



**BUSINESS PROPOSAL FOR EXPANSION OF JVFC INC LTD OF MOTOR VEHICLES**

## EXECUTIVE SUMMARY

JVFC Inc. Ltd is an integrated logistics provider with its head office in Dar es Salaam, Tanzania. The company was established on 29<sup>th</sup> December 2020 with just one truck that moved goods within Dar es Salaam and neighboring regions. Today, our company has five trucks.

The main products that our company moves include aggregates, clinker, copper slug, asphalt and loose cargo such as cement bags and food products. We have managed to establish a strong relationship with various stakeholders including construction and manufacturing companies. These business ties have seen our company grow in strength in the past two years of operations.

Following the growth in economy of Tanzania, with numerous ongoing construction projects both from government and private sector, the demand for logistics services has increased significantly. The projects usually require various materials such as cement, steel, aggregates, road tar etc. All of these must be shipped either from local manufacturers or from the Ports if imported.

To take advantage of this growth, our company is looking to increase its capacity from 5 trucks to 32 trucks in the following 5 years. This will give us a competitive advantage as we shall be able to satisfy numerous orders at the same time. The entire project will cost TZS 10.40 billion which comprises of asset financing facility of TZS 8.9 billion for a period of 3 years and working capital facility of TZS 1.50 billion on 12 months' renewable basis.

The project has been carefully constructed at minimalistic assumptions and has shown improvement in the gross margin from 3% to 50% after gaining the market experience and shares. Despite of series of losses from 2022 – 2028 the projection shows after the investment in place the business will start yielding with a Net Profit Margin from NEGATIVE to 14% in year 2031 as well as improvement in the ROA from negative to 32% in year 2031, while showing an improvement in the conversion cycle with a clear plan of reducing the creditors payment days from 383 days (12 Months) to 90 days (3 Months).

# CHAPTER ONE

## 1.1. Company Profile

### 1.1.1. History and Background

The company was established back in December 2020 by our main promoter and managing director Mr. Frank Kessy. We started with just one truck for a period of about 8 months. During this time, our company managed to foster some key relationships with stakeholders. Over the years, our fleet has grown, and we now have 5 trucks. Our company has 2 shareholders, namely, Frank Ephata Kessy with 45% shareholding and Julius Frank Kessy with 40%.

The company currently employs over 10 direct employees and, in the process, has created other indirect jobs. The headquarters are located at Tegeta Salasala, Dar es Salaam.

### 1.1.2. Company Management Team

Position	Name of the person	Management Experience (in years)	Highest Qualification	Gender (M/F)	Nationality
Managing Director	Frank Kessy	10	Degree in Business Administration	M	Tanzanian
Finance Manager	Victoria Mwita	5	MBA, International Business	F	Tanzanian
Hr and Admin Manager	Rashidy Muya	1	Degree in Accounting	M	Tanzanian
Operations and Compliance Manager	Junior Maro	1	Degree in Taxation	M	Tanzanian

## **1.2. JVFC Inc. Ltd aspirations**

Our company aspires to become one of the biggest players in the in-country transport logistics service provider. We are therefore embarking on an aggressive expansion plan that will see all our services integrated and modernized with expanded operating base, modern equipment and increased fleet size. This proposal highlights all our plans and their funding needs.

### Vision

To be the leader in transport and logistics industry and offer truly unrivaled logistics solutions and delivery of goods. Be innovative, set new standards of excellence and diversify the business to more potential countries

### Mission

- Regard the customer as the most important person in the company and foster long term relationship with every single one
- Talk less and listen more. The company best understands the customer needs and deliver solutions that can be tailored specifically to their requirements
- Value the staff contributions, recognize and reward their efforts and provide satisfying workplace

## CHAPTER TWO

### 2.1. Industry Analysis

#### 2.1.1. Transportation Industry

The Tanzanian transport sector comprises of surface transport (including roads, railways), inland waterways (lakes and rivers), air transport, and sea transport. Tanzania's transport sector contributed 7.5% to the country's real GDP in 2020 with USD 4.7 billion, compared to USD 2.8 billion in 2014, representing an increase of 67%. Main growth drivers include the increase in the number of passengers carried and freight handled through road transport. According to Tanzania's 2025 Development Vision, investments in infrastructure, particularly in the development of the road network, are the Government's top priority. The World Bank (WB) and the African Development Bank (AfDB) support Tanzania in achieving its infrastructure development goals by providing grants and credits for projects.

The International Monetary Fund (IMF) and the Bank of Tanzania (BoT) provided that the country's real GDP grew by 4.9% in 2021 reaching USD 70.28 billion. Figures for 2019 and 2020 were 7% (USD 60.8 billion) and 4.8% (USD 64.4 billion) respectively. Priorities set by the sixth phase government gives indications that real GDP will grow for at least 8% yearly in the next five years. According to the economic data included in the National Data of Tanzania Mainland of 2013-2019 by the National Bureau of Statistics, at current market prices, Services made the highest shares of GDP (40.0%) followed by Industry and Construction (31.1%) and Agriculture, Forestry and Fishing (28.9%) Notable sectors of the Tanzanian economy are tourism, mining, construction, agriculture, and manufacturing. The IMF projects 2020 DGP growth of 4.1%. Below are graphs indicating some economic parameters supporting the DGP drive.

