

KARAN PETROLEUM LIMITED
BUSINESS PLAN
2020 – 2025

Drawn by the Subscriber:

Karan Petroleum Ltd

P.O. Box

Dar Es Salaam.

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EXECUTIVE SUMMARY

Karan Petroleum Ltd is the name given to the new entrepreneurial venture in Logistics Industry as a registered transporter of fuel under The Company's Act 2002 and issued an incorporation number 145321026 as well as TIN number 145-321-026.

The main Objective of the Company is to provide high quality and safety transportation solution to the fuel market. The company will be situated in the city of Dar es Salaam strategically for customers importing fuel through the Dar es Salaam port to different landlocked countries such as Uganda, Rwanda, Burundi, Zambia, DRC Congo also for internal distribution in the country of Tanzania.

The projects Investment amounts to \$600,000 where as the major expenditure of \$500,000 is on Fleets that is trucks and trailers that will be used for transportation. The other expenditure is as initial working capital to finance salaries of staffs, driver's allowances and salaries as well as other operating costs including rent and utilities.

The project investment expenditure of \$600,000 in the first year will be covered by the owners' equity contributions. The company as of moment is planning to seek loan until when it will be decided to be necessary.

The Company plans to start with 5 trucks which will create direct employment of 7 people. As the company grows the job creation will increase to 40 people of which many will be drivers.

The main inputs of this investment is mainly Truck and trailer assets and Human resources as drivers and administrative staffs, whereas at the moment the fleets are already purchased and on the way to Tanzania. About drivers the Company plans to use the local citizen drivers to run the business.

The Company has set proper marketing strategies to ensure that it is well positioned in terms of competition. The strategies have based on offering high quality service since the initial contact with the customer till the accomplishment of the given job, this is intending to encourage word of mouth that will spread information about the Karan Petroleum Ltd.

The project is planned to be implemented in 5 phases in 5 years. In the first year the total investment is \$600,000 which is spent on purchases of 5 trucks and trailers as well as the establishment costs. In the second year the investment will grow by \$1,000,000 due to purchasing of additional 10 trucks which implies doubling the initial investment, same to the third year where as they will be additional investment of \$2,000,000 whereas \$1,000,000 will be spent to purchase additional 10 trucks and trailers and the other \$1,000,000 will be spent on establishment of 2 fuel stations in the country. On the fourth and fifth year, the investment will grow by \$1,000,000 and \$500,000 respectively. In the sixth year to accomplish the investment schedule the company plans to establish other 2 fuel stations where as \$1,000,000 will be spent. In a nutshell the investment schedule for all six years will be accumulated to \$6,000,000.

The financial projections shows that the business will be earning fair profits in such a competitive market, where as in the first year will attain the sales of \$800,000 of which 8.1% will be a profit, then in the following years the sales will grow to \$6,400,000 of which 13.2% will be the profit.

INDUSTRY ANALYSIS

Petroleum distribution and supply is classified under the Fuel Dealers industry and players in this industry sell diesel, petrol, propane and other fuels directly to end users. Related companies also deliver the fuels to domestic and commercial premises.

It is noted that the fuel dealers industry has moderate barriers to entry. Entrepreneurs that intend entering the industry must gain access to cost effective and reliable sources of fuel for distribution. They also need to attract a customer base, most commonly away from existing operators. High industry competition limits access to customers.

New operators lack economies of scale because they have few customers when first entering the industry. If customers are geographically distant, transportation costs may be prohibitive due to high per unit expenses. Since the Industry's products are substitutable, operators differentiate themselves through services and efficiency.

Some of the factors that cause aspiring entrepreneurs to start a diesel distribution and supply business is the fact that the market is growing rapidly in East Africa and is not seasonal. That makes it easier for entrepreneurs who are interested in the business to come into the industry at any time they desire; the entry barriers might be high but that any serious minded entrepreneur can comfortably raise the startup capital even if it means collecting loans from the bank.

Over and beyond, the Fuel Dealers Industry is a profitable industry and it is open for any aspiring entrepreneur to come in and establish his or her business as long as they are able to obtain the required license and permits; you can choose to start on a small scale and supply on a community level or you can choose to start on a large scale with distribution network spread across key cities all around the United Republic of Tanzania.

BUSINESS OVERVIEW

KARAN PETROLEUM LIMITED is a new venture established by Raj Ratna International LLC and Hardik Manishkumar Sheth at the share contribution of 900 shares and 100 shares respectively. The company was incorporated per Company's Act 2002 in 2020 and given the incorporation number 145321026 as well as TIN number 145-321-026.

