

# **LACASA CARGO & HAULIERS LIMITED**

## **Proposed Project for Establishment of Cargo Transportation Facilities**

### **A BUSINESS PLAN: 2021/2026**

**Prepared for:**  
**Lacasa Cargo & Hauliers Limited**  
**Plot No. 9 Block 63 Livingstone Street, Kariakoo**  
**P.O. Box 3068**  
**Dar es Salaam**

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## 1.0 EXECUTIVE SUMMARY

### 1.1 INTRODUCTION

Lacasa Cargo & Haulier Limited is a newly registered local company incorporated mainly for purposes of carrying out cargo transportation operations to provide both domestic and transit cargo haulage services. The company was incorporated under Companies Act 2002 with Certificate of Incorporation No: 153467188 dated 16<sup>th</sup> September, 2021. The registered office of the company is located at Plot No. 9 Block 63 Livingstone Street, Kariakoo Ward, Dar es Salaam.

The company directors envisage establishing facilities for cargo transportation and are especially targeting to secure contracts with major import/export companies, mining companies, construction companies and oil and liquefied petroleum gas (LPG) marketing companies within the country and from neighbouring countries operating in East and Central Africa to transport their general cargo, petroleum products, aviation fuel, LPG to Burundi, Congo, Zambia, Malawi, Rwanda and Inland Tanzania.

### 1.2 CORE BUSINESS OF THE COMPANY

The company envisages offering cargo transport services by air, sea, road and rail. The company's special services include transport services (East, Central and Southern Africa). With time, the company also look at to venturing into container services; licenced customs bonded brokerage and bonded warehousing.

### 1.3 TARGET MARKETS

Lacasa Cargo & Haulier Limited plans to offer transport services with all centers among east, Central and southern African cities:

Tanzania	: Dar es Salaam, Arusha, Mwanza, Moshi, Kahama, Geita
Kenya	: Mombasa, Nairobi, Kisumu
Zambia:	Lusaka, Ndola, Kitwe, Kabwe
Uganda	: Kampala, Jinja
Burundi	: Bujumbura
Rwanda	: Kigali
DRC	: Lubumbashi
Malawi:	Blantyre, Lilongwe
Zimbabwe	: Harare

### 1.4 THE PROJECT

The project will mainly involve establishing a truck fleet by procurement of 20 units of heavy-duty trucks and trailers. In the sccond phase planned for fure, the company will secure land in the outskirts of the city for construction of a modern workshop building and installation of related facilities, a boundary wall and offices; but this is not in this business plan

## 1.5 THE PROJECT PROMOTERS

The project is being promoted by M/s Lacasa Cargo & Haulier Limited. This is a locally registered company incorporated on the 16th day of September under Certificate of Incorporation No. 153467188. The registered office of the company is situated along Livingstone Street at Ilala District, Dar es Salaam. The company's authorized capital is THs 100,000,000 divided into 1000 shares of TShs100,000/= each as distributed among two shareholders appearing in the table below:

S/No.	NAME AND ADDRESS OF SHAREHOLDER	NATIONALITY	NUMBER OF SHARES	SHAREHOLDING (%)
1.	Adil Mehboob Jivraj Dewji P.O. Box 3068 <b>Dar es Salaam</b>	Indian	980	98%
2.	Umeed Mohamedali Kassam P.O. Box 80400 <b>Dar es Salaam</b>	Tanzanian	20	2%

## 1.6 PROJECT INVESTMENT COST AND FINANCING PLAN

The total cost of the project is estimated at US Dollars 570,000- Including initial working capital requirements

The following is the summary of the capital investment cost estimated:

S/NO:	CAPITAL ITEM	COST (US\$)
1.	LAND, BUILDINGS, CIVIL WORKS AND STRUCTURES	18,000
2.	HEAVY DUTY MOTOR VEHICLES & SOPPORT VEHICLES	480,000
3.	MACHINERY, TOOLS AND EQUIPMENT	20,000
4.	FURNITURE AND OFFICE EQUIPMENT	12,000
5.	PRE-OPERATIONAL EXPENDITURES	10,000
6.	NITIAL WORKING CAPITAL REQUIREMENTS	30,000
	<b>GRAND TOTAL</b>	<b>570,000</b>

### Financing Plan

The promoters plan to finance the project costs in the following pattern:

Equity Contributions (48%) -----	US\$ 275,500-
Term Loan(s) (52%) -----	294,500-
<b>Total</b>	<b>US\$ 570,000-</b>

## 1.7 FINANCIAL INDICATORS

The following are some of the financial analysis highlights:

### 1.7.1 Profitability

Profitability after tax grows steadily over the years from US\$ 76, 557 in year 1 before reaching US\$ 216,569-- in year 5 as indicated in Annex VI (Profit and Loss Account Statement) attached

### 1.7.2 Liquidity

The projected cumulative cash balance over the years from US\$ 219,537- before reaching US\$ 859,460- in year 5 as appearing in Annex VI (Profit and Loss Account) attached. This shows a healthy position and demonstrates the ability of the company to meet financial commitments as they fall due, including debt servicing (repayment of principal loan and interest).

### 1.7.3 Payback period

The investment recoups itself in 4 years at 0% discounting rate. On the other hand, the dynamic payback period at the discounting rate of 8% is also computed at 4 years.

## 1.8 SOCIAL AND ECONOMIC IMPACT

1.8.1 The proposed project will result into the following social and economic impacts:

Increase the provision of high quality services in the distribution of containerised & break bulk cargo.