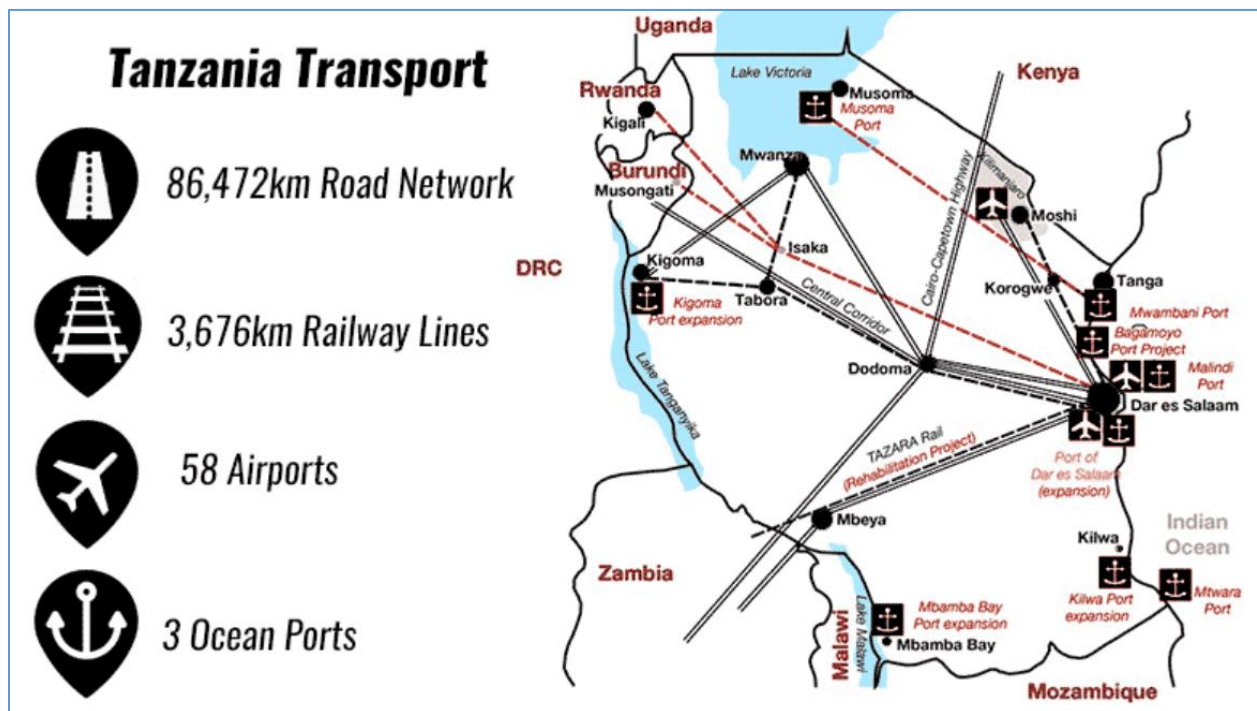
**Tanzania Road Transport:** Road transport is the most widely used form of transport in Tanzania, carrying over 90% of the passengers and 75% of the freight traffic in the country. The road network in Tanzania currently comprises 86,472 kilometers of roads, of which 12,786 kilometers are trunk roads, 21,105 kilometers are regional roads and the remaining 52,581 kilometers are district, urban and feeder roads. Tanzania's Ministry of Works, Transport, and Communication through the Tanzania National Roads Agency (TANROADS) is managing the national road network of about 33,891 kilometers, comprising 12,786 kilometers of trunk and 21,105 kilometers of regional roads. The remaining network of about 53,460 kilometers of urban, district and feeder roads is under the responsibility of the President' Office Regional Administration and Local Government(PO-RALG).

**Air Transport:** The total number of air passengers in Tanzania reached 6.2 million in 2020, compared to 5.2 million in 2015, representing an increase of 18%. Currently (2020), there are 19 airline operators in Tanzania, including some of the leading international air carriers such as British Airways, KLM, Qatar Airways, and SWISS. There are 58 airports in Tanzania and more than 300 private airstrips owned by mining companies and tour operators. The Julius Nyerere International Airport (JNIA), located in Dar es Salaam, is the largest and busiest airport in Tanzania, accounting for over 70% of Tanzania's air passengers. In August 2019, Tanzanian President John Magufuli inaugurated Terminal 3 of the JNIA. The new terminal, which cost USD 314 million set the airport capacity at 8 million passengers annually. In 2019, the AfDB approved a USD 272.12 million loan to Tanzania for the construction of a new international airport in the capital Dodoma. The new airport will be built in the district of Msalato, 12 kilometers from the capital Dodoma. The new facility is expected to handle at least 50,000 aircrafts and one million passengers per year.

**Sea transport:** Tanzania has a coastline of about 720 kilometers on the Indian Ocean, and borders Lake Victoria, Lake Nyasa, and Lake Tanganyika. Both sea and inland waterways ports in Tanzania are managed and operated by the Tanzania Ports Authority (TPA). The TPA's main Indian Ocean ports are Dar es Salaam, Mtwara, and Tanga. Minor seaports serving coastal traffic include Lindi, Kilwa Masoko, Mafia Island, Bagamoyo, Pangani, and Kwale.

