PROPOSED BUSINESS PLAN FOR CARGO TRANSPORT PROJECT

BY

TRANSCONNECT LOGISTICS LTD

Drawn by:

Transconnect Logistics Ltd

P.O.Box 100000

Dar Es Salaam

Contents Page

Working Capital
Taxation

Recommendations 11

The Company

Transconnect Logistics Ltd is a company registered in Tanzania under the companies Act as a company limited by Shares.

Ownership:

It is founded by Shareholders who owns 100% shares of the company

Saif Ratani	60%
Husein Ratani	20%
Nizar Govani	10%
Rafik Awadiya	10%

Location:

The Project is in Dar es salaam, office 801, samora house, Samora avenue, Dar es salaam and will establish terminals in Mbeya, Lusaka, Ndola.

Project Highlight

In this project, the company intends to venture deeply in cargo transport operations in Tanzania and outside the country (neighbouring countries) of Uganda, Zaire, Rwanda, Burundi, Zambia, and Malawi. The intended investment is estimated at USD 16,000,000.00 when fully implemented, to befinanced by the owners' equity. The project is viable as it is shown by an Internal Rate of Return on Investment (IRR) of 24%and a short payback period of within 3 years of operation.

The project will create more than 350 jobs and several indirect employment opportunities to the residents of Tanzania. The project will require Five years of implementation before it becomes optimally operational.

PROJECT DESCRIPTION

This business plan sets out results of the feasibility study made for cargo transport activities with haulage and storage facilities in Tanzania and countries around.

Objective

The objective of the report is therefore, to show the possibilities to operate haulage trucks and do truck services for all types of bulk cargo including liquid and non liquid goods. This is to be presented to the project directors, financiers and other stakeholders for the project support including Tanzania Investment Centre for acquiring theCertificate of Incentives.

Value and Rationality

Policy

Although the country has no national policy on cargo transport, but the national acknowledges the contribution made by this business segment to the national economy. In Tanzania, transport operation business is one of the leading economic activities in terms of value invested, employment offered, economic operation, economic performance, and untapped potentiality. It is also one of the leading link-making economic activities for Tanzania and all surrounding neighbouring countries especially the land-locked Uganda, Rwanda, Burundi, Zambia, and Malawi.

Its value therefore contains a multiplier effect to social economic attributes like creating wealth to its owner and users, helping to make goods available to immediate consumers, means of income generation and indirect force to road development requirements.

Evidence provided by investment statistics presented by the National (Tanzania) Economic Survey has shown success. For the past five years, the transportation industry in Tanzania has gained an upwards expansion momentum. The upwards trend reflected in the number of projects, value of projects and jobs created.

Table I: Extract of Percentage share of selected activities to GDP at current prices Transport in Tanzania

Year	Percentage
2015	5.2%
2016	4.4%
2017	4.2%
2018	4.3%
2019	4.3%
2020	4.3%
2021	4.5%

Source: Bank of Tanzania Annual Report

On the advance internationally, the industry has become one of the world's largest and most rapidly expanding economic sectors rendering service to business operators, foreign exchange earners and more importantly the good employer among other well doing economic players wolrd wide

The significance of the transportation industry is invariable in the short, medium, and long economic terms, with a lot of attributes to make it is an inevitable service demanded. More intrinsic, the on-land transport segment is a core link between small scattered entities and international giants. Among the attributes to that significance are individual national social economic viability, globalization of business activities, information and communication technology and entrepreneurship.

Tanzania is a strategically positioned country. It is surrounded by six land locked countries, through its ports; it offers these countries a "gate-way' to the rest of the world. Note worthy arealso: Tanzania's commendable growth of the economy which has been recorded since 1995; good local business climate; abundance of resources, and stable leadership, have made the country a focal point for businesspeople and cargo transit convergence, be it for Tanzania or for neighbouring countries in the light of social, business and/or economic development. These report findings mean good indicator of business viability and growth implying economic growth with more deployment of economic factors of production which in turn makes goods transit inevitable.

The company is encouraged to venture into this sector in view of all benefits at the national level and as one way of making our contribution to the national development. The sector of transport and communication has recorded an increasing contribution to the National GDP over time.

Table II: Distribution of GDP at Constant Prices per Economic Activity, in percentage

ITEM	2016	2017	2018	2019	2020	2021
WHOLE TRADING	10.60	10.40	10.20	10.50	10.70	10.70
AGRICULTURE	29.40	31.10	31.25	28.80	29.00	29.10
MINING						

	5.10	4.90	4.20	4.30	4.30	4.30
MANUFACTURING	7.60	7.50	6.40	5.60	5.20	5.10
CONSTRUCTION	9.00	8.10	10.80	12.40	13.60	14.00
HOTEL & RESTAURENT	2.40	2.40	2.30	2.10	2.00	2.00
TRANSPORT	5.20	4.40	4.20	4.30	4.30	4.30

Source: Bank of Tanzania

Markets, and Competition

a) Targeted Markets

The targeted market for this project is on all types of cargo for all intra-trans and inter-trans

business operations in East, Central and Southern Africa countries.

b) Competition

There are many cargo transport operators in Tanzania; competition is one of our desired challenges as it is our base for quality and best services provision measurement. We are sure that to this project competition will be lessened l the uniqueness in quality and size of the services it will offer.

c) Capacity Utilization.

