

BUSINESS PLAN

FOR

AGHAHUMBI & COMPANY LIMITED

(TRANSPORTATION PROJECT)

**PREPARED FOR
AGHAHUMBI & COMPANY LIMITED.
P. O. Box 1079
KIGOMA**

1.0. **EXECUTIVE SUMMARY.**

AGHAHUMBI & COMPANY LIMITED is a company registered in the country under the Companies Act 2002 and bears Certificate of Incorporation No. 111607 issued on 26th September 2014

The project promoters are well Tanzanians business men established in Dar es Salaam and Kigoma majoring in bottled water production, education, Logistics and Transportation and the like. Having been in the business for 15 years the directors are now well prepared for establishment and operating large transportation and logistics project and they see a very bright future in the transport sector.

This document has been prepared to serve as a business plan for guidance for **AGHAHUMBI & COMPANY LIMITED** for the transport and logistics project. The implementation of this project will comprise of the following activities: -

- The purchase of 10 trucks and trailers within 5years to be implemented in phases from 2020- 2023,
- The purchase 2 pickup for road patrol
- The purchase of communication sets radio
- The purchase of 1 folk lift
- Purchase of 1 crane

- Equipping the company with relevant facilities

The proposed project on completion is estimated to cost about US\$ **723,000**. The US\$**415,500** of this investment owner's equity and cash generated from business while the rest of US\$ **307,500** will be sought from foreign and local banking institutions.

AGHAHUMBI & COMPANY LIMITED COST STRUCTURE

PARTICULAR	US\$
Machinery & Equipment	20,000.00
Motor Vehicles	660,000.00
Furniture & Fixtures	2,000.00
Pre exp	10,000.00
Working Capital	31,000.00
TOTAL	723,000.00

1.1 THE PROJECT PROMOTERS

The shareholders of this project are three Tanzanians namely;

Name	% of share	Nationality	Date of birth
Aghahumbi Omari Nkwarulo P.O.BOX 1079 Kigoma Tanzania Email: lusaganya2019@gmail.com Tel: +255655363685	1	Tanzanian	11 th .9.2000
Sikujua Issa Kahele P.O.BOX 1079 Kigoma Tanzania Email: lusaganya2019@gmail.com Tel: +255623268419	1	Tanzanian	4 th .5.1970
Nkwarulo Omari Nkwarulo P.O.BOX 1079 Kigoma Tanzania Email: lusaganya2019@gmail.com Tel: +255742880767	1	Tanzanian	3 rd .10.1996
Unallotted shares	97	Tanzanian	

1.2 The Project Location.

The project head office will be located at Plot No.01, Block A, Mkigo village, Kigoma District, Kigoma Region, Tanzania.

1.3 Targeted Markets.

The targeted markets of the project are land locked neighboring countries such as DRC, Rwanda, Burundi etc. the directors already negotiated contracts with various companies in the mentioned countries.

Poor transport and communication infrastructure are said to be the major causes of low levels of intraregional trade in Africa. It is in view of this that, despite poor road infrastructure linking these countries that **AGHAHUMBI & COMPANY LIMITED** has resolved to invest in the transport sector so as to provide a solution that would lead to stimulating the said intraregional trade. The project is expected to offer a challenge to the business community to enhance intraregional trade between Tanzania and these countries.

Why land locked countries prefer to use Dar es Salaam Port

- **Strategic location**

Dar es Salaam port is the most preferable seaport due to its strategic positioning, it is more convenient, secure, quick and easy to be used by neighboring countries

- **Easy connection world wide**

Dar es Salaam Port is gateway to the world, the port has capacity and ability to transport any cargo

- **Productivity**

Now it is renowned for its security, efficient and reliability using most modern technology.

- **Capacity**

Dar es Salaam Port has the capacity to handle more than 10million tons of cargo such as general cargo 3.1 million tons, container 9,619,876 TEUs) 1.milion tones and liquid bulk 6.0 million tons

In 2017 international Container Terminal Services limited handled 500,000 containers about 45% of cargoes were transit to land locked countries. This is good news for AGHAHUMBI & COMPANY LIMITED which is planning to embark in the transportation and logistics businesses

2.0 PROJECT DETAILS

2.1 INTRODUCTION

Tanzania is the largest country in East Africa that is geographically strategically located in relation to her neighbors. Because of the above-mentioned factor, the country's

transportation system is also used to serve landlocked neighbors, i.e. countries of Uganda, Rwanda, Burundi, Eastern D. R. of Congo, Northern parts of Zambia, Malawi and some northern parts of Mozambique.