Dar es Salaam is Tanzania's principal port with intrinsic capacity of 10.1 tons per year. The port handles over 92% of the total maritime ports' throughput. The port serves land-linked countries of Malawi, Zambia, Democratic Republic of Congo, Rwanda, Burundi, and Uganda. These countries are connected to the port through two railway systems (TRL-1.0 metre gauge and TAZARA-1.067 cape gauge), road network, as well as the TAZAMA oil pipeline to Zambia. TPA also operates Tanzania's lake ports, maintaining around 20 ports on Lake Victoria.

Some major ports include Bukoba, Kemono Bay, Musoma, and Nansio. Principal lake ports on Tanganyika include Kigoma and Kasanga. Additionally, there are 15 smaller ports along the lake. These ports provide trade connections between Burundi, Eastern Democratic Republic of the Congo, and Zambia. Lake Nyasa has 4 important ports, at Itungi, Mbamba Bay, Liuli, and Manda. There are up to 10 other smaller TPA ports on the lake that facilitate passenger movement along the lake and between the countries of Malawi, Mozambique, and Tanzania.



Source: TanzaniaInvest.com

The industry is highly competitive with numerous small scale, medium scale and large-scale transporters and service providers. This is due to lack of barriers to entry and minimum regulatory requirements. Some of the known players in the industry include the following;

<b>Transport</b>	<b>ICD</b>	<b>CFS</b>
Overland	African ICD	Africa Inland
Transcargo	Hesu	Luna
Usangu Logistics	PMM	MOFED
Simba Logistics	DICD	Hesu
TRH	Azam ICD	Red Sea
SAS Logistics	TRH	TRH

Key to survival for firms in the industry include pricing, availability of trucks/services, safety record (no accidents) and pricing.

## **CHAPTER THREE**

### **3.1. Customers and Business Strategy**

Our unmatched service and seamless logistics handling capabilities have landed us very lucrative clientele base. Our company has managed to provide services to manufacturers such as Twiga Cement, construction companies such as GNMS Contractors Limited. We were also heavily involved in providing logistics support to the recently launched Wami Bridge. We also serve small scale players who are constructing residential and commercial buildings such as hotels and apartments.

At the initial phase of our operations, our company is mainly focusing on small and medium scale clients. However, as we are expanding our fleet, we expect to be able to compete for large government projects.

### **3.2. Job Creation**

The project will look to have benefits to the society in terms of creating direct and indirect jobs. The additional 28 trucks will require 2 direct employees per truck (driver and helper). We shall also have additional back-office staff to manage the ever-growing fleet. Thus, in total, the expansion project will add over 60 direct jobs and about 40 indirect jobs.

### **3.2. Capacity of the project**

Our existing fleet of 5 trucks is not adequate to service the various clients. We have had to turn away a number of orders due to lack of capacity. The additional 28 trucks will improve our capacity significantly and we will be able to meet our clients' demands.

### 3.3. Marketing plan

In order to capture our market with precision, we have identified key entry points for our promotion activities. To begin with, we shall use social media, main stream media such as TVs and Radios. Our choice of promotion media is as follows:



YouTube is the world's largest video sharing platform owned by Google. With over 2.6billion daily users, 70% of YouTube users watch videos from mobile devices. Our placement of commercials will focus on most followed YouTubers in their respective region/country. In this way, our products will reach intended persons easily. We will also launch our own YouTube channel where we will showcase our range of products, customer testimonials as well as upcoming products.



Instagram- Beta owned video sharing site is also one of the most popular platforms in the world. Our approach to advertising on Instagram shall be the same as that for YouTube. We shall place ads on most popular pages and get celebrity endorsements for our products. We shall also open our own Instagram page where we shall show case our products and services to appeal to the greater audience.



Facebook is sister company to Instagram and is also a Meta owned company. With global users estimated at nearly 3.5billion. Similar approach will be used for Facebook as it will be for YouTube and Instagram.



TikTok is another fast-growing social media site with an estimated 750million users globally. We will use this platform to place ads, get celebrity endorsement, showcase our products through our own TikTok page and provide necessary information on how to get our products for each of our market distribution.

## **CHAPTER FOUR**

### **4.1. Operations Plan**

#### **4.1.1. General Operating Environment**

While transport sector in Tanzania is highly evolved, the sector has remained concentrated in land transport. Sea transport and railway transport were once the most prominent modes of transport for long-range haulage during the times when the government operated most means of economic development. Nevertheless, over time, the two have faded. Today, private companies and individual dominate the transportation sector except for air transport, which is dominated by the government owned Air Tanzania Company Limited (ATCL). Entry to this sector has many barriers including regulatory barrier and capital requirement.

As of current, air transport and sea (water) transport are in the infancy stage with railway transport near invisible leaving road transport as the common and preferred mode of transport by many. However, general observation is that the sector is still on course for good performance.

#### **4.1.2. Challenges and Solutions**

##### **Deteriorating Infrastructure**

Outdated and deteriorating infrastructure is increasingly becoming dangerous for vehicles and drivers. These problems may include missing/misleading road signs, potholes, and poor construction quality and road destructions. However, the government's efforts in building new highways and carry out major repairs provides relief to transporters nationwide. Our company has always been a step ahead when recruiting drivers. We recruit drivers who have vast knowledge of the route to which they will be assigned. In addition, change of driver's route will require him to perform a few trips under assistance for exploration before he can be left alone to haul cargo to the new route. This minimizes accidents and saves the company on insurance and operational disruptions.

