

# **HEEGAN LOGISTICS COMPANY LIMITED**

**Business Plan**

**For**

**Cargo Transportation Project**

**13<sup>th</sup> September 2023**

## **1.0 INTRODUCTION**

HEEGAN LOGISTICS COMPANY LIMITED is a company incorporated in Tanzania with certificate No. 126575 dated 23<sup>rd</sup> May 2015 under the companies Act of 2002 and that the company is limited. HEEGAN LOGISTICS COMPANY LIMITED is engaged in the business of Transportation of all types of cargo transportation, commercial transportation needs including containerized, loose and liquid cargo. The company is also registered with TRA as a Tax Payer with a TIN number 130-777-147 of 20<sup>th</sup> July 2016

### **1.1 HEEGAN LOGISTICS COMPANY LIMITED MISSION**

HEEGAN LOGISTICS COMPANY LIMITED Mission is to offer high-quality cargo at a competitive price in comparison to other cargo transporters in the market

### **1.2 HEEGAN LOGISTICS COMPANY LIMITED VISION**

HEEGAN LOGISTICS COMPANY LIMITED vision is to provide affordable, quality, efficient and reliable services for all types for transportation needs in Tanzania and within the Eastern, Southern and Central African Countries.

### **1.3 COMPANY OWNERSHIP AND BOARD OF DIRECTORS**

HEEGAN LOGISTICS COMPANY LIMITED is owned by five shareholders who are very experienced in the transport and logistics business, the share capital of the company is Tanzania shillings 1,000,000/= which are Ordinary shares divided as follows:-

<b>Share Holders</b>	<b>% of Share</b>	<b>Nationality</b>
AMINA ELM I AINAN	25	TANZANIAN
ABDILLAHI ELM I AINAN	25	KENYAN
SAMAFILAN AINAN ABDILLAH	10	TANZANIAN
WARSAN AINAN ABDILLAHI	10	TANZANIAN
HANAD ABILLAH E. AINAN	10	TANZANIAN
HOUFANNE ABDILLAH E. AINAN	10	TANZANIAN
FILSAN ABDILLAH E. AINAN	10	TANZANIAN

#### **1.4 PROJECT LOCATION**

The transportation project by HEEGAN LOGISTICS COMPANY LIMITED will be located at Anglican Church Plot near Makaburini in Temeke district In Dar es salaam Region Tanzania.

### 1.5 FLEET SIZE

HEEGAN LOGISTICS COMPANY LIMITED is currently having 10 trucks and planning to import 2 more trucks therefore making the total of 12 trucks to be utilized in the transport business.

NO	ITEM NAME	AVG COST PER ITEM IN USD	QTY	TOTAL COST IN USD
1	TRUCKS	40,000	12	480,000
				480,000

### 1.6 PROJECT ESTIMATED REVENUE

The company has estimated that the projected revenue to be US\$ 4,300 per truck per month.

### 1.7 PROJECT OPERATING COST

The company has estimated that the project operating cost to be 70% of the total monthly revenue income generated by one truck per month. Therefore the operating cost estimated is 3,010 USD per truck per month

## 1.8 PROJECT FINANCING

The company has estimated that the project will be financed by the local equity amounting to 560,000 USD

## 1.9 PROJECT INVESTMENT COST

The project has budgeted to cost the followings:

<b>PARTICULAR</b>	<b>AMOUNT IN USD</b>
Land and Buildings	
Machinery & Equipment	
Motor Vehicles	480,000
Office Furniture	
Pre expenses	
Others	
Working Capital	80,000
<b>TOTAL</b>	<b>560,000</b>

## 2.0 PROJECT MANAGEMENT SCHEDULE

- The project will be is headed by AMINA ELMI AINAN who is currently the Managing Director of HEEGAN LOGISTICS COMPANY LIMITED, The project will further be coordinated by other remaining six members of HEEGAN LOGISTICS COMPANY LIMITED. The expected project employment schedule are as follows:-

### Employees Distribution Summary

Employment	Foreign	Local	Total
Women	0	1	1
Men	0	13	13
<b>TOTAL</b>	<b>0</b>	<b>14</b>	<b>14</b>

### 3.0 TANZANIA TRANSPORT SECTOR OVERVIEW

The Tanzanian transport sector comprises surface transport (including roads, and railways), inland waterways (lakes and rivers), air transport, and sea transport.