1.8.2 Increased availability of quality distribution and marketing products along side competitive prices of these products will result in increased healthy competition among all trading and manufacturing companies.

1.8.3 The proposed expansion project of the fleet of trucks investment in this sector will provide employment for about 35 Tanzanians.

1.8.4 The Government and other agencies will benefit form various taxes, fees and commissions that will be paid to the Treasury etc. by the company.

## 1.8 CONCLUSION AND RECOMMENDATIONS

The Executive Summary highlights indicate that the proposed project will be financially and economically viable. The project will generate significantly to the social and economic progress by way of increasing the provision of reliable sales and distribution of the various products including petroleum, aviation fuel, industrial products and building & construction materials in the country. It is recommended that the project be accorded the required institutional and financial support to pave the way for its expeditious establishment and development.

## 2.0 THE PROJECT

### 2.1 PROMOTERS

The project is being promoted by Lacasa Cargo & Haulier Limited based in Dar es Salaam. This is a private company incorporated for purposes of carrying out cargo transport operations to provide both domestic and transit cargo haulage services. The company was incorporated on 16th September 2021 under Certificate of Incorporation No. 153467188 with Authorized Share Capital of TShs 100,000,000/= divided into 1,000 shares of TShs 100,000/= each.

The registered office of the company is situated along Livingstone Street at Ilala District, Dar es Salaam.

The shareholders of the company are:

S/No.	NAME AND ADDRESS OF SHAREHOLDER	NATIONALITY	NUMBER OF SHARES	SHAREHOLDING (%)
1.	Adil Mehboob Jivraj Dewji P.O. Box 3068 Dar es Salaam	Indian	980	98%
2.	Umeed Mohamedali Kassam P.O. Box 80400 Dar es Salaam	Tanzanian	20	2%

The above-mentioned shareholders are people who are qualified in skills of business management and both have acquired vast business experience in the transportation sector for both containerised and break bulk cargo.

### 2.2 THE PROJECT ACTIVITIES

M/s Lacasa Cargo & Haulier Limited plans to establish and operate a modern cargo transportation fleet of heavy-duty vehicles for haulage of both containerised and break bulk cargo, and procurement of communication and truck monitoring and control facilities. The project will involve procurement of the following:

### 2.3 Capital Investment Structure

In summary, the project entails the following:

S/NO:	CAPITAL ITEM	COST (US\$)
1.	LAND, BUILDINGS, CIVIL WORKS AND STRUCTURES	
	Office Building refurbishing and partitioning	18,000
2.	HEAVY DUTY MOTOR VEHICLES	
	15 Units Heavy Duty Trucks and Semi trailers	435,000
3.	SUPPORT VEHICLES	
	Pick-ups Trucks/Patrol vehicles	45,000

	<b>Sub total (2 &amp; 3)</b>	<b>480,000</b>
4.	MACHINERY, TOOLS AND EQUIPMENT	
	Communication & Truck Monitoring & Control Equipment	20,000
5.	FURNITURE AND OFFICE EQUIPMENT	12,000
6.	PRE-OPERATIONAL EXPENDITURES	10,000
7.	NITIAL WORKING CAPITAL REQUIREMENTS	30,000
	<b>GRAND TOTAL</b>	<b>570,000</b>

### Financing Plan

The promoters plan to finance the project costs in the following pattern:

Equity Contributions (48%) -----	US\$ 275,500-
Term Loan(s) (52%) -----	294,500-
<b>Total</b>	<b>US\$ 570,000-</b>

## 2.4 Depreciation And Amortization Schedule

### Capital Invested (US\$)

CAPITAL ITEM	CUMMULATED INVESTMENT (US\$)					
	Amount	Year 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Office Building	18,000	18,000	18,000	18,000	18,000	18,000
Equipment/Tools	20,000	20,000	20,000	20,000	20,000	20,000
Motor Vehicles	480,000	223,000	364,000	480,000	480,000	480,000
Furniture/Office Equipment	12,000	12,000	12,000	12,000	12,000	12,000
Pre-op Expenses	10,000	10,000	10,000	10,000	10,000	10,000

### Annual Depreciation/Amortization (US\$)

CAPITAL ITEM	Scrap Value	RATE	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Office Building	50%	5%	450	450	450	450	450
Equipment/Tools	35%	12.5%	1,625	1,625	1,625	1,625	1,625
Motor Vehicles	20%	20%	35,688	58,240	78,400	78,400	78,400
Furniture/Office	12.5%	35%	975	975	975	975	975
Pre-op Expenses	0%	20%	2,000	2,000	2,000	2,000	2,000
<b>Total</b>			<b>38,738</b>	<b>61,290</b>	<b>81,450</b>	<b>81,450</b>	<b>81,450</b>

**Net Book Values**

CAPITAL ITEM	Amount	CUMMULATED INVESTMENT LESS DEPRECIATIONS (US\$)					
		YEAR 0	Year 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
<b>Office Building</b>	18,000	18,000	18,000	18,000	18,000	18,000	18,000
Cumulated Depreciation		0	450	900	1,350	1,800	2,250
Net Book Value		18,000	17,550	17,100	16,650	16,200	15,750
<b>Equipment/Tools</b>	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Cumulated Depreciation		0	1,625	3,250	4,875	6,500	8,125
Net Book Value	20,000	20,000	18,375	16,750	15,125	13,500	11,875
<b>Motor Vehicles</b>	480,000	480,000	223,000	364,000	480,000	480,000	480,000
Cumulated Depreciation		0	35,688	58,240	78,400	78,400	78,400
Net Book Value		480,000	187,312	305,760	401,600	323,200	244,800
<b>Furniture/Office Equipment</b>	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Cumulated Depreciation		0	975	1,950	2,925	3,900	4,875
Net Book Value	12,000	12,000	11,025	10,050	9,075	8,100	7,125
<b>Pre-op Expenses</b>		10,000	10,000	10,000	10,000	10,000	10,000
Cumulated Depreciation		0	2,000	4,000	6,000	8,000	10,000
Net Book Value		10,000	8,000	6,000	4,000	2,000	0

