

TWON INTERNATIONAL LOGISTICS LIMITED

PROJECT DOCUMENT

ON

ESTABLISHMENT

OF

CARGO TRANSPORTATION COMPANY

Prepared By:

TWON INTERNATIONAL LOGISTICS LIMITED

P.O.BOX

DAR-ES -Salaam

November 2023

1.0 EXECUTIVE SUMMARY

1.1 Company Background

TWON INTERNATIONAL LOGISTICS LIMITED is a private limited liability company, established **on 26 October 2020** under Certificate of Incorporation No. **144509250** and is licensed to carry out a variety of businesses which includes transportation activities and management to clearing and forwarding. The company has its headquarters based in Dar es Salaam.

1.2 The Project

This project envisages establishing a cargo transportation project. The company intends to acquire about **50** trucks with trailers (semi/pull type), pick-ups and related handling service facilities.

1.3 The Market

There is a high demand for transit cargo and the supply of trucks/trailers has revealed that there is an excess demand in the transportation sector. Therefore, establishing a company by purchasing a fleet of about 50 new trucks/trailers to facilitate the movement of transit cargo by road system to and from landlocked and neighbouring countries is justifiable. The shortage of wagons and locomotives in Rail transport have created an increase in demand for road transportation of transit cargo.

1.4 Investment Costs

The project cost is estimated at **US\$4,135,000** which will be contributed by the sponsors and the term loan.

INVESTMENT COST

US\$

	LOCAL	TOTAL
Land & Building	60,000	60,000
vehicles (trucks & trailers	4,000,000	4,000,000
Workshop equipment	10,000	10,000
Furniture and fixture	10,000	10,000
Pre-operation & Expenses	5,000	5,000
Others	-	-
Working capital	50,000	50,000
Total	4,135,000	4,135,000

1.5 Financing Plan

The promoters propose to finance the above investment costs in the following manner:

SOURCE	US \$
Equity	1,240,500
Loan	2,894,500
Total	4,135,000

2.0 INTRODUCTION

2.1 Background

TWON INTERNATIONAL LOGISTICS LIMITED intends to establish a cargo transportation project. This will involve the acquisition of cargo haulage trucks with trailers, establishing workshops and terminals comprising of container a yard, truck parking place, go down and office.

The appraisal of the project has been prepared with a view to assessing the project's viability and to be used to obtain a certificate of incentives.

2.2 The Company

TWON INTERNATIONAL LOGISTICS LIMITED is a private limited liability company, established on 26 October 2020 under Certificate of Incorporation No. **144509250** It has the following shareholders.

Shareholders	Nationality	Shares%
Vijayakumar N. payathuparambil	Indian	12.09
Upasana C Radhakrishnan	Indian	87.91

3.0 THE PROJECT

3.1 Project Concept

The project intends to establish a trucking company, which will deal with transportation of transit cargo to and from neighbouring countries. The project will include purchasing 50 trucks and 50 trailers. The project will also acquire 4WD patrol vehicles to assist in highway patrols and maintenance service and machinery and equipment/tools such as cranes, forklifts and repair equipment to enhance the smooth operation of its transport fleet. The company will also acquire office furniture, fittings, computers, and telecommunication systems. All trucks and patrol vans will be fitted with HF Radio system connected to the base station.

3.2 Location

The company headquarters is based in Dar-es-salaam. It is situated at Plot no, Dar Salaam

3.3 Trucks and Trailers Requirement

The company proposes to acquire 50 trucks and 50 trailers. The list of the vehicles and equipment to be acquired are as follows:

ITEM NAME	ITEM GROUP	UNIT OF MEASURE	QUANTITIES
Trucks (Road Tractor)	Motor Vehicle	UNIT	50
10 Ton Service truck	Motor Vehicle	UNIT	2
Land cruiser hard top- for road patrol	Motor Vehicle	UNIT	2
Single cabin pickup -	Motor Vehicle	UNIT	2
Fork lift	Equipment's	UNIT	2
Mobile workshop with cranes	Equipment's	unit	2
Complete sets of tyre changer	machine	unit	2
radio call for 50 trucks	communication equipment	sets	2

4.0 MARKETING ASPECTS

TWON INTERNATIONAL LOGISTICS LIMITED will look for contracts from domestic and transit business in the neighbouring countries of Kenya, Rwanda, Burundi and Eastern parts of the Democratic Republic of Congo, Uganda and Eastern part of Zambia

4.1 Cargo Haulage Services In Tanzania

- The major seaports of Tanzania Mainland are Dar es Salaam, Tanga and Mtwara. Dar es Salaam Port is the most active and important port for transit cargo for neighbouring landlocked countries of Zambia, Malawi, Rwanda, Burundi, Uganda and Congo. Tanga Port is presently important port for Tanzanian imports and exports but with the construction of standard gauge railway it will increase its importance (internet)
- There are two railway system in Tanzania namely Tanzania Railway Corporation (TRC) and Tanzania Zambia Railway Authority (TAZARA