

FAM HAULAGE LIMITED

*BUSINESS PLAN*

FOR

TRANSPORTATION PROJECT

## 1.0. EXECUTIVE SUMMARY.

FAM HAULAGE LIMITED is a company registered in the country under the Companies Act 2002 and bears Certificate of Incorporation No. 162862602 issued on 27<sup>th</sup> January 2023

The project promoters are well-established businesses in Tanzania specializing in logistics for over 10 years the directors are now well prepared for transportation business and they see a very bright future in the transport sector.

This document has been prepared to serve as a business plan for FAM HAULAGE LIMITED for their transport project. The implementation of this project will comprise of the following activities:-

- The purchase of 150 trucks to be done in phases,
- The construction of a modern workshop and office
- The purchase of 5 cranes
- The purchase of 5 pick up
- The purchase of 5 HHardtop
- The purchase of 4 break down
- The purchase of 1 set of CCTV
- The purchase of 2 generator
- Equipping the company with relevant facilities

The proposed project comprises the purchase of 150 trucks and other supporting vehicles is estimated to cost about US\$ 18,304,250. The

total project estimated to cost US\$ 23,389,250.00 project sponsors will provide US\$ 8,389,250 of this investment while the rest will be sought from financial resources institutions US\$ 15,000,000

### 1.1 THE PROJECT PROMOTERS

The shareholders of this project are all entrepreneurs with a diverse professional and business backgrounds. The company is owned by 2 shareholders, namely:-

Name	% of ownership	Nationality
SALMA JUMANNE LENGESIA	50	Tanzania
ALLY JOHNSON MASSAWE	50	Tanzania

### 1.2 Location.

The project head office will be located at SECOND FLOOR ( S 21) Located at City Mall, Morogoro Road and Bibi Titi Mohamed Road, Dar Es Salaam, Tanzania.

### 1.3 Targeted Markets.

The targeted markets of the project are the neighboring landlocked countries of Tanzania and to a small extent the hinterland of Tanzania. The neighboring countries that are the target of this project are specifically DRC, Malawi, Zambia, Burundi, Rwanda and Uganda, including some hinterland parts of Tanzania.

Poor transport and communication infrastructure are said to be the major causes of low levels of intraregional trade in Eastern Africa. It

is in view of this that FAM HAULAGE LIMITED has resolved to invest in the transport sector so as to provide a solution that would lead to stimulating the said intraregional trade. The project is expected to offer a challenge to the business community to enhance intraregional trade between Tanzania and these countries.

## 2 PROJECT DETAILS

### 2.1 INTRODUCTION

Tanzania is the largest country in East Africa that is geographically strategically located in relation to her neighbors. Because of the above mentioned factor, the country's transportation system is also used to serve landlocked neighbors, i.e. countries of Uganda, Rwanda, Burundi, Eastern D. R. of Congo, Northern parts of Zambia, Malawi and some northern parts of Mozambique.

The transport sector plays a critical role in the social and economic development of a country. Transport provides links between centers of production and those of consumption, markets, in the economic sectors such as agriculture, industry mining and tourism. It facilitates the flow of goods and people along the import/export corridors that link the coastal ports and landlocked countries. Transport equally provides access to employment, health, education, recreation and other services. Therefore, one is rightly justified to conclude that "without a good transportation system the development of a country is impossible. What roads and railways are to a country's development is like what the blood system is to the human body"

It is quite gratifying to note that the Government of Tanzania realizes the role of the transport sector in its economic and social development. As a result, it has developed a Transport Sector Programme which will be very instrumental in improving the business and investment environment in the transport sector.

It is alleged that poor transport and communication infrastructure are the major causes of low levels of intraregional trade in Eastern Africa. It is in view of this that, despite this poor infrastructure, FAM HAULAGE LIMITED has resolved to assist to provide a solution to stimulate the said intraregional trade.

In summary, we can say that FAM HAULAGE LIMITED has major objectives the following:-

- To promote trade between Tanzania and her neighbors
- To procure foreign currency for the country in the course of its business transactions.
- To provide extra employment to more people in the sector.

### 3.0 THE PROJECT

FAM HAULAGE LIMITED is a company legally registered in Tanzania.

The project's objective is to have a fleet of vehicles a total of 150 trucks each with a trailer. The trucks will be sourced mostly from China or Turkey. The trucks, together with their trailers will be procured in phases.