**NET BOOK VALUE OF ASSETS**

CAPITAL ITEM	NET BOOK VALUES (US\$)					
	YEAR 0	Year 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Office Building	18,000	17,550	17,100	16,650	16,200	15,750
Equipment/Tools	20,000	18,375	16,750	15,125	13,500	11,875
Motor Vehicles	480,000	187,312	305,760	401,600	323,200	244,800
Furniture/Office Equipment	12,000	12,000	11,025	10,050	9,075	8,100
Pre-op Expenses	10,000	8,000	6,000	4,000	2,000	0

## 2.5 Loan Repayment and Interest Charges

	YEAR 0	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Loan Amount	294,500					
Instalments (5)		58,900	58,900	58,900	58,900	58,900
Loan Balance	294,500	235,600	176,700	117,800	59,900	0
Interest (8% on remaining Balance)		23,560	18,848	14,136	9,424	4,792
<b>Total Payments</b>		<b>82,460</b>	<b>77,748</b>	<b>73,036</b>	<b>68,324</b>	<b>63,692</b>

### COMMUNICATION EQUIPMENT

The company plans to invest a significant amount in procurement and installation of modern communication technology including the use Tacho Graphs and Tacho Charts as well as the use of Global Positioning System (GPS) to enable the company to instantly locate their trucks in transit. This will make it possible to identify problems that the drivers are facing far away from their bases, so that any breakdown or accident would be reported to the firm's base in, Dar es Salaam upon which a solution would be identified and despatched.

They are also planning to procure and install Radio Calls in each truck and patrol vehicles, as well a Base Calls. This technology will increase the company's ability to meet delivery times.

## 2.6 Project Location and Infrastructure

The registered office of the company is located at Plot No. 9 Block 63 Livingstone Street, Kariakoo Central Business District in Ilala District, Dar es Salaam. This location is very ideal for the project as it is located close to the port and Industries. The Dar es Salaam Port is only a few kilometers drive away from the head office, making it very convenient to collect transit goods at the port before haulage to the neighbouring countries or upcountry regions. The major oil supplying companies have their oil installations in the neighbourhood, making it very convenient for the wet cargo transport business as well.

## 2.7 SALES REVENUE FORECAST AND DIRECT COST ESTIMATES

### 2.7.1 Sales Forecast

**Assumption:** Each truck will generate average revenue of US\$ 6,000- per month. This revenue is estimated from the directors own research and vast practical experience of in the industry. As at now, the company will develop a fleet of 15 trucks including 40' semi trailers with a total loading capacity of 450 metric tons at any given time.

YEAR	No. of Units	Average Revenue per Unit per Month	Total Revenue per Annum (US\$)
2022	7	6,000	504,000
2023	7 + 4 + 11	6,000	792,000
2024	11+4 = 15	6,000	1,080,000

## 2.7.2 Operating Cost Estimates

### 2.7.2.1 DIRECT COST ESTIMATES (IN US\$)

	COST ITEM	YEAR 1	YEAR 2	YEAR 3 onwards
1	FUEL 1700 Ltrs per Trip x 1½ Trips per Month x No. of Trucks x 12 Months x US\$ 0.90 per Litres (estimated at 25% of annual sales revenue)	126,000	198,000	270,000
2	OILS, LUBRICANTS AND OTHER SERVICING MATERIALS Running kms per truck p.m. = 1581 km x 2 x 1½ Trip = 4743 Km Running Km per Truck x No. of Trucks x 12 Months ÷ 10,000 km for each Service = No. of Services p.a .x US\$. 150- per Service	5,850	9,300	12,750
3	REPAIR & MAINTANANCE US\$ 250- per Truck per Month x No. of Trucks x 12 Months	21,000	33,000	45,000
4	TYRES, TUBES (RE-TREADING & REPLACEMENTS) Rate US\$ 225- per Tyre. Tyre Life-Span =388,926 Kms Cost = tyre price x No. of tyres per truck (14) p.a	22,050	34,650	47,250
5	ROAD TOLL & ALLOWANCES US\$ 555 per Trip x 1½ Trip per Month x No. of Trucks x 12 Months	69,930	109,890	149,850
6	SALARIES & WAGES FOR TRUCK Estimated at 10% of Annual Revenue	50,400	79,200	108,000
7	LABOUR OVERHEAD COSTS (Social Security Fund contributions, SDL, Medical Health Allowance etc) – estimated at 20% of Annual Salary Bill	10,080	15,840	21,600
	<b>TOTAL OPERATION COSTS</b>	<b>305,310</b>	<b>479,880</b>	<b>654,450</b>

### 2.7.2.2 Administrative Cost Estimates (US\$)

	COST ITEM	YEAR 1	YEAR 2	YEAR 3 onwards
1	Office Rent	1,600	1,600	1,600
2	Fleet Parking Space Charges/Rent	1,225	1,925	4,125
3	Water and Electricity Charges	600	600	600
4	Permits, Authorizations and Operating Licences	2,000	2,000	2,000
5.	Miscellaneous Expenses	21,600	21,600	21,600