## **Fleet Management**

With increasing fleet size, management of fleet in terms of state of vehicle, driver hours, route performance, fuel management and prominent cargo types become key. Without proper monitoring of our fleet, a lot of company's income will be drained. At JVFC Inc., we look at data on driver performance through driver hours while checking on fuel consumption per route average. Our fleet on the road is managed through satellite vehicle tracking systems where we are able to check on stalled trucks for any accidents.

## **Fuel Management**

Fleet management goes hand in hand with fuel management. We remain cautious on how we spend on fuel, as this is critical to the success of our business. Fuel theft by some unfaithful drivers can drive the whole business into chaos. In addition, having trucks that are too high on fuel consumption will lead to operating losses.

As a mitigation against fuel theft, we have entered into agreements with a few filling stations where our drivers will use to fill our tanks. We also use latest data management systems to track fuel consumption per trip. In addition, during selection of the right trucks, we check data fuel consumption, cargo capacity and vehicle reliability

## **Regulatory Environment**

Land Transport Regulatory Authority (LATRA) is a government agency responsible for regulating the land transport sector. LATRA issues licenses, provides regulations and guidelines for best practices and controls cargo weight per road specifications in their area of operation. Failure to abide to any of these regulations will result into huge fines that if not controlled, will impair our operations. At JVFC Inc., we take pride on the competency of our drivers and operations team who regularly check on the vehicle for compliance on regulatory environment. Our business remains sound due to our ability to comply to regulations. This increased customer confident and creates return/loyal customers hence lucrative contracts.

### **4.1.3. SWOT Analysis**

#### Strengths

- The main promoter is heavily involved in the business and runs the day to day operations. This ensures there is proper oversight on the company activities
- We have already acquired key strategic business relationships with relevant stakeholders. This has been crucial in our growth from one to five trucks.
- We have a dedicated team of drivers and back office who have been with us since day one. Our staff is well paid and highly motivated.

#### Weakness

- Inadequate trucks: With the current business expansion and sector growth, our current fleet is inadequate and hinders us from accepting new business. This will be remedied through the planned expansion to 32 trucks.
- Development Risk: The current expansion plan appears to be on the very high side and given available resources, project implementation may be stalled. However, to remedy the situation, expansion project will not be carried all at once. These will be developed stage- wise and thus eliminate project development risk.

#### Opportunities

- Ongoing government big projects such as EACOP, BRT and Major roads provide us with an opportunity to be part of the logistics providers. The private sector is also doing well, with various projects in hotel, schools and apartments construction.
- Efficiency at Dar Port: The Dar es Salaam port is now undergoing a \$164 million expansion project. This project will see increasing of sea depth from the current 10 meters to 18 meters at berth 1 to 7. Improvement will assist the port to handle large cargo ships. In addition, the port is embarking on decongesting strategy through allowing port extension services. This increased capacity and efficiency of the Dar es Salaam Port is a great opportunity for companies like us in the logistics sector

## Threats

- Threat of new entrants: The industry is not highly regulated and the cost of entry and exit are not high. Our business will continue to expand and provide best services at competitive prices in order to beat the new entrants.
- Alternative channels: With the ongoing development of the SGR, TRC is poised to create a hostile environment for transporters once SGR is completed. However, while SGR is expected to lower transportation costs, power challenges facing the country, longer routes and poor out-reach will make SGR not as competitive as vehicle transport

### **4.1.4. Sources of supply (trucks and vehicles)**

Our tractor heads will be procured from local suppliers in Tanzania. Our company has an existing business relationship with suppliers such as GF Trucks and Jiefang Motors whereby we have already procured their tractor heads. For trailers, we shall use our contacts in Europe and Asia to ensure we get the best quality in terms of price and efficiency. The office vehicles will be sourced mostly from Asia due to their reliability for the markets in Africa.

### **4.1.4. Implementation plan/schedule**

The implementation of our expansion project will depend on key variables. The first variable is availability of funds. Once funds are made available, we shall place the orders for the trailer units to be manufactured. This process could take about 90 days before they are ready to be shipped. However, the whole expansion project will happen in various phases in the space of 3 years.

## CHAPTER FIVE

### 5.1. Project Analysis and Financial Requirements

#### 5.1.1. Project Description

As we have indicated in this funding proposal, JVFC Inc. Ltd is embarking on a strategic expansion project. Our company is looking to acquire 28 additional trucks i.e. 28 tractor heads and 28 trailers. We shall also acquire 4 additional office vehicles that will be used for our day-to-day operations.

#### 5.1.2. Funding Requirements

Our TZS 10.4 billion growth plan will involve investments in capital expenditure and working capital. Having critically looked at the current banking sector we are inclined to agree that such investments will need a financial institution with massive capital, speedy decision-making process and wide branch network.

In a nutshell, funding requirements will be such that TZS 1.5 billion will be used for working capital in form of overdraft. The remaining TZS 8.9 billion will be in form of capex for a period of 60 months as provided hereunder.

#### 5.1.3. Detailed Funding Requirements

##### Facility 01: TZS 8.9 billion – asset financing

The facility will be utilized to purchase 28 tractor heads, 28 trailers and 4 office vehicles. The facility will also be used to meet import duty and insurance payments. The breakdown is as follows:

Item	Amount in TZS
Procurement of vehicles	7,331,900,000
VAT	1,070,181,538
Insurance	353,918,285
Taxes and duties	103,580,000
<b>Total</b>	<b>8,859,579,823</b>

The facility will be in form of a term loan. As we are planning to increase our fleet in phases, each drawdown will have a maximum tenor of 60 months.

