

HONEST LOGISTICS LTD

An Investment Proposal

November 2021

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## I. COMPANY PROFILE

Our Company, Honest Logistics Ltd was incorporated in 2013 and is a wholly Tanzanian Owned Company. We are a professional company offering end to end logistics solutions covering the whole range of Logistics & Supply chain management solutions so that our Clients can focus on their business with peace of mind. We are among the top 10 clearing and forwarding company based in Tanzania, having it's head office in Dar es Salaam and border office at Tunduma, Rusumo. We have our associate office in Rwanda, Burundi, Zambia, Malawi, DRC-Congo, UAE, China and India.

As one of the leading logistics company in Tanzania, we pride ourselves on providing a professional and friendly service from our highly trained and competent team. Our services includes Customs Clearance, Logistics services, Cargo Consolidation, Freight (Sea & Air), warehousing, Personal Effects and Distribution. We clear more than 500+ container monthly from Dar es Salaam port which includes Transit, Import and Export Business.

We have been recognized by the network on the right and we are, therefore, proud of our credentials with WCA Network, JC Trans Network, one of the world's largest logistics networks.

## II. MANAGEMENT

The company has following Managing Directors who brings with them rich and varies experience in the Logistics industries over the last 20 years

- 1) Mr. Shamsuddin Panjwani
- 2) Mr. Manish Parmar

## MANAGING DIRECTORS

### **Mr. Shamsuddin Panjwani - Managing Director**

Mr. Shamsuddin Panjwani, the Managing director of Honest Logistics has 16 years of experience in Maritime Industry. He has completed Graduation from India and maintains professional knowledge by reviewing proficient publications, establishing personal networks and believes in continuous improvement.

He is a trained team player who stays focused on the development of 'best practice' logistical solutions to better suit today's demanding and accountable business environment. A multitasking professional with capabilities of Interior designing.

He has excellent problem-solving and organizational abilities. He is well trained in Managing supply chain effectively, communication skills- A key to empowerment, Policies and procedures of foreign trade. He has proficiency in managing the entire Export / Import Operations encompassing negotiation of rates for reducing the logistics costs and to bring it within the budget.

### **Mr. Manish Parmar – Director**

An Intermediate ACCA, Mr. Manish possesses a unique combination of good interpersonal and communications skills coupled with a sharp business acumen. He builds company image by collaborating with customers, government officials, community organization and employees enforcing ethical business practices. He maintains quality and service by establishing enforcing organization standard and contributes to team by accomplishing related results as needed.

## GENERAL MANAGEMENT

The Honest CFS would be managed by the General Manager under the guidance of Managing Director and would be assisted by senior managers well supported by a team of efficient and dedicated staff.

### **Mr. Benzen Varghese - General Manager**

He has 24 years of Experience in the field of Logistics and Supply chain Management. He has served as Logistics head in a Multinational Company that covers Export & Import Operations, ERP Implementation (SAP). He was core team member of SD Module during implementation of SAP. He is good trainer and has conducted various training program of SAP SD module to all end users

He has excellent organizing, communication, problem-solving and people development attributes. He is well trained in Managing supply chain effectively, communication skills- A key to empowerment, Policies and procedures of foreign trade. He has proficiency in managing the entire Export / Import Operations encompassing negotiation of rates for reducing the logistics costs and to bring it within the budget.

He is an MBA by profession and maintains professional knowledge by reviewing proficient publications, establishing personal networks and believes in continuous improvement.

### **Mr. Jignesh Dondia – Asst. General Manager**

He is a dynamic leader with good business acumen, problem-solving and people development attributes. He has completed his Masters in business administration and has rich experience of 13 years in the field of Logistics. A good Strategic planner in order to foster the company's

progress. He possess a comprehensive understanding of developing logistics plans and strategies, solving transportation issues, integrating logistics with other functions and ensuring that the logistics operations run as per the standard laws and regulations. He is proficient in multitasking abilities and has good coordination skill.