### 2.7.2.3 OPERATING COSTS SUMMARY

	<b>COST ITEM</b>	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3 onwards</b>
1.	Direct Costs	305,310	479,880	654,450
2.	Administrative Costs	27,025	27,725	29,925
	<b>TOTAL</b>	<b>332,335</b>	<b>507,605</b>	<b>684,375</b>

### **3.0 MARKET AND MARKETING ASPECTS**

#### **3.1 A General Overview**

There is a wide market for domestic as well as transit cargo transport. Likewise, the market for transportation of consumer goods, building and construction materials is huge, especially for the industrial manufacturers, rural road contractors and builders in general as well as the mining industry. and oil and liquefied petroleum gas (LPG) marketing companies within the country and from neighbouring countries operating in Eastern, Central and Southern Africa to transport their general cargo, petroleum products, aviation fuel, LPG to Burundi, Congo, Zambia, Malawi, Rwanda and Inland Tanzania.

The company is currently planning to enter into contract with Tanzania Road Haulage (TRH) for transportation of copper from Zambia to Dar es Salaam Port. TRH transports about 90% of all copper exports in Zambia. It can therefore be expected that the sponsors would not face marketing and operational problems in managing the proposed project.

The ports of Dar es Salaam, Mtwara, Tanga and Mombasa have recently been undergoing major rehabilitation, modernisation and expansion so as not only to be able to compete with South African ports in handling the East, Central and Southern African import and export trade but also, as a strategy for meeting the national demands for cargo handling that have grown steadily following expansion of agricultural, mining and industrial activities especially in Tanzania. These factors would provide the proposed freight haulage project the necessary condition for its soft establishment and expansion of its future operations.

Lacasa Cargo & Haulier Limited will endeavour to achieve the projected sales for both domestic and transits business in the neighbouring countries of Kenya, Rwanda Burundi and Eastern parts of the Democratic Republic of Congo, Uganda and Eastern parts of Zambia as well as South Africa.

#### **3.2 Facts About Cargo Haulage Service in Tanzania**

##### **3.2.1 Capacity in Cargo Handling (Country Overview)**

Tanzania surface transport system consists approximately 44,000 km of earth, gravel and tarmac road. The road also contributes about 65% of main trunk kilometres in the country. In view of this, there is need for improving the road haulage industry and hence enhancement of economic well being of the country.

One major problem of road transport in the country was poor condition of many roads. However, the government alongside World Bank funding, has managed to rehabilitate main trunk roads in the country at the moment and this move is expected to alleviate the existing problems.

Hence, there is a great potential for development of road haulage in the country due to limited slow growth potential railways. Development of road transport is therefore essential for purposes of enhancing easy movement of inputs and consumer goods in the country. Road transport is also important in so far as

transport of transit cargo is concerned particularly as regards south, north and central corridors for containerised goods.

The expansion project aims at capturing the transit cargo passing through Dar es Salaam corridor DRC, Burundi, Uganda and Rwanda and later on to other land locked neighbouring countries. The major users of the Dar es Salaam transit corridors are Zambia, DRC, Malawi, Rwanda, Burundi and recently Uganda. The transit and inter-regional goods can be segmented as follows:-

- Transit goods destined for southern corridors of Malawi and Zambia, north and central corridors of DRC, Rwanda, Burundi, Uganda;
- Inter-regional goods which include Southern highlands of Mbeya, Iringa, Ruvuma and Rukwa;
- Central Zones of Morogoro, Dodoma, Mwanza, Tabora and Mara;
- Northern zones of Mwanza, Arusha and Kilimanjaro
- Inter-regional Demand

Inter-regional demand refers to all goods crossing regions in all directions. Inter regional transport demand for southern zone is served by trunk roads and Tanzania Zambia Railways Authority (TAZARA) while the north and central zones are served by Tanzania Railway Corporation (TRC) and trunk roads. The major commodities that are transported by road to these regions include consumer goods, fuel, farm inputs and industrial inputs.

Demand for transport to haul goods to the regions is highly seasonal. High demand normally occurs from July to December during harvesting, crop collection and supply of farm inputs transportation demand declines in January and remains low up to June.

### **3.2.2 Supply of Transport Equipment**

According to the market survey, there has been a shift of ownership in recent times of transport projects from those owned by Parastatal Organisations and Co-operative Unions such as Regional Transport Companies (RETCOs) to those operated and owned privately. The supply of goods transport in the region is represented by a fleet of commercial cargo carrying vehicles with average capacities of 30 tons and above operating within the regions, intra-regional and inter regional routes.

### **3.3 Transit Traffic**

Tanzania acts as a transit country for the landlocked countries of:

- Zambia
- DRC
- Malawi
- South Africa
- Rwanda
- Burundi
- Uganda

### **3.3.1 Individual Country Prospectus**

#### **3.3.1.1 Rwanda and Burundi**

Most of Burundi's exports and imports are already passing through the Dar es Salaam port. Rwanda's transit traffic keeps on changing from time to time. The new government focus on infrastructure development and the transit cargo is increasing day-by-day.

#### **3.3.1.2 Uganda**

Uganda has of late substantially increased its international trade through Dar es Salaam.

#### **3.3.1.3 Democratic Republic of Congo (DRC)**

DRC uses Tanzania as their transit country mainly for exports of their copper and other minerals plus imports of consumer and semi finished goods.

