

# **BUSINESS PLAN**

*Prepared for:*

**K-LINK FREIGHTERS (T) LIMITED  
LINDI & LIVINGSTONE STREET  
ILALA DISTRICT  
DAR ES SALAAM**

<u>CONTENTS</u>	<u>PAGE</u>
Project Background	3
The Promoter	3
Organization & Management	5
The Market	5
Commercial Analysis	6
Technical Analysis	6
Financial Analysis	7
Economic Analysis	7
Conclusion	7
Key assumptions	8
<u>ANNEXES</u>	
Pricing Analysis	I
Cash Flow Analysis	II
Audited Accounts	III
Projected Income Statement	IV
Projected Balance Sheet	V

## **1.0. PROJECT BACKGROUND:**

**K-LINK FREIGHT (T) LIMITED** is an on-going business with offices located along corner of Lindi & Livingstone Street, Ilala District, Dar- Es Salaam-Tanzania. It is registered under the Companies Act, Act # 12, 2002 as company limited by shares.

The core business of the company is that of clearing & forwarding, transportation and cargo brokerage and consolidation services.

The transport section started with fewer number of trucks which are used to transport own customer goods, and sometimes hire other trucks from other transporters for the transportation of his in-house customer goods. The company started with two trucks and trailers which were bought using internally generally funds, and as the time goes on, the company managed to add another three trucks and trailers which were also bought using internally generated funds and as of to-date the company is having ten trucks and trailers on the road. The company has to increase its customer base where majority of the customer prefer the clearing and forwarding agent who clears the goods also handle the transportation of goods to the required destination as one stop centre for customer solutions. While payment from customers is guaranteed upon arrival of bill of lading, the promoter is sometimes unable to transport whole lots/container required by the customers where is compelled to hire from other transporters who sometimes are not reliable and occasionally there is no guarantee that goods will arrive safely. For this reason, the promoter is looking to add more trucks & trailers totalling to ten (10) units to be funded internally.

## **1.2. HISTORICAL BACKGROUND:**

**K-LINK FREIGHTERS (T) LIMITED** is a private company limited by shares registered under companies' act (Act # 12, 2002) of the laws of Tanzania with certificate of incorporation no.59580 issued on 13th March 2007.

Apart from being registered under the companies At (Act # 12, 2002), the company has got registration status with the following authorities:

- Registered for TIN (Tax Identification Number) by Tanzania Revenue Authority with number 105-712-243
- Business License No. 200000022628 issued by Ministry of Trade, industries and markets on 22<sup>nd</sup> September 2021.
- Value Added Tax -VAT issued by the Tanzania Revenue Authority on 15<sup>th</sup> November 2013.

## **1.3 ORGANIZATION AND MANAGEMENT**

The company is managed by two members who are Directors and shareholders of the company. These directors are; Mr. Dickson Urassa as the chairman and Managing Director of the company and Irene Urassa as Operation Manager. Under them, the directors are closely assisted by group of competent personnel ranging from semi skilled manpower to technicians. The Company has a Board of Directors which commands and directs a workforce of 35 people.

The company is lead by the Managing Director responsible for all day-to-day decisions, overall running of business, setting up business plans, monitoring implementation and achievements against set goals, financial planning and administration.

Since the company was established almost 15 years, the company has attended a big number of customers for both importation and export.

## **1.4 THE MARKET**

### **1.4.1 Market Analysis Summary**

In Tanzania, there is still a gap between demand for fast transport and logistics services and level of services so far offered.

