

APOLLO LOGISTICS TZ LIMITED

PROJECT DOCUMENT

ON

ESTABLISHMENT

OF

CARGO TRANSPORTATION FACILITIES

PREPARED BY:

APOLLO LOGISTICS TZ LIMITED

P.O.BOX

DAR-ES-SALAAM

1.0 EXECUTIVE SUMMARY

1.1 Company Background

APOLLO LOGISTICS TZ LIMITED is a private limited liability company, established in 24/02/2022 under Certificate of Incorporation **No155250542** and it is licensed to carry out a variety of businesses, ranging from transportation sector, industry and management to clearing and forwarding. The company has its headquarters based in Dar es Salaam.

1.2 The Project

This project envisages establishing transport company to have fleet of trucks and modern workshop. The company intend to purchase about **50** heavy-duty trucks and trailers, pick-ups and related handling service facilities. The company has been able to make standing arrangements with international companies and agencies for providing bulk transport of their cargo destined for the neighbouring countries.

1.3 The Market

There is a need to increase transportation facilities in Tanzania to facilitate movement of transit cargo by road system to and from landlocked neighbouring countries of Burundi, Rwanda, Uganda, Congo, Malawi and Zambia .As per demand supply analysis the demand for cargo transportation for transits cargo is high .The current shortage of wagons and locomotives in Tanzania Railways Corporation (TRC) , the problem of TAZARA in the turnaround of wagons from Zambia and non-completion of standard gauge railway have created increase in demand for road transportation of transit cargo. This is expected to be on the rise for the foreseeable future.

1.4 Investment Costs

The project cost is estimated at US\$ **3,820,000** which will be contributed by the sponsors. The Company will decide to look for the loan if a need arise.

INVESTMENT COST

	LOCAL	TOTAL
Land & Building	600,000	600,000
Motor vehicle	2,750,000	2,750,000
Workshop equipment's	100,000	100,000
Furniture and fixture	50,000	50,000
Pre-operation & Expenses	20,000	20,000
Others	200,000	200,000
Working capital	100,000	100,000
Total	3,820,000	3,820,000

1.5 Financing Plan

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

SOURCE	US \$
Equity	3,820,000
Sub total	3,820,000

The working capital of US\$ 100,000 is to be financed through shareholders equity contribution.

2.0 INTRODUCTION

2.1 Background

Apollo Logistics TZ Limited intends to establish cargo transportation company and introduce a modern fleet system. Among other things this involves acquisition of 50 cargo haulage trucks with trailers, establishing a Morden workshops and terminal comprising of container yard, truck parking places, go down and offices. It also intends to construct its own office block. 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.

2.2 The Company and Sponsors

2.2.1The Company

APOLLO LOGISTICS TZ LIMITED is a private liability company engaged in the transportation business. The company, incorporated on 24/02/2022 under Registered Company law 2002 with certificate number No 155250542. The following are the shareholders of the company.

Director/Shareholder	Nationality	%
Jestin George Thittalayil	Indian	20
Parthasaradhi Raju Pandeti	Indian	20
Sulochana Rani Peddoju	Indian	20
Ravali Bondalakunta	Indian	20
Mathew George Chembagaparambil	Indian	20

The shareholders have extensive and long-term exposure to the transport industry

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3.0 THE PROJECT

3.1 Project Concept

The project envisages establishing a modern trucking company, which will deal with transportation of transit cargo to and from neighbouring countries and construction of the office block. Other things which will be included in the project include.

- This involves acquiring **50** trucks and **50** trailers. In addition, acquire 4WD patrol vehicles to assist in highway patrols and maintenance services.
- Purchase of machinery and equipment/tools such as cranes, forklifts and repair equipment to enhance smooth operation of its transport fleet.
- purchase office furniture, fittings, computers and telecommunication system.
- HF Radio system connected to the base station.
- Construction of office block, workshops and container yards. Parking of trucks/trailers and storage of containers, etc.

3.2 Location

The company headquarters is based in Dar-es-salaam at **plot number15**, changa street chang'ombe Maduka Mawili, Temeke. The land is considered as being ideal for the establishment of cargo transportation project.

