

SREE KRISHNA CARGO LIMITED

PROJECT DOCUMENT

ON

ESTABLISHMENT

OF

CARGO TRANSPORTATION COMPANY

Prepared By:
SREE KRISHNA CARGO LIMITED
P.O.BOX 76908
DAR-ES-SALAAM

1.0 EXECUTIVE SUMMARY

1.1 Company Background

Sree Krishna Cargo Limited is a private limited liability company, established in Tanzania under Certificate of Incorporation No. **155891734** to carry out a variety of businesses, ranging from transportation sector, industry and management to clearing and forwarding. The company has its headquarters based in Dar-es-Salaam.

1.2 The Project

This project envisages establishing cargo transportation project. The company intends to acquire about **100** trucks with trailers (semi/pull type), within five years starting with 10 trucks and 20 trailers, pick-ups, light trucks and workshop tools and related handling service facilities.

1.3 PROJECT PROMOTERS

The proposed transportation project is being promoted by a locally registered company, namely Sree Krishna Cargo Limited of P.O. Box **76908** Dar-es-salaam. The following are the shareholders of the company;

Name	Nationality	Shareholding
Lokeswara Reddy Mada	Indian	82%
Bhagyamma Mada	Indian	18%

The promoters have vast industrial, service and commercial experience and have capitalized the new company adequately to venture into the new intended lines of business in Tanzania.

1.4 Investment Costs

The project cost is estimated at US\$**14,395,000** which will be contributed by the sponsors and some will be a term loan. The Company has already obtained a loan from Bank of Baroda and will immediately purchase **10 trucks**

	US \$	
	LOCAL	TOTAL
Land & Building	100,000	100,000
Plant/workshop facilities	150,000	150,000
Vehicles	14,000,000	14,000,000
Furniture and fixture	30,000	30,000
Pre-expenses	20,000	20,000
Others	20,000	20,000
Working capital	75,000	75,000
Total	14,395,000	14,395,000

1.5 Financing Plan

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

SOURCE	US \$
Equity	11,516,000
Loan	2,879,000
Sub total	14,395,000

1.6 The Market

Analysis of the demand of transit cargo and supply of trucks/trailers has revealed that there is an excess demand on transportation sector and establishing 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 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 and is raising rapidly due to the fact that Tanzania is surrounded by several landlocked countries. The survey concludes that the proposed transportation company will not face any marketing problems.

1.7 Financial Indicators

The financial indicators show that the project is viable as hereafter confirmed here below:

Operational expenses per month: **60%** of the total revenue

Total purchased trucks = **100** trucks and trailers

Total sales revenue in the year six = **USD 11,200,000**

Net Profit per in year six = **USD 3,118,000**

Total Tax paid in year six = **USD-1,336,000**

1.8 Financial Profitability:

Based on a set of assumptions given here-in, the projects demonstrate a profitable trend in its future operations. The project's Income Statement and Cash flow indicate the M/S Sree Krishna Cargo Limited would be able to recoup the planned investment funds within the first six years. This indicates that the project is financially and economically viable.

1.9 Economic Advantages

On the basis of the above account the analysis has overwhelmingly proved that the project is financially sound and techno-economically viable. Furthermore, the project has immense potential towards the earning of the badly needed forex earnings and substantial potential for job creation.

1.10 The Implementation Plan:

It is planned that the project will take 5 years from the Time M/S Sree Krishna Cargo Limited commences implementation of the project to the

time it completes the purchasing of all the required trucks M/S Sree Krishna Cargo Limited shall appoint a team comprising of a 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 operational the transportation company shall be capable of creating the following:

- ◆ Promote increased availability of reliable cargo transportation trucks
- ◆ Generating foreign exchange through its transits trade which will account to be 90% of its annual transportation services
- ◆ Create employment for the local indigenous people;
- ◆ Promote inter-regional trade through exports to neighbouring Democratic Republic of Congo, and East African region just to mention a few.

2.0 THE PROJECT

2.1 Project Concept

The project envisages establishing a trucking company, which deals with transportation of transit cargo throughout Tanzania and to and from neighboring countries. Among other things, the project components include.

- Purchasing the number of cargo haulage trucks/trailers. This involves acquiring 100 trucks and trailers, light trucks and in addition acquire 4WD patrol vehicles to assist in highway patrols and maintenance services. The company will immediately purchase 10 trucks and 20 trailers the rest will be purchased within five years
- Purchase of mobile workshop and GPS equipment's
- Purchase of Purchase of machinery and equipment/tools such as cranes, light forklifts and repair equipment to
- enhance smooth operation of its transport fleet

2.2 Location

The company headquarters is based in Dar-es-Salaam

SREE KRISHNA CARGO LIMITED

P.O. Box 76908

Dar-es-Salaam

2.3 Trucks and Trailers Requirement

The company proposes to acquire 100 new trucks and trailers that will have average load carrying capacity of 30 tons per truck/trailers. The total

loading capacity for the 100 trucks inclusive of trailers at 100% load factor is approximately 56,800 tons per annum.

