

PORTMAN CO. LIMITED

PROJECT DOCUMENT

ON

ESTABLISHMENT

OF

CARGO TRANSPORTATION COMPANY

**Prepared By:
PORTMAN CO. LIMITED
P.O.BOX 2169
DAR-ES-SALAAM**

1.0 EXECUTIVE SUMMARY

1.1 Company Background

Portman Co. Limited is a private limited liability company, established in Tanzania under 2002 Company Law, with a Certificate of Incorporation **No. 154580085 dated 28th December 2021** to carry out a business of cargo transportation. The company has also been registered to carry on other activities in manufacturing sector and management to clearing and forwarding.

1.2 The Project

This project envisages establishing cargo transportation project. The company intends to acquire about **230** trucks with trailers, pick-ups, light trucks, workshop tools, and related handling service facilities such as cranes etc.

1.3 PROJECT PROMOTERS

The proposed transportation project is being promoted Portman Co. Limited by a locally registered company of P.O. Box 2169 Dar-es-salaam. The following are the shareholders of the company;

Name	Nationality	Shareholding
Azaiz Suleiman Khalfan	Tanzanian	50%
Fatma Salum Abdallah	Tanzanian	50%

The promoters have vast experience in cargo transportation and related activities.

1.4 Investment Costs

The project investment cost is estimated at US\$**18,870,000**. The project will be financed by equity of which will be contributed by the sponsors

through their Retained earnings from other activities and the Term Loan if a need arise.

		US \$
	LOCAL	TOTAL
Land & Building	100,000	100,000
Plant/workshop facilities	150,000	150,000
Vehicles	18,400,000	18,400,000
Furniture and fixture	30,000	30,000
Pre-expenses	20,000	20,000
Others	20,000	20,000
Working capital	150,000	150,000
Total	18,870,000	18,870,000

1.5 Financing Plan

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

SOURCE	US \$
Equity	18,870,000
Sub total	18,870,000

1.6 The Market

It has been established by various studies that there is an excess demand on transportation sector and hence establishing a company with **230** new trucks/trailers to facilitate movement of transit cargo by road system to and from landlocked neighboring countries of Burundi, Rwanda, Uganda, Congo, Malawi and Zambia is justifiable. The market survey carried out reveals that there is a huge demand for various transportation services as

Tanzania is surrounded by several landlocked countries and hence will not face any marketing problems.

1.8 Financial Profitability:

The projects demonstrate a profitable trend in its future operations. The project's Income Statement and Cash flow indicate the M/S Portman Co. Limited would be able to recover the planned investment funds. This indicates that the project is financially and economically viable.

1.9 Economic Advantages

On the basis of the above analysis, it has been proved that the project is financially sound and economically viable. Furthermore, the project will earn the much-needed foreign earnings and also create substantial employment in Tanzania.

1.10 The Implementation Plan:

It is planned that the project will take 5 years from the Time M/S Portman Co. Limited commences implementation of the project to the time it completes the purchasing of all the required trucks. M/S Portman Co. Limited. shall appoint competent drivers, mechanical engineers and technicians in order to achieve the set implementation time.

1.11 Developmental Linkages:

Upon completion of the Implementation programme and on being operational the transportation company will contribute as follows;

- ◆ Generating foreign exchange through its transit trade.
- ◆ Promote increased availability of reliable cargo transportation trucks
- ◆ Promote inter-regional trade through exports to neighbouring countries such as DRC Congo and other East African and SADC countries.
- ◆ Create employment for the local indigenous people;

2.0 INTRODUCTION

2.1 Background

M/S Portman Co. Limited intends to establish a cargo transportation project. It will involve acquisition of 40 tons cargo haulage trucks with trailers, establishing a terminal comprising of a workshop, container yard, truck parking places, godowns and offices. The business plan has been prepared in a view to assess the project's viability and to be used to obtain certificate of incentives.

2.0 THE PROJECT

2.1 Project Concept

The main of the project is to establish a trucking company to deal with transportation of transit cargo throughout Tanzania and to and from neighboring countries which will include East African, and SADC countries. Among other things, the project will carry the following:

- Purchasing cargo haulage trucks/trailers. This involves acquiring **230 trucks** and trailers, light trucks and in addition acquire 4WD patrol vehicles to assist in highway patrols and maintenance services
- Purchase of machinery and equipment/tools such as cranes, light forklifts and repair equipment to enhance smooth operation of its transport fleet
- Purchasing new office furniture, fittings, computers and telecommunication system.
- Purchase Vans to be fitted with HF Radio system connected to the base station.