This study is based on 150 trucks. It has been estimated that in full-scale operations the 150 trucks are expected to meet at least 3000 trips annually, their destinations being Tanzania's landlocked neighboring countries of Malawi, Zambia, Burundi, Rwanda the Democratic Republic of Congo, etc. an average of two trips per month for 10 months

### 4.0 INVESTMENT AND FINANCING

For the project to be a reality a total investment amounting to US\$ 23,389,250.00 the summary is found in the schedule.

#### FAM HAULAGE LIMITED COST STRUCTURE

<b>PARTICULAR</b>	
Land and Buildings	1,000,000.00
Machinery & Equipment	2,000,000.00
Motor Vehicles	18,304,250
Furniture & Fixtures	5,000.00
Pre expenses	50,000.00
Others	30,000.00
Working Capital	2,000,000.00
<b>TOTAL</b>	<b>23,389,250.00</b>

**MOTOR VEHICLES TO BE PURCHASED BY THE COMPANY**  
**US\$**

	PRICE	UNIT	TOTAL
Tractor	80,000	150	12,000,000
Trailers	35,995	150	5,399,250
4WD	40,000	7	280,000
Toyota P/up 3	45,000	5	225,000
Crane 2 and Break Down 1	30,000	5	150,000
Crane 1	50,000	5	250,000
<b>TOTAL</b>			<b>18,304,250</b>

**4.1 FINANCING PATTERN**

The financing pattern being considered is that involving the purchasing of 150 trucks and their trailers. The project will be financed both by equity and loan. Equity contribution will constitute 60% i.e. **US\$8,389,250** while the remaining will be in the form of a loan, this loan amount is expected to be the equivalent of **US\$ 15,000000**

The loan will be negotiated and acquired from one the of domestic financial institutions. The project sponsors expect to procure this loan on the following terms and conditions:-

Loan Amount: **US\$ 15,000,000**

Grace Period: 1 year  
Interest Rate: 8% annually  
Loan repayment 10years

## 5.0 TECHNICAL ASPECTS

### 5.1 Sources of Technology

All the project's trucks will be procured from China and Turkey

### 5.2 IMPLEMENTATION

Project implementation is expected to be relatively very short once TIC approval is received. Currently, the supplier of the trucks has already been identified and the supply is awaiting instructions from the project promoters. In this respect, delivery can be done in less than 18 months once we finalize financing sources.

## 6.0 MANPOWER AND ORGANIZATION STRUCTURE

The project will be managed by a Board of Directors of FAM HAULAGE LIMITED. The Board, like all other boards is responsible for the formulation and supervision of company policies and guidelines. The project's day-to-day operations will be under the supervision of the Managing Director.

The project's employee requirement is estimated to be 343 people in number, as shown below:-

## NUMBER OF EMPLOYEES

	CATEGORY	NO
	Salaries & Wages	
1	Drivers	150
2	Turn boys	150
3	Mechanics Experts	10
4	Mechanics Normal	15
5	Messengers	4
6	Accountant/Manager	4
7	Directors	2
8	Managing Directors	1
9	Secretary	3
10	Watchmen	4
	<b>SUBTOTAL</b>	<b>343</b>

### 6.1 ORGANIZATION STRUCTURE

The project's operations will be managed through the Board of Directors, while the day to day activities of the project will be supervised by the Managing Director. Assisted by Finance & Administration Director and Director of Technical & Operations

### 7.0 PROJECT OPERATING COSTS

In order to realize its intended objective the project will have to meet the operating costs estimated to be 60% of the total revenue

## 8.0 MARKET AND MARKETING

The project's earmarked clientele is in the landlocked neighboring countries of Malawi, Zambia, the Democratic Republic of Congo, Burundi, Rwanda, and even Uganda. Management has already explored these markets and is confident it can conduct profitable business with them.

The project management plans for all vehicles several trips per month. The number of trips and the cost of the trip are determined by both the trip's destination and the nature of the road involved. All in all, a total of 3000 trips will be made. Each truck will transport a minimum of 20 tons per trip. Thus, a total of 60,000 tons of various goods and products will be overhauled between Tanzania and her neighbors.