Tanzania's transport sector contributed 8.1% to the country's real GDP in 2018 with USD 3.8 billion, compared to USD 2.8 billion in 2014, representing an increase of 33%.

Main growth drivers include the increase in the number of passengers carried and freight handled through road transport.

According to Tanzania's 2025 Development Vision, investments in infrastructure, particularly in the development of the road network, are the Government's top priority.

The World Bank (WB) and the African Development Bank (AfDB) support Tanzania in achieving its infrastructure development goals by providing grants and credits for projects.

## Tanzania 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.

The road network in Tanzania currently comprises 86,472 kilometers of roads, of which 12,786 kilometers are trunk roads, 21,105 kilometers are regional roads and the remaining 52,581 kilometers are district, urban and feeder roads.

Tanzania's Ministry of Works, Transport, and Communication through the Tanzania National Roads Agency (TANROADS) is managing the national road network of about 33,891 kilometers, comprising 12,786 kilometers of trunk and 21,105 kilometers of regional roads.

The remaining network of about 53,460 kilometers of urban, district and feeder roads is under the responsibility of the Prime Minister's Office Regional Administration and Local Government (PMO-RALG).

## **Tanzania Rail Transport**

Railway transport is the second most important mode of transport after road and critical for long distance freight along the main transport corridors in Tanzania.

Tanzania has a total of 3,676 kilometers of railway lines operated by two railway systems, Tanzania Railways Corporation (TRC) and Tanzania – Zambia Railways (TAZARA).

The mainline of TRC comprises the central corridor between the port of Dar es Salaam in the east, linking central and western areas of the country and terminating at Kigoma on Lake Tanganyika in the west.

The TAZARA line is 1,860 kilometers in length, of which 975 kilometers is in Tanzania and 885 kilometers in Zambia.

### **Tanzania Air Transport**

The total number of air passengers in Tanzania reached 6.2 million in 2019, compared to 5.2 million in 2015, representing an increase of 18%.

Currently (2020), there are 19 airline operators in Tanzania, including some of the leading international air carriers such as British Airways, KLM, Qatar Airways, and SWISS.

There are 58 airports in Tanzania and more than 300 private airstrips owned by mining companies and tour operators.

The Julius Nyerere International Airport (JNIA), located in Dar es Salaam, is the largest and busiest airport in Tanzania, accounting for over 70% of Tanzania's air passengers.



In August 2019, Tanzanian President John Magufuli inaugurated Terminal 3 of the JNIA. The new terminal, which cost USD 314 million set the airport capacity at 8 million passengers annually.

In 2019, the AfDB approved a USD 272.12 million loan to Tanzania for the construction of a new international airport in the capital Dodoma. The new airport will be built in the district of Msalato, 12 kilometers from the capital Dodoma.

The new facility is expected to handle at least 50,000 aircrafts and one million passengers per year.

### **Tanzania Water Transport**

Tanzania has a coastline of about 720 kilometers on the Indian Ocean, and also borders Lake Victoria, Lake Nyasa, and Lake Tanganyika.

Both sea and inland waterways ports in Tanzania are managed and operated by the Tanzania Ports Authority (TPA).

The TPA's main Indian Ocean ports are Dar es Salaam, Mtwara, and Tanga. Minor seaports serving coastal traffic include Lindi, Kilwa Masoko, Mafia Island, Bagamoyo, Pangani, and Kwale.

Dar es Salaam is Tanzania's principal port with intrinsic capacity of 10.1 tonnes per year. The port handles over 92% of the total maritime ports' throughput.

