

**PROPOSED BUSINESS PLAN FOR CARGO TRANSPORT
PROJECT**

BY

H & O ROADWAYS LTD

Drawn by:

H & O Roadways Ltd

P. O. Box 22353

Dar Es Salaam.

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The Company

M/S H & O ROADWAYS LTD is a newly company registered in Tanzania under the Companies Act (No.12 of 2002) as a company limited by shares, on 30th of May 2012 and it holds a Certificate of Incorporation No. 156312592.

Ownership

It is founded by two shareholders who own 100% shares of the company namely.

1. Hussein Alnasiri Jetha	10%
2. Omari Juma Beleko	10%
3. Juma Suleman Beleko	10%
4. Shares Not Alloted	70%

Location

The project is in Dar as salaam, plot # 205- 207, block # "D", Chamazi Area as its headquarters, and will establish terminals in Mbeya, Mwanza, Shinyanga, region and others at Kigali, Bujumbula, Kinshasa, Ndola, and Lilongwe. The Project's first direct contacts will be:

Hussein Alnasir Jetha

P. O. Box 22353 – DSM

Cell: +255 (0) 713 675 083

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 2,500,000.00 when fully implemented, to be financed by the owners' equity. The project is viable as it is shown by an Internal Rate of Return on Investment (IRR) of 25%, the Net Present value of total equity capital invested of 2,510,100,854 at 54% and a short payback period of within 3 years of operation.

The project will create more than 200 jobs and several indirect employment opportunities to the residents of Tanzania. The project will require three 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 the Certificate 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	4.4%

Source: Bank of Tanzania Annual Report 2020/2021

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 world-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 are also: 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	10.6	10.4	10.2	10.5	10.7	10.7
Agriculture	29.4	31.1	31.25	28.8	29.0	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	9.0	8.1	10.8	12.4	13.6	14.0
Trade Hotel & Restaurat	2.4	2.4	2.3	2.1	2.0	2.0
Transport & Common.	5.2	4.4	4.2	4.3	4.3	4.3

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

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 by 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 third 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

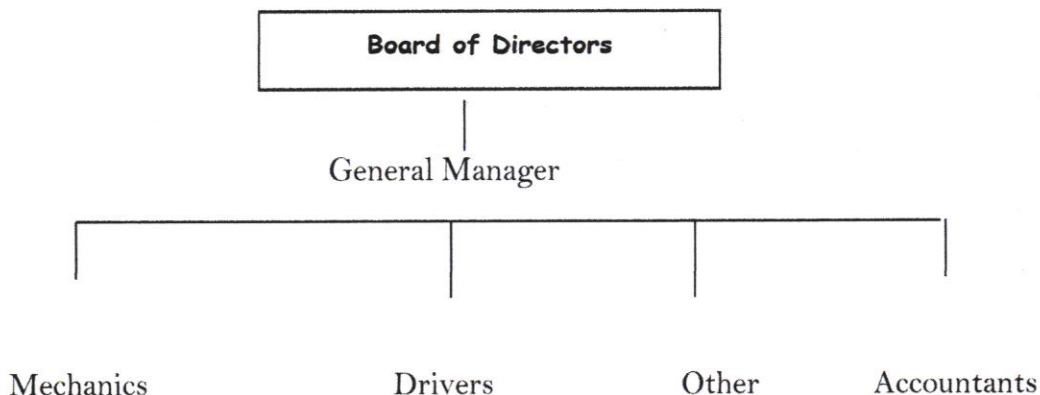
- Other operating project in the same area, offer experience learning grounds.
- Government supports the growth of the cargo transportation industry

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:



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 and environmental 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 2,500,000.00 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 Isaka Shinyanga for the easy facilitation of neighbouring countries. A summary of investment costing is as follows:

Table iii: Investment structure,

	In US
	TOTAL
Land & Buildings	200,000

Equipment & Machinery	300,000
Motor Vehicles	1,700,000
Others	100,000
Initial Working Capital	200,000
Total Initial Investment	2,500,000

Elaboration on investments:

Haulage Trucks

One Hundred Twenty (120) Pulling trucks with separate engines-chasses and trailers will be purchased by the company to expand the project to complement the existing ones currently forty (40). 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 twenty (20) trucks from China, which are under shipment arrangement. Now, they are looking for 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 tankers 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 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 2,500,000.00 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 Kigali (Rwanda), Democratic Republic of Congo (DRC), Bujumbura (Burundi) etc has been assumed average for calculation purposes.