**Facility 02: TZS 1.5 billion – working capital**

The working capital facility will be required to support our business after the acquisition of the trucks and trailers, which will increase our day-to-day costs. The facility will be used to make fuel purchases, normal maintenance of our fleet and will also be used to bridge any gaps arising from a delay in collection of funds from debtors.

**Facility drawdown.**

The timelines for all the facilities are the same as the projects commence and will be run concurrently. Therefore, we would like all disbursements to happen immediately, as per our request submitted to the Bank.

## CHAPTER SIX

### 5.1. Financial Analysis

#### 5.1.1. Historical Financial Performance

JVFC Limited has displayed a steady performance in the past 1 years that is year 2021.

- **Income Statement:**

Below table shows the revenue and profit after tax of the company

Period Ended	2021
<b>Account Status:</b>	<b>Audited</b>
Revenue	170,155
Direct Costs	165,218
<b>Gross Profit</b>	<b>4,937</b>
<b>Less: Operating Expenses</b>	<b>174,938</b>
Administrative expenses	174,938
Salaries & Wages	9,278
Depreciation Allowance	150,224
<b>Total Operating Expenses</b>	<b>334,440</b>
<b>Operating Profit (EBIT)</b>	<b>(329,503)</b>
Bank Charges	0
Interest Expenses	0
<b>Profit/(Loss) Before Tax (EBTA)</b>	<b>(329,503)</b>
Tax Expense	
<b>Net Profit/(Loss) After Tax</b>	<b>-329,503</b>

- ✓ **The revenue:** - is generated are from the local logistics trips within Tanzania where per day the company can generate **TZS 500,000/=** per truck. Whereas at year 2022 the company operates **5 trucks** that includes a complete unit of track and trailer with routes within Tanzania.

- ✓ **Operating expenses and direct costs;** - The main costs the company incurs the most that are directly associated with the business is fuel costs and wages of the drivers and assistance drivers who are directly linked with the operations of the available fleets. For the first year the company margins were very low compared to market margins as a price penetration strategy against the available local players who have vast experience and economies of the scale where this has forced the company to operate at the margin of **2.9% (Approximately 3%)** only with a plan of increasing the same we slowly win the market share available.
  
- ✓ **Depreciation Charge:** The trucks and trailers are the main PPEs of the company where the command 99.5% of the entire fixed assets where the company has opted for depreciation charge of 20% i.e., 5 years where the same is reasonable and acceptable accounting policy where the depreciation shall be computed by residual value method.
  
- **Balance Sheet:**

Below table shows the summary of the key balance sheet items of the company

Period Ended: TZS Million	2021
<b>Account Status:</b>	<b>Audited</b>
Property, Plant & Equipment	599,710
<b>Non-current assets</b>	<b>599,710</b>
Cash, Bank & Investments	64,583
Trade debtors	29,490
<b>Total Current Assets</b>	<b>94,073</b>
<b>Total assets</b>	<b>693,782</b>
Trade Creditors	173,285
<b>Total Current Liabilities</b>	<b>173,285</b>
<b>Total Liabilities</b>	<b>173,285</b>
Retained Earnings	(329,503)
Advance towards Share Capital	850,000
<b>Shareholders' funds</b>	<b>520,497</b>
<b>Total liabilities and equity</b>	<b>693,782</b>

- ✓ **Equity to the business:** - is made of share capital and retained earnings. The injected by the shareholders forms as base of the initial capital outlay of the business where the full balance was allocated for the purchase of the PPEs as well as the initial establishment costs such as office rent costs, Business License, mineral fees etc.
- ✓ **Overall Assets to the business** are mainly comprised of property, plant, and equipment where motor vehicle which is the key business contributes 86% of non-current assets, as well as cash and bank commanding 9.2% of current assets while the receivables commanding 4.2% since the business operations is on the startup stage the available current assets have not yet reached the balanced level with the current liabilities.
- ✓ **Overall Liabilities to the company:** mainly comprised of current liabilities only as the company is still operating by the shareholders money no debt that has been acquired by the company yet. The available outstanding debts are from suppliers of the different truck needs associated with the repair and maintenance of the available fleets.
- ✓ **Overall, Balance sheet:** the company has healthy balance sheet since the total assets are above the total liabilities by **TZS 520 million**, however, total current assets are below the total liabilities by **TZS 79 million** where this is due to the lower margin at the company opted to take on the first year of operations to attract more customers with the price penetration strategy.

- **Key ratios summary**

Below table shows a summary of the key ratios of the company in the past 5 years

Particulars/Years	2021
<b>PROFITABILITY ANALYSIS</b>	
Return on Assets (ROA)	-47%
Return on Equity (ROE)	-63%
Gross Profit Margin	3%
Net Profit Margin	-194%
<b>LIQUIDITY ANALYSIS</b>	
Current ratio	0.5
Quick ratio	0.5
<b>ACTIVITY ANALYSIS</b>	
Assets Turnover	0.25
Stock turnover (days)	0
Debtors' turnover days	63
Creditors turnover days	383
Operating cycle	-320
<b>DEBT ANALYSIS (LEVERAGE)</b>	
Debt to equity (Interest bearing only)	0.00
Debt to equity (Total liabilities)	0.33

- ✓ **Profitability ratios:** - With exception to gross margin ratio, all other profitability ratios are negative since the gross profit generated/earned cannot be able to cover the operating costs of operations as well other fixed overhead costs of the business. This is due to the small margin that the company accepted to take as a price penetration strategy in the first year of operations.
- ✓ **Liquidity ratios** of the business isn't commendable as current and quick ratios are below the ratio of **0.5:1** which shows there is a gap between the available current assets whereas at 2021 the gap is **TZS 79 million**. This is the impact of higher repairs and maintenance costs while the margin is small.