The port serves land-linked countries of Malawi, Zambia, Democratic Republic of Congo, Rwanda, Burundi, and Uganda.

These countries are connected to the port through two railway systems (TRL-1.0 metre gauge and TAZARA-1.067 cape gauge), road network, as well as the TAZAMA oil pipeline to Zambia.

TPA also operates Tanzania's lake ports, maintaining around 20 ports on Lake Victoria. Some major ports include Bukoba, Kemono Bay, Musoma, and Nansio.

Principal lake ports on Tanganyika include Kigoma and Kasanga. Additionally, there are 15 smaller ports along the lake. These ports provide trade connections between Burundi, Eastern Democratic Republic of the Congo, and Zambia.

Lake Nyasa has 4 important ports, Itungi, Mbamba Bay, Liuli, and Manda. There are up to 10 other smaller TPA ports on the lake that facilitate passenger movement along the lake and between the countries of Malawi, Mozambique, and Tanzania.

#### **4.0 TANZANIAN BUSINESS ENVIRONMENT**

In the African continent, TANZANIA is among the top ten investment destinations in Africa, thanks to reforms and a conducive investment environment set by the government.

The Rand Merchant Bank (RMB) ranked the country tenth in investment attractiveness, in the Where to Invest in Africa 2021 report released recently.

#### **4.1 THE TANZANIA DEVELOPMENT CORRIDORS**

The development of transport corridors has been one of the main strategies adopted by the Government of Tanzania to facilitate trade. Tanzania serves as a transit country for the import and export of Malawi, Zambia, DR Congo, Burundi, Rwanda, and Uganda, using the port of Dar es Salaam. The main rail and road connections in Tanzania are, therefore, in an east-west direction, linking the ports with the hinterlands of those neighbouring countries. Tanzania is devoting much attention to the corridor concept in its development policy by concentrating efforts in the Mtwara Corridor, Dar-es-Salaam Corridor, Central Corridor and the Tanga Corridor. The major challenge is to link import, export and transit traffic from and to neighbouring countries with transport development efforts, making Tanzania a natural regional hub.

The geography of Tanzania, including its size, diversity and dispersion, give roads a special position in the integration of the national economy. In particular, roads serve rural areas, where the majority of the people live, more effectively than any other mode of transport. The current Tanzania Road Network length is about 85,000 km, which includes trunk and regional roads (35,000 km) managed by the Tanzania National Roads Agency (TANROADS), and

the urban, district and feeder roads with a total of 50,000 km, managed by Local Government Authorities (LGA). There are also some unclassified roads, such as those managed by the Tanzania Parks Authority (TANAPA), and by the Mining Companies and village authorities.

## **5.0 SWOT ANALYSIS**

### STRENGTHS

Strengths of the business are –

- The company has sound experience in this business and have talented Management.
- Rapid growth in sector due to effective management
- Influence & Networking of Directors in the Business Sector.
- Business location is at prominent place.
- Good roads and highway in Tanzania.
- Confirmed business due to market availability

### WEAKNESSES

Weakness of the business are –

- Stiff competition from local market
- Limited market share growth

## OPPORTUNITIES

Opportunities of the business are –

- Availability of potential market with Tanzania, EAC and Africa in general
- Increasing market share due to rail transport limitations
- Augmented demand for world-class logistics and warehousing services
- Increased use of logistics services in sectors such as technology, consumer retail, automotive and industrial

## THREATS

Threats of the business are –

- Complex Tax Structure
- Sector and competition
- Different laws in different countries
- Increasing fuel rates, therefore, increasing transportation costs

### **6.0 SERVICES OFFERED BY HEEGAN LOGISTICS COMPANY LIMITED**

HEEGAN LOGISTICS COMPANY LIMITED provides the services of Transportation of all types of cargo transportation and commercial transportation needs including containerized, loose, solid and liquid cargo.