Capacity utilization of the trucks starts from 90% to 94-97% in the Fifth year. The trend of capacity utilization has been set to enable project promoters to put more emphasis into marketing of the company services within and outside the country.

Project Evaluation

a. Strengths

- The project is banking on the development of the East Africa Community with its plan of interlinked road infrastructure and harmonised trade among partners
- The project has been provided with enough capital to start with
- The project operators know well the operational environment

b. Opportunities

- Other operating project in the same area, offer experience learning grounds.
- Government supports the growth of the cargo transportation industry

MANAGEMENT AND WORKING ENVIRONMENT

a) Management

By this plan, the company intends to employ more than 30 local people to manage and run the project.

The management team will comprise:

DIRECTORS

GENERAL MANAGER

MECHANICS DRIVERS OTHERS ACCOUNTANTS

b) Staff, Quality and Training

The project will recruit and employ qualified staff as per jobs requirements and descriptions.

However, the project will do in-house training of Its staff on transports operation, cargo handling and ethics, plus customer service.

c) Working Ethics

All dimensions of good working environment will be observed. This will include workers' welfare and surrounding visible working area. Application of cleaner and safer production policy andenvironmental management will be paramount. It must be noted that many laws on occupational health and safety, injury and death at workplace still constitute a major problem. Poor work habits; pose other serious hazards in various workplaces. Our company measures will include being diligent in following local and international safety regulations.

INVESTMENT

Investment Structure:

The project cost is estimated to be USD 16,000,000.00 when fully implemented. Although the project is based in Dar es Salaam the investment especially for offices and stores will spread to a dry port of Mbeya,Shinyanga for the easy facilitation of neighbouring countries. A summary of investment costing is as follows:

Table iii: Investment structure,

PARTICULARS	AMOUNT IN USD
LAND & BUILDING	500,000
MACHINERY & EQUIPMENT	200,000
MOTOR VEHICLES	15,000,000
WORKING CAPITAL	150,000
FURNITURE	50,000
OTHERS	100,000

Elaboration on investments:

Haulage Trucks

One Hundred Fifty(150) Pulling trucks with separate engines-chasses and trailers will be purchased by the company to expand the project to complement the existing ones currently Sixty(60). This will happen in phases as and when the promoters study the trend in the market and gather sufficient experience. Currently, the promoters have already placed an order for Five(05) trucks from China, which are in Transit to Dar es salaam. These Funds are generated from business andNow, they are looking for another 20 Trucks and financed by commercial bank which can finance the tankers such that when the trucks arrive, they will be fitted and start working without wasting much time consequently loss of revenue due to lead time. The promoters are willing to contribute 20% of the total sum required for the trucks and the rest to be from the bank or any other financial institution.

Financial Analysis

The financial analysis show that sufficient cash will be generated to meet both short- and long term financial obligations and the project can generate fairly good profits. The review is given hereunder:

I. Fundamental assumptions

The assumptions used in the preparations of the financial accounts are:

a) The operating period under which the viability of the project is being evaluated is 5 years

b) The capital cost of the proposed project is USD 16,000,000.00 inclusive of the working capital

c) The main sources of the project's capital for investment are owners' equity and Bank loan

d) The main sources of the project revenue are revenues earned from cargo haulage and

garaging workshop.

e) Distance between Dar es Salaam (Tanzania) and other destination arrears such as Lusaka (Zambia)Kigali (Rwanda), Democratic Republic of Congo (DRC), Bujumbura (Burundi) etc has been assumedaverage for calculation purposes.

11 Capital and financing

The project is financed by owners' equity.
The capital cost summary of the project development stated in Tanzanian currency is given as follows:

Fixed capital: 15,850,000.00

Working Capital:150,000.00

Total: 16,000,000.00

Financing Plan

capital source	Amount Usd	%
Owners Equity	800,000	20
Finance	15,200,000	80
Total	16,000,000	100

Depreciation:

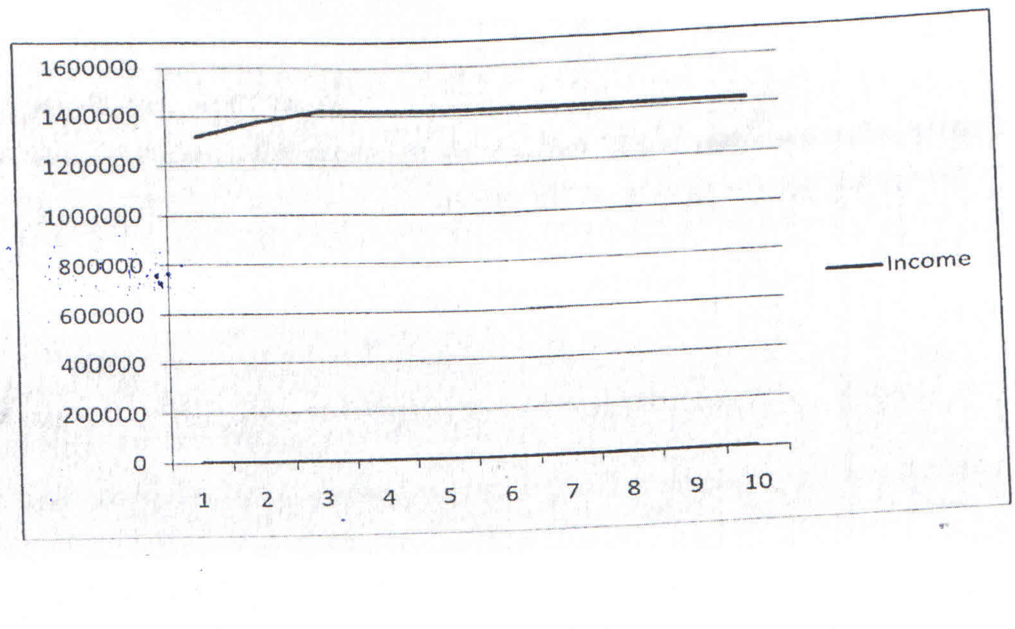
Economic depreciation rates based on the used for lifetime of the various capital items have been adopted and the following facts apply for the depreciation rates in this project

Land & Building	5%
Equipment & Machinery	12.5%
Trucks & Trailers	25%
Computer & Software	33.33%

Ill Projected Revenue Schedule

In the income statement, the expected average total turnover from the project operation is expected to rise from USD 6,480,000 in the first year to USD 11,333,561 in the fifth year and continue to rise as more fleets of vehicle are added.

Figure I. Graph on Project Revenues



VI. Working Capital

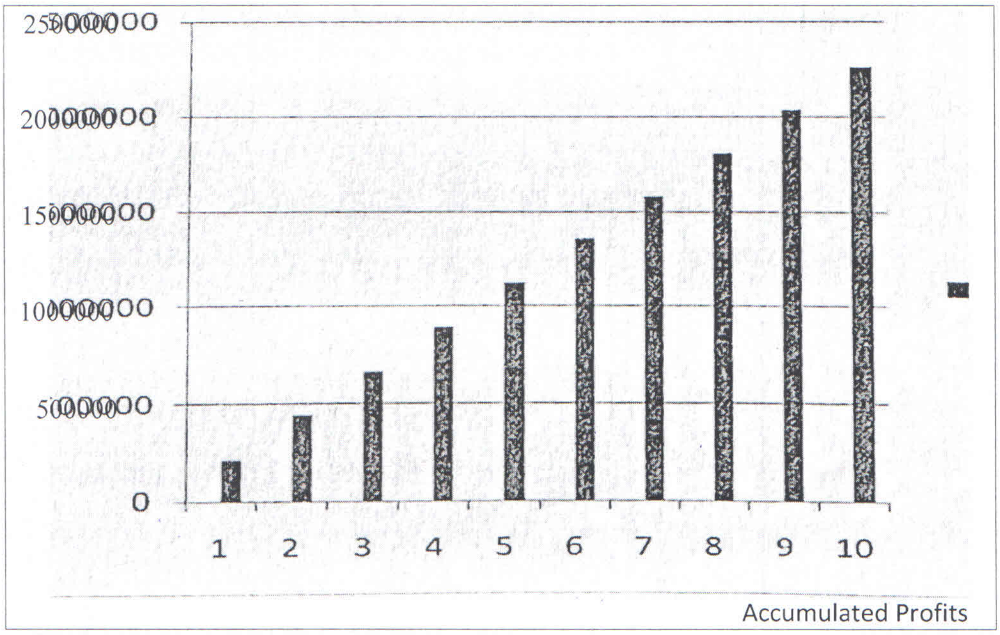
The computation of working capital is a combination of the salaries to be paid by the initial capital throughout the year and the office administrative of one month. The social securities are not included in this category. It shows that the initial working capital will be USD 150,000

VII. Taxation

The corporate tax charged is 30% of the profits.

VIII. Project Profitability

On the Profit and Loss Account, the accumulated Net Profit for the project annually will be:



IX. Project Ratios and Return (IRR)

The liquidity position of the project shows that if the proposed sales structure will not be a deterrent, the liquidity position ofthe project will be able to sustain the operations ofthe project.

The project is profitable as expected at 24% which confirms the project's economic Viability and profitability especially when compared to the adopted rate of borrowing of 8%

RECOMMENDATIONS

- The project is profitable
- The operations are financially viable
- The key ratios are acceptable
- The liquidity position is sound since the project can meet its financial commitments

  without any undue difficulties

Conclusion

Based on the issues analysed in this report, it is recommended that the project be approved ad facilitated for implementation as planned by the investors.