The transport sector plays a critical role in the social and economic development of a country. Transport provides links between centers of production and those of consumption, markets, in the economic sectors such as agriculture, industry mining and tourism. It facilitates the flow of goods and people along the import/export corridors that link the coastal ports and landlocked countries. Transport equally provides access to employment, health, education, recreation and other services. Therefore, one is rightly justified to conclude that "without a good transportation system the development of a country is impossible. What roads and railways are to a country's development is like what the blood system is to the human body"

It is quite gratifying to note that the Government of Tanzania realizes the role of the transport sector for its economic and social development, and as a result has developed a Transport Sector Programme which will be very instrumental in improving

the business and investment environmental in the transport sector.

It is alleged that poor transport and communication infrastructure are the major causes of low levels of intraregional trade in Eastern Africa. It is in view of this that, despite this poor infrastructure, **AGHAHUMBI & COMPANY LIMITED.** has resolved to assist to provide a solution to stimulate the said intraregional trade and domestic market in particular.

In summary, we can say that **AGHAHUMBI & COMPANY LIMITED,** has a major objective the following: -

- To promote trade between Tanzania and her neighbors
- To procure foreign currency for the country in the course of its business transactions.
- To provide extra employment to more people in the sector.

3.0 THE PROJECT

The project's objective is to purchase a total of 20 trucks from China and trailers within 3 years from 2020 -2024. The company has negotiated termed loan from China to repaid within three years

This study is based on the 20 trucks and trailers. Expected revenue for each vehicle round US\$ 75,000 per year

- Operating cost estimated to be 75% of total revenue
- Each vehicle to carry 30 tons
- 90 days to be used for vehicle maintenance and service and unforeseen event

Full scale operations the 20 trucks are expected to be purchased, their destinations being domestic market and Tanzania's landlocked neighboring countries of Malawi, Zambia, Burundi, Rwanda the Democratic Republic of Congo, etc.

3.1 PROJECT SPONSORS

AGHAHUMBI & COMPANY LIMITED is owned by three individuals, all of whom are Tanzanians. **AGHAHUMBI & COMPANY LIMITED** shareholders have an adequate experience in running the business of motor vehicles as such is well versed in transportation business.

4.0 INVESTMENT AND FINANCING US\$ 35m

For the project to be a reality a total investment amounting to US\$723,000 is needed to finance the project within three years

5.0 FINANCING PATTERN

The financing pattern being considered is that involving the purchase of 20 trucks and their trailers. The project will be financed both by equity and cash generated from business US\$63,000 and foreign loan US\$ 660,000 from China.

The loan has already been negotiated. The project sponsors expect to procure this loan on the following terms and conditions: -

Loan Amount	:	20	trucks	equivalent	to
				US\$ 660,000,	
Repayment period	:	3	years		
Interest Rate	:	8.	%	annually	

6.0 IMPLEMENTATION

Project implementation is expected to be relatively very short once TIC approval is received. Currently, the supplier of the

trucks has already been identified and supply is awaiting word from the project promoters.

7.0 MANPOWER AND ORGANIZATION STRUCTURE

The project will be managed by a Board of Directors of **AGHAHUMBI & COMPANY LIMITED**. The Board, like all other boards is responsible for the formulation and supervision of company policies and guidelines. The project's day to day operations will be under the supervision of Managing Director. The project's employee requirement is estimated to be 327 people in number, as shown below: -

MAN POWER REQUIREMENT

	CATEGORY	NO
	Salaries & Wages	
1	Drivers	20
2	Others	2
3	Mechanics Experts	3
4	Mechanics Normal	3
6	Accountant/Manager	2
7	Director	2
8	Manager Transport and Logistics	1

9	Manager Mechanics	1
10	Unskilled	6
	SUB TOTAL	40

Employees Distribution Summary

Employment	Foreign Skilled	Local Skilled	Local Unskilled	Total
Women	NIL	4	3	7
Men	NIL	30	3	33
TOTAL		34	6	40

To ensure timely delivery of consignments, provision of goods service to customers, Management will provide on the job training in the field of motor vehicle maintenance and will provide bonus and other incentives as a means of instilling and boosting employee work morale.

NB assumption is that the project is fully implemented

8.0 PROJECT OPERATING COSTS

In order to realize its intended objective, the project will have to meet operating cos estimated to be 75% of total revenue.