2.4 Service Vehicles and office equipment's

The company will need the services car for the monitoring performance and maintenance of transport fleet. Therefore, it will acquire the 4WD Pick up – for highway patrol. This includes all trucks and patrol vans to be fitted with HF Radio system connected to the base station.

The company will also acquire new office furniture, fittings, computers and telecommunication system.

3.0 THE MARKET ANALYSIS

3.1 TANZANIA TRANSPORT SECTOR REVIEW

Road transport is the most dominant mode of transport in Africa, accounting for 80 per cent of the goods traffic and 90 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. All goods vehicles comprise the bulk of the fleet, the growth is high and well above Gross domestic product (GDP) growth. In the year 2021 the growth of fleet reached 325,352 with the annual growth of 14.7%. (Internet)

3.2 Demand and supply

At present, most of the network traffic volumes are relatively light and generally below 1,000 vehicles a day and often substantially less. 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 Ubungu 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.

3.3 Modes of Transport

Tanzania is the international gateway for several of its 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.

3.3.2 The sea port

On the side of seaport network, Tanzania harbor 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 main seaports, especially Dar es Salaam, provide vital access to world markets for this region.

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 and with the completion of the SGR, the transport network can contribute effectively to the transport needs of the economy.

3.5 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 Sree Krishna Cargo Limited Limited with 100 new trucks therefore poised to emerge as one of the major transporters of transit cargo in the SADC and COMESA region with no

serious competition, since the demand for fuel cargo transport is already higher than the supply of transit cargo

3.6 Supply of Trucking Facilities

Supply of Road Transport

The current traffic growth rate is 6-7%. Road transport accounts for 90% of total freight volume and 90% of passenger transport.

4.0 PROJECT IMPLEMENTATION SCHEDULE

The critical activities are securing finance to purchase or acquiring more transport trucks/trailers. As of now the company has secured a term loan with the bank of Baroda. The company is negotiating another loan from another bank. The purchasing of vehicles will depend on the securing of the loans and retained earnings from the company.

5.0 MANAGEMENT AND ORGANISATION STRUCTURE

M/S Sree Krishna Cargo Limited is organized directly under the Shareholders, who will form part of Board of Directors. The Board of Directors will be responsible in formulating policies, rules, regulations and planning aspects to ensure that transport system and the related activities meet the requirements of the company and that it is operating on profitable basis.

The Managing Director appointed by the Board of Directors will be the overall in charge of day-to-day operations of the Company. Given the size and complexity of transit cargo business, the company will employ two directors (shareholders) who regularly will report to Chairman and Board of Directors on targets and performance of the company in their respective sections. One of the Directors will deal in sales and marketing and the other one will be involved in operations and logistics.

5.1 Manpower Requirements

To improve its transport system the company expects to employ 130 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	14,000,000	14,000,000
Furniture and fixture	30,000	30,000
Pre-expenses	20,000	20,000
Others	20,000	20,000
Working capital	75,000	75,000
Total	14,395,000	14,395,000

6.2 Financing Plan

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

SOURCE	US \$
Equity	11,516,000
Loan	2,879,000
Sub total	14,395,000

The working capital of **US\$ 75,000** is to be financed through shareholders equity contribution and later working capital loan will be sought by requesting overdraft from the commercial banks

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) Freight rates have been conservatively estimated at US\$ 15,000per Truck
- 5) 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.
- 6) The round trip is estimated to be 45 days to the neighbouring countries

7.2 Operating Costs and Assumptions

7.2.1 Direct Cost

The major direct operating costs have been estimated to be 60 % 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 from year six

7.3 Projected Cash flow

Substantial cash surpluses will accrue to the project right from year 6. The strong liquidity position confirms the project's ability to meet all financial obligations.

7.4 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 eight.

8.0 ECONOMIC DEVELOPMENT CONSIDERATIONS

8.1 Employment Creation

The project will create approximately 130 jobs

8.2 Foreign exchange Earnings

As most of the payments will be made in foreign currency and therefore the project will contribute the much-needed foreign exchange earnings.

8.3 Special Features, Risks and Issues

Risks

A key input required for the success of the project is good management and technical ability. The project sponsors should undoubtedly be able to provide the overall management of the project adequately

Economies of Scale

Profitability is greatly affected by economies of scale. The project will be profitable with subsequent to **100** trucks which will improve communication and infrastructure facilities in Tanzania.