Objectives of the Business

- i. The company is to deliver the goods to the final destination by without any damage or loss in value.
- ii. The company is to observe safety at highest level as possible by setting and apply the international safety standards.
- iii. The company is to provide the transportation services at competitive rates so as to get a desirable market share.
- iv. The company is to employ standard, experienced and trained personnel from operational to administrative positions.
- v. The company is to operate at low relative and bearable costs to enhance profitability.

Benefits of the Business

Karan Petroleum Fuel transportation services can have a huge positive impact on the business customers. Here are the top five benefits that our clients get when enjoying our services:

Save Money, This is perhaps the greatest benefit that fuel delivery provides a business. Any business will tell you, wholesale options deliver much lower costs. With bulk fuel delivery come bulk fuel prices.

Increase Efficiency, The age old adage rings truer than ever in today's fast paced world: "time is money." When it comes to fuel, it have been discovered how much time it

actually takes to monitor, reorder, and stock fuel on a monthly, weekly, or even daily basis. Bulk fuel eliminates the need to order and reorder fuel as often.

Guarantee Supply, with a dedicated fuel delivery service, one can also rely on a guaranteed supply of fuel. Many fuel delivery companies will provide on-site tanks to store fuel at your location to ensure you always have fuel available. This can be a huge benefit, especially in times of disaster or fuel shortages.

Convenience, with all of these benefits comes the advantage of convenience. When fuel becomes the life-blood of your business, not having to worry about your fuel supply will save you valuable time and energy. You'll be able to rest assured knowing your fleet, generators, equipment, or facilities will always have the fuel they need. You'll know the cost ahead of time and have complete control over how and when your fuel gets delivered. This will save time, money, and energy to devote to growing your business.

OUR SERVICES

Karan Petroleum delivers refined petroleum products throughout East and Southern Africa. The company targets both local distribution and international distribution. The local distribution is comprised of Fuel Company's sourcing the products from the Dar es Salaam port to different regions in the country. Foreign route involves cross border transportations to countries like Rwanda, Burundi, Zambia, Congo DRC and Mozambique among others.

Karan Petroleum keeps thousands of commercial and industrial customers on the move. Regardless of clients fueling needs or location, it brings quality fuel, exceptional service, and industry-leading expertise right to you. The seamless, end-to-end fuel delivery network has a wide coverage and a proven track record of responsiveness and reliability, always delivering the fuel you need when you need it.

Safety is our number one commitment to our customers and employees. We rely on safety to drive our productivity and aid in providing high quality service. By maintaining safe operating procedures at all times, our corporation is able to provide great value to our customers and keep our valued employees as safe as possible.

Unbranded Wholesale Fuel, We supply all types of unbranded fuel across East Africa. We serve all industries, including fleets, the public sector, gas stations & truck stops, or any business with a fuel tank.

Branded Wholesale Fuel We proudly offer branded fuel services to a wide variety of privately owned gas stations throughout Tanzania and East Africa as whole. As a fleet manager in today's competitive environment, you know that time is money. Every minute your employees spend fueling vehicles and equipment is money wasted. Fortunately, Karan Petroleum Ltd offers the solution. Our mobile on-site fueling service delivers diesel to your equipment during off-hours.

MARKETING STRATEGIES

Karan Petroleum acknowledges there is a lot more to logistics than just making tactical decisions about transportation and warehousing. It needs to develop a logistics strategy to ensure high performance of the supply chain. This is a highly competitive industry and our company must ensure that its marketing and sales strategies are effectively by identifying the weaknesses of our competitors and use it to enhance our business. We can offer something unique; customers will surely patronize our business.

Business Strategic Plans

Karan Petroleum Ltd plan to continuously develop associations with the all size customers in our market and expect these alliances to further enhance our reputation as a one stop solution for sales and distribution of lubricants. Our business advisors and employees assist us with all needs of the new market establishment such as sale, marketing, and customer's selection issues inherent in the development of our business to ensure the plan is completed on schedule and in accordance with the planned budget.

Karan Petroleum Ltd differentiate and position its business from its competitors by offering qualified logistics service as official specialist in transportation of Fuels, providing high quality delivery services, and professionally trained sales staff. Its concern for the customer certification and accountability set as apart from others.

