLE SKELETAL SEMI TRAILER</b>	20	33,500	670,000
			<b>2,570,000</b>
<b>TOTAL COMPANY ASSETS</b>			<b>2,576,318</b>

### 1.8 Financing Pattern

Financing for the business is proposed to be a long term loan facility of five years amounting to USD 38,670 for which a Certificate of Incentive is being sought from the Tanzania Investment Centre. The long term loan facility is to be repaid over a 5 years period attracting an interest rate not exceeding 5% per annum in USD terms once in use.

### 1.9 Operational Costs

The main operational costs for the cement and other commodities transportation contracts is basically procurement of the cement from the Dangote factory in Mtwara and fuel for transportation of the cement which has been estimated at 15% of respective contract turnovers, others are the fuel expenses as indicated in Appendices 4 A, B and C . Other operating costs include Insurance, Repair and Maintenance, salaries and wages for Management team and other supporting personnel as assumed in Appendix 5 A, marketing expenses estimated at 0.5% of total turnover, general office expenses at USD 2,000 per month, office rent at USD 500 per month, Marketing expenses at 0.5% of turnover as well as medical expenses as estimated at USD 500 per month as shown in Appendix 5 B.

## 1.10 Main Revenue Assumptions

Transportation of cement from Mtwara to Rusumo to Burundi, Mtwara to Kabanga, the D.R.C and all regions in the country will involve twenty (20) trucks each route –undertaking nearly five trips (4.4) trips each route per month carrying a total of 2,904 tons of cement to each route. The rate per tonnage per will be a minimum of USD 231. On the return leg to Dar es Salam the trucks will charge minimum amounts of money roughly half the rate of the outbound routes.

It is projected that transportation operations will be carried out at 95% capacity utilization during the first three years as the trucks will be new, and decreasing to 90% the fourth and fifth years due to trucks depreciation, tear and wear.

As the business will involve the supply of cement from Mtwara to Burundi, Rwanda and the Democratic Republic of Congo as well as the transportation of machinery and equipment from the Dar es Salaam Port to those countries, definitely the project will be a huge foreign exchange earner for the country once given approval.

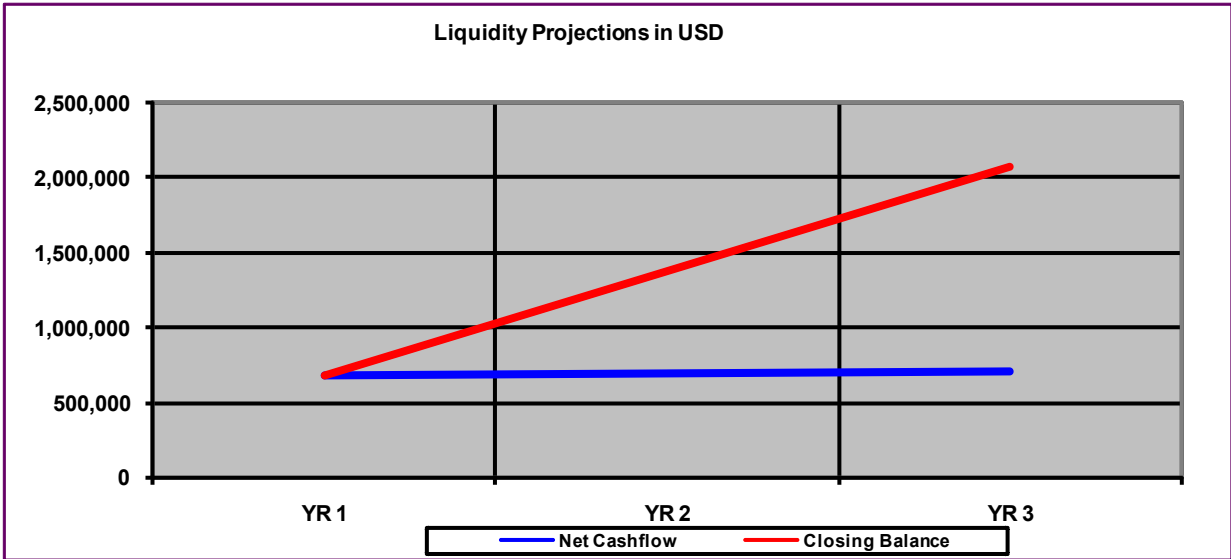
## 1.11 Revenue and Profitability Projections

Revenue from transportation of cement and other commodities from Mtwara-Rusumo to Burundi , Mtwara –Kabanga to Rwanda, from Dar es Salaam to various destinations in and outside the country is well summarised in *Appendices 4 A ,B and C of the excel file attached*.

### 1.12 Business Liquidity

The proposed business is profitable. It generates cash from the first year of operations with a net cashflow of USD 676,878.88. Positive net cashflow are projected to be recorded in each year of operation. At the end of the projected period of three years the business is projected to have a total closing balance of USD 3,052,622.38. Cashflow projections are shown in **Appendix 7**.

