HIGHWAY EXPRESS (T) LIMITED

PROPOSED BUSINESS PLAN FOR CARGO TRANSPORT PROJECT

Business Sector: **CARGO TRANSPORTATION**

Presented To:
TANZANIA INVESTMENT CENTRE
Dar es Salaam

Prepared by:
HIGHWAY EXPRESS (T) LIMITED
P.O.BOX 1672,
DAR ES SALAAM, TANZANIA

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HIGHWAY EXPRESS (T) LTD

Business Profile: STRATEGIC BUSINESS PLAN

Table of Contents

1. The Company

Highway Express (T) Ltd is a company registered in Tanzania under the Companies Act (No 12 of 2002) as a company limited by shares, on 30, April, 1997, and given a certificate if Incorporation No 13634

1.1. Ownership

The company is owned by two shareholders as detailed below

1. Faeem Iqbal Jetha 50%
2. Rahim Shamshudin Jetha 50%

1.2. Physical Location.

The Company is located in plot No 15 block F Sinza Street, as its headquarters.
The company first direct contact is
Faeem Jetha
P o box 1672
Cell +255715100789

2. Project Highlight

In this project the company intends to venture more into cargo transportation in Tanzania and outside the country. In the neighbouring countries it intends to venture in Zambia, Congo and Rwanda. The company intends to do an investment of about USD 2,000,000 after full implementation of this project. The expected financing being from owner's equity and bank financing.
The project is viable as it is shown by Internal Rate of Return on Investment of 24%, the net present value of total equity capital invested of 1,349,000,000 at 54%, and short payback period of within 3 years of operation.
The project is expected to create more than 150 direct jobs and several indirect employments to Tanzanians. The project will be implemented in phases, and hence will require three years to be optimally operational.

2.1 Project Description

This business plan set out of feasibility study made for cargo transport activities with haulage and storage facilities in Tanzania and neighbouring countries.

2.2 Objective

- The objective of the report is therefore to show the possibilities to operate haulage trucks of all types of cargo. This is for presentation to the project

Directors, financers and other stakeholder for the project support, Tanzania Investment Centre being one of them, for acquiring the Certificate of Incentive.

2.3 Value and Rationality

Policy

The country has no clear policy on cargo transportation though it acknowledges the contribution on this segment in the country economy. In reality transportation is a big sector, employing so many people, on the other hand so much investment by various stakeholders made toward the sector. By having the Dar es salaam port, and being surrounded by land locked countries, there is so much transit operation to neighbouring countries.

The sector takes responsibility of seeing that goods reach intended destinations; hence participate in wealth creation, both to owners and users of the service.

From official statistics by the Tanzanian Economic Survey, it has been seen that in the past five years transportation has gained growth upward, the growth is evidenced by number of employment created, and value of projects implemented.

Table 1. 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%

Source-Bank of Tanzania Annual Report 2020/2021

Tanzania is located strategically, as it is surrounded by six land locked countries, it is offering a gate way for all of the to the world through its Ports. This assures continuity of the business as always the service will need to be provided.

The company feel motivated to engage in this project, based with the benefits to itself, and the nation at large.

Table 2 Distribution of GDP at Constant Prices per economic activity, in percentage

ITEM	2015	2016	2017	2018	2019	2020
Whole Trading	10.6	10.4	10.2	10.5	10.7	10.7
Agriculture	29.4	31.1	31.25	28.8	29	29.1
Mining	5.1	4.9	4.2	4.3	4.3	4.3
Manufacturing	7.6	7.5	6.4	5.6	5.2	5.1
Construction	90	8.1	10.8	12.4	13.6	14
Trade Hotel & Restaurant	2.4	2.4	2.3	2.1	2	2
Transport & Communication	5.2	4.4	4.2	4.3	4.3	4.3

Source-(Extracts) Bank of Tanzania Annual Report 2020/2021

3. Markets and Competition

Targeted Markets

The targeted market for the project is all types od cargo for all intra trans and

inter trans business operation in East, central and Southern African countries

Competition

There are players in the market, competition is there and stiff. We will face to it, expecting a good referral from those we worked before, and our clean track record of delivering on time.

In any business in Tanzania, the following are believed to be key success factors.

Reliable: The customers can rely on your promise

Timely: Works and service is delivered on time without unnecessary excuses

Honest: The whole issue of being honest to clients is our motto, we tell clients the truth no matter what, at the end they fill that they are at the right place. This is practiced by Management and inspired to all our staff, hence we see good results.

Responsibility: We always act responsible even when the situation challenging.

3.1 *Capacity Utilization*

Capacity utilization of trucks will start at 80% utilization to 97% in the third year. The implementation phases are such that they give space for marketing of the services by promoters, both within and outside the country

3.2 *Project Evaluation*

Table 3: Analysis of the Company's SWOTS

Strengths	**Weaknesses**
• It has a strong clientele base • Strong management and well paid personnel • Has a will to expand • Access to reliable Customers • Access to finance	• Not yet emphasize on the marketing. • Has no brunches in neighbouring countries
Opportunities	**Threats**
• Government will to support the sector. • Extension of works for customers already with us.	• Big players in the market

4. Management and Working Enviroment

Management

The company on implementing this will offer employment to 30 local people to manage and run the project, including General Manager, mechnics, drivers, accountant and others.