Karan Petroleum Ltd defines quality as a measure of excellence or a state of being free from defects, deficiencies and significant variations. It is brought about by strict and consistent commitment to certain standards that achieve uniformity of services in order to satisfy specific customer or user requirements

Business Market strategy

Karan Petroleum Ltd strategy is straightforward. We intend to succeed by giving people a combination of excellent and interesting brand of lubricants. We focus on establishing a strong identity in the industry with our daily operations. Our main focus in marketing thereafter we increase customer awareness in the surrounding communities. We direct all of our tactics and programs toward the goal of explaining who we are and what we do. We keep our standards high and execute the concept perfectly, so that word-of-mouth and quality of our lubricants are our main marketing force using our customer and sales team.

We create an appealing and fit with unbeatable logistic service at an exceptional price. As exciting and fast growing sales and distribution of lubricants, we will be the talk of the town. Therefore, the execution of our concept is the most critical element of our plan.

Business Sales Strategy

Karan Petroleum Ltd sales strategies are designed to get critics and initial customers into our doors. Our sales strategies must take the next step and encourage customers to become repeat customers, and to tell all their friends and acquaintances about the great experiences they just had at Karan Petroleum Limited.

Many logistic businesses often make one of two mistakes:

- i. They are unprepared or underprepared for the daily operations, and initial poor delivery service speed.
- ii. They spend all of their efforts at beginning, and are unable to maintain the initial quality of their services.

This discourages customers from returning, Karan Petroleum Ltd sales strategy requires consistently high quality delivery services and quality product, and we can accomplish this by:

- i. Continues hiring employees who genuinely enjoy their jobs
- ii. Continually assessing the quality of all aspects mentioned above, and immediately addressing any problems
- iii. Interacting with our customers personally, so they know that their feedback goes directly to the owners
- iv. Evaluating customer's choices for popularity, and keeping satisfying their need.

Naturally we rely on both credit and cash sales. Credit sales will be offered to some customers and as per laid down credit sales conditions such as provided by the Sales Manager (30 days Credit Terms) and Exceptions terms are considerable

OPERATION MANAGEMENT

Karan Petroleum Ltd believes that Operations Management is the management of process inputs, manpower, and other resources to produce the desired outputs in meeting customer demands.

The management of transportation operations is comprised of all types and modes, including tracking and managing every aspect of vehicle maintenance, fuel costing, routing and mapping, warehousing, communications, EDI implementations, cargo handling, carrier selection and management, and even accounting.

The costs and challenges for those who run transport operations continue to increase. The ability to run a transport operation efficiently and effectively can no longer be left to chance.

The key Drivers of Change in Transport Management, Changes in work practices, Changes in customer behavior, Changes in technology and Increasing or decreasing workloads.

The global economy is witnessing previously unseen levels of competitiveness, forcing business leaders to contend with unprecedented challenges. No longer can companies seize and hold a customer base by operating adequately. In order to enjoy a competitive advantage, an organization must operate at exemplary levels of performance in every facet of business and maintain that degree of excellence indefinitely.

Karan Petroleum acknowledges Important the strategies of Effective Logistics Management and Network Optimization, which are;

Proper Planning

The first step to accomplishing a task is planning. Now, planning encapsulates various factors. It involves procuring the goods, storage facilities, and delivery of products to the exact location. Apart from these, the other parameters are – time, transportation, and the costs. A supply chain operative should be able to devise the flow chart for the whole operation. The purpose of planning is to attain maximum work in the least possible time. At the same time, the planning should aim at maximizing the profits. Proper planning is a wise plan, but an experienced manager will be able to prepare for the unforeseen circumstances as well. These situations can be related to; the products, Unavailability of the transportation, Any internal issue in the organization and Research and pick the correct Freight class. For this, a contingency plan should be there to avoid any logistics failure. Logistics planning process is incomplete without an emergency plan.

Adopt Automation

In the age of automation, technology plays a major role in increasing the efficiency of an organization. Automation has a vital role in the business process optimization. There is valuable software that can be deployed in the logistics process. For example, business process software can be integrated that provides timely updates regarding the movement of goods. The operator and the client will get details regarding; The goods that are dispatched from the supplier; Procurement of the goods at the warehouse, and lastly Delivery of the goods at the destination. This saves a considerable amount of time because manual interference is eliminated. Moreover, accurate tracking help in improving overall process management. Similarly, the account details and employee details can be managed using specific software developed for these tasks. Therefore, the logistics firm should embrace the technology for increasing productivity.

INVESTMENT BUDGET AND IMPLEMENTATION PLAN

The implementation of Karan Petroleum Project is ongoing; so far the fleets (trucks and trailers) have been purchased and are on the way to the county. Moreover the company has been settling compliance requirements regarding the project including registration with BRELA and the Tax Authority TRA. Going further the company is applying for a tax incentive through Tanzania Investment Centre.