### **7.0 COMPETITION**

According to data available, there are more than 15,000 trucks registered in Tanzania and HEEGAN LOGISTICS COMPANY LIMITED plans to continue competing through its in Transport sector by importing more trucks and become giant in future in the market for

enhancing competition and quality service delivery

## **8.0 FINANCIAL ASPECTS OF THE PROJECT**

### **(i) Projected Profit and Loss Statement**

The attached table shows the projected income for the 8 years period. The position depicted is that the project earns profit throughout its life cycle. Accumulated after-tax profits grows from **US\$ 96,432** in the 1<sup>st</sup> year to **US\$ 1,516,128** in the 8<sup>th</sup> year.

### **(ii) Projected Cash Flows**

The project's cash flows are shown in the attached table. They depict a good liquid position right from the first year. Cash accumulation builds up from **US\$ 144,432** in the first year to **US\$ 1,900,128** at the end of the 8<sup>th</sup> year of the project's operations based on the 12 trucks and other assets obtained.

**(iii) Projected Balance Sheet**

The project's assets' cash flows are shown in attached table. Owners' equity grows from **US\$ 560,000** in the first year to **US\$ 2,076,128** at the end of the 8<sup>th</sup> year of the project's operations

**(iv) Payback Period**

Total investment is US\$US\$ **560,000**, cash accumulation in 4<sup>th</sup> year is **US\$ 706,899** which is more than the initial investment by **US\$ 146,899**. The project payback Period is exactly 4 years. Therefore the project has a relatively short time Payback period.

**9.0 ECONOMIC ASPECTS OF THE PROJECTS**

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

**(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 the company will provide additional employment to 14 people. This is a significant contribution coming from local investors.

**(ii) Revenue to the Government**

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

**(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.

**10.0 CONCLUSION**

- (i) The project is profitable and contributes to government revenue by way of taxes.
- (ii) The project provides employment to 14 people.
- (iii) The project is an encouraging sign to prove that we have good business environments and we have investors who have confidence in their country so that they are ready to invest such large sums of capital investment.

**11.0 RECOMMENDATION**

After undergoing economic and financial evaluation of the project, we strongly recommend that this project be approved for implementation and be granted the Certificate of Incentives from TIC so that the company enjoys the benefits of incentives and work more towards improving the economy of Tanzania and enhancing employment in Transport sector



**FORECASTED STATEMENT OF PROFIT & LOSS IN USD**

	Monthly	Number of Trucks	Yearly Income	Year 1	Year 2	Year 3	Year4	Year 5	Year 6	Year 7	Year 8
Revenue	51,600	12	619,200	619,200	712,080	818,892	941,726	1,082,985	1,245,432	1,432,247	1,647,084
Operating Cost	36,120	12	433,440	433,440	498,456	573,224	659,208	758,089	871,802	1,002,572	1,152,958
<b>Gross profit before Depreciation</b>			<b>185,760</b>	<b>185,760</b>	<b>213,624</b>	<b>245,668</b>	<b>282,518</b>	<b>324,896</b>	<b>373,630</b>	<b>429,675</b>	<b>494,126</b>
Depreciation 10%				48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000
				48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000
<b>Gross profit</b>				<b>137,760</b>	<b>165,624</b>	<b>197,668</b>	<b>234,518</b>	<b>276,896</b>	<b>325,630</b>	<b>381,675</b>	<b>446,126</b>
Tax (30%)				41,328	49,687	59,300	70,355	83,069	97,689	114,502	133,838
Profit after tax				96,432	115,937	138,367	164,163	193,827	227,941	267,172	312,289
<b>Accumulated profit</b>				<b>96,432</b>	<b>212,369</b>	<b>350,736</b>	<b>514,899</b>	<b>708,726</b>	<b>936,667</b>	<b>1,203,839</b>	<b>1,516,128</b>