3.3 Fleet Size and Composition

3.3.1 Trucks and Trailers Requirement

The company proposes to acquire **50** new trucks and **50** trailers that will have average load carrying capacity of 30 tons per truck/trailers. The trucks will operate from Tanzania. The total loading capacity for the **50** trucks inclusive of trailers at 100% load factor is approximately 1500 Tons. The following equipment also will be acquired as part of the project to enhance efficient operations:

	Quantity
i) Handling Equipment	
Crane 30 tons capacity	1 unit
Fork lift 10 tons capacity	2 unit
ii) Workshop equipment and Tools	2 sets
iii) Mechanics Equipment	
Hand Tools	Sets
Battery charger 12/240v	1 unit
Welding machine 3 phase	1 unit
Compressor 500 litre capacity	1 unit
Acetylene gas tanks 2.8t capacity	4 unit
Oxygen Gas tanks 2.8t capacity	4 unit
iv) Communication equipment	
GPS system for 50trucks	
Radio call for 50 trucks	
v) Office Equipment	
Furniture, air conditioners, computers, fuel installations, generators	
Vi) 8,4WD Pick up – for highway patrol	

4.0 INFRASTRUCTURE DEVELOPMENT FOR TRANSIT CARGO IN TANZANIA

Transport in Tanzania includes road, rail, air and maritime networks. The major seaports of Tanzania Mainland are Dar es Salaam, Tanga and Mtwara. Among the three ports, Dar es Salaam Port is the most active and important port for transit cargo for neighbouring landlocked countries of Zambia, Malawi, Rwanda, Burundi, Uganda and Congo.

The Dar es Salaam port has been performing well receiving goods almost all over the world. The roads towards land locked country were all up- graded and are up to standard hence making transport to be efficiently. Tanga Port is presently important for Tanzanian imports and exports but in future with the construction of the joint railway system between Tanzania and Uganda, it could be a significant port for transit cargo for Uganda, Sudan, etc.

4.2 There also exists Two railway systems in Tanzania namely Tanzania Railway Corporation (TRC) and Tanzania Zambia Railway Authority (TAZARA). There is an upgrading of the railways system to Standard Gauge which is on progress now. TRC central line has a total length of 1250 km starting in Dar es Salaam to Kigoma and it serves Eastern Congo, Burundi and Rwanda. TAZARA is jointly owned by the Government of Tanzania and Zambia and constitutes an important component of the regional network linking the SADC member states. The length of the rail track is 1866 km. TAZARA serves Zambia, Malawi and Congo. Mbeya is an important terminal on TAZARA serving transit cargo for Malawi.

Currently, the road network accounts for about 90 percent of internal freight traffic and contributes 5 percent of the total GDP. 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. As of to date the Government is continuing implementing construction of roads including the upgrading of a 144km road section connecting Dar es salaam to Chalinze. The rehabilitation of the road

system should greatly ease the transport problems in the country and facilitate road transportation of transit cargo to neighboring countries. With the above upgrades the project will run smoothly as there will be reduction of wear and tear on his trucks.

4.0 THE MARKET ANALYSIS

4.1 Demand for Trucking Facilities

4.1.1 The demand for transit transport facilities is made up of neighbouring countries imports and exports passing mainly through Dar es Salaam, which is the major port for international traffic. Tanzania serves the neighboring countries of Rwanda, Uganda, Burundi, the Democratic Republic of the Congo (DRC), Zambia and Malawi to export and import goods through the port of Dar es Salaam. Main commodities being transported comprise consumer goods, agricultural inputs, food vegetable oil, gas oil and various types of minerals.

4.1.2 The total cargo traffic at the major ports of DSM and Tanga experienced an increase due to the fact that many international ships call at DSM and Tanga Port. There is a major improvement of the Dar es Salaam port. Cargo handled by Tanzanian ports increased by 14.9% to 19.8 million tons in the 2022 year as businesses rebound from the COVID-19 outbreak from 17.19 million tonnes which were handled during the same period of the year 2021. The second-highest cargo volume was handled at the Tanga port that recorded in 2022 an improvement of 16.9% to 942,000 tonnes from 806,100 tonnes in the year 2021.

Also, Mtwara Port recorded the highest improvement with cargo volume more than doubled to 592,400 tonnes by year-end in June 2022 from 177,400 tonnes in 2020/2021. This was because of an increase in the shipment of cashew nuts and coal.

4.2 Supply of Transportation Facilities

Land locked countries are likely to continue using Dar es Salaam port for most of their transit cargo because of the stable political situation in Tanzania, and the increasing efficiency of Dar es Salaam port, TAZARA and improved road system in Tanzania. 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. The number of ship calls involving mainly deep-sea ship at

the port of Dar es Salaam has risen and hence a rise in the number of ship calls 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. Dar-es salaam port has also increase performance/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.

4.3 Competition

The government is determined to increase the contribution of exports to the country's GDP and is investing in its transport infrastructure to lift the capacity of the various modes to handle greater volumes. Tanzania is increasingly positioning itself as a freight, transport and shipping hub in East Africa, offering a gateway to landlocked countries in the region. Removal of non-tariff barriers has also played an important role for the efficient transport of long-distance freight. Harmonization of rules and regulations between countries is in place hence promoting the flow of goods and services between neighboring countries.

APOLLO LOGISTICS TZ LIMITED with **50** 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.