**Figure 5.1: Liquidity projections in USD**



The business is projected to attain an attractive payback period of **3 years and 11 months** as indicated in **Appendix 9**. Break-even revenue is projected at USD 1,672,351.24 with a break-even capacity utilization of **16%** as indicated in **Appendix 9**.

**1.13 Internal Rate of Return**

Through the Discounted Cashflow (DCF) method (Appendix 10) the proposed investment is projected to realize an Internal Rate of Return (IRR) of 28% which is above the applied cost of capital and also above the cost of capital in the economy. This demonstrates that the project is financially viable.

**6 Economic and Social Benefits**

The successful transportation of cement and other commodities by **JSSC Company Limited** will have substantial economic benefits to the country. In summary the benefits to be realized include the following:

- (i) Provision of income to about 9 employees to be directly involved in the cement and other goods transportation business thus contributing to reduction of poverty. The income to be earned will help in improving the standard of living of its employees.

- (ii) Expanded tax base to the Treasury and Local Government authorities and generation of substantial income to the Government. It is projected that by the end of the projected period of five (5) years, **JSSC Company Limited** through the cement transportation business will contribute a total of USD 347,677 in corporate tax, an annual average of USD 69,535
- (iii) Foreign exchange earnings for the government coffers

## 2 Development & Milestones/Implementation Schedule

This will serve as a “scorecard” for service success and will be based on both the work previously done by the company. All milestones are based on the initiation of the project

### 2.1 First Steps: August 2020

- Development of the business plan and projections
- Select the possible financing window for sourcing finance for the project
- Begin Loan application process for funds

### 2.2 1-2 Months: September to October 2020

- Secure funds from financiers
- Procurement of the 20 trucks and the 20 trailers
- Request for a Certificate of Incentives from the Tanzania Investment Centre (TIC)
- Select and recruit staffing responsible for oversight of transport project
- Initiate service

## 3 Risks & Contingencies

Transportation service has a number of risks that must be carefully considered, anticipated and avoided where at all possible. In general, risks are transferred, reduced through mitigation efforts or retained as part of conducting business.

### 3.1 Increased Costs

While most businesses rely on a generic inflation factor for year-to-year increases in on-going business costs this might not have such luxury. There are a number of inputs to providing service which typically experience a wide variance in year-to-year cost fluctuations. These include fuel,

repair and maintenance, inland expenses (workers, facilities, etc), It is impossible to mitigate increased costs but it is possible to understand their impacts and discuss how to work within a constantly changing environment. Increased costs are:

- absorbed into the current operation paid for increased efficiency or reduced profit
- passed on to the customer as rate increases
- Some mixture of these options

### **3.2 Increased Competition**

Given that this is a private company it is likely that direct competition is a real risk. However, a niche player could enter the market, siphoning customers from the company's transportation business to other companies. In order to mitigate this it is important that services be offered in accordance with customer needs (schedule, cost, services) and strong linkages be established by the company to its clients/customers.

### **3.3 Loss of a Key Employee**

In order to mitigate the damage created by the loss of a key employee it is critical that the company require strong documentation including regular reports and both on-site and off-site storage of information. A qualified replacement employee should be able to recreate whatever may be innately lost from the loss of an employee through document review and discussions.

Salary, benefits and work environment will play a large role in attracting and retaining all employees of this project. It will be crucial to establish clear job roles and descriptions prior to seeking initial employees.

### **3.4 Overall Changes in Operating Environment**

It is highly likely that other changes will occur that affect the operations and the profitability of the transport business. It will be critical for the Managing Director of the Company to carefully monitor the environment and actively participate in on-going discussions to protect the best interests of the company's transport business.

# Conclusions and Recommendations

This project document gives details on a business proposal by JSSC Company Limited for which the company aims at undertaking a contract for transporting cement from the Dangote Cement Factory from Mtwara to Kabanga/Rusumo borders in Rwanda and Burundi respectively, the D.R. Congo and various destinations in the country utilizing twenty (20) 30 tons trucks to Burundi, Rwanda and the Democratic Republic of Congo.

Through the various parameters, which have been considered, it has been established that the proposed business is financially viable. In view of the above it is hereby recommended to execute the business proposal. Attached to this report is an Excel package that shows the profitability, cash flow and repayment plans for this project.

In view of the above intended investment, **JSSC Company Limited** is hereby applying for a **Certificate of Incentives** from the Tanzania Investment Centre (TIC) under Section 17 of the Tanzania Investment Act and Part IV of the Investment Regulations 2002. It is therefore recommended that the Tanzania Investment Centre (TIC) provide the necessary support to the company by approving this application for **Certificate of Incentives**