There are five principal routes available to DRC copper exports:

- Lobito in Angola
- Matadi in DRC
- Dar es Salaam via Kigoma or Kasumbalesa-Tunduma-Dar route
- Beira and Maputo via Zambia and Rwanda
- East London in South Africa via Zambia and Rwanda

The Dar es Salaam port accounts for huge share of DRC's foreign trade. Road transport ranks first in so far as goods destined to DRC are concerned. Main products handled include oil products and general cargo namely; industrial chemicals, foodstuffs, cotton and machinery.

#### **3.3.1.4 Malawi**

Malawi depended heavily on the ports of Macala and Beira in Mozambique but civil war disrupted the flow of traffic from the two ports since 1982. As a result Malawi transit goods have been diverted to Dar es Salaam, with the subsequent construction of container depots and other goods (both imports and exports) near Dar es Salaam port and in Mbeya.

However, because of the ravages of civil war in Mozambique, it can be assumed that the Nacala and Beira route would not be used by Malawi in the foreseeable future. In view of this fact, it is possible that around 40% of Malawi's overseas trade would be routed through Dar es Salaam port and the rest through Durban in South Africa. Even in a situation in which the traditional routes become available again, it is anticipated that around 20% of the overseas trade would continue to be allocated to Malawi's northern corridor.

However, expansion of the Dar es Salaam port container handling facility, improvement of the Dar-Mbeya highway and construction of the new cross border road between Tanzania and Malawi may still filter the traffic towards Dar es Salaam. This refers to such traditional exports traffic such as sugar, Tea and tobacco which are expected to be routed through Dar es Salaam in

preference to shipment via Durban in South Africa. Tea and tobacco exports are containerised whilst sugar is assumed to continue to travel as break-bulk. Presently 10% of Malawi's overseas trade passes through its northern corridor to Tanzania and is expected to increase overtime. The proposed project is mainly based on the Dar es Salaam Kigali and Mombasa Kigali routes. Although the Dar-Malawi-Dar is considered to be the main route, cargo destined or originating to/from other neighbouring countries would also be handled depending on the situation at any point in time.

#### **3.3.1.5 Zambia**

The level of transit traffic handled by Zambia through the Dar es Salaam port has reasonably been constant over the previous years. A big portion of north bound traffic is handled by road while less than 10% of transit traffic is handled by TAZARA.

### **3.4 Market Base**

As already stated, road transportation of cargo basically involves movement of trucks of agricultural produce, agricultural inputs, building materials, soft drinks, beer, timber, consumer goods, industrial raw materials like gypsum, fuel, coal etc. Domestic road transportation of cargo is basically classified into intra-regional and inter-regional transport.

Intra-regional transport demand involves transportation of goods within the region which may be inward demand which refers to movement of goods from rural areas to urban centres, rail heads and factories or it may be outward demand which refers to movement of goods to rural areas. Inter-regional demand of transport includes movement of goods across borders of a particular region to and from. The movement of goods to and from across borders of the country is referred to as international transport demand.

Lacasa Cargo & Haulier Limited will adhere to the company's basic objectives for which it is established; that is, to strengthen transportation related to agriculture and support building and construction activities (especially that related to rural road construction) in order to serve more efficiently the rural population with a basic view of improving agricultural production and stimulating and supporting other economic activities. Besides intra-regional and inter-regional operations, the company plans to go into international operations to serve the landlocked neighbouring countries.

Lacasa Cargo & Haulier Limited has an open eye on the vast opportunities that exist in the intra-regional and inter-regional transport. As stated earlier, the directors of the company have a wealth of long experience in the transportation industry in Tanzania. The project therefore targets transportation of agricultural produce in Mtwara, Lindi, Iringa, Mbeya Ruvuma, Dodoma, Tanga, Kilimanjaro, Arusha etc first from the fields to the markets and thereafter to rail heads and/or directly to the processing plants or to the consumers. The project also targets transportation of tobacco and other agricultural inputs to these regions. The directors have well established ties with the major tobacco companies such that

acquiring transport tenders will not be a problem, and demand for the crop haulage services is huge.

Other targeted markets are transportation of building materials like cement (from Mbeya Cement Company to Dar es Salaam and other neighbouring regions markets, steel (from Dar es Salaam manufacturers to the regions), timber (from Sao Hill to Dar es Salaam and neighbouring regions) and movement of industrial raw materials like gypsum for Mbeya Cement Company and coal from Kiwira Coal Mines.

Lacasa Cargo & Haulier Limited will also be involved in transportation of building and construction materials. They are especially targeting road construction and specifically rural roads construction, rehabilitation and maintenance projects. The directors have already started developing good connections with TANROADS for business purposes. Likewise, they plan to be well connected to rural roads projects authorities in Iringa, Mbeya, Ruvuma, Tanga, Kilimanjaro, Arusha and other regions.

The other major targets in domestic transportation are in securing contracts to transport mining machinery and equipment for major mining and drilling companies around the Lake Victoria basin. Also, there is scope for securing transportation contracts from UN bodies such as the World Food Programme, United Nations High Commission for Refugees, etc. The directors have already made contacts to the potential customers in these areas and so far response has been very encouraging.

On the International Transport arena, operating projections assume that the project would operate on the Mombasa and Dar es Salaam routes to Kigali, Bujumbura and Lubumbashi. However, initially the project will mainly operate on the Mombasa – Dar es Salaam, Dar es Salaam – Zambia, Dar es Salaam – Malawi, Dar es Salaam - DRC and Dar es Salaam – Burundi routes where the project promoters have managed to establish contacts with a view to secure contracts to transport transit cargo.

