

K.N. SOLANKI LOGISTICS LIMITED

PROJECT DOCUMENT

ON

**ESTABLISHMENT
OF**

CARGO TRANSPORTATION

**Prepared By:
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P.O.BOX 15604
DAR-ES-SALAAM**

1.0 EXECUTIVE SUMMARY

1.1 COMPANY BACKGROUND

K.N. SOLANKI LOGISTICS LIMITED is a private limited liability company, established in 16th September 2020 under Certificate of Incorporation No.143563898 to carry out a variety of businesses, ranging from transportation sector, industry and management to clearing and forwarding. The main purpose of this particular project is to carry out cargo transportation operations to provide both for domestic and transit haulage services. The company has its headquarters based in Dar-es-Salaam.

1.2 THE PROJECT

The company intends to acquire about 100 trucks with trailers (semi/pull type), pick-ups, light trucks and workshop tools and related handling service facilities. The project will bring the effect of strengthening distribution and marketing facilities in the Country and the fleet will also be used to transport transit cargo for neighbouring landlocked Countries East and Central Africa namely: Rwanda, Burundi, Uganda, The Democratic Republic of Congo, Zambia, Malawi and Kenya.

1.4 Investment Costs

The project cost is estimated at US\$10,020,000 which will be contributed by the sponsors.

1.5 FINANCING PLAN

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

SOURCE	US \$
Equity	10,020,000
Sub total	10,020,000

1.6 THE PROMOTERS

The promoter of the project is K.N. SOLANKI LOGISTICS LIMITED and its shareholders are as follows;

NAME OF SHARE HOLDER	NATIONALITY	%SHARE- HOLDING
Vishal Narendra Solanki	Tanzanian	83.33
Archana Vishal Solanki	Tanzanian	16.67

1.7 LOCATION

The company will be located at FLUR V PLOT NO 9, Tazara Kurasini, Temeke, Dar-es-Salaam which is easily assessable to the airport, harbours and up-country

1.8 THE MARKET

The demand for transit cargo and supply of trucks/trailers has revealed that there is an excess demand in the transportation sector and the establishment of a company and purchasing a fleet of about 100 new trucks/trailers to facilitate movement of transit cargo by road system to and from landlocked neighbouring countries is justifiable. With the state of development in Tanzanian economy and that of the neighbouring countries, it indicates that there is an increase in demand for transit cargo both dry and wet, including white petroleum products namely: petrol, diesel, jet fuel, lubricants, liquefied gas (LPG) etc.

1.9 ENVIRONMENTAL ASPECT

Generally, Tanzania has environmental regulations governing the operation of garages, workshops, and storage of oil. Nevertheless, each operator takes basic precautions to ensure that during and in case if an accidental spillage or fire, damage to environment is limited to the minimum possible level.

1.10 Social and Economic Impact

The proposed project will result into the following social and economic impacts:

- Increase the provision of high-quality services in the distribution of industrial products in the country.
- The proposed project of the fleet of trucks investment in this sector will provide employment for more than 100 people.
- The government and other agencies will benefit from various taxes, fees and commissions that will be paid to the Treasury.

1.10 CONCLUSION AND RECOMMENDATIONS

The executive summary highlights indicate that the proposed project will be financially and economically viable. It is recommended that the project be accorded the required institutional and financial support to pave the way for its expeditious establishment and development.

2.0 THE PROJECT

2.1 THE COMPANY

K.N. SOLANKI LOGISTICS LIMITED is a private liability company engaged in the transportation business. The companies have been incorporated on 16th September 2020 under Certificate of Incorporation No.143563898. The shareholders have extensive and long-term exposure to the transport. **K.N SOLANKI LOGISTICS LIMITED** main aim is to establish a transport fleet system by acquiring 100 cargo haulage trucks with trailers, establishing workshops and terminal comprising of container yard, truck parking places, godowns and offices

2.2 PROJECT Concept

The project intends to establish a trucking company, which will deal with transportation of transit cargo to and from neighboring countries and will consists of the following;

- Purchasing 100 trucks including 100 with the average load carrying capacity of 30 tons per truck/trailers trailers, light trucks and 4WD patrol vehicles to assist in highway patrols and maintenance services
- Purchase of mobile workshop and GPS equipment's
- Purchase of machinery and equipment/tools such as cranes, light forklifts and repair

equipment to enhance smooth operation of its transport fleet.