- ✓ **The operating cycle** of the business isn't commendable despite of having more credit days i.e., 320 days compared to Debtors' days of 63 days however this is temporary since the same has been impacted by the low margins that the company decided to start with and the same shall be addressed in the ongoing years of operation where the target is to reduce the creditors days by 50% in the third year of operations.
  
- ✓ **Debt to equity:** - The available ratio is commendable, where there is no interest-bearing liabilities but more of trade creditors. Additionally, the available equity is enough to settle all the debt obligation that the company faces.

## 5.1.2. Financial Projections

### 5.1.2.1. Projected Income statement for the next 10 Years:

The project is modeled for a period of **10 years** to assess its projected financial performance. Below is the screenshot of the projected Profit and Loss account (P&L).

FINANCIAL STATEMENTS	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Income Statement	Million	Million	Million	Million	Million	Million	Million	Million	Million	Million
<b>Revenue</b>	<b>255</b>	<b>638</b>	<b>666</b>	<b>695</b>	<b>1,320</b>	<b>1,584</b>	<b>1,901</b>	<b>1,983</b>	<b>2,069</b>	<b>2,159</b>
Direct Costs	179	447	399	417	660	792	950	992	1,035	1,079
<b>Gross Profit</b>	<b>77</b>	<b>191</b>	<b>266</b>	<b>278</b>	<b>660</b>	<b>792</b>	<b>950</b>	<b>992</b>	<b>1,035</b>	<b>1,079</b>
<b>Expenses</b>										
Salaries & Wages	10	19	20	21	40	48	57	59	62	65
Admin & Oper Expenses	191	32	33	35	66	79	95	99	103	108
Depreciation Allowance	117	935	593	544	1,311	906	808	670	566	476
Finance Costs		253	162	60	253	162	60			
<b>Total Expenses</b>	<b>319</b>	<b>1,239</b>	<b>808</b>	<b>659</b>	<b>1,670</b>	<b>1,195</b>	<b>1,020</b>	<b>829</b>	<b>732</b>	<b>649</b>
<b>Earnings Before Tax</b>	<b>(242)</b>	<b>(1,048)</b>	<b>(542)</b>	<b>(382)</b>	<b>(1,010)</b>	<b>(403)</b>	<b>(70)</b>	<b>163</b>	<b>303</b>	<b>431</b>
Taxes								(49)	(91)	(129)
<b>Net Earnings</b>	<b>(242)</b>	<b>(1,048)</b>	<b>(542)</b>	<b>(382)</b>	<b>(1,010)</b>	<b>(403)</b>	<b>(70)</b>	<b>114</b>	<b>212</b>	<b>302</b>
<b>Gross Profit Margin</b>	<b>30%</b>	<b>30%</b>	<b>40%</b>	<b>40%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>
<b>Net Profit Margin</b>	<b>(95%)</b>	<b>(164%)</b>	<b>(81%)</b>	<b>(55%)</b>	<b>(77%)</b>	<b>(25%)</b>	<b>(4%)</b>	<b>6%</b>	<b>10%</b>	<b>14%</b>

#### General Assumptions:

- ❖ Sales projections have assumed to have an average growth **35%** for the forecasted 10 years **2022-2031** with a significant growth from **2022 & 2023** by **100%** from **2021** balance following the expansion goal of **new 14 fleets (Truck & Trailer)** as **Phrase I** of the business expansion that doubles the available fleets from existing **5 fleets** in operations. However, the **phrase II** of expansion is projected to be in year 2026, with additional 14 fleets to make a total of 33 fleets of operations where the same shall impact the revenue growth by **74%** compared to **2025** revenue generated.

- ❖ During the year 2022, the company projects new contracts with major market customers Twiga Cement, Quality Asphalt, Del Monte, Tansino Quarries and Road Contractors - SABA ENGINEERS, KIV COMPANY LTD, C.G.I, CANOPIES. Who will significantly contribute towards revenue growth from year 2022 going forward despite of the effect of expansion of the fleet numbers.
- ❖ With the growth of the revenue, the same shall have a direct impact in other associated costs with the revenue generation.
- ❖ We adopted the Tanzania inflation rate projected with reference from [www.statista.com](http://www.statista.com) to come up with the income statement projections for the months that there is nothing significant that impacts the business.