II 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:	2,100,000.00
Working Capital:	400,000.00
Total:	2,500,000.00

Financing Plan

Capital Source	Amount USD	Share
Owners' Equity	500,000.00	20.00%
Bank Loan	2,000,000	70.00%
Total	2,500,000	100%

II Depreciation

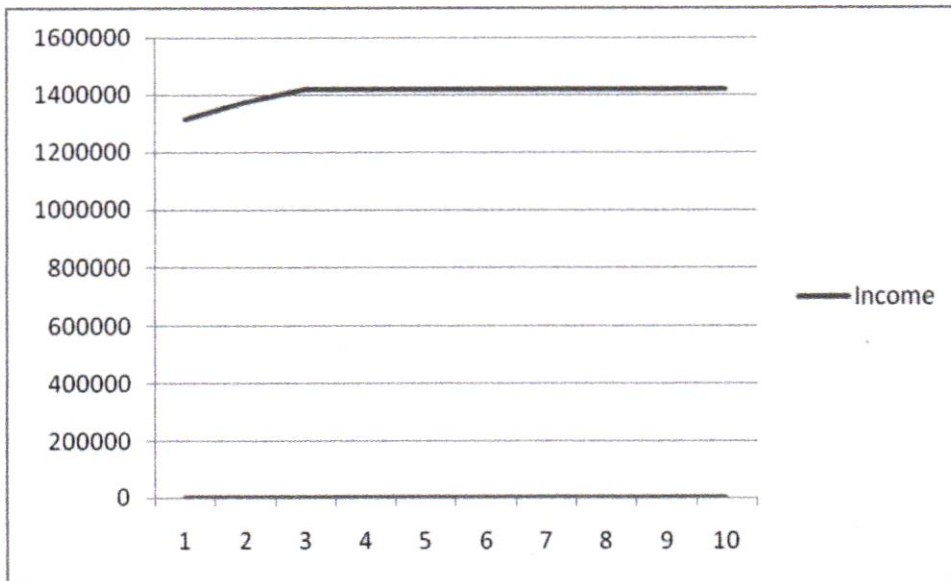
Economic depreciation rates based on used for lifetime of the various capital items have been adopted and the following facts apply for the depreciation rates in this project:

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

III Projected Revenue Schedule

In the income statement, the expected average total turnover from the project operation is expected to rise from USD 10,800,000.00 in the first year to USD 18,889,268.00 in the fifth year and continue to rise as more fleets of vehicle are added.

Figure I. Graph on Project Revenues



VI. Working Capital

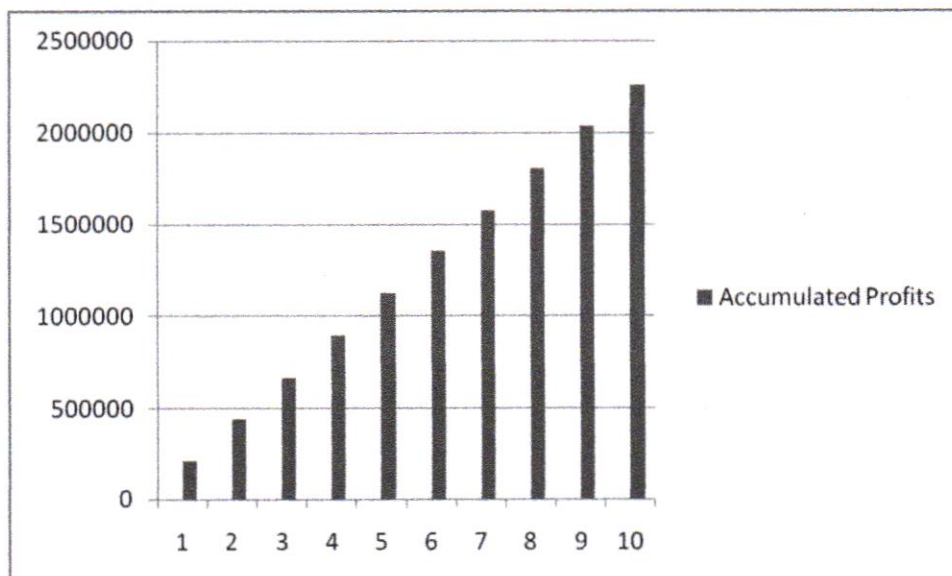
The computation of working capital is a combination of the salaries to be paid by the initial capital throughout the year and the office administrative of one month. The social securities are not included in this category. It shows that the initial working capital will be USD 200,000

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 of the project will be able to sustain the operations of the project.

The project is profitable as shown by an **Internal Rate of Return (IRR)** on Investment will be:

$$\frac{\text{Net Present Value}}{\text{Investment}} = \frac{5,543,835}{2,500,000} = 38\%$$

which confirms the project's economic viability and profitability especially when compared to the adopted rate of borrowing of 8%.

Recommendations

Financial reviews of the proposed project indicate:

- 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 and facilitated for implementation as planned by the investors.

H & O Roadways Limited									
Basic Assumptions									
Income	Number of trucks & Trailers	Route	Price Per Trip	Number of Trips per month	Total Income Per Month	Total Income Per Annum			
	100	Dar- DRC/Rwanda/Burundi	6,000	1	600,000	7,200,000			
	100	DRC/Kigali/Burundi- Dar	3,000	1	300,000	3,600,000			
Total						10,800,000			
Expenses			Quantity of Litres per trip		Price per Litre	Total Per Month	Total Cost per annum		
1 Diesel	100	Dar- DRC/Rwanda/Burundi	2,500	1	1,301927195	325,482	3,905,782		
	100	DRC/Kigali/Burundi- Dar	2,500	1	1,301927195	325,482	3,905,782		
Total						Total Per Month	7,811,563		
2 Drivers' Salaries	100					30,000	360,000		
3 Drivers' Allowance	100					40,000	480,000		
4 Car Service	100					7,000	84,000		
5 Insurance	100					1,528	152,838		
6 Road License	100					131	13,100		
7 Office Expenses						90	1,074		
8 Purchase of Tyres	100					384,279	768,559		
Note:									
Drivers' Allowance is paid only when they are duty. It has been assumed that they only come to the office or on safari for a maximum of 20days per month									
Each unit (Truck & Trailer) carry 22 pieces of tyre and they are replaced twice yearly									
Car Service is done once in every month, and involves replacement of small items like filter, oil change etc									