### **1.4.2 Market Segmentation and Analysis**

Basically, there are two major markets:

The Government and Government Agency Market  
The Private Company Market

The Government markets

K-LINK FREIGHTERS (T) LIMITED has a comparative advantage on the government markets due to its well-developed linkage with excellent distribution network with partners, which provide accessibility to its customers. The following are the major customers for K-Link Freighters Limited in this market:

TANESCO –  
Ministry of Defence Forces-  
Ministry of Agriculture and Livestock Development  
National Food Grain Reserves  
Others-

The Private Company markets

Limited is dedicated in providing reliable and effective services to both corporate and retail customers. In this regard, retail customers are:

- Coca Cola Kwanza Limited
- World Food Programme
- SDV Transami.
- Z H Poppe
- African Cargo Services (T) Limited
- INARA Investment (T) Limited
- Unifreight (T) Limited
- I W L
- Polytra

### 1.4.3 Market Strategies

Experience from operating clearing and forwarding & logistics companies have shown that there is a combination of key success factors which a player like M/S K-LINK FREIGHTERS (T) LIMITED need to recognize and understand for efficient stay into the clearing and forwarding & logistics industry and also for the company to achieve sustainable operations. There is high competition as more players (small and corporate) enter into the industry. The Company has therefore designed comprehensive market entry strategies that will ensure a steady growth of its market share which stand at 4% of the market countrywide. The market shares has been arrived by taking total number of both government and private company customers and extract those who are served by K-LINK FREIGHTERS (T) LIMITED. As regard to this, K-LINK FREIGHTERS (T) LIMITED strategies are:

It is difficult for a small entrant like K-LINK FREIGHTERS (T) LIMITED to participate competitively in bulk clearing and forwarding works & logistics alone due to lack of sufficient resources and experience that major clearing & forwarding companies have. K-LINK FREIGHTERS (T) LIMITED is therefore participating in a hospitality arrangement for larger clearing and forwarding companies that is distributed to each company according to capacity in order to keep handling costs at the minimum level possible. The following are the major printers & supplies for K-LINK FREIGHTERS (T) LIMITED:

Koru Freight (T) Limited, with 80% of its total Logistic services

Efficient Freighters Limited-Tanzania with 20% of its total printing supplies.

Owing to high rate of currency fluctuation and sensitivity in the transport and logistics market, K-LINK FREIGHTERS (T) LIMITED customers restrict payments to be made in advance/cash before delivery.

K-LINK FREIGHTERS (T) LIMITED intends to increase its services in principal objectives that are:

To cater for the new market opportunities – Penetrating more into rest of ministries and government agencies which are untapped.

To ensure that the company satisfies the increasing demand and keep up with the new service orders to satisfy traditional customers.

Continue exploring new markets in the industry, possibly bulk oil transportation through oil tankers.

In order to achieve the objectives, K-LINK FREIGHTERS (T) LIMITED Management has developed various marketing strategies. Among other features that will be applied shall include:

Direct marketing

Quality service

Pricing

### **1.5 COMMERCIAL ANALYSIS:**

Despite of existence of other similar companies in the market, but still the demand is so high and not yet been satisfied. Around the project area the services are still below of the prevailing demand of the transportation logistics and clearing and forwarding services.

The pricing procedure was carefully considered which involved purchase price, freight, insurance, import duty& customs and port charges together with bank charges/interest plus certain percentage of around 20–30% as mark-up. Promoter observed current existing market prices so as to meet the competitive prices in the market.

### **1.6. TECHNICAL ANALYSIS:**

The company is located at the heart of city centre area, Lindi/Livingstone Street-Ilala Municipal, where there are lots of clearing and forwarding companies and close to Dar Es Salaam port and Tanzania Revenue Authority where the principal activities are carried out. The infrastructures around the office are well designed and available. The promoter has considerable operational experience in this business and has thus become knowledgeable and good business management and this creating a positive goodwill to customers and other suppliers.

**1.7 FINANCIAL ANALYSIS:**

The general evaluation of the business shows the net worth increase right from year one, which supports the financing.

**1.8. ECONOMIC ANALYSIS:**

The Government is going to benefit economically by the way of getting revenue from the project in terms of corporation tax, import duty and customs charges. This revenue will be used to finance different government activities like educational services and so on.

**1.9. CONCLUSION AND RECOMMENDATIONS:**

The analysis of this plan indicates that this project is both economically and financially viable proposition. The Chairperson and CEO is a well experienced and conversant with this kind of business. So, it should be supported through investment centre by obtaining certificate of incentive to support the expansion.

