

***FEASIBILITY STUDY***  
**FOR**  
**BARMAKI LOGISTICS LIMITED**  
**(TRANSPORTATION PROJECT)**

**PREPARED FOR  
BARMAKI LOGISTICS LIMITED  
DAR ES SALAAM**

## 1.0. **EXECUTIVE SUMMARY.**

BARMAKI LOGISTICS LIMITED. is a company registered in the country under the Companies Act, Cap 212 and bears Certificate of Incorporation No. 165075773 issued on 17April 2023.

The project promoters are well established business in Oman carrying out various businesses but majoring in logistics. Having been in the business for over 10 years the directors are now well prepared for transportation project and they see a very bright future in the transport sector.

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

- The purchase of 30 trucks ,
- The purchase 2 land cruiser pick up for road patrol
- The purchase of 3 motor cycles for road patrol
- The purchase of 1 staff bus
- The purchase of communication sets radio
- Equipping the company with relevant facilities

The proposed project is estimated to cost about US\$3m. The project sponsors will prove 60% of this investment while the rest will be sought from banking institutions.

## 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	Nationality	Shares %
Hammod Ahmed Hamood Al- Esry	Omani	20
Aisha Salim Mohamed Al-Esry	Omani	80

## 1.2 Location.

The project head office will be located at Plot No. 2397/202 Lugoda Street, Area 11 Gerezani, Ilala, Dar es Salaam .

## 1.3 Targeted Markets.

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

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, despite poor road infrastructure linking these countries that **MS. BARMAKI LOGISTICS LIMITED(TZ) LTD** 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.

## **2.0 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 for its economic and social development, and as a result 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, **MS BARMAKI LOGISTICS LIMITED(TZ) LTD.** has resolved to assist to provide a solution to stimulate the said intraregional trade.

En resume, we can say that **MS BARMAKI LOGISTICS LIMITED(TZ) LTD,** has a 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.

## **2.0 THE PROJECT**

The project's objective is to purchase a total of 30 trucks each with a trailer.

This study is based on the 30 trucks. It has been estimate that full scale operations the 30 trucks are expected to meet at least 390 trips annually, their destinations being Tanzania's landlocked neighboring countries of Malawi, Zambia, Burundi, Rwanda the Democratic Republic of Congo, etc.

### **2.1 PROJECT SPONSORS**

**MS BARMAKI LOGISTICS LIMITED(TZ) LTD** is owned by two individuals, all of whom are Omani nationality. **MS BARMAKI LOGISTICS LIMITED(TZ) LTD** shareholders have an adequate

experience in running the business of motor vehicles as such is well versed in transportation business.

### **3.0 INVESTMENT AND FINANCING US\$3**

For the project to be a reality a total investment amounting to US\$3M is needed.

**(i) Land and Building: US\$99,000**

**(ii)** The project is going to lease a warehouse to be used as garage and

**(iii) Machinery and Equipment: US\$ 38,000**

US\$ 38,000 is anticipated to be spent on the purchase of various garage machinery and equipments. The equipment for the mechanical workshop will include things like a diesel pump, lathe and panel beating and spray facilities, tyre retreating plants.

Also to be included is the purchase of a welding and grinding machine, compressors, both mobile and stationery, iron sheet folding machine and other general tools and equipment

**(iv) Motor Vehicles: US\$ 2.5M**

The project will need 30 trucks at the estimated cost of US\$1.8m. 10 land cruiser pick up, 10 motor cycles and 10 buses. These trucks will be used in overhauling various types of goods and products on behalf of several customers located in the land locked neighboring countries of Malawi, Zambia, Burundi, Rwanda, Democratic Republic of Congo and even Uganda.

Internally the project anticipates making trips to several regional centers spread throughout the country. However, when required to do so.