5.0 PROJECT IMPLEMENTATION SCHEDULE

The critical activities are securing finance to purchase or acquiring 50 transport trucks/trailers. Also, other important activities include communication facilities, completion of infrastructure facilities and some of above the activities are to be carried out concurrently.

5.0 MANAGEMENT AND ORGANISATION STRUCTURE

5.1 Organisation

APOLLO LOGISTICS TZ LIMITED is organised directly under the Shareholders, who form part of Board of Directors. The Board of Directors is responsible in formulating policies, rules, regulations and planning aspects to ensure that transport system and the related activities meet the requirements the company and that it is operating on profitable basis.

Given the size and complexity of transit cargo business, the company has two directors who regularly report to Chairman and Board of Directors through the Managing Director (MD) on targets and performance of the company in their respective sections. One of the Directors deals in sales and marketing and the other one involved in operations and logistics. These two directors are in a position to advise the MD and Chairman on future orientation of the company.

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.

The Operations Manager as head of the operation department, deals with all matters on road transport system, vehicle servicing and maintenance. Also undertakes all welfare activities of the workers under his department.

Chief mechanic is the head of engineering department dealing and managing, servicing and maintenance of trucks and similar heavy equipment. Among others things, this includes automotive mechanics, automotive electrical, storage of spare parts, crane forklift mechanics. Financial Controller is the Management chief

adviser in all matters pertaining to finance of the company. He heads the accounts department. The senior accountant assists him.

5.2 Manpower Requirements

To improve its transport system the company expects to employ 70 people. Out of these 50 will be truck drivers. The company will recruit truck drivers and turn boys and all are expected to have strong background in transportation. Other news staff especially in the Operation Department is also expected to have some knowledge in transportation sector. However, all employees are expected to receive on-the-job training. All key staff is to be employed 1-2 months before the Company acquires the additional trucks and trailers.

6.0 FINANCIAL ANALYSIS

6.1 PROJECT COST AND FINANCING PLAN

6.1.1 Estimated Project Cost

The total project cost is estimated at US\$ **3,820,000**. This covers the additional investments required to cover both modernization and the proposed expansion. The breakdown of these investments is as outlined below.

US\$

	LOCAL	TOTAL
Land & Building	600,000	600,000
Motor vehicle	2,750,000	2,750,000
Workshop equipment's	100,000	100,000
Furniture and fixture	50,000	50,000
Pre-operation & Expenses	20,000	20,000
Others	200,000	200,000
Working capital	100,000	100,000
Total	3,820,000	3,820,000

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.

6.2 Proposed Financing Plan

It is proposed that the project be financed as follows:

	US\$
Sponsors equity	3,820,000
Total Financing	3,820,000

6.2 Revenue Assumptions

The basic revenue underlying the projected revenue is detailed below:

6.2.1 Basic Revenue Assumptions

- 1) The project will operate total fleet of **50** trucks/trailers by the sixth year.
- 2) The entire fleet is deployed to haul mainly international transit cargo only with 0% return cargo.
- 3) Due to the long distances involved and condition of roads, the load factor is assumed at 90%. Freight rates have been conservatively estimated at US\$ 15,000per Truck
- 4) 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.
- 5) The round trip is estimated to be 45 days to the neighbouring countries

6.2.2 Freight Revenue

Based on the above revenue assumptions, the trucks will realise earnings for the company of about US\$ 2.4 million in the first year This is expected to increase to US\$4.8 million in year 4 and onwards.

6.2.3 Operating Costs and Assumptions

6.2.4 Direct Cost

The major direct operating costs have been estimated to be 60 % of the total revenue:

6.3 Projected Profit and Loss Accounts

From the foregoing freight revenue and operating cost assumptions, the projected profit and loss accounts are presented. The accounts clearly demonstrates that the project will be very profitable after acquiring new trucks with pre-tax profits of about USD 1.185 million from year 4 of operation onwards.

6.4 Projected Cash flow

Substantial cash surpluses will accrue to the project right from year1. The strong liquidity position confirms the project's ability to meet all financial obligations.

6.5 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 started rising from year eight.

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7.0 ECONOMIC DEVELOPMENT CONSIDERATIONS

7.1 Employment Creation

The project will create approximately 70 jobs

7.2 Foreign exchange Earnings

As most of the payments will be made in foreign currency and therefore the project will contribute the much-needed foreign exchange earnings.

7.3 Economies of Scale

Profitability is greatly affected by economies of scale. The project will be profitable with subsequent to **50** trucks which will improve communication and infrastructure facilities in Tanzania.

7.4 Development Aspects

The following are the major economic and social benefits, which will be generated by proposed project.