KARAN PETROLEUM LTD												
INVESTMENT BUDGET												
Year	2021		2022		2023		2024		2025		2026	
Item	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost
Trucks and Trailers	5	\$ 500,000.00	10	\$ 1,000,000.00	10	\$ 1,000,000.00	10	\$ 1,000,000.00	5	\$ 500,000.00		
Fuel Station					2	\$ 1,000,000.00					2	\$ 1,000,000.00
Initial Working Capital		\$ 100,000.00										
TOTAL		\$600,000.00		\$1,000,000.00		\$2,000,000.00		\$1,000,000.00		\$500,000.00		\$1,000,000.00

As shown in the table above, Karan Petroleum Ltd will continue increasing its investment in the United Republic of Tanzania, not only in fuel transportation but will penetrate to fuel business directly by opening up two fuel stations in 2023 and in 2026 will add other two fuel stations. Therefore within the coming six years the Company will have invested the total amount of \$6,000,000.

FINANCIAL PLAN

8.1 Financial Viability

The analysis of the financial viability of proposed Fuel Transportation project by DALASHO FARM LTD shows that the project can generate fairly good profits and that it generates sufficient cash to meet both short and long term financial obligations. The review given below under the following sub- sections:

- Fundamental Assumptions
- Operating Income and Costs
- Revenue Analysis
- Cost Analysis
- Projected cash flow
- Projected Income Statements
- Projected Financial Position
- Return On Investment Analysis
- Payback Period Analysis

8.2 Fundamental Assumptions

The preparation of the financial projections took into account the following main assumptions

- i. The Operating period under which the viability of the project is being evaluated in five years.
- ii. The base pricing and costing period is December 2020

8.3 Operating Income and Costs

- ✓ Potential number of trips is four (4) per month for each.
- ✓ The average revenue per truck is projected to \$800,000 per year.
- ✓ Personnel cost is assumed to be 4% of total revenues.
- ✓ Other expenses are assumed to be 67% of the total sales, whereas the major cost being Fuel and Drivers allowances which direct costs are varying with output.
- ✓ Creditor Days is 21 and Debtors Days is 21.

8.4 Projected Financial Statement

i. Income Statement Projections

KARAN PETROLEUM LTD					
<i>Cash Flow Projections - Income Statement</i>					
	Year-2021	Year-2022	Year-2023	Year-2024	Year-2025
	-	-	-	-	-
Transport Services	800,000	2,400,000	4,000,000	5,600,000	6,400,000
Total Turnover	800,000	2,400,000	4,000,000	5,600,000	6,400,000
Products	-	-	-	-	-
Services	-	-	-	-	-
Total Cost of Sales	-	-	-	-	-
Total Gross Profit	800,000	2,400,000	4,000,000	5,600,000	6,400,000
Operating Expenses	-	-	-	-	-
Personnel Cost	32,400	97,200	100,408	226,800	259,200
Operating Expenses	549,890	1,625,090	2,700,290	3,775,490	4,313,090
Total Operating Expenses	582,290	1,722,290	2,800,698	4,002,290	4,572,290
Depreciation	125,000	375,000	500,000	625,000	625,000
Total Depreciation & Branding costs	125,000	375,000	500,000	625,000	625,000
Profit / (Loss) before Interest & Tax	92,710	302,710	699,302	972,710	1,202,710
Interest Paid	-	-	-	-	-
Interest - Bank Overdraft	-	-	-	-	-
Interest - Bank Guarantee	-	-	-	-	-
Total Interest Paid	-	-	-	-	-
Profit / (Loss) before tax	92,710	302,710	699,302	972,710	1,202,710
Taxation	27,813	90,813	209,791	291,813	360,813
Profit / (Loss) for the year	64,897	211,897	489,512	680,897	841,897
Dividends	-	21,190	48,951	68,090	84,190
Retained earnings for the year	64,897	190,707	440,561	612,807	757,707
<i>Profit / (Loss) %</i>	8.1%	8.8%	12.2%	12.2%	13.2%