The routes are priced according to distance and the status of the road in question. It has however been conservatively assumed that all foreign destinations will have a flat rate charge of US \$ 5000 per trip,

## 9.0 REVENUE ASSUMPTIONS

- 150 trucks each make two trips per month. Each trip will cost US \$ 5,000 per trip therefore for 3000 trips/per month
- The vehicles will operate for 10 months

The number of trips assumed here, is just a conservative estimate. With the expected improvement of the roads and in general,

operations coupled with the driver's gaining experience in long-distance travels, the number of trips per truck will be raised. This will have a tremendous impact on the Company's expenditure and earnings. However, this scenario is not the subject of the current study

## 10.0 FINANCIAL ASPECTS OF THE PROJECT

### (i) Projected Profit and Loss Statement

The schedule below shows the projected income for the 5years period. The position depicted is that the project earns profit throughout its life. Accumulated after-tax profits grow from US\$ 2,691,001 to US\$ 37,737,161 in the 10<sup>th</sup> year

### (ii) Projected Cash Flows

The project's cash flows are shown in schedule vii. They depict a good liquid position right from the first year. Cash accumulation builds up from US\$ 4,846,714 in the first year to US\$ 59,294,288 at the end of the 10th year of the project's operations based on the 150 trucks.

### (iii) Projected Balance Sheet

The owner's equity rises from US\$ 8,389,250 in the 1<sup>st</sup> year to US\$ 46,126,411 in the 10<sup>th</sup> year.

### (iv) Payback Period

Total investment is US\$ 23,389,250; cash accumulation in year 6 is US\$ 25,248,316, more than the initial investment of

US\$51,859,066. The project payback period is within 6 years, for and half months only.

## II.0 ECONOMIC ASPECTS OF THE PROJECTS

Besides the financial/monetary returns to the owners, there are other benefits to be derived for the whole country viz.

### (i) Employment Opportunities

Employment and poverty reduction are among the major concern of the Central and Local Government authorities. It is gratifying to note that FAM HAULAGE LIMITED is going to provide additional employment to 343 people. This is a significant contribution coming from investors.

### (ii) Revenue to the Government

The Project is expected to pay a substantial annual amount in the form of corporation tax amounting

### (iii) Foreign Exchange Earning

Since the project's clientele is mostly towards neighboring countries the project will thus earn foreign currency for the United Republic of Tanzania. Out of all project expected cargo overhauling transactions will be settled in foreign currencies.

## 12.0 CONCLUSION AND RECOMMENDATION

### 12.1 Conclusion

- (i) The project is profitable and contributes to government revenue by way of taxes.
- (ii) The project provides employment to 343 people all of whom are national Tanzanians.
- (iii) The project is an encouraging sign to prove that we have investors who have confidence in this country. Tanzania so much so that they are ready to invest such large sums of investment despite the odds of the sector in question.

## 13.0 RECOMMENDATION

After the foregoing economic and financial evaluation of the project, we strongly recommend that this project be implemented and be given all the support required by all the concerned Government Ministries and Agencies, including the Tanzania Revenue Authority, TRA, and the Tanzania Investment Centre – (TIC). The project deserves this support because of its viability since it is technically feasible, economically viable, and socially acceptable.

APPENDIX I

FORTUNE TRANSPORTATION COMPANY LIMITED PROJECTED PROFIT AND LOSS STATEMENT US\$

	1	2	3	4	5	6	7	8	9	10
-										
Revenue	15,000,000	15,750,000	16,537,500	17,364,375	18,232,593	19,144,223	20,101,434	21,106,506	22,161,831	23,269,923
Operating Expenses:	9,000,000	9,450,000	9,922,500	10,418,625	10,939,556	11,486,534	12,060,861	12,663,904	13,297,099	13,961,954
Gross Profit Before Interest and Depreciation	6,000,000	6,300,000	6,615,000	6,945,750	7,293,038	7,657,689	8,040,574	8,442,603	8,864,733	9,307,969
Interest	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Depreciation	955,713	955,713	955,713	955,713	955,713	955,713	955,713	955,713	955,713	955,713
Gross Profit	3,844,288	4,144,288	4,459,288	4,790,038	5,137,325	5,501,977	5,884,861	6,286,890	6,709,020	7,152,257
Tax (30%)	1,153,286	1,243,286	1,337,786	1,437,011	1,541,198	1,650,593	1,765,458	1,886,067	2,012,706	2,145,677
Profit After Tax	2,691,001	2,901,001	3,121,501	3,353,026	3,596,128	3,851,384	4,119,403	4,400,823	4,696,314	5,006,580
Accumulated Profit	2,691,001	5,592,002	8,713,504	12,066,530	15,662,657	19,514,041	23,633,444	28,034,267	32,730,581	37,737,161