- Revenue to the Government and other organs in the form of taxes, fees and levies.
- Increase in employment opportunities.
- Earnings of foreign exchange because of the project's active engagement in the transit trade
- Facilitate in increase improvement and availability of the freight haulage services especially in the transportation of raw materials, fuels, crops and finished products to and from markets.

8.0 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\$. **3,820,000.**

In order to maintain the cargo transportation company, government authorities, port operators, warehouses, and freight transport providers will have to play a key role in ensuring that the project will be realized. It is therefore recommended that the project is commercially, financially and economically viable and all interested party will have to give their full support.

ANNEXTURE AND APPENDICES

APOLLO LOGISTICS TZ LIMITED

INVESTMENT COST

US\$

	LOCAL	TOTAL
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Motor vehicle	2,750,000	2,750,000
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Furniture and fixture	50,000	50,000
Pre-operation & Expenses	20,000	20,000
Others	200,000	200,000
Working capital	100,000	100,000
Total	3,820,000	3,820,000

APOLLO LOGISTICS TZ LIMITED

Project's Financing Plan

USD

Item/Funds	Equity	TOTAL
Capital Cost	3,820,000	3,820,000
Total Capital Cost	3,820,000	3,820,000

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PROJECTED DEPRECIATION SCHEDULE

US\$000

Item/year	%	Amount	1	2	3	4	5	6	7	8	9	10
Land and Buildings	4	600	24	24	24	24	24	24	24	24	24	24
Motor Vehicles	25	2,750	688	688	688	-	-	-	-	-	-	-
Machinery & Equipment	12.5	100	13	13	13	13	13	13	13	-	-	-
Furniture & Fixtures	12.5	50	6	6	6	6	6	6	6	6	-	-
Pre-Operational Expenses	20	20	4	4	4	4	4		-	-	-	-
TOTAL			735	735	735	735	47	43	43	30	24	24

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PROJECTED INCOME STATEMENT

US\$000

Item/year	1	2	3	4	5	6	7	8	9	10
Sales Revenue	2,400	3,360	3,840	4,800	4,800	4,800	4,800	4,800	4,800	4,800
COST OF SALES	1440	2016	2304	2880	2880	2880	2880	2880	2880	2880
Sub Total Cost of Sales	1440	2016	2304	2880	2880	2880	2880	2880	2880	2880
GROSS PROFIT	960	1344	1536	1920	1920	1920	1920	1920	1920	1920
Gross Operating Profit	960	1344	1536	1920	1920	1920	1920	1920	1920	1920
Capital & Finance Charges Depreciation	735	735	735	735	47	43	43	30	24	24
Sub Total	735	735	735	735	47	43	43	30	24	24
PROFIT BEFORE TAX	225	609	801	1,185	1,873	1,873	1,873	1,890	1,896	1,896
Taxable Income Corporation Tax at 30%	67.5	183	240	356	562	562	562	567	569	569
PROFIT AFTER TAX	157	426	561	829	1,311	1,311	1,311	1,323	1327	1327
Profit Brought Forward	157	583	1,144	1973	3284	4,595	5,906	7229	8,556	9,883

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PROJECTED CASHFLOWS

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Item/year		1	2	3	4	5	6	7	8	9	10
CAPITAL INFLOW											
Present Equity Capital	3,820-	-	-	-	-	-	-	-	-	-	-
Additional Equity	-	-	-	-	-	-	-	-	-	-	-
Bank Overdraft		-	-	-	-	-	-	-	-	-	-
Bank Loan		-	-	-	-	-	-	-	-	-	-
Sub Total Capital Inflow	3,820	-	-	-	-	-	-	-	-	-	-
OPERATING INFLOW											
Profit before tax		225	609	801	1,185	1,873	1,873	1,873	1,890	1,896	1,896
Depreciation		735	735	735	735	47	43	43	30	24	24
Sub Total Operating Inflow		960	1,344	1,536	1,920	1,920	1,916	1,916	1,860	1,872	1,872
TOTAL INFLOW		960	1,344	1,536	1,920	1,920	1,916	1,916	1,860	1,872	1,872
CAPITAL OUTFLOW											
Investment	3,820	-									
Sub Total Capital Outflow	3,820	-	-	-	-	-	-	-	-	-	-
OPERATING OUTFLOW											
Taxation		68	183	240	356	562	562	562	567	569	569
Sub Total Operating Outflow		68	183	240	356	562	562	562	567	569	569
TOTAL OUTFLOW	3,820	68	183	240	356	562	562	562	567	569	569
NET CASHFLOW	-	892	1,161	1,296	1,564	1,358	1,354	1,354	1,293	1,303	1,303
OPENING BALANCE	-	-	892	2,053	3,349	4,913	6,271	7,625	8,979	10,272	11,575
CLOSING BALANCE	-	892	2,053	3,349	4,913	6,271	7,625	8,979	10,272	11,575	12,878