Annex I					
H & Q ROADWAYS LIMITED					
Projected Profit & Loss					
In (USD)					
	Year I	Year II	Year III	Year IV	Year V
Profit & Loss					
Income					
Transport Income	10,800,000	12,420,000	14,283,000	16,425,450	18,889,268
Operating expenses					
Salaries & Wages	360,000	363,600	367,236	403,960	444,356
Allowances	480,000	484,800	489,648	538,613	592,474
Fuel & Lubricant	7,811,563	7,889,679	7,968,576	8,765,433	9,641,976
Car Services	84,000	84,840	85,688	94,257	103,683
Car Insurance	152,838	154,367	155,910	171,502	188,652
Road License	13,100	13,231	13,364	14,700	16,170
Office Expenses	1,074	1,085	1,096	1,205	1,326
Purchase of tyres	768,559	776,245	784,007	862,408	948,648
Interest Expenses	137,801	86,817	10,418	0	0
Depreciation	500,000	500,000	500,000	500,000	500,000
	10,308,936	9,991,063	10,008,707	10,948,118	11,992,930
Profit before tax	491,064	2,428,937	4,274,293	5,477,332	6,896,338
Taxation	147,319	728,681	1,282,288	1,643,200	2,068,901
Profit for the year	343,745	1,700,256	2,992,005	3,834,132	4,827,436

H & Q ROADWAYS LIMITED						
NPV & IRR ANALYSIS						
Basic Assumptions						
Initial outlay	2,500,000					
Corporate Tax Rate	30%					
Bank Loan	2,000,000					
Bank Interest Rate	8%					
Term of loan in months	36					
Summary of Projected cash flow (In USD)						
for Five years						
		Year I	Year II	Year III	Year IV	Year V
INFLOWS						
Transport Income		10,800,000	12,420,000	14,283,000	16,425,450	18,889,268
Total Inflows		10,800,000	12,420,000	14,283,000	16,425,450	18,889,268
OUTFLOWS						
Salaries & Wages		360,000	396,000	435,600	479,160	527,076
Allowances		480,000	528,000	580,800	638,880	702,768
Fuel & Lubricant		7,811,563	8,592,719	9,451,991	10,397,191	11,436,910
Car Services		84,000	92,400	101,640	111,804	122,984
Car Insurance		152,838	168,122	184,934	203,428	223,771
Road License		13,100	14,410	15,852	17,437	19,180
Office Expenses		1,074	1,182	1,300	1,430	1,573
Purchase of Tyres		768,559	845,415	929,956	1,022,952	1,125,247
Loan Repayment-Principle		614,272	532,205	576,046	-	-
Total Outflows		10,285,407	11,170,454	12,278,119	12,872,281	14,159,509
Taxation		147,319	728,681	1,282,288	1,643,200	1,807,520
Opening Balance		1,048	37,186	34,972	71,826	79,009
Movement during the period		36,138	(2,214)	36,854	6,694	7,363
Closing balance		37,186	34,972	71,826	78,521	86,373
New Calculations						

Earnings before interest and tax		514,593	1,249,546	2,004,881	3,553,169	4,729,758
Interest expense		137,801	86,817	31,601	-	-
Earnings after interest		376,792	1,162,730	1,973,280	3,553,169	4,729,758
Corporate Tax		113,038	348,819	591,984	1,065,951	1,418,928
Profit After Tax	Outlay	263,754	813,911	1,381,296	2,487,218	3,310,831
	-2,500,000					
Net Present Value		5,543,835				
Internal Rate of Return		38%				

Annex III
H & Q ROADWAYS LIMITED
Projected Balance Sheet
In (Usd)

	Year I	Year II	Year III	Year IV	Year V
Fixed assets (Net)	2,181,475	1,857,755	3,766,453	6,562,190	10,444,939
Current Assets					
Stocks of loose tools	26,201	26,201	26,201	26,201	26,201
Debtors	1,080,000	2,484,000	2,856,600	3,285,090	3,613,599
Cash and Bank	37,186	34,972	71,826	80,446	90,099
Creditors	-30,000	-30,300	-30,603	-33,663	-37,030
Loan term Loan	-1,900,992	-1,278,503	-604,347	0	
Net assets	1,393,870	3,094,126	6,086,131	9,920,263	14,137,809
Capital Employed					
Share Capital	428,266	428,266	428,266	428,266	428,266
Accumulated profit	965,605	2,665,860	5,657,865	9,491,998	13,709,544
Total capital employed	1,393,870	3,094,126	6,086,131	9,920,263	14,137,809