9.1 MARKET AND MARKETING

The project's earmarked clientele is domestic market and the land locked neighboring countries of Malawi, Zambia, Democratic Republic of Congo, Burundi, Rwanda and even Uganda. Management has already explored these markets and is confident it can conduct profitable business.

The project management plans for all vehicles several trips per month. The number of trips and the cost of trip are determined by both the trip's destination and nature of road involved. All in all, a total of **one truck will conduct 2 trips** per month.

The routes are priced according to distance and the status of the road in question. It has however been conservatively assumed that all foreign destinations will have a flat rate charge of **US\$ 3,750 for round trip.**

9.2 ANNUAL TONNAGE

20 trucks are expected to conduct 400 trips per year carrying 12,000 tons per year

10 REVENUE ASSUMPTIONS

- The company expecting to have 20 trucks and trailers each makes 2trips per month. Each round trip will generate revenue of **US\$ 3,750**
- Trucks and trailers to be purchased in from China
- Project calculation based on 7 years
- Bank interest is 8% per annum

The combined revenue and expenditure from all the planned routes, in the 1st year up to 8th year are indicated above.

The number of trips assumed here, is just a conservative estimate. With the expected improvement of the roads and in general operations coupled with the driver's gaining experience in long distance travels, the number of trips per truck will be raised. This will have a tremendous impact on the Company's expenditure and earnings.

11 FINANCIAL ASPECTS FOR THE PROJECT

(i) Projected Profit and Loss Statement

The attached Appendix I shows the projected income for the 7years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax

profits grow from. **US\$177,800.** in the 1st year to **US\$738,222** in the 7th 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\$298,800** in the first year to **US\$ 206,8453** at the end of 7th years of the project's operations based on the 400 trucks and trailers obtained.

(iii) Projected Balance Sheet

The project's assets cash flows are shown in Appendix III. assets grow from **US\$63,000 in** the first year to **US\$ 293,909** at the end of 7th years of the project's operations based

(iv) Payback Period

Total investment is **US\$723,000**, cash accumulation in 3rd year **US\$782861** which is more than the initial investment by **US\$59,861** The project payback Period is exactly 3 years.

The project has a relatively short payback period. It is remarkably impressive for a project whose investment is as big as **US\$ 723,000** being recovered within 9 years.

12 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 **AGHAHUMBI & COMPANY LIMITED**, is going to provide additional employment to **40** people all of whom will be nationals. 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 neighboring 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

12.0 **CONCLUSION**

- (i) The project is profitable and contributes to government revenue by way of taxes.
- (ii) The project provides employment to **40** people all of whom are national Tanzanians.
- (iii) The project is an encouraging sign to prove that 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.

13.0 **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

AGHAHUMBI & COMPANY LIMITED PROJECTED PROFIT AND LOSS STATEMENT US\$

	1	2	3	4	5	6	7
Revenue	1,500,000.00	1,515,000.00	1,530,150.00	1,545,451.50	1,560,906.02	1,576,515.08	1,592,280.23
Operating Expenses:	1,125,000.00	1,136,250.00	1,147,612.50	1,159,088.63	1,170,679.51	1,182,386.31	1,194,210.17
Profit before Depreciation &Interest	375,000.00	378,750.00	382,537.50	386,362.88	390,226.50	394,128.77	398,070.06
Interest	52,800.00	35,200.00	17,600.00	-	-	-	-
Depreciation	68,200.00	68,200.00	68,200.00	68,200.00	68,200.00	68,200.00	68,200.00
Gross Profit	254,000.00	275,350.00	296,737.50	318,162.88	322,026.50	325,928.77	329,870.06
Tax (30%)	76,200.00	82,605.00	89,021.25	95,448.86	96,607.95	97,778.63	98,961.02
Profit After Tax	177,800.00	192,745.00	207,716.25	222,714.01	225,418.55	228,150.14	230,909.04
Accumulated Profit	177,800.00	260,405.00	349,426.25	444,875.11	541,483.06	639,261.69	738,222.71

APPENDIX II

AGHAHUMBI & COMPANY LIMITED PROJECTED CASH FLOWS US\$

	0	1	2	3	4	5	6	7
SOURCES:								
Profit before interest and depreciation	0	375,000.00	378,750.00	382,537.50	386,362.88	390,226.50	394,128.77	398,070.06
Equity	63,000.00							
Loan	660,000.00							
Total Sources	723,000.00	375,000.00	378,750.00	382,537.50	386,362.88	390,226.50	394,128.77	398,070.06
Applications:								
Capital expenditure	682,000.00	-	-	-	-	-		
working Capital & Others	41,000.00	-	-	-	-	-		
Cash	0	298,800.00	296,145.00	293,516.00	290,914.00	293,619.00	296350	299109
Tax	-	76,200.00	82,605.00	89,021.25	95,448.86	96,607.95	97,778.63	98,961.02
Total applications	723,000.00	375,000.00	378,750.00	382,537.25	386,362.86	390,226.95	394,128.63	398,070.02
Accumulated cash		298,800.00	594,945.00	888,461.00	1,179,375.00	1,472,994.00	1,769,344.00	2,068,453.00