APPENDIX II

FAM HAULAGE LIMITED PROJECTED CASH FLOWS

SOURCES:	0	1	2	3	4	5	6	7	8	9	10
Profit before interest and depreciation	-	6,000,000	6,300,000	6,615,000	6,945,750	7,293,038	7,657,689	8,040,574	8,442,603	8,864,733	9,307,969
Equity	8,389,250										
Loan	15,000,000										
<b>Total Sources</b>	<b>23,389,250</b>	<b>6,000,000</b>	<b>6,300,000</b>	<b>6,615,000</b>	<b>6,945,750</b>	<b>7,293,038</b>	<b>7,657,689</b>	<b>8,040,574</b>	<b>8,442,603</b>	<b>8,864,733</b>	<b>9,307,969</b>
Applications:											
Capital expenditure	21,309,250										
working Capital & Others	2,080,000										
Cash	-	4,846,714	5,056,714	5,277,214	5,508,739	5,751,840	6,007,096	6,275,116	6,556,536	6,852,027	7,162,292
Tax	-	1,153,286	1,243,286	1,337,786	1,437,011	1,541,198	1,650,593	1,765,458	1,886,067	2,012,706	2,145,677
<b>Sub total</b>	<b>23,389,250</b>	<b>6,000,000</b>	<b>6,300,000</b>	<b>6,615,000</b>	<b>6,945,750</b>	<b>7,293,038</b>	<b>7,657,689</b>	<b>8,040,574</b>	<b>8,442,603</b>	<b>8,864,733</b>	<b>9,307,969</b>
<b>Total applications</b>	<b>23,389,250</b>	<b>6,000,000</b>	<b>6,300,000</b>	<b>6,615,000</b>	<b>6,945,750</b>	<b>7,293,038</b>	<b>7,657,689</b>	<b>8,040,574</b>	<b>8,442,603</b>	<b>8,864,733</b>	<b>9,307,969</b>
Accumulated cash		4,846,714	9,903,428	15,180,642	20,689,381	26,441,221	32,448,317	38,723,433	45,279,969	52,131,996	59,294,288

APPENDIX III

FAM HAULAGE LIMITED PROJECTED BALANCE SHEET

	1	2	3	4	5	6	7	8	9	10
<b>Fixed Assets</b>										
Opening balance	-	21,309,250	19,397,825	18,442,113	17,486,400	16,530,688	15,574,975	14,619,263	13,663,550	12,707,838
<b>Total Long-term Assets</b>	-	21,309,250	19,397,825	18,442,113	17,486,400	16,530,688	15,574,975	14,619,263	13,663,550	12,707,838
Less depreciation	-	955,713	955,713	955,713	955,713	955,713	955,713	955,713	955,713	955,713
<b>Closing balance</b>	-	20,353,538	18,442,113	17,486,400	16,530,688	15,574,975	14,619,263	13,663,550	12,707,838	11,752,125
Working capital	2,080,000	2,080,000	2,080,000	2,080,000	2,080,000	2,080,000	2,080,000	2,080,000	2,080,000	2,080,000
Accumulated cash	-	4,846,714	15,180,642	20,689,381	26,441,221	32,448,317	38,723,433	45,279,969	52,131,996	59,294,288
<b>Total assets</b>	<b>2,080,000</b>	<b>27,280,252</b>	<b>35,702,755</b>	<b>40,255,781</b>	<b>45,051,909</b>	<b>50,103,292</b>	<b>55,422,696</b>	<b>61,023,519</b>	<b>66,919,834</b>	<b>73,126,413</b>
Financed by										
Equity	8,389,250	8,389,250	8,389,250	8,389,250	8,389,250	8,389,250	8,389,250	8,389,250	8,389,250	8,389,250
Accumulated profit	-	2,691,001	8,713,504	12,066,530	15,662,657	19,514,041	23,633,444	28,034,267	32,730,581	37,737,161
Total equity	8,389,250	11,080,251	17,102,754	20,455,780	24,051,907	27,903,291	32,022,694	36,423,517	41,119,831	46,126,411
Bank Loan	15,000,000	13,500,000	10,500,000	9,000,000	7,500,000	6,000,000	4,500,000	3,000,000	1,500,000	-
<b>Total debts</b>	<b>15,000,000</b>	<b>12,000,000</b>	<b>10,500,000</b>	<b>9,000,000</b>	<b>7,500,000</b>	<b>6,000,000</b>	<b>4,500,000</b>	<b>3,000,000</b>	<b>1,500,000</b>	<b>-</b>
<b>Total equity and debts</b>	<b>23,389,250</b>	<b>23,080,251</b>	<b>27,602,754</b>	<b>29,455,780</b>	<b>31,551,907</b>	<b>33,903,291</b>	<b>36,522,694</b>	<b>39,423,517</b>	<b>42,619,831</b>	<b>46,126,411</b>