**MOTOR VEHICLES TO BE PURCHASED BY THE COMPANY**

US\$

	<b>PRICE/UNIT</b>	<b>QUANTITY</b>	<b>TOTAL</b>
Trucks	55,000	30	1,650,000
Trailers	20,000	30	600,000
Minibus	35,000	1	35,000
Toyota P/up	25,500	3	76,500
Motor cycles	2,500	10	25,000
Crane 1	38,000	3	114,000
<b>TOTAL</b>			<b>2,500,500</b>

**(v) Office Furniture and Equipment: US\$ 12,000**

This investment cost item has been estimated to cost US\$12,000. It will consist of office tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

**(vi) Pre-Operational Expenses: US\$ 50,000**

These will cover things like company registration, expenses spent by **MS BARMAKI LOGISTICS LIMITED(TZ) LTD** in exploring the viability of the project, especially the market/client identification exercise done in those countries targeted to be served. This Pre-operational cost item also covers the architectural designs of the warehouse and yard and other engineering services. Also included under this item

are issues like consultancy fees, legal fees and recruitment and training costs of personnel.

**(vii) Initial Working Capital: US\$ 252,000**

Calculations as well as assumptions for working capital requirements

**5.0 FINANCING PATTERN**

The financing pattern being considered here is that involving the purchase of 30 trucks and their trailers. The project will be financed both by equity and loan. Equity contribution will constitute US\$1.2m, being 40% while the remaining amount will be in the form of a loan. This loan amount is expected to be the equivalent of US\$1.8m

The loan will be negotiated and acquired from one of banks operating in the country. The project sponsors expect to procure this loan on the following terms and conditions:-

Loan Amount	:	US\$1.8m
Grace Period	:	1 year
Interest Rate	:	12. % annually

**6.0 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 supply is awaiting word from the project promoters.

## 7.0 MANPOWER AND ORGANIZATION STRUCTURE

The project will be managed by a Board of Directors of **M/S BARMAKI LOGISTICS LIMITED(TZ) LTD.** 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 Managing Director

The project's employee requirement is estimated to be 72 people in number, as shown below:-

	<b>CATEGORY</b>	<b>NO</b>	<b>RATE</b>	<b>MONTHLY</b>	<b>PER YEAR</b>
	<b>Salaries &amp; Wages</b>				
1.	Drivers	30	150	4,500	54,000
2.	Turn boys	30	100	3000	36,000
3.	Mechanics Experts	4	170	680	8160
4.	Mechanics Normal	3	120	360	4320
5.	Messengers	2	75	150	1,800
6.	Accountant/Manager	1	800	800	9,600
7	Managing Director	1	2000	2000	24,000
8	Manager Transport and Logistics	1	800	800	9600
9	Manager Mechanics	1	800	800	9600
10	Secretary	1	150	150	1,800
11	Watchmen	4	70	280	3360
	<b>SUB TOTAL</b>	<b>72</b>			<b>162,240</b>

As can be seen above the Company handsomely remunerates its workers. In order to ensure timely delivery of consignments,

provision of goods service to customers, Management will provide on the job training in the field of motor vehicle maintenance and will provide bonus and other incentives as a means of instilling and boosting employee work morale.

## **8.0 PROJECT OPERATING COSTS**

In order to realize its intended objective the project will have to meet the following operating costs.

### **(i) Salaries and Wages US\$ 162,240**

The project will engage 72 people as shown above. These project employees range from the Managing Director, Mr. Hammod Ahmed Hamood Al- Esry himself down to drivers, messengers and watchmen. Total annual wage bill is US\$162,240.

### **(ii) Utilities US\$ 32,600**

Considered here are water and electricity which together will cost US\$32,600 annually.

### **(iii) Fuel and Lubricants US\$800,000**

Petrol/diesel and lubricant requirement for the project's motor vehicles is assumed to cost 32% of all the projects annual revenue.

### **(iv) Spares and Maintenance: US\$140,000**

In our study this is assumed to US\$140,000 annually.

It is intended to keep the project's fleet of vehicles in a permanently and perfectly reliable working condition.