ii. Cash flow Statements Projections

KARAN PETROLEUM LTD					
<i>Cash Flow Projections - Cash Flow Statement</i>					
	Year-2021	Year-2022	Year-2023	Year-2024	Year-2025
Cash flows from operating activities					
Profit / (Loss) for the year	92,710	211,897	489,512	680,897	841,897
Interest	-	-	-	-	-
Taxation	-	90,813	209,791	291,813	360,813
<i>Adjustment for non-cash expenses:</i>					
Depreciation	125,000	375,000	500,000	625,000	625,000
Trade Payables	-	-	-	-	-
VAT Tax	3,266	6,900	7,824	5,976	3,450
<i>Cash generated from operations</i>	<i>220,976</i>	<i>684,610</i>	<i>1,207,126</i>	<i>1,603,686</i>	<i>1,831,160</i>
Interest paid	-	-	-	-	-
Taxation paid	-	(83,245)	(199,876)	(284,978)	(355,063)
<i>Net cash from operating activities</i>	<i>220,976</i>	<i>601,365</i>	<i>1,007,250</i>	<i>1,318,708</i>	<i>1,476,097</i>
Cash flows from investing activities					
Purchases of property, plant & equipment	-	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Purchases of intangible assets	-	-	-	-	-
<i>Net cash used in investing activities</i>	<i>-</i>	<i>(1,000,000)</i>	<i>(1,000,000)</i>	<i>(1,000,000)</i>	<i>(1,000,000)</i>
Cash flows from financing activities					
Proceeds from shareholders' contributions	-	-	-	-	-
<i>Net cash from financing activities</i>	<i>-</i>	<i>(21,190)</i>	<i>(48,951)</i>	<i>(68,090)</i>	<i>(84,190)</i>
Increase / (Decrease) in cash equivalents	220,976	(419,825)	(41,701)	250,619	391,907
Cash & cash equivalents at beginning of year	100,000	320,976	(98,849)	(140,550)	110,069
Cash & cash equivalents at end of year	320,976	(98,849)	(140,550)	110,069	501,976

iii. Balance Sheet Statement Projections

KARAN PETROLEUM LTD					
<i>Cash Flow Projections - Balance Sheet</i>					
	Year-2021	Year-2022	Year-2023	Year-2024	Year-2025
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	239,583	864,583	1,364,583	1,739,583	2,114,583
	239,583	864,583	1,364,583	1,739,583	2,114,583
Current Assets					
Inventory	-	-	-	-	-
Cash & Cash Equivalents	320,976	-	-	110,069	501,976
	320,976	-	-	110,069	501,976
Total Assets	560,559	864,583	1,364,583	1,849,652	2,616,559
EQUITY & LIABILITIES					
Equity					
Shareholders' Contributions	600,000	600,000	600,000	600,000	600,000
Retained Earnings	(42,707)	148,001	588,561	1,201,368	1,959,076
	557,293	748,001	1,188,561	1,801,368	2,559,076
Non-Current Liabilities					
Long Term Loans	-	-	-	-	-
Finance Leases	-	-	-	-	-
	-	-	-	-	-
Current Liabilities					
Trade Payables	-	-	-	-	-
VAT Tax	3,266	10,166	17,990	23,966	27,416
Provision For Taxation	-	7,568	17,483	24,318	30,068
Dividends Payable	-	-	-	-	-
	3,266	116,583	176,022	48,283	57,483
Total Equity & Liabilities	560,559	864,583	1,364,583	1,849,652	2,616,559

iv. Return On Investment (ROI) Analysis

KARAN PETROLEUM LTD					
Return On Investment (ROI) Analysis					
Net Income Method	2021	2022	2023	2024	2025
Investment	\$ 600,000.00	\$600,000.00	\$600,000.00	\$600,000.00	\$600,000.00
Net Income	\$ 64,897.00	\$211,897.00	\$489,511.68	\$680,897.00	\$841,897.00
ROI	11%	35%	82%	113%	140%

v. Payback Period Analysis

KARAN PETROLEUM LTD					
PAYBACK PERIOD ANALYSIS					
YEAR	NET INCOME	DEPRECIATION	CASHFLOW	CUMULATIVE CASHFLOW	
2021	\$ 64,897.00	\$ 125,000.00	\$ 189,897.00	\$ 189,897.00	** PAYBACK PERIOD
2022	\$ 211,897.00	\$ 375,000.00	\$ 586,897.00	\$ 776,794.00	
2023	\$ 489,511.68	\$ 500,000.00	\$ 989,511.68	\$ 1,766,305.68	
2024	\$ 680,897.00	\$ 625,000.00	\$ 1,305,897.00	\$ 3,072,202.68	
2025	\$ 841,897.00	\$ 625,000.00	\$ 1,466,897.00	\$ 4,539,099.68	