- Acquiring new office furniture, fittings, computers and telecommunication system.

2.3 THE PROJECT PROMOTERS

The project is promoted by K.N. SOLANKI LOGISTICS LIMITED, incorporated as a Limited Liability Company. The company is based in Dar-es salaam with the registered office at Plot no 08 block30 Swahili/Mchikichi Road, Karikoo Ilala Dar-es salaam. The directors and share holdings are as follows: -

Name of Share Holder	Nationality	%SHARE-Holding
Vishal Narendra Solanki	Tanzanian	83.33
Archna Vishal Solanki	Tanzanian	16.67

The promoters have vast experience in cargo transportation especially in the areas of transits business

2.4 COMPANY VISION

The project promoters wish to see K.N. SOLANKI LOGISTICS LIMITED as the reliable and leading cargo transporter in Tanzania. The customers should associate the company's name with high quality transport services to the international standards. This includes positioning K.N. SOLANKI LOGISTICS LIMITED clearly in relation to the competitors and placing the company as a leading and reliable cargo Transporter

4.0 THE MARKET ANALYSIS

4.1 DEMAND FOR TRUCKING FACILITIES

There is a very high demand for the cargo transportation in neighboring countries. Most of their imports and exports are passing mainly through Dar-es-Salaam, which is the major port for international traffic. Dar es Salaam is Tanzania's principal port with intrinsic capacity of 10.1 tonnes per year. The port serves land-linked countries of Malawi, Zambia, Democratic Republic of Congo, Rwanda, Burundi, and Uganda.

The port handles over 92% of the total maritime ports' throughput. **K.N. SOLANKI LOGISTICS LIMITED** will endeavor to achieve the transportation contract for domestic and transit business in the neighboring countries. Main commodities being transported comprise consumer goods, agricultural inputs, food vegetable oil, gas oil and various types of minerals. (*Tanzania invest*).

Therefore, it can be expected that the sponsors would not face any marketing and operational problems in managing the proposed project.

4.2 SUPPLY OF TRUCKING FACILITIES

Tanzania transport sector has contributed 8.1% to the country real GDP with USD 3.8 billion compared to USD 2.8bn in 2014 representing an increase of 33%. The growth drivers include the increase in the number of passengers carried and freight handled through 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. (www.tanzaniainvest.com/transport)

4.5 COMPETITION

K.N. SOLANKI LOGISTICS LIMITED with 100 new trucks/trailers is therefore poised to emerge as one of the major transporters of transit cargo in Tanzania with no serious competition since demand for road transport is already higher than supply of trucks for transit cargo. 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 K.N. SOLANKI LOGISTICS LIMITED** with 100 new trucks therefore will be one of the major transporters of transit cargo in the East Africa, COMESA and SADC region with no serious competition.

4.6 PROJECT IMPLEMENTATION SCHEDULE

The project promoter intends to take five years to purchase the intended 100 trucks.

5.0 INVESTMENT PLAN

In order to sustain the viability and growth M/S K.N. SOLANKI LOGISTICS LIMITED, a modest Investment plan has been drawn during the project period and the investment cost of the project is US\$10,020,000.

	LOCAL	TOTAL
Land & Building	100,000	100,000
Plant/workshop facilities	500,000	500,000
Vehicles	8,300,000	8,300,000
Furniture and fixture	50,000	50,000
Pre-expenses	20,000	20,000
Others	50,000	50,000
Working capital	1,000,000	1,000,000
Total	10,020,000	10,020,000

5.1 FINANCING PLAN

The company through equity contribution will raise the bulk of the capital cost. The other major source of funding will be internally generated revenue from operations that will be ploughed back. The other possible sources of finance are through supplier's credit.

6.0 MANAGEMENT AND ORGANISATION STRUCTURE

6.1 ORGANIZATION

K.N. SOLANKI LOGISTICS LIMITED will be directly under the shareholders, who form part of Board of Directors. The Managing Director will be appointed by the Board of Directors and will be overall in charge of day-to-day operations of the Company and will be assisted by the following heads of sections -, Financial controller, Chief Mechanics, the Manager of Operations

Container Terminal Manager and Senior Logistics Officer.