2.2 Location

The company headquarters is in Dar-es-Salaam

Portman Co. Limited

P.O. Box 2169

Dar-es-Salaam

2.3 Trucks and Trailers Requirement

The company will acquire 230 new trucks and trailers that will have average load carrying capacity of 40 tons per truck/trailers. The total loading capacity for the 230 trucks inclusive of trailers at 100% load factor is approximately 130,640 tons per annum.

3.0 THE MARKET ANALYSIS

3.1 TANZANIA TRANSPORT SECTOR REVIEW

Road transport is the most important mode of transport in Africa, accounting for 90 per cent of the Goods traffic and 95 per cent of the Passenger traffic on the continent. With the exception of North Africa, railways in Africa generally have a low level of traffic. The railways carry only one per cent of the global railway passenger traffic and two per cent of goods.

3.2 Demand and supply

At present, most of the network traffic volumes are relatively light and generally low. The highest flows are registered in and adjacent to Dar es Salaam on the central corridor where traffic of almost 50,000 annual average daily traffic (AADT) is measured dropping to about 35,000 AADT close to Ubungo and 27,000 AADT at about 27 km where the dual carriageway terminates. Beyond this section, traffic rapidly falls to about 12,000 AADT which remains above the capacity of the road and is a well-known congested location and traffic is below 1,000 AADT.

(Internet)

3.3 Modes of Transport

Tanzania is a gateway for several landlocked neighboring countries. Burundi, Rwanda, Uganda, DR Congo, Zambia and Malawi are all dependent to some extent on the country's transport network for their access to global markets. The transport system in Tanzania consists of five modes which are roads, rail, water, air and pipelines.

3.3.1 Road transport

The road network in Tanzania currently comprises 86,472 km of roads in the formal inventory of which 12,786 km are categorized as trunk roads,

21,105 km as regional roads and the remaining 52,581 km as district, urban and feeder roads. (internet)

3.3.2 The sea port

Tanzania harbors which are in Dar-es-salaam and Tanga serves a large market which includes the whole of the country's hinterland and the neighboring landlocked countries of Burundi, Rwanda, DR Congo, Uganda, Zambia and Malawi. The ports on Lake Victoria, Tanganyika and Nyasa are also important for local and international trade although they now suffer from competition from road transport in many locations.

3.6.3 Rail Network

The rail subsector in Tanzania is under improvement and the country is busy constructing new standard gauge railway which will offer stiff competition to the existing road transport network. With a completion of the SGR, the railway network can contribute effectively to the transport needs of the economy.

3.7 COMPETITION

Given the volume of business activities that are conducted within the SADC region, leading forwarding and clearing companies together with individual customers prefers to give transporters with a sizeable own fleet of reliable trucks that values time. M/S Portman Co. Limited with 230 new trucks will be one of the major transporters of transit cargo in the SADC and COMESA region with no serious competition, since the demand for transit cargo transport is already higher than the supply of transit cargo

4.0 PROJECT IMPLEMENTATION SCHEDULE

The critical activities are securing finance to purchase or acquiring more transport trucks/trailers.

5.0 MANAGEMENT AND ORGANISATION STRUCTURE

Portman Co. Limited is organized directly under the Shareholders, who will form part of Board of Directors and will ensure that transport system and the related activities meet the requirements of the company and that it is operating on profitable basis. The Board of Directors will appoint the Managing Director and will be overall in charge of day-to-day operations of the Company. The general manager will be assisted by heads of sections – the Manager of Operations, Administrative officer, Financial Controller, Chief Mechanics, Container Terminal Manager and Senior Logistics Officer.

Manpower Requirements

To improve its transport system the company expects to employ 260 people. Majority of employees will be truck drivers.

5.2 Recruitment and Training; The company will use the normal procedure of recruiting truck drivers. However, all the new employees are expected to receive on the job training

6.0 THE INVESTMENT COST

6.1 Project Cost

US\$

	LOCAL	TOTAL
Land & Building	100,000	100,000
Plant/workshop facilities	150,000	150,000
Vehicles	18,400,000	18,400,000
Furniture and fixture	30,000	30,000
Pre-expenses	20,000	20,000
Others	20,000	20,000
Working capital	150,000	150,000
Total	18,870,000	18,870,000

6.2 Financing Plan

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

SOURCE	US \$
Equity	18,870,000
Sub total	18,870,000

The working capital of **US\$ 150,000** is to be financed through shareholders equity contribution.

7.0 FINANCIAL ANALYSIS

7.1 Revenue Assumptions

The basic revenue underlying the projected revenue is detailed below:

7.1.1 Basic Revenue Assumptions

The project will operate total fleet of **230** trucks/trailers by the sixth year.

- 1) Due to the long distances involved and condition of roads, the load factor is assumed at 90%. And zero return cargo
- 2) Freight rates have been conservatively estimated at US\$ 15,000per Truck and will take 45 days round trip and approximately 7 round trip per year
- 3) The revenue and operating cost assumptions have been projected at constant prices; it being assumed that any increase in costs will be offset by a corresponding increase in freight rate.