**ASSUMPTIONS AND CONSIDERATIONS**

Sales Revenue is expected to grow by 20% in 2022,

Operating costs is expected to grow by 10% per annum.

Interest rate is 20% per annum declining.

The average turnaround time per truck and trailer is one trip per month

The average revenue per trip-Dar-Lubumbashi-Dar-\$9000

Drivers" mileage per trip is estimated to be USD 500 per trip

The average fuel consumption per round trip is 2200litres

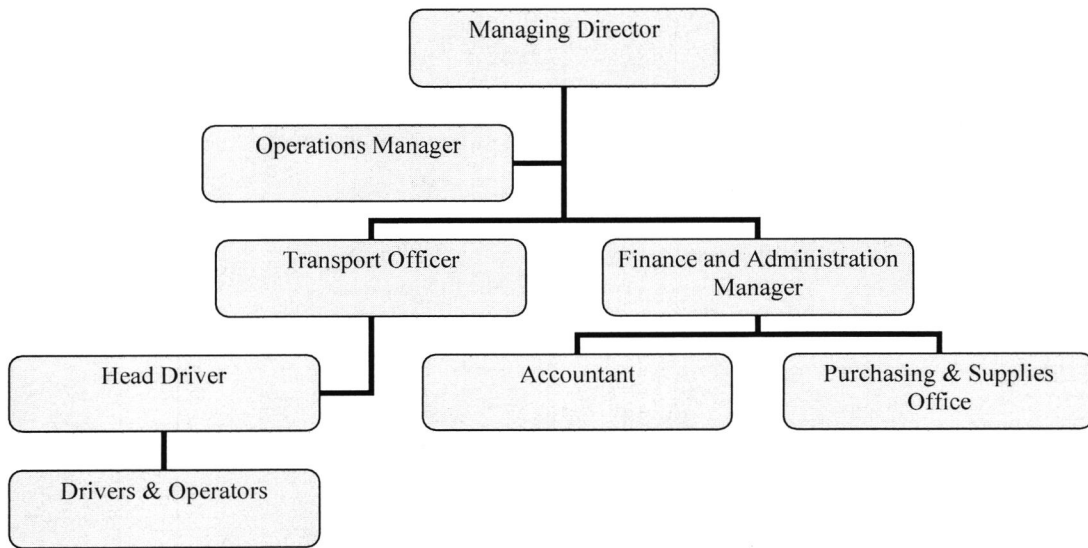
The average price per litre is TZS 2200

The average exchange rate per USD=2305

No grace period is given.

Tanzania Investment Centre will approve and issue the certificate of incentive.

ORGANIZATION CHART



<b>Annex I</b>						
<b>K-LINK FREIGHTERS (T) LIMITED</b>						
<b>Projected Profit &amp; Loss</b>						
<b>In (USD)</b>						
<b>Profit &amp; Loss</b>	<b>Year I</b>	<b>Year II</b>	<b>Year III</b>	<b>Year IV</b>	<b>Year V</b>	
<b>Income</b>						
Transport Income	3,240,000	3,726,000	4,284,900	4,927,635	5,666,780	
<b>Operating expenses</b>						
Salaries & Wages	78,603	79,389	80,183	88,201	97,021	
Allowances	125,764	127,022	128,292	141,121	155,233	
Fuel & Lubricant	1,729,258	1,746,550	1,764,016	1,940,417	2,134,459	
Car Services	47,162	47,633	48,110	52,920	58,213	
Car Insurance	91,703	92,620	93,546	102,901	113,191	
Road License	7,860	7,939	8,018	8,820	9,702	
Office Expenses	1,074	1,085	1,096	1,205	1,326	
Purchase of tyres	461,135	465,747	470,404	517,445	569,189	
Interest Expenses	27,560	17,363	2,084	0	0	
Depreciation	500,000	500,000	500,000	500,000	500,000	
	<b>3,070,119</b>	<b>3,005,959</b>	<b>3,015,565</b>	<b>3,264,830</b>	<b>3,541,313</b>	
Profit before tax	169,881	720,041	1,269,335	1,662,805	2,125,467	
Taxation	50,964	216,012	380,800	498,841	637,640	
<b>Profit for the year</b>	<b>118,917</b>	<b>504,029</b>	<b>888,534</b>	<b>1,163,963</b>	<b>1,487,827</b>	