**(v) Insurance: US\$ 87,500.**

Each vehicle will be covered by insurance annually

**(vi) Administrative and other costs Expense US\$161,450**

A portion of US\$261,450 is to be used in administrative expense for the project.

(vii) Depreciation US\$ 264,900

(viii) Pension Contribution US\$ 16,224

(ix) Marketing Costs US\$ 39,200

(x) Communication US\$ 10,000

## **9.0 MARKET AND MARKETING**

The project's earmarked clientele is in the land locked neighboring countries of Malawi, Zambia, 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 trip are determined by both the trip's destination and nature of road involved. All in all, a total of 720 trips will be made. Each truck will transport a minimum of 28 tons per trip. .

The routes are prices 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 \$ 5,750 per trip, while all internal destinations will each cost US \$ 2,500.

## 10.0 REVENUE ASSUMPTIONS

- 30 trucks each makes two return trips per month. Each trip will cost US \$ 5,700. Per each return trip therefore for 60 trips/month revenue is US\$4,104,000 annually.
- Each truck is expected to make 2 trips internally per month. Therefore, for the 30 vehicles a total of 60 return trips will be made monthly. Each trip will cost US \$ 2,000 or. Therefore, monthly revenue from local trips will be US\$120,000 or US\$1,440,000

### SUMMARY OF REVENUE FROM TRUCK TRIPS.

TRIP DESTINATION	TRIPS	TRIP PRICE	REVENUE	ANNUAL
Foreign trips	60	5,700	342,000	
Internal trips	60	2,000	120,000	
<b>TOTAL REVENUE</b>	<b>120</b>		<b>462,000</b>	

The combined revenue from all the planned routes, from a total of 120 trips made annually by 30 trucks and their trailers is estimated to be the equivalent of US\$-----

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.

## **11.0 FINANCIAL ASPECTS FOR THE PROJECT**

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

The attached Appendix I shows the projected income for the 5 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. ----- to US\$-----in the 5<sup>th</sup> year.

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

The project's cash flows are shown in Appendix II. They depict a good liquid position right from the first year. Cash accumulation builds up from US\$-----in the first year to US\$----- at the end of 5 years of the project's operations based on the 30 trucks obtained.

### **(iii) Internal (After Tax) Rate of Return**

The project has an after tax internal rate of return that is over 18.9175%, while the bank loan carries an interest rate of 12.5% per year. Therefore, with an internal rate of return which is more than the cost of capital the project is very acceptable and encouraging.

### **(iv) Payback Period**

#### **PAYBACK PERIOD: TSHS. '000'**

Total investment is US\$3M, cash accumulation in year ---is TShs. 3,351,201,000 which is more than the initial investment by TShs. 698,201,000/=. The project payback Period is exactly two years, for and half months only.

The project has a relatively short payback period. It is remarkably impressive for a project whose investment is as big as TShs. 2,653,000,000/= being recovered in less than 3 year.

## **12.0 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 the Local Government authorities. It is gratifying to note that M/S ..... COMPANY (T) LTD, is going to provide additional employment to 56 people all of whom will be nationals. 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 amounting to TShs. 2,344,624,00/= during the project's eight years covered under our project review.

### **(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. In this study we have assumed this to equal TShs. 3,174,000,000/= or US \$ 2,760,000 annually at the current exchange rate, assumed at TShs. 1,150/= to one US \$ dollar (June 2006).

## **13.0 CONCLUSION AND RECOMMENDATION**

### **13.1 Conclusion**

- (i) The project is profitable and contributes to government revenue by way of taxes.
- (ii) The project has a sound after tax internal rate of return of 18.9175% that is above the cost of capital at 12.5%.
- (iii) The project provides employment to 56 people all of whom are national Tanzanians.
- (iv) The project is an encouraging sign to prove that we have local investors who have confidence in their country. Tanzania so much so that they are ready to invest such large sums of investment despite the odds of the sector in question.

## **14.0 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.