7.2 Operating Costs and Assumptions

7.2.1 Direct Cost

The major direct operating costs have been estimated to be 40% of the total revenue:

7.2.2 Projected Profit and Loss Accounts

From the foregoing freight revenue and operating cost assumptions, the accounts clearly demonstrates that the project will be very profitable after acquiring new trucks.

7.3 Projected Cash flow

The strong liquidity position confirms the project's ability to meet all financial obligations.

Profitability

The projected profitability levels compare well the profit levels being achieved by other transit cargo transporters of a similar scale.

8.0 ECONOMIC DEVELOPMENT CONSIDERATIONS

8.1 Employment Creation

The project will create approximately **260** jobs with capacity to expand the employment levels in the later years.

8.2 Foreign exchange Earnings

As all payments will be made in foreign currency, this will be a great contribution to the country in foreign exchange earnings.

8.3 *Economies of Scale*

Profitability is greatly affected by economies of scale. The project will be profitable with improved communication and infrastructure facilities in Tanzania.

9.0 CONCLUSION

This business plan has attempted to highlight the main elements of the business plan in preparation for an investment decision of a total **of US\$. 18,870,000** net is being anticipated pursuant to this report. After a thorough review, it is hereby recommended that this business is worth serious consideration by **Tanzania investment centre** as the project is commercially, financially and economically viable.

APPENDICES

PORTMAN CO. LIMITED
INVESTMENT COST

US\$

	Amount	TOTAL
Land & Building	100,000	100,000
Plant/workshop facilities	150,000	150,000
Vehicles	18,400,000	18,400,000
Furniture and fixture	30,000	30,000
Pre-expenses	20,000	20,000
Others	20,000	20,000
Working capital	150,000	150,000
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PORTMAN CO. LIMITED

PROJECT'S FINANCING PLAN

SOURCE	US \$
Equity	18,870,000
Sub total	18,870,000

PORTMAN CO. LIMITED

DEPRECIATION SCHEDULE

USD

Item/year			1	2	3	4	5	6	7	8	9	10
Land & Building	4%	100,000	4000	4000	4000	4000	4000	4000	4000	4000	4000	4000
Machinery & equipment's	12.5%	150,000	18,750	18,750	18,750	18,750	18,750	18,750	18,750	18,750	-	-
Vehicles	25%	18,400,000	4,600,000	4,600,000	4,600,000	4,600,000	-	-	-	-	-	-
Furniture & Fixtures	12.5%	30,000	3,750	3750	3,750	3,750	3,750	3,750	3,750	3,750	-	-
Pre-Operational expenses	20%	20,000										
TOTAL DEPRECIATION			4,626,500	4,626,500	4,626,500	4,626,500	26,500	26,500	26,500	26,500	4000	4000

PORTMAN CO. LIMITED
PROJECTED CARGO HANDLING

USD

Item/year	1	2	3	4	5	6	7	8	9	10
PERCENTAGES	40	50	70	80	90	100				
ACHIEVEABLE CAPACITY										
Number of Trucks										
New Trucks/Trailers	92	115	161	192	207	230	230	230	230	230
1lorry per year – 7trips	644	805	1,127	1,344	1,449	1,610	1,610	1,610	1,610	1,610
1lorry for one trip = USD 12,000	7,728,000	9,660,000	13,524,000	16,128,000	17,388,000	19,320,000	19,320,000	19,320,000	19,320,000	19,320,000
GRAND TOTAL REVENUE US\$000'	7,728,000	9,660,000	13,524,000	16,128,000	17,388,000	19,320,000	19,320,000	19,320,000	19,320,000	19,320,000

PORTMAN CO. LIMITED

ESTIMATED WORKING CAPITAL

USD

Item/year	Assumptions	1	2	3	4	5	6	7	8	9	10	
A. CURRENT ASSETS												
STOCKS												
Direct Cost												
Fuel & Lubricants	3-month costs	386,000	483,000	676,200	806,400	869,400	869,400	869,400	869,400	869,400	869,400	869,400
Spares Parts	6 months' supply	618,240	772,800	1,081,920	1,290,240	1,391,040	1,391,040	1,391,040	1,391,040	1,391,040	1,391,040	
TOTAL STOCKS		1,004,240	1,255,800	1,758,120	2,096,640	2,260,440	2,260,440	2,260,440	2,260,440	2,260,440	2,260,440	
B. DEBTORS												
Trade debtors	2MONTH OF SALES	1,288,000	1,610,000	2,254,000	2,688,000	2,898,000	2,898,000	2,898,000	2,898,000	2,898,000	2,898,000	
TOTAL CURRENT ASSETS		2,292,240	2,865,800	4,012,120	4,784,640	5,158,440	5,158,440	5,158,440	5,158,440	5,158,440	5,158,440	
C. CURRENT LIABILITIES												
CREDITORS												
Salaries other expenses	1 Month15% Of Cost of Sales	38,640	48,300	67,620	80,640	86,940	86,940	86,940	86,940	86,940	86,940	
WORKING CAPITAL		2,253,600	2,817,500	3,944,500	4,704,000	5,071,500	5,071,500	5,071,500	5,071,500	5,071,500	5,071,500	
CHANGE IN W/CAPITAL		2,253,600	2,563,900	1,127,000	759,500	367,500	-	-	-	-	-	