### III. THE PROJECT / EXPANSION PLANS

#### 1. Prelude

With the consistent surge in international trade volumes, the onus of the port efficiency lies on the expeditious evacuation of containers from the port area. Tanzanian ports are not equipped with adequate space and infrastructure to handle the growing volume, the concepts of a CFS is developing.

A CFS is a place where container stuffed, de-stuffed, segregation of export cargo takes place. All the activities related to Customs clearance of goods, warehousing, temporary admission, re-export, temporary storage for onward transit and outright export and transshipment take place from such station.

#### 2. Functions and Responsibilities of CFS

- a. Receives and consolidation of LCL Shipment
- b. Prepare container load plan
- c. Stuff and de-stuffs containers for both LCL and FCL cargo
- d. Marks and seals containers for identification
- e. Serves as temporary storage space for cargo, empty and laden containers
- f. Moves empty containers from container yards (CY) and laden containers to port/terminals.

### 3. CFS Revenue Model

CHF charges a fee for each activity it performs.

- a. Container stuffing, a container composite fee is charged, which includes the cost of cargo carting, placing of empty container, moving of laden container and labour involved in the activities.
- b. Cargo Storage a temporary storage area is provided for storage before export. Transit goods are also stored before moving to port for export, other exporters use this space for proper arrangement of their cargo.
- c. Ground Rent, after free days expired CFS charge per day ground rent to the exporter.
- d. Transportation to from CFS/ port/ terminals.
- e. Lift On Lift Off Charges.
- f. Reefer handling, such as plugging and monitoring of reefer.
- g. Labour Charges for cargo segregation, unpacking, repacking and other activities.

### 4. Proposal

Increased global trade and geographical dispersion of production has resulted in a phenomenal expansion in the volume of maritime freight transport over recent decades. Consequently, seaports face several challenges imposed by the huge volumes of goods that they deal with, including, congestion.

Seaports are an important hub in the intermodal exchange of goods between ocean shipping and land transportation modes. Tanzania has a readily accessible route to and from the landlocked neighboring countries of Malawi, Zambia, Burundi, Uganda, and eastern Democratic Republic of Congo (DRC), which currently import and export cargo through Indian Ocean ports Dar Es Salaam.

Recognizing this need and requirement of CFS, our company is in process to setup a CFS facility at Nyerere Road Dar Es Salaam.

## 5. PROJECT RATIONALE

The key rationale of the envisaged project is the significance of the creation of the economically important infrastructure services in the country which can value add and contribute in growth of the key sectors of the economy which in turn will result in generation of more employment opportunities and tax revenues to the Country.

A survey conducted in 2017 found that there were approximate 17 million containers units around the world, 5 million are in active onboard ships. The remaining 12 million units can be found in storage sites, depots, yards, docks, portside facilities etc. The global container total is set to grow to 20 million units by 2025.

With all these containers in circulation, where and how they are stored? Ports have limited space in the form of container depots and yards. At the same time, shipping companies cannot store all their containers at their in-house facilities due to space constraints.

Moreover, if these containers are not stored in the right manner or place, they may not receive customs clearance and may require additional documentation. Another issue shipping companies may face is that the cargo to be loaded into a container may come from different sources. In such situations, consolidating all these different goods, stowing them correctly, and then preparing them for dispatch can be challenging. The exact same problem exists at the destination port of a container as well. Separating the goods and then currently forwarding them to their respective owner's poses a new set of problems. The answer to these problems is container freight stations. They act as the intermediaries in the shipment of most containers around the world. By forming a vital part of the global supply chain, they allow shipping companies and ports to efficiently store and ship containers.

Based on the geographical location of Tanzania, Dar Es Salaam port handles local imports, export and transit goods (import and export) for neighboring countries Malawi, Zambia, DRC, Rwanda, Burundi, Uganda.

The rise in global demands of agriculture products and minerals creating an opportunity for Tanzania. Our neighboring countries and Tanzania are the rich soil for agriculture products and minerals. In consideration of the above statement Tanzania have huge opportunities in upcoming period.

This Honest Freight Station is expected to generate employment for additional 50 Tanzanian employees and also contribute revenues and taxes to the economy.