APPENDIX III

AGHAHUMBI & COMPANY LIMITED PROJECTED BALANCE SHEET

US\$

	0	1	2	3	4	5	6	7
Fixed Assets	-							
Opening balance	-	682,000	613,800	545,600	477,400	409,200	341,000	272,800
Total Long-term Assets	-	682,000.00	613,800.00	545,600.00	477,400.00	409,200.00	341,000.00	272,800.00
Less depreciation	-	68,200.00	68,200.00	68,200.00	68,200.00	68,200.00	68,200.00	68,200.00
Closing balance	-	613,800.00	545,600.00	477,400.00	409,200.00	341,000.00	272,800.00	204,600.00
Working capital	41,000.00	41,000.00	41,000.00	41,000.00	41,000.00	41,000.00	41,000.00	41,000.00
Accumulated cash	-	298,800.00	594,945.00	888,461.00	1,179,375.00	1,472,994.00	1,769,344.00	2,068,453.00
Total assets	41,000.00	953,600.00	1,181,545.00	1,406,861.00	1,629,575.00	1,854,994.00	2,083,144.00	2,314,053.00
Financed by								
Equity	63,000.00	63,000.00	63,000.00	63,000.00	63,000.00	63,000.00	63,000.00	63,000.00
Net profit	-	177,800.00	192,745.00	207,716.25	222,714.01	225,418.55	228,150.14	230,909.04
Total equity	63,000.00	240,800.00	255,745.00	270,716.25	285,714.01	288,418.55	291,150.14	293,909.04
Long term loan	-	660,000	440,000	220,000	0	0	0	0
Total debts	-	660,000.00	440,000.00	220,000.00	-	-	-	-

PROPOSED FINANCING PATTERN

US\$

FOREIGN LOAN	LOCAL LOAN	LOCAL EQUITY
660,000	NIL	63,000

PROJECTED LONG TERM LOAN REPAYMENT

Repayments US\$				
Year	principle	Loan Interest (8%)	Total Amount Paid	Loan Balance
0				
1	220,000	52800	272,800	660,000
2	220,000	35200	255,200	440,000
3	220,000	17600	237,600	220,000

**AGHAHUMBI & COMPANY LIMITED
PROJECTED DEPRECIATION SCHEDULE**

US\$

A.M STEEL & IRON MILLS LTD FIXED ASSETS US\$

NAME OF ASSETS	1	2	3	4	5	6	7
Land and Buildings	0	0	0	0	0	0	0
Machinery, Tools & Equipment	20,000	18,000	16,000	14,000	12,000	10,000	8,000
Motor Vehicles	660,000	594,000	528,000	462,000	396,000	330,000	264,000
Furniture & Fixtures	2,000	1,800	1,600	1,400	1,200	1,000	800
Total	682,000	613,800	545,600	477,400	409,200	341,000	272,800
DEPRECIATION	1	2	3	4	5	6	7
Land and buildings	0	0	0	0	0	0	0
Machinery tools & Equipment	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Motor Vehicles	66,000	66,000	66,000	66,000	66,000	66,000	66,000
Furniture & Fixtures	200	200	200	200	200	200	200
ANNUAL DEPRECIATION	68,200	68,200	68,200	68,200	68,200	68,200	68,200

PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	177,800.00	68,200.00	246,000.00	246,000.00
2	192,745.00	68,200.00	260,945.00	506,945.00
3	207,716.25	68,200.00	275,916.25	782,861.25
4	222,714.01	68,200.00	290,914.01	1,073,775.26

PROJECT IMPLEMENTATION SCHEDULE

It is expected that the Project will be implemented as shown below: -

	ACTIVITY	PERIOD
1.	Processing TIC Certificate of Incentive	May 2020
2.	Funds Mobilization	April – June 2020
3.	Ordering of Vehicles	May 2020 – Dec 2020
5.	Arrival of Vehicles	October 2020– Jan 2021
6.	Trial Operations	February 2021
7.	Commercial Operations	March 2021