APPENDIX IV

FAM HAULAGE LIMITED PROJECTED DEPRECIATION SCHEDULE

NAME OF ASSETS	1	2	3	4.00	5.00	6	7	8	9	10
Land And Buildings	1,000,000	980,000	960,000	940,000	920,000	900,000	880,000	860,000	840,000	820,000
Machinery, Tools & Equipment	2,000,000	1,980,000	1,960,000	1,940,000	1,920,000	1,900,000	1,880,000	1,860,000	1,840,000	1,820,000
Motor Vehicles	18,304,250	17,389,038	16,473,825	15,558,613	14,643,400	13,728,188	12,812,975	11,897,763	10,982,550	10,067,338
Furniture & Fixtures	5,000	4,500	4,000	3,500	3,000	2,500	2,000	1,500	1,000	500
<b>Total</b>	<b>21,309,250</b>	<b>20,353,538</b>	<b>19,397,825</b>	<b>18,442,113</b>	<b>17,486,400</b>	<b>16,530,688</b>	<b>15,574,975</b>	<b>14,619,263</b>	<b>13,663,550</b>	<b>12,707,838</b>
<b>DEPRECIATION</b>	<b>1</b>	<b>2</b>	<b>3</b>							
Land and buildings	20,000	20,000	20,000	20,000.00	20,000.00	20,000	20,000	20,000	20,000	20,000
Machinery tools & Equipment	20,000	20,000	20,000	20,000.00	20,000.00	20,000	20,000	20,000	20,000	20,000
Motor Vehicles	915,213	915,213	915,213	915,213	915,213	915,213	915,212.5	915,212.5	915,212.5	915,212.5
Furniture & Fixtures	500	500	500	500.00	500.00	500	500	500	500	500
<b>ANNUAL DEPRECIATION</b>	<b>955,713</b>	<b>955,713</b>	<b>955,713</b>	<b>955,713</b>	<b>955,713</b>	<b>955,712.50</b>	<b>#####</b>	<b>955,712.50</b>	<b>955,712.50</b>	<b>955,712.50</b>

APPENDIX V

FAM HAULAGE LIMITED PROJECTED LONG-TERM LOAN REPAYMENT

Year	principle	Loan Interest (8%)	Total Amount Paid	Loan Balance
1	1,500,000	1,200,000	2,700,000	15,000,000
2	1,500,000	1,200,000	2,700,000	13,500,000
3	1,500,000	1,200,000	2,700,000	12,000,000
4	1,500,000	1,200,000	2,700,000	10,500,000
5	1,500,000	1,200,000	2,700,000	9,000,000
6	1,500,000	1,200,000	2,700,000	7,500,000
7	1,500,000	1,200,000	2,700,000	6,000,000
8	1,500,000	1,200,000	2,700,000	4,500,000
9	1,500,000	1,200,000	2,700,000	3,000,000
10	1,500,000	1,200,000	2,700,000	1,500,000

APPENDIX VI

FAM HAULAGE LIMITED PROJECTED PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	2,691,001	955,713	3,646,714	3,646,714
2	2,901,001	955,713	3,856,714	7,503,428
3	3,121,501	955,713	4,077,214	11,580,641
4	3,353,026	955,713	4,308,739	15,889,380
5	3,596,128	955,713	4,551,840	20,441,220
6	3,851,384	955,713	4,807,096	25,248,316
7	4,400,823	955,713	5,356,536	30,604,852

APPENDIX VII

FAM HAULAGE LIMITED PROJECTED

<b>PARTICULAR</b>	
Land and Buildings	1,000,000.00
Machinery & Equipment	2,000,000.00
Motor Vehicles	<b>18,304,250</b>
Furniture & Fixtures	5,000.00
Pre expenses	50,000.00
Others	30,000.00
Working Capital	2,000,000.00
<b>TOTAL</b>	<b>23,389,250.00</b>