### 3.5 Freight Charges

The company plans to transport containerised cargo to serve neighbouring countries. The rates are as follows:

Country	RATE (in US\$)		
	1x20' (Light)	1x40'	1x20' (Heavy)
Zambia	2,700	5,000	4,650
DRC	3,600	6,700	6,500
Malawi	2,700	5,050	4,850
Rwanda	2,650	5,020	4,900
Burundi	2,720	5,200	5,100
Uganda	2,500	4,700	4,500

**Return Loads – average 25% quoted rate.**

Country	RATE (in US\$)		
	1x20' (Light)	1x40'	1x20' (Heavy)
Zambia	675	1,250	1,150
DRC	900	1,675	1,625
Malawi	675	1,250	1,200
Rwanda	650	1,250	1,225
Burundi	700	1,300	1,275
Uganda	625	1,175	1,125

**4.0 MANAGEMENT AND ORGANIZATION STRUCTURE****4.1 Management**

The company policy is to have adequate manpower to manage its operations efficiently. Lacasa Cargo & Haulier Limited believes in keeping on board only the very essential manpower strength, to develop them into highly motivated and sincere company team for the best and efficient operations of the company. The company will have a team of qualified and experienced functional managers in the areas of Operations/Marketing, and Finance & Administration. Other senior and middle level staff will be available for the start up and subsequent operations of the company. The personnel will be qualified, well-seasoned and most possessing considerable industrial experience.

**4.2 Management Policy**

The day to day operations will be managed by the General Manager, to be assisted by the Operations/Transport and Marketing Manager who will be the overall in charge of the fleet and marketing operations. On the other hand, the Transport Manager will be assisted by Maintenance Technician whose major responsibility will be to ensure the vehicles are road worthy at all times. The Company's fleet pool will therefore be professionally managed. The General Manager will manage the company under the policy guidance of the Board of Directors.

**4.3 Organizational Structure**

Once the company has well established the market its organizational structure will have to change to give it a corporate structure of freight Haulage Company. Therefore, the shareholders will have to embark on a meticulous manpower planning and recruitment, which will be preceded by a manpower consultant's report. It is proposed that the company's operations then be headed by the Managing Director under whom there will be a General Manager. Functional managers will assist the General Manager, that is: Operations/Marketing Manager, Workshop Manager, and Finance & Administration Manager.

The General Manager will be functionally responsible for achieving the Business plan prepared every year. He will also be responsible for the entire function of the company subject to policy guidance set. The Operations and Marketing Manager will be responsible for both the countrywide and regional wide sales and marketing for the service. The job responsibilities will include market planning and development, sales promotion and sales co-ordination.

#### COMPETENT PERSONNEL

The directors boast of being successful in various areas of businesses including transportation of both containerised and break bulk cargo as well as in the distribution of products elsewhere. They are currently in contract with Tanzania Road Haulage (TRH) for transportation of copper from Zambia to Dar es Salaam Port. TRH transports about 90% of all copper exports in Zambia.

They plan to recruit, train and retain highly competent management and technical team which will be instrumental to Lacasa Cargo & Haulier Limited in running the fleet. The day to day operations will be headed by an experienced General Manager to be assisted by a Transport Manager and Finance and Administrative Manager together with serious section supervisors.

## **5.0 FINANCIAL ANALYSIS**

### **5.1 Financial Viability**

The analysis of the proposed Lacasa Cargo & Haulier Limited transport expansion project shows that the project can generate a good profit and that it generates sufficient cash to meet its financial obligations. The review is given below under the following sub – sections:

Annex I: Capital Investment Structure

Annex II: Investment Cost Summary

Annex III: Loan Interest and Repayment Schedule

Annex IV Working Capital Schedules

Annex V: Trading Account

Annex VI: Profit & Loss Account

Annex VII: Sources and Uses of Funds

Annex VIII: Projected Balance Sheet

### **5.2 Fundamental Assumptions**

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

- 5.2.1 The operating period under which the viability of the project is being evaluated is 5 years.
- 5.2.2 The investment capital cost of the proposed project is estimated at US\$ 570,000 including initial working capital..
- 5.2.3 All the calculations throughout the economic lifetime of the project are constant with November 2021 being the base date
- 5.2.4 The projected operational costs are shown the Table under Section 2.3.2 above.
- 5.2.5 The main revenue source is from the charging freight rates. In the estimation of the revenue income, we have adopted an average market rate throughout the project period for both domestic and transit cargo destined to the land locked countries of Rwanda, Burundi, Democratic Republic of Congo and Northern Zambia and Malawi. Each truck is expected to cover a maximum of 5,000 kms per month.
- 5.2.6 The capacity utilization of the trucks has been estimated at 100% throughout the economic life of the project
- 5.2.7 Capital Expenditure has been assumed to be incurred for a continuous period of 3 years.
- 5.2.8 Economic depreciation rates based on useful lifetimes of the various capital items have been adopted. The following facts apply for the depreciation rates in this project:
  - Building and Civil Works are depreciated at 5% Straight line. Most buildings are supposed to last for over 25 years.

- Equipment/machinery and operating equipment 12.5% and therefore replacements are due after 8 years.
- Office equipment is depreciated at 12.5% and therefore replacements are due in the 8<sup>th</sup> year of operation
- Furniture and fittings are depreciated at 12.5% and due for replacement in the 8<sup>th</sup> year; and
- Pre-operational expenses are amortized and written off after 5 years. The write off therefore is 20%

The computation for depreciation is shown in the *Capital Assets Depreciation and Amortization Schedule*.

### **5.3 Working Capital Requirements**

Ideally, working capital requirements are directed by the volume and business tempo. Initially, the amount of US\$ 30,000- has been budgeted for this purpose.