PORTMAN CO. LIMITED

PROJECTED INCOME STATEMENT

USD

Item/year	1	2	3	4	5	6	7	8	9	10
Sales Revenue	7,728,000	9,660,000	13,524,000	16,128,000	17,388,000	19,320,000	19,320,000	19,320,000	19,320,000	19,320,000
<i>COST OF SALES</i> 40%	3,091,200	3,864,000	5,409,600	6,451,200	6,955,200	7,728,000	7,728,000	7,728,000	7,728,000	7,728,000
GROSS PROFIT	4,637,000	5,796,000	8,114,400	9,676,800	10,432,800	11,592,000	11,592,000	11,592,000	11,592,000	11,592,000
Gross Operating Profit	4,637,000	5,796,000	8,114,400	9,676,800	10,432,800	11,592,000	11,592,000	11,592,000	11,592,000	11,592,000
Depreciation	4,626,500	4,626,500	4,626,500	4,626,500	26,500	26,500	26,500	26,500	4000	4000
Sub Total	10,500	1,169,500	3,487,900	5,050,300	10,406,300	11,535,500	11,535,500	11,535,500	11,588,000	11,588,000
PROFIT BEFORE TAX	10,500	1,169,500	3,487,900	5,050,300	10,406,300	11,535,500	11,535,500	11,535,500	11,588,000	11,588,000
Taxable Income	10,500	1,169,500	3,487,900	5,050,300	10,406,300	11,535,500	11,535,500	11,535,500	11,588,000	11,588,000
Corporation Tax30%	3,255	350,850	1,046,370	1,515,090	3,121,890	3,460,650	3,460,650	3,460,650	3,476,400	3,476,400
PROFIT AFTER TAX	7,245	818,650	2,441,530	3,535,210	7,284,410	8,074,850	8,074,850	8,074,850	8,111,600	8,111,600
Profit Brought Forward	-	7,245	825,895	3,267,425	3,620,946	10,905,356	18,980,206	27,055,056	35,129,906	35,941,506
Revenue Reserve	7,245	825,895	3,267,425	3,620,946	10,905,356	18,980,206	27,055,056	35,129,906	35,941,506	44,053,106

PORTMAN CO. LIMITED

PROJECTED CASHFLOWS

US\$

Item/year	0	1	2	3	4	5	6	7	8	9	10
CAPITAL INFLOW	18,870,000	-	-	-	-	-	-	-	-	-	-
Equity Capital		-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
Sub Total Capital Inflow	18,870,000	-	-	-	-	-	-	-	-	-	-
OPERATING INFLOW											
Profit before tax		3,255	350,850	1,046,370	1,515,090	3,121,890	3,460,650	3,460,650	3,460,650	3,476,400	3,476,400
Depreciation		4,626,500	4,626,500	4,626,500	4,626,500	26,500	26,500	26,500	26,500	4000	4,000
TOTAL INFLOW	18,870,000	4,629,755	4,977,350	5,672,870	6,141,500	3,148,390	3,487,150	3,487,150	3,487,150	3,480,400	3,480,400
CAPITAL OUTFLOW											
Investment	18,870,000	3,255	350,850	1,046,370	1,515,090	3,121,890	3,460,650	3,460,650	3,460,650	3,476,400	3,476,400
Taxation											
TOTAL OUTFLOW	18,870,000	3,255	350,850	1,046,370	1,515,090	3,121,890	3,460,650	3,460,650	3,460,650	3,476,400	3,476,400
NET CASHFLOW	-	4,626,500	4,626,500	4,626,500	4,626,500	26,500	26,500	26,500	26,500	4000	4000
OPENING BALANCE	-	-	4,626,500	9,253,000	13,879,500	18,506,000	18,532,500	18,559,000	18,585,500	18,612,000	18,616,000
CLOSING BALANCE	-	4,626,500	9,253,000	13,879,500	18,506,000	18,532,500	18,559,000	18,585,500	18,612,000	18,616,000	18,620,000