6.2 MANPOWER REQUIREMENTS

To improve its transport system the company expects to employ 120 people. Out of these 100 will be truck drivers. The company will recruit the truck drivers and all are expected to have strong background in transportation. All the new employees are expected to US\$

7.0 FINANCIAL ANALYSIS

7.1 REVENUE ASSUMPTIONS

The basic revenue underlying the projected revenue is detailed below:

7.1.1 Basic Revenue Assumptions

- 1) The project will operate total fleet of 100 trucks/trailers by the sixth year.
- 2) The entire fleet is deployed to haul mainly international transit cargo only with 0% return cargo.
- 3) Due to the long distances involved and condition of roads, the load factor is assumed at 90%.
- 4) About 10% of the trucks will be grounded on account of mechanical breakdowns, overhaul, accidents, etc. at any one time
- 5) Freight rates have been conservatively estimated at *US\$ 12,000 per Truck per month*
- 6) The revenue and operating cost assumptions have been projected at constant prices and assumed that any increase in costs will be offsetted by a corresponding increase in freight rate.
- 7) The round trip is estimated to be *eight Trips per annum* to the neighbouring countries like DRC Congo

7.2 OPERATING COSTS AND ASSUMPTIONS

7.2.1 Direct Cost

- 1) The major direct operating costs have been estimated to be 60 % of the total revenue:

2) Depreciation

Economic depreciation rates based on useful lifetimes of the various capital items have been

adopted. The following fact facts apply for the depreciation rates in this project:

- Building and Civil works are depreciated at 4% straight line.
- Workshop equipment, plant, machinery, and operating equipment 12.5 % .
- Office equipment is depreciated at 12.5%.
- Furniture and fittings are depreciated at 12.5%
- Pre-operational expenses are is 20%.

3) Working Capital Requirements

Ideally, working capital requirements are directed by the volume and business tempo.

7.3 Operating Costs

The major direct operating costs are as summarized below:

- **The capacity**
- The capacity utilization of the truck starts from 60% in the 1st Year to 70% in the 2nd year and 80%, in the 3rd year and other subsequent years. **Fuel and Lubricants**
All the running trucks are diesel propelled.
- **Tires and Tubes**
Periodic replacements of worn-out tires will be necessary because of the long distances to be covered.
- **Other Direct Cost**
Other direct costs the company incurs include driver's allowances, road toll or borders

fees, PTA Insurance, loading and offloading costs.

- **Repairs and Maintenance**

The costs of normal repairs and maintenance of the assets has been estimated on the basis of the costs of assets.

- **Administrative Overheads**

The administrative overheads are estimated to range about 5% of the total operation costs

7.3 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 from year six.

7.4 PROJECTED CASH FLOW

Substantial cash surpluses will accrue to the project right from year one. The strong liquidity position confirms the project's ability to meet all financial obligations.

7.5 PROFITABILITY

The projected profitability levels compare well the profit levels being achieved by other transit cargo transporters of a similar scale. The project's long-term retained earnings started rising from year one.

8.0 ECONOMIC DEVELOPMENT CONSIDERATIONS

8.1 Employment Creation

The project will create approximately 120 jobs with capacity to expand the employment levels in the later years.

8.2 Foreign exchange Earnings

The project will earn foreign exchange through its operation of transit goods

8.3 Economies of Scale

The project will be profitable with subsequent to 100 trucks and will improve communication and infrastructure facilities.

8.4 Development Aspects

The following are the major economic and social benefits, which will be generated by proposed project.

- Revenue to the Government and other organs in the form of taxes, fees and levies.
- Increase in employment opportunities.
- Earnings of foreign exchange because of the project's active engagement in the transit trade
- Facilitate in increase improvement and availability of the freight haulage services especially in the transportation of raw materials, fuels, crops and finished products to and from markets.

8.0 CONCLUSION AND RECOMMENDATION

The brief financial analysis indicates that the project will be financially viable. Therefore, it is strongly recommended that the sponsors of **K.N. SOLANKI LOGISTICS LIMITED** availed with the required institutional assistance so as to enable them establish the propose project.