### **5.4 Projected Profitability**

The projected profit and loss account is shown in the Net Profit and Loss Account under the Financial Projection Schedules attached. Based on the operating assumptions and cost the proposed investment, the project is expected to be profitable throughout the project period of five years. The Account indicates that profitability after tax grows steadily over the years from US\$ 76, 557- in year 1 before reaching US\$ 216,569-- in year 5 as indicated in Annex VI (Profit and Loss Account Statement).

### **5.5 Cash Flow Projection**

The liquidity performance of the project is shown under Profit and Loss Accounts in the Financial Projection Schedules attached. The projected cumulative cash balance grows steadily over the years from US\$ 219,537- in year 2, to US\$ 429,565- in year3, US\$ 642,891- in year 4 before reaching a climax of US\$ 859,460- in year 5 as appearing in Annex VI (Profit and Loss Account). This shows a healthy position and demonstrates the ability of the company to meet financial commitments as they fall due, including debt servicing (repayment of principal loan and interest).

The projections take into account the assumed sources and applications of funds over the planned period and show the ability of the project to meet financial obligations and capital expenditure requirements.

#### **Payback period**

The investment recoups itself in 4 years at 0% discounting rate. On the other hand, the dynamic payback period at the discounting rate of 8% is also computed at 4 years.

## 5.6 Financial Review

The financial review of the proposed Lacasa Cargo & Haulier Limited shows that:

- 5.6.1 The project is profitable
- 5.6.2 The liquidity position is sound and that it should be able to meet its financial commitments without any undue difficulty
- 5.6.3 The operations are financially viable
- 5.6.4 Break-Even Analysis

This has been well analyzed in figures under the of the Financial Projections as summarised in Annex VI (Profit and Loss Account).

### 5.6.5 Debt Service

The Debt Service Schedule as presented in the Financial Projections indicates that the Bank Loans of US\$ 294,500- with interest of 8% per annum secured at the start of the project will be fully repaid (Principal + Interest) by end of the 4<sup>th</sup> year of operation and there after the project will be able to run on its own funds.

It is therefore recommended that the project should go ahead as conceived in this report.

## 5.7 Developmental Aspects

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

- 5.7.1 Revenue to the government Treasury and other organs in the form of taxes, fees and levies
- 5.7.2 Increase in employment opportunities
- 5.7.3 Savings/earnings of foreign exchange because of the project's active engagement in the transit trade
- 5.7.4 Facilitate in increased improvement and availability of the freight haulage services especially in the transportation petroleum products and aviation fuel, raw materials, crops, building materials and finished products to and from markets.

With the liberalization of the economy in full swing the resultant industrial growth is expected to push up the demand for the transportation of industrial and consumer goods services considerably.

## 5.8 Environmental Aspects

Generally, Tanzania has environmental regulations governing the operation of garages, workshops, and storage of different kind of commodities and perishable goods. Nevertheless, each operator takes basic precautions to ensure that during

operations and in case of an accidental spillage or fire, damage to environment is limited to the minimum possible level.

## **6.0 CONCLUSION AND RECOMMENDATIONS**

The foregoing discussion highlights on the social, economic and financial dimensions, which the envisaged project is set to generate in this country. The brief financial analysis indicates that the project will be financially viable. Therefore, it is strongly recommended that the sponsors, Lacasa Cargo & Haulier Limited be availed with the required financial assistance so as to enable them expand the proposed project.

# Financial Projections

ANNEX I: CAPITAL INVESTMENT STRUCTURE (US\$)								
ITEM/YEARS		0	1	2	3	4	5	TOTAL
ASSETS								
Investment Assets								
<b>Buildings</b>								
Office Building Rehabilitations and Partitioning		18,000						18,000
<b>Machinery Equipment</b>								
Tools & modern Communication Equipment		20,000						20,000
<b>Motor Vehicles</b>								
Heavy Duty Trucks & Trailers		203,000	116,000	116,000				435,000
Support Vehicles		20,000	25,000					45,000
		<b>223,000</b>	<b>141,000</b>	<b>116,000</b>				<b>480,000</b>
<b>Furniture, Fixture and Office Equipment</b>		<b>12,000</b>						<b>12,000</b>
<b>Pre-operation Expenses</b>		<b>10,000</b>						<b>10,000</b>
<b>Initial Working Capital</b>		<b>30,000</b>						<b>30,000</b>
Annual Investment Increment			141,000	116,000				
TOTAL ASSETS		313,000	141,000	116,000				570,000