APPENDICES

SREE KRISHNA CARGO LIMITED
INVESTMENT COST

US\$

US\$

	LOCAL	TOTAL
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Vehicles	14,000,000	14,000,000
Furniture and fixture	30,000	30,000
Pre-expenses	20,000	20,000
Others	20,000	20,000
Working capital	75,000	75,000
Total	14,395,000	14,395,000

SREE KRISHNA CARGO LIMITED

PROJECT'S FINANCING PLAN

SOURCE	US \$
Equity	11,516,000
Loan	2,879,000
Sub total	14,395,000

SREE KRISHNA CARGO LIMITED
DEPRECIATION SCHEDULE

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%	14,000,000	3,500,000	3,500,000	3,500,000	3,500,000	-	-	-	-	-	-
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			3,526,450	3,526,450	3,526,450	3,526,450	26,500	26,500	26,500	26,500	4000	4000

SREE KRISHNA CARGO LIMITED
PROJECTED CARGO HANDLING

USD000

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	40	50	70	80	90	100	100	100	100	100
one lorry per year is 8trips	320	400	560	640	720	800	800	800	800	800
One lorry per annum for 8 trips @ usd 112000 per year in usd 000	4,480	5,600	7,840	8,960	10,080	11,200	11,200	11,200	11,200	11,200
GRAND TOTAL REVENUE US\$000'	4,480	5,600	7,840	8,960	10,080	11,200	11,200	11,200	11,200	11,200

SREE KRISHNA CARGO LIMITED
ESTIMATED WORKING CAPITAL

0

Item/year	Assumptions	1	2	3	4	5	6	7	8	9	10
A. CURRENT ASSETS STOCKS											
Direct Cost											
Fuel & Lubricants	3-month costs	403	504	706	807	1,008	1,008	1,008	1,008	1,008	1,008
Spares Parts	6 months' supply	538	672	942	1,075	1344	1344	1344	1344	1344	1344
Total Stocks		941	1,176	1,648	1,882	2,352	2,352	2,352	2,352	2,352	2,352
B. DEBTORS											
Trade debtors	2MONTH OF SALES	747	933	1307	1,493	1680	1680	1680	1680	1680	1680
Total Current Assets		1,688	2,109	2,955	3,375	4,032	4,032	4,032	4,032	4,032	4,032
C. CURRENT LIABILITIES CREDITORS											
Salaries	1 Month15% Of Cost Of Sales	34	42	59	67	76	76	76	76	76	76
Working Capital		1654	2,067	2,896	3,308	3,956	3,956	3,956	3,956	3,956	3,956
Change in W/Capital		1654	413	829	412	-	-	-	-	-	-

SREE KRISHNA CARGO LIMITED
PROJECTED INCOME STATEMENT

Item/year	1	2	3	4	5	6	7	8	9	10
Sales Revenue	4,480	5,600	7,840	8,960	10,080	11,200	11,200	11,200	11,200	11,200
Cost Of Sales 60%	2,688	3,360	4,707	5,376	6,048	6,720	6,720	6,720	6,720	6,720
Gross Profit	1,792	2240	2464	3584	4032	4480	4480	4480	4480	4480
Gross Operating Profit	1,792	2240	2464	3584	4032	4480	4480	4480	4480	4480
Depreciation	3,526	3,526	3,526	3,526	26	26	26	26	4	4
Sub Total	3,526	3,526	3,526	3,526	26	26	26	26	4	4
Profit Before Tax	(1,734)	(1,286)	(1,062)	58	4,006	4,454	4,454	4,454	4476	4476
Taxable Income	(1,734)	(1,286)	(1,062)	58	4,006	4,454	4,454	4,454	4476	4476
Corporation Tax30%	-	-	-	17	1202	1336	1336	1336	1343	1343
PROFIT AFTER TAX	(1,734)	(1,286)	(1,062)	41	2804	3118	3118	3118	3133	3133
Profit Brought Forward	-	(1,734)	(3020)	(4,082)	(4041)	(1237}	1881	4999	8,117	11,250
Revenue Reserve	(1,734)	(3020)	(4,082)	(4041)	(1237}	1881	4999	8,117	11,250	14,383

SREE KRISHNA CARGO LIMITED
PROJECTED CASHFLOWS

US\$ 000

Item/year	0	1	2	3	4	5	6	7	8	9	10
CAPITAL INFLOW	14,395	-	-	-	-	-	-	-	-	-	-
Equity Capital		-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
Sub Total Capital Inflow	14,395	-	-	-	-	-	-	-	-	-	-
OPERATING INFLOW											
Profit before tax		(1,734)	(1,286)	(1,062)	58	4,006	4,454	4,454	4,454	4476	4476
Depreciation		3526	3526	3526	3526	26	26	26	26	4	4
TOTAL INFLOW	14,395	(1792)	(2240)	(2464)	3584	4032	4480	4480	4480	4480	4480
CAPITAL OUTFLOW											
Investment	14,395	-	-	-	17	1202	1336	1336	1336	1343	1343
Taxation		-	-	-	-	-	-	-	-	-	-
TOTAL OUTFLOW	14,395	-	-	51	17	1202	1336	1336	1336	1343	1343
NET CASHFLOW	-	(1792)	(2240)	(2413)	3,567	2830	3,144	3,144	3,144	3,317	3,317
OPENING BALANCE	-	-	(1792)	(4,032)	(6,445)	(2878)	(48)	3096	6240	9384	12,701
CLOSING BALANCE	-	(1792)	(4,032)	(6,445)	(2878)	(48)	3096	6240	9384	12,701	16,018