**Assumptions made to achieving these numbers include:**

- ❖ **REVENUE:** We are projecting the growth of the revenue from year 2022, following the opening of the business opportunities across Tanzania compared to year 2021 whereas per approved budget the government continues to show interest in infrastructure projects such as BRT phase II, SGR Lot IV, Nyerere Hydroelectric dam, NHC Kawe project, Kigamboni Dege projects. To start with, we shall start with add **14 fleets** which will operate between **2023 - 2025** where the same shall contribute to average growth of **100%** compared to previous year of operations.
- ❖ **COST OF SALES:** Considering the review of margins from **3%** that was in year **2021** where the company was using the price penetration strategy to win the market. It's in our best interest to review the prices from where it was and grow it to the levels that matches the market prices and with this move, we are projecting the next **10 years** gross margin shall increase from **3%** to **44%** where the same shall be divided into phrases where **2022 - 2023 (30%), 2024-2025 (40%)** while the rest of the years will be **50%**.

- ❖ **ADMINISTRATIVE COSTS:** This is mainly driven by repair & maintenance costs and fuel costs, where the from the previous operations of **5 fleets** compared to the operations available the company used to major repair costs since one truck had to do more trips that it's capacity of operations hence attracting more service and replacement of some parts on regular basis. As a measure to reduce the costs, the company decided to take advantage of the use of gas that is cheaper for both existing and projected new fleets but as well, more fleets shall reduce number of required repairs and maintenance costs since the wear and tear will be contained following the number of trips per one track and this shall reduce the costs from **102%** of the revenue generated to **12%** of the revenue generated.
- ❖ **MANPOWER COSTS:** They shall have direct relationship with the growth of the revenue since majority of the staff are drivers of the hence the costs are expected to grow significantly upon **Phrase I & II** of the expansion while other years the costs will take effect of inflation as projected by NBS. Refer: [www.statica.com](http://www.statica.com).
- ❖ **DEPRECIATION CHARGE:** We shall continue with the depreciation charge of **20%** since the trucks and trailers are the main PPEs of the company where the command **99.5%** of the entire fixed assets where the company has opted for depreciation charge of **20%** i.e., **5 years** where the same is reasonable and acceptable accounting policy where the depreciation shall be computed by residual value method.
- ❖ **FINANCE COSTS:** As part of the expansion plan the company is considering securing the Vehicle Asset Financing Facility (VAF) from the bank at **11%** for **3 years** tenor to support the expansion with a 30% equity contribution. Where with the plan of **28 vehicles** the total loan will be **USD 2,276,552** (Equivalent to **TZS 5,315,747,894**) where the same be in 2 phrases year **2023** and **2026** equally 14 fleets in each phrase while there will be an equity contribution of 40% from the investors of the company **USD 1,517,701** (Equivalent to **TZS 3,543,831,929**).

### 5.1.2.2. Projected Income statement for the next 10 Years:

FINANCIAL STATEMENTS	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Balance Sheet (TZS)	Million	Million	Million	Million	Million	Million	Million	Million	Million	Million
<b>Assets</b>										
Cash	(118)	(893)	(1,759)	(2,573)	(3,034)	(3,370)	(3,563)	(2,929)	(2,144)	(1,359)
Accounts Receivable	31	79	82	86	108	130	156	163	170	177
<b>Current Assets</b>	<b>(87)</b>	<b>(814)</b>	<b>(1,677)</b>	<b>(2,487)</b>	<b>(2,926)</b>	<b>(3,239)</b>	<b>(3,407)</b>	<b>(2,766)</b>	<b>(1,973)</b>	<b>(1,181)</b>
Property & Equipment	483	3,977	3,384	2,840	5,958	5,052	4,244	3,574	3,008	2,531
<b>Non-Current Assets</b>	<b>483</b>	<b>3,977</b>	<b>3,384</b>	<b>2,840</b>	<b>5,958</b>	<b>5,052</b>	<b>4,244</b>	<b>3,574</b>	<b>3,008</b>	<b>2,531</b>
<b>TOTAL ASSETS</b>	<b>396</b>	<b>3,163</b>	<b>1,708</b>	<b>353</b>	<b>3,033</b>	<b>1,813</b>	<b>836</b>	<b>808</b>	<b>1,034</b>	<b>1,350</b>
<b>Liabilities</b>										
Accounts Payable	117	294	263	274	325	391	469	326	340	355
<b>Current Liabilities</b>	<b>117</b>	<b>294</b>	<b>263</b>	<b>274</b>	<b>325</b>	<b>391</b>	<b>469</b>	<b>326</b>	<b>340</b>	<b>355</b>
Debt	0	1,867	985	0	1,867	985	0	0	0	0
<b>Non-Current Liabilities</b>	<b>0</b>	<b>1,867</b>	<b>985</b>	<b>0</b>	<b>1,867</b>	<b>985</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Liabilities</b>	<b>117</b>	<b>2,161</b>	<b>1,247</b>	<b>274</b>	<b>2,192</b>	<b>1,375</b>	<b>469</b>	<b>326</b>	<b>340</b>	<b>355</b>
<b>Shareholder's Equity</b>										
Equity Capital	850	2,622	2,622	2,622	4,394	4,394	4,394	4,394	4,394	4,394
Retained Earnings	(572)	(1,620)	(2,162)	(2,543)	(3,553)	(3,956)	(4,026)	(3,912)	(3,700)	(3,398)
<b>Shareholder's Equity</b>	<b>278</b>	<b>1,002</b>	<b>460</b>	<b>79</b>	<b>840</b>	<b>438</b>	<b>368</b>	<b>482</b>	<b>694</b>	<b>995</b>
<b>Total Liabilities &amp; Shareholder's Equity</b>	<b>396</b>	<b>3,163</b>	<b>1,708</b>	<b>353</b>	<b>3,033</b>	<b>1,813</b>	<b>836</b>	<b>808</b>	<b>1,034</b>	<b>1,350</b>