<b>ANNEX II: SUMMARIZED CAPITAL INVESTMENT COST (US\$)</b>							
<b>COST ITEM/YEAR</b>		<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Buildings		18,000					
Machinery		20,000					
Vehicles		223,000	141,000	116,000			
Furniture & Office Equipment		12,000					
Pre-operational Expenses		10,000					
Initial Working Capital		30,000					
<b>Total Invest. costs</b>		<b>313,000</b>	<b>141,000</b>	<b>116,000</b>	<b>0</b>	<b>-</b>	<b>0</b>
<b>Depreciation</b>							
Building (Scrap Value = 50%)	5%		450	450	450	450	450
Machinery Equipment	12.5%		975	975	975	975	975
Motor Vehicles	20.0%		35,688	58,240	78,400	78,400	78,400
Furniture & Office Equipment	12.5%		1,625	1,625	1,625	1,625	1,625
Pre-operational Expenses	20%		2,000	2,000	2,000	2,000	2,000
			<b>40,738</b>	<b>63,290</b>	<b>83,450</b>	<b>83,450</b>	<b>83,450</b>
<b>Depreciation vs Investment Capital</b>							
Cummulative Depreciation			40,738	104,028	187,478	270,926	354,378
Cummulative Investment		313,000	454,000	570,000	570,000	570,000	570,000
Book Value of the Assets		313,000	413,462	465,972	382,522	299,074	215,622
<b>ANNEX III: LOAN INTEREST AND REPAYMENT SCHEDULE(\$)</b>							
<b>Years</b>		<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Loan Receipt		294,500					
Loan Repayment	5 years		58,900	58,900	58,900	58,900	58,900
Loan interest	8%		23,560	18,848	14,136	9,424	4,792
Total Payment							
Loan Balance outstanding		294,500	235,600	176,700	117,800	58,900	-
<b>ANNEX IV: WORKING CAPITAL SCHEDULE(\$)</b>							
<b>Year</b>		<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Current Assets</b>							
Stock of materials			30,000	47,142	64,285	64,285	64,285
Stock of output			34,730	51,340	51,340	51,340	51,340
			64,730	98,482	115,625	115,625	115,625
<b>Current liabilities</b>							
Total W/C			64,730	98,482	115,625	115,625	115,625
Incremental W/C			33,752	17,143	-	-	-

ANNEX VII: SOURCES AND USES OF FUNDS (US\$)							
SOURCES & USES/YEAR		0	1	2	3	4	5
<b>Sources</b>							
Equity		275,500					
Loan		294,500					
Sales Revenue			<b>504,000</b>	<b>792,000</b>	<b>1,080,000</b>	<b>1,080,000</b>	<b>1,080,000</b>
Total Sources		570,000					
<b>Use of Funds</b>							
Total Invest. Costs		313,000	141,000	116,000	0	-	0
Total Operating costs			332,335	507,605	684,375	684,375	684,375
Incremental W/C			33,752	17,143	-	-	-
Loan Repayment			58,900	58,900	58,900	58,900	58,900
Loan interest			23,560	18,848	14,136	9,424	4,792
Tax at 30%	30%		32,810	61,277	90,011	91,425	92,814
Total Uses		<b>313,000</b>	<b>622,357</b>	<b>779,773</b>	<b>847,422.00</b>	<b>844,124</b>	<b>840,881</b>
Balance		-	(-118,357)	12,227	232,578	235,876	239,119
Balance/CF		-	(-118,357)	(-106,130)	126,448	362,324	601,443
Return to Equity		(-275,500)	(-118,357)	(-106,130)	126,448	362,324	601,443
NPV to Equity at 8%							
IRR to Equity							

ANNEX V: TRADING ACCOUNT (US\$)							
ITEM/YEAR		0	1	2	3	4	5
Materials			271,855	412,565	554,775	554,775	554,775
Salaries/Wages/Allowances			60,480	95,040	129,600	129,600	129,600
Total Operating Costs		-	332,335	507,605	684,375	684,375	684,375
Sales Revenue			504,000	792,000	1,080,000	1,080,000	1,080,000
<b>Trading Profit</b>			<b>171,665</b>	<b>284,395</b>	<b>395,625</b>	<b>395,625</b>	<b>395,625</b>
ITEM VI: PROFIT AND LOSS ACCOUNT(US\$)							
Years		0	1	2	3	4	5
Trading Profit			171,665	284,395	395,625	395,625	395,625
Total depreciation			38,738	61,290	81,450	81,450	81,450
Loan interest			23,560	18,848	14,136	9,424	4,792
			62,298	80,138	95,586	90,874	86,242
<b>Net Profit</b>			<b>109,367</b>	<b>204,257</b>	<b>300,039</b>	<b>304,751</b>	<b>309,383</b>
Cumm. Net Profit			109,367	313,624	613,663	916,414	1,227,797
Tax at	30%		32,810	61,277	90,011	91,425	92,814
<b>Net Profit After Tax</b>			<b>76,557</b>	<b>142,980</b>	<b>210,028</b>	<b>213,326</b>	<b>216,569</b>
Cumm. Net Profit after tax			76,557	219,537	429,565	642,891	859,460

**ANNEX VIII: PROJECTED BALANCE SHEET**

Years		-	1	2	3	4	5
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash C/F			(-118,357)	(-106,130)	126,448	362,324	601,443
Stock of materials			30,000	47,142	64,285	64,285	64,285
Stock of output			34,730	51,340	51,340	51,340	51,340
<b>Total</b>			(-53,627)	(-7,640)	242,073	477,949	717,068
<b>Investment Assets</b>							
Buildings		18,000	17,550	17,100	16,650	16,200	15,750
Equipment & Workin Toos		20,000	18,375	16,750	15,125	13,500	11,875
Motor Vehicles		480,000	187,312	305,760	401,600	323,200	244,800
Furniture & Office Equipment		12,000	11,025	10,050	9,075	8,100	7,125
<b>Total</b>		530,000	234,262	349,660	442,450	361,000	279,550
<b>TOTAL ASSETS</b>		530,000	189,635	342,020	684,523	838,949	996,618
<b>LIABILITIES AND EQUITY</b>							
<b>Current liabilities</b>							
<b>Other Liabilities</b>							
Loan outstanding		294,500	235,600	176,700	117,800	59,900	0
<b>Equity</b>		275,500	275,500	275,500	275,500	275,500	275,500
Cum. Net Profit after tax			76,557	219,537	429,565	642,891	859,460
<b>TOTA LIABILITIES AND EQUITY</b>		570,000	587,657	671,737	822,865	978,291	1,134,960