Staffing

The project will place qualified staff as per various jobs requirements, also an in-house training will be offered to staff on transport operation, cargo handling and customer service

INVESTMENT

The project is estimated to be USD 2,000,000 when fully implemented. The project is headed from Dar es salaam, offices will also be opened in boarders for facilitation of neighbouring countries services.
Summary of investment structure is given below

ITEM	VALUE IN USD
OFFICES	50,000
Equipment and Machinery	200,000
Motor Vehicles	1,500,000
Others	50,000
Initial working capital	200,000

Elaboration on Investment

Haulage Trucks

Fifty pulling trucks with separate engines-chasses and trailers will be purchased by the company to expand the project to complement the existing fifty five (55).This is expected to happen in phases as and when the promoters study the trend in the market. Currently negotiation is at advanced stage with one Vendor Company for trucks, where part of the project vehicles is expected to be sourced soon. The promoters' end of day will contribute 20% of the intended project money, and will seek financing for the rest from banks.

5. Financial Analysis

The financial analysis show that sufficient cash will be generated to meet both short and long term financial obligations, hence the project generates fairly good profit. The review is detailed below.

Assumptions

- The operating period under which viability of the project is being evaluated is 5 years
- The capital cost of the proposed project is USD 2,000,000 inclusive of the working capital.
- The main sources of the project capital for investment are owner's equity and Bank Loan
- The main sources of the project revenues are revenues earned from cargo haulage.
- Distance from Dar es salaam (Tanzania) and other destination arrears such as Kigali (Rwanda), Democratic Republic of Congo (DRC), etc has been assumed average for calculation purposes.

5.1 Capital Financing

The project is financed by owner's equity

The capital cost summary of the project development stated in Tanzanian Currency USD Dollar is given as follows

Fixed Capital 1,900,000

Working Capital 100,0000

Total 2,000,000

5.2. Financing Plan

CAPITAL SOURCE	AMOUNT IN USD	SHARE
Owner's Equity	400,000	20.00%
Bank Loan	1,600,000	80.00%
TOTAL	2,000,000	100%

Depreciation

Economic depreciation rates based with lifetime of various capital itemshave been adopted and here are applicable depreciation rates

Land and Buildings	4.00%
Equipment& Machinery	12.50%
Trucks & Trailers	25.00%
Computers and Sofwares	33.30%

Project Revenue Schedule

In the income statement, the expected average total turnover from the project operation is expected to rise from USD 3,480,000 in the first year to USD 7,365,000 in the fifth year, and expected to rise more as fleet is added.

INCOME	Year 1	Year 2	Year 3	Year 4	Year 5	ACCUMULATED
INCOME	3,489,000	4,221,690	5,108,245	6,129,894	7,355,873	26,304,701
PROFITABILITY						
	Year 1	Year 2	Year 3	Year 4	Year 5	ACCUMULATED
	383,790	464,386	561,907	674,288	809,146	2,893,517

The project is profitable as shown in the above table, an average return of 11% of gross sales. Compared to invested amount of 2, 000,000, at a period of 5 years the project will have paid a return of 2.8m

6. Recommendation

- The project is profitable
- The operations are financially viable
- The liquidity position is sound since the project will be able to meet its financial commitments

Conclusion

Based with analysed issues in this report, it's recommended that the project be approved and facilitated for implementation as planned by the investors,

HIGHWAY EXPRESS (T) LTD

	NOTES	YEAR 1 USD	YEAR 2 USD	YEAR 3 USD
REVENUE				
Saes	**3**	3,489,000	4,221,690	5,108,245
TOTAL		**3,489,000**	**4,221,690**	**5,108,245**
EXPENDITURE				
Direct Costs	**4**	2,459,745	2,976,291	3,601,313
GROSS PROFIT		**1,029,255**	**1,245,399**	**1,506,932**
LESS: Operating Expenses				
Salaries,Wages & Other cost	**5**	526,922	618,881	756,436
NET PROFIT BEFORE DEPR AND TAXATION		**502,333**	**626,517**	**750,496**
DEPRECIATION		-	-	-
NET PROFIT BEFORE TAXATION		**502,333**	**626,517**	**750,496**
Tax provision for the year		150,700	187,955	225,149
NET PROFIT		**351,633**	**438,562**	**525,347**
STATEMENT OF RESERVES /PROFIT & APPROPRIATION ACCOUNT				
Net profit/(Loss)		**351,633**	**438,562**	**525,347**
		351,633	**438,562**	**525,347**
Add; Retained profit b/fwd		19,784	371,417	809,979
Retained profit c/fwd		**371,417**	**809,979**	**1,335,326**

YEAR 4 USD	YEAR 5 USD
6,129,894	7,355,873
6,129,894	**7,355,873**
4,321,575	5,185,890
1,808,319	**2,169,982**
873,992	1,029,040
934,327	**1,140,942**
-	-
934,327	**1,140,942**
280,298	342,283
654,029	**798,659**
654,029	**798,659**
654,029	**798,659**
1,335,326	1,989,355
1,989,355	**2,788,015**