APPENDICES

K.N. SOLANKI LOGISTICS LIMITED
INVESTMENT COST

US\$

	LOCAL	TOTAL
Land & Building	100,000	100,000
Plant/workshop facilities	500,000	500,000
Vehicles	8,300,000	8,300,000
Furniture and fixture	50,000	50,000
Pre-expenses	20,000	20,000
Others	50,000	50,000
Working capital	1,000,000	1,000,000
Total	10,020,000	10,020,000

K.N. SOLANKI LOGISTICS LIMITED
PROJECT'S FINANCING PLAN

US\$

Item/Funds	Equity	TOTAL
Equity	10,020,000	10,020,000
Total	10,020,000	10,020,000

K.N. SOLANKI LOGISTICS LIMITED
PROJECTED 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%	500,000	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	-	-
Vehicles	25%	8,300,000	2,075,000	2,075,000	2,075,000	2,075,000	-	-	-	-	-	-
Furniture & Fixtures	12.5%	50,000	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	-	-
Pre-Operational expenses	20%	20,000	4,000	4,000	4,000	4,000	-	-	-	-	-	-
TOTAL DEPRECIATION			2,151,750	2,151,750	2,151,750	2,151,750	72,750	72,750	72,750	72,750	4000	4000

K.N. SOLANKI LOGISTICS LIMITED

PROJECTED INCOME STATEMENT

US\$000

Item/year	1	2	3	4	5	6	7	8	9	10
Sales Revenue	5,760	6,720	7,680	9,600	9,600	9,600	9,600	9,600	9,600	9,600
COST OF SALES	3,456	4,032	4,608	5,760	5,760	5,760	5,760	5,760	5,760	5,760
Direct Operating Costs										
Sub Total Cost of Sales	3,456	4,032	4,608	5,760	5,760	5,760	5,760	5,760	5,760	5,760
GROSS PROFIT	2,304	2,688	3,072	3,840	3,840	3,840	3,840	3,840	3,840	3,840
Gross Operating Profit										
CAPITAL & FINANCE CHARGES	2,151	2,151	2,151	2,151	72	72	72	72	4	4
Depreciation										
PROFIT BEFORE TAX	153	537	921	1,689	3,768	3,768	3,768	3,768	3,836	3,836
Corporation Tax (30%)	46	161	276	507	1,130	1,130	1,130	1,130	1,150	1,151
PROFIT AFTER TAX	107	376	645	1,182	2,638	2,638	2,638	2,638	2,686	2,686
Profit Brought Forward	-	107	483	1,128	2,310	4,948	7,586	10,224	12,862	15,548
Accumulated Profit	107	483	1,128	2,310	4,948	7,586	10,224	12,862	15,548	18,234

K.N. SOLANKI LOGISTICS LIMITED

PROJECTED CASHFLOWS

US.\$ 000

Item/year		1	2	3	4	5	6	7	8	9	10
CAPITAL INFLOW											
Present Equity Capital	10,020-	-	-	-	-	-	-	-	-	-	-
Sub Total Capital Inflow	10,020	-	-	-	-	-	-	-	-	-	-
OPERATING INFLOW											
Profit before tax		153	537	921	1,689	3,768	3,768	3,768	3,768	3,836	3,836
Depreciation		2151	2151	2151	2151	72	72	72	72	4	4
Sub Total Operating Inflow	10,020	2,304	2,688	3070	3,840	5,928	5,928	5,928	5,928	3,840	,840
TOTAL INFLOW	10,020	2,304	2,688	3070	3,840	5,928	5,928	5,928	5,928	3,840	3,840
CAPITAL OUTFLOW											
Investment	10,020	-	-	-	-	-	-	-	-	-	-
Sub Total Capital Outflow	10,020	-	-	-	-	-	-	-	-	-	-
OPERATING OUTFLOW											
Taxation		46	161	276	507	1,130	1,130	1,130	1,130	1,150	1,150
Sub Total Operating Outflow		46	161	276	507	1,130	1,130	1,130	1,130	1,150	1,150
TOTAL OUTFLOW	10,020	46	161	276	507	1,130	1,130	1,130	1,130	1,150	1,150
NET CASHFLOW	-	2,258	2,527	2,749	3333	4,798	4,798	4,798	4,798	2,690	2,690