#### Assumptions made to achieving these numbers include:

- ❖ **FIXED ASSETS & CAPITAL:** We are projecting an investment of total **USD 3.7 Million (Equivalent to TZS 8.8 billion)** that shall be used to add 28 new fleets (trucks & trailers) in two phrases equally. Where, phrase I will be allocated year 2023 and phrase II will be year 2026. This is part of the business expansion move that the company undertakes to capture the available transportation opportunities and to be able to meet the new contracts acquired as from Twiga Cement, Quality Asphalt, Del Monte, Tansino Quarries and Road Contractors - SABA ENGINEERS, KIV COMPANY LTD, C.G.I, CANOPIES. Who will significantly contribute towards revenue growth from year 2022 going forward despite of the effect of expansion of the fleet numbers.

**Depreciation Charge:** Shall be charged using similar depreciation method as well as the rate of **20%** for all assets since motor vehicles command **99.5%** of the available PPEs.

- ❖ **CURRENT ASSETS:** The projected growth in the current assets are mainly attributed by the growth/expansion of the business revenues and growth of the market share on the receivable side however the cash portion seems to be stressed by the loan obligations and series of cumulated losses that the company incurs due to investment in place. The same shall be mitigated with an overdraft request from the bank of **TZS 2 billion** for smooth sustainability of the business and supporting the business continuity until the business stabilizes.
- ❖ **CASH CONVERSION CYCLE:** From the previous year of operations i.e., 2021 the cash conversion cycle seems to be less commendable since the company uses more days in settling the outstanding obligations refer the below table:

Particulars/Years	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	ACTIVITY ANALYSIS										
Assets Turnover	0.25	0.64	0.20	0.39	1.97	0.44	0.87	2.27	2.45	2.00	1.60
Debtors' turnover days	63	45	45	45	45	30	30	30	30	30	30
Creditors turnover days	383	240	240	240	240	180	180	180	120	120	120
<b>Operating cycle</b>	<b>-320</b>	<b>-195</b>	<b>-195</b>	<b>-195</b>	<b>-195</b>	<b>-150</b>	<b>-150</b>	<b>-150</b>	<b>-90</b>	<b>-90</b>	<b>-90</b>

As a measure of addressing this the company is set to reduce the creditors days from 383 days to 240 days (8 months) for the first 4 years with a clear settlement commitment, then from 240 days to 180 days (6 months), then 180 days to 120 days (4 months) which is reasonable considering the targeted market that is mainly depending on the available government projects. At the same time considering improving the debtors' days from 63 days (2 months) to 30 days (1 month) to match the reduction of creditors days as well as reducing the cashflow stress or working capital requirement amount.

- ❖ **LONG TERM LOANS:** From the desired expansion the company is looking to get 60% funding from the bank for the period of 3 years (36 months) with the plan of **28 vehicles** the total loan will be **USD 2,276,552 (Equivalent to TZS 5,315,747,894)** where the same be in 2 Phases year **2023** and **2026** equally **14 fleets** in each phase while there will be an equity contribution of **40%** from the investors of the company **USD 1,517,701 (Equivalent to TZS 3,543,831,929)**. The target borrowing costs is expected to be at a maximum of **11%**.
- ❖ **DIVIDEND PAYOUT FROM THE INVESTMENT:** The company shall consider reinvestment option until the business is fully stabilized and there are no cashflow stress in the books.

#### 5.1.2.2. Projected performance ratios for the next 10 Years:

Particulars/Years	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>PROFITABILITY ANALYSIS</b>										
Return on Assets (ROA)	-61%	-25%	-22%	-91%	-25%	-13%	-1%	20%	29%	32%
Return on Equity (ROE)	-87%	-79%	-83%	-408%	-90%	-55%	-3%	34%	44%	43%
Gross Profit Margin	30%	30%	40%	40%	50%	50%	50%	50%	50%	50%
Net Profit Margin	-95%	-164%	-81%	-55%	-77%	-25%	-4%	6%	10%	14%
<b>LIQUIDITY ANALYSIS</b>										
Current ratio	-0.7	-2.8	-6.4	-9.1	-9.0	-8.3	-7.3	-8.5	-5.8	-3.3
Quick ratio	-0.7	-2.8	-6.4	-9.1	-9.0	-8.3	-7.3	-8.5	-5.8	-3.3
<b>ACTIVITY ANALYSIS</b>										
Assets Turnover	0.64	0.20	0.39	1.97	0.44	0.87	2.27	2.45	2.00	1.60
Debtors' turnover days	45	45	45	45	30	30	30	30	30	30
Creditors turnover days	240	240	240	240	180	180	180	120	120	120
Operating cycle	-195	-195	-195	-195	-150	-150	-150	-90	-90	-90
<b>DEBT ANALYSIS (LEVERAGE)</b>										
Debt to equity (Interest bearing)	0.00	1.86	2.14	0.00	2.22	2.25	0.00	0.00	0.00	0.00
Debt to equity (Total liabilities)	0.42	2.16	2.71	3.48	2.61	3.14	1.27	0.68	0.49	0.36
Interest Coverage Ratio	0.0	-3.1	-2.4	-5.4	-3.0	0.0	0.0	0.0	0.0	0.0