#### IV. CAPITAL INVESTMENT AND MEANS OF FINANCE

The Company plans the following capital investment over the period of Six Months:

Cost estimate of CFS are made of the following:

Particulars	Unit	Rate	Amount - USD	Amount - TSH
Land Cost	9800 SQM		1,400,000	3,255,000,000
<b>Equipment Cost</b>				
Reach Stacker	1	385,000	385,000	895,125,000
Forklift 3 Ton	2	10,250	20,500	47,662,500
Forklift 3.5 Ton	2	11,000	22,000	51,150,000
Forklift 10 Ton	1	42,300	42,300	98,347,500
Bobcut	1	95,000	95,000	220,875,000
Weight Scall	2	27,140	54,280	126,201,000
Fire Equipment	1	20,000	20,000	46,500,000
Lighting Expenses	1	20,000	20,000	46,500,000
CCTV	1	15,000	15,000	34,875,000
Equipment addition	1	25,000	25,000	58,125,000
SAP - ERP Software, Server & IT Equipments	1	50,000	50,000	116,250,000
Import Clearing Charges	7%		-	113,775,270
Flooring			325,000	755,625,000
Office Renovation			75,000	174,375,000
Boundry Wall			50,000	116,250,000
Warehouse			150,000	348,750,000
Outside Paving			50,000	116,250,000
<b>Estimated Capital Expenditure</b>			<b>2,799,080</b>	<b>6,621,636,270</b>

The specialized machines (Reach stacker, Forklift, Weighbridge) and specialized equipment / tools are intended to be mainly imported from China, India according to the requirements / technical specs / feasibility and of course the best price.

The investment for this project would be financed by the company own source and Bank loan.

## V. FINANCIAL SUMMARY

The Financial attractiveness of the proposal has been evaluated and summarized in the financial statement annexed herewith for the years 2022 through 2026.

### Projected Revenues

The revenues show a rising trend as indicate in the grid below. The consistency and profitability shown in the Profit and Loss Account reflects the commercial attractiveness of the proposed investment. The revenues projected for the years 2022 to 2026 as a below:

Particulars	Projected - Tshs '000				
	2022	2023	2024	2025	2026
Sales Revenue from Operations	2,650,500	4,240,800	4,770,900	5,301,000	5,831,100

### Net Profits:

The Projected profitability is estimated to post a healthy growth rate and the trend is positive from 2<sup>nd</sup> year which is quite healthy for the project of this size and the sector. The figures for the period 2022 to 2026 are detailed below:

Year	Gross Profit Tshs '000	Operating Profit Tshs '000
2022	1,534,500	93,117
2023	2,790,000	803,856
2024	3,138,750	1,132,056
2025	3,487,500	1,483,311
2026	3,836,250	1,794,112

## **CASH FLOWS**

The estimated cash flows generations for the next five years would comfortable cater to the working capital requirements of the Company and would be sufficient to take care of the funding requirements of the Company. The initial investment brought by the Company and Bank finance is sufficient for the capital investment. The details of the project estimated cash flows for the years 2022 through 2026 are set out in Annexure.

The Current ratio, Current Assets to Current liabilities and also the liquid ratios, for each of the years are quite comfortable and reflect the ability of the Company to meet its working capital needs.

## **VI. CONCLUSIONS & RECOMMENDATION**

### **IMPLEMENTATION SCHEDULE**

The setting up of the CFS project is planned to be implemented within 6-8 months, and is most likely expected to be commissioned within the first year. Planned capital investment of approx. USD 2.7 other than working capital for the project is envisaged to be spent within the year 1 period.

### **PROSPECTS – MARKET**

Our Company Honest Logistics Limited licensed clearing forwarding company and providing clearing and forwarding services since 2013. We are giving our services to many clients for import, export, transit clearing. CFS Project “Honest Freight Station” also registered under the name of our company Honest Logistics Limited. Currently we have many clients those who are exporting; we are using service of other CFS and afterwards we will use our own CFS for the requirement of exporters.

Our prospect markets are our current clients and we are targeting clients those who are exporting cargo from Tanzania.