PROJECTED STATEMENT OF CASHFLOW IN USD									
	0	1	2	3	4	5	6	7	8
<b>SOURCES:</b>									
Profit after Depreciation	-	96,432	115,937	138,367	164,163	193,827	227,941	267,172	312,289
Equity		560,000							
				-	-	-	-	-	-
<b>Total Sources</b>		<b>656,432</b>	<b>115,937</b>	<b>138,367</b>	<b>164,163</b>	<b>193,827</b>	<b>227,941</b>	<b>267,172</b>	<b>312,289</b>
<b>Applications:</b>									
Capital expenditure		480,000							
Working Capital & Others		80,000							
Cash	-	96,432	115,937	138,367	164,163	193,827	227,941	267,172	312,289
Depreciation	-	48,000	48,000	48,000	48,000	48,000	48,000	48,000	48,000
<b>Sub total</b>		<b>144,432</b>	<b>163,937</b>	<b>186,367</b>	<b>212,163</b>	<b>241,827</b>	<b>275,941</b>	<b>315,172</b>	<b>360,289</b>
<b>Total applications</b>	<b>0</b>	<b>144,432</b>	<b>308,369</b>	<b>494,736</b>	<b>706,899</b>	<b>948,726</b>	<b>1,224,667</b>	<b>1,539,839</b>	<b>1,900,128</b>

**FORECASTED STATEMENT OF FINANCIAL POSITION IN USD-BALANCE SHEET**

<b>ASSETS</b>	<b>Initial Outlays/Years</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
Opening Balance		-	432,000	384,000	336,000	288,000	240,000	192,000	144,000
Total Long term assets	480,000	480,000	432,000	384,000	336,000	288,000	240,000	192,000	144,000
Less Depreciation		- 48,000	- 48,000	- 48,000	- 48,000	- 48,000	- 48,000	- 48,000	- 48,000
Closing Balance		432,000	384,000	336,000	288,000	240,000	192,000	144,000	96,000
Working Capital	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
Accumulated Cash		144,432	308,369	494,736	706,899	948,726	1,224,667	1,539,839	1,900,128
<b>Total Assets</b>	<b>560,000</b>	<b>656,432</b>	<b>772,369</b>	<b>910,736</b>	<b>1,074,899</b>	<b>1,268,726</b>	<b>1,496,667</b>	<b>1,763,839</b>	<b>2,076,128</b>
<b>Financed By</b>									
Equity	560,000	560,000	560,000	560,000	560,000	560,000	560,000	560,000	560,000
Accumulated Profits		96,432	212,369	350,736	514,899	708,726	936,667	1,203,839	1,516,128
Total Equity	560,000	656,432	772,369	910,736	1,074,899	1,268,726	1,496,667	1,763,839	2,076,128
<b>Total Equity</b>	<b>560,000</b>	<b>656,432</b>	<b>772,369</b>	<b>910,736</b>	<b>1,074,899</b>	<b>1,268,726</b>	<b>1,496,667</b>	<b>1,763,839</b>	<b>2,076,128</b>

<b>PAYBACK PERIOD CALCULATIONS IN USD</b>				
<b>Year</b>	<b>Profit After Tax</b>	<b>Depreciation</b>	<b>Total Cash Flow</b>	<b>Accumulated Cash Flow</b>
1	96,432	48,000	144,432	144,432
2	115,937	48,000	163,937	308,369
3	138,367	48,000	186,367	494,736
4	164,163	48,000	212,163	706,899
5	193,827	48,000	241,827	948,726
6	227,941	48,000	275,941	1,224,667
7	267,172	48,000	315,172	1,539,839
8	312,289	48,000	360,289	1,900,128
<b>TOTAL</b>	<b>1,516,128</b>	<b>384,000</b>	<b>1,900,128</b>	<b>7,267,795</b>

## IMPLEMENTATION SCHEDULE

	<b>ACTIVITY</b>	<b>PERIOD</b>
1.	Processing TIC Certificate of Incentive	September 2023
2.	Funds Mobilization	October 2023
3.	Ordering of Vehicles	October 2023
4.	Arrival of Vehicles	December 2023– Jan 2024
5.	Trial Operations	February 2024
6.	Commercial Operations	March 2024