<b>K-LINK FREIGHTERS (T) LIMITED</b>						
<b>NPV &amp; IRR ANALYSIS</b>						
<b>Basic Assumptions</b>						
Initial outlay	500,000					
Corporate Tax Rate	30%					
Bank Loan	400,000					
Bank Interest Rate	8%					
Term of loan in months	36					
<b>Summary of Projected cash flow (In USD)</b>						
<b>for Five years</b>						
	Year I	Year II	Year III	Year IV	Year V	
<b>INFLOWS</b>						
Transport Income	3,240,000	3,726,000	4,284,900	4,927,635	5,666,780	
<b>Total Inflows</b>	<b>3,240,000</b>	<b>3,726,000</b>	<b>4,284,900</b>	<b>4,927,635</b>	<b>5,666,780</b>	
<b>OUTFLOWS</b>						
Salaries & Wages	78,603	86,463	95,109	104,620	115,082	
Allowances	125,764	138,341	152,175	167,392	184,131	
Fuel & Lubricant	1,729,258	1,902,183	2,092,402	2,301,642	2,531,806	
Car Services	47,162	51,878	57,066	62,772	69,049	
Car Insurance	91,703	100,873	110,961	122,057	134,262	
Road License	7,860	8,646	9,511	10,462	11,508	
Office Expenses	1,074	1,182	1,300	1,430	1,573	
Purchase of tyres	461,135	507,249	557,974	613,771	675,148	
Loan Repayment-Principle	122,854	532,205	576,046	-	-	
<b>Total Outflows</b>	<b>2,665,413</b>	<b>3,329,020</b>	<b>3,652,542</b>	<b>3,384,146</b>	<b>3,722,561</b>	
Taxation	50,964	216,012	380,800	498,841	548,726	
Opening Balance	1,048	37,186	34,972	71,826	79,009	
Movement during the period	36,138	(2,214)	36,854	6,694	7,363	
Closing balance	37,186	34,972	71,826	78,521	86,373	
<b>New Calculations</b>						

Earnings before interest and tax		574,587	396,980	632,358	1,543,489	1,944,220
Interest expense		27,560	17,363	6,320	-	-
Earnings after interest		547,026	379,617	626,038	1,543,489	1,944,220
Corporate Tax		164,108	113,885	187,811	463,047	583,266
<b>Profit After Tax</b>	<b>Outlay (500,000)</b>	382,919	265,732	438,227	1,080,442	1,360,954
<b>Net Present Value</b>		<b>2,940,771</b>				
<b>Internal Rate of Return</b>		<b>86%</b>				

**Annex III**  
**K-LINK FREIGHTERS (T) LIMITED**  
**Projected Balance Sheet**  
**In (Usd)**

	<b>Year I</b>	<b>Year II</b>	<b>Year III</b>	<b>Year IV</b>	<b>Year V</b>
Fixed assets (Net)	871,142	831,752	1,436,887	2,343,483	3,516,372
<b>Current Assets</b>					
Stocks of loose tools	26,201	26,201	26,201	26,201	26,201
Debtors	324,000	745,200	856,980	985,527	1,084,080
Cash and Bank	37,186	34,972	71,826	80,446	90,099
Creditors	(6,550)	(6,616)	(6,682)	(7,350)	(8,085)
Loan term Loan	(380,198)	(255,701)	(120,869)	0	
<b>Net assets</b>	<b>871,781</b>	<b>1,375,809</b>	<b>2,264,343</b>	<b>3,428,307</b>	<b>4,708,667</b>
<b>Capital Employed</b>					
Share Capital	131,004	131,004	131,004	131,004	131,004
Accumulated profit	740,776	1,244,805	2,133,339	3,297,303	4,577,663
<b>Total capital employed</b>	<b>871,781</b>	<b>1,375,809</b>	<b>2,264,344</b>	<b>3,428,307</b>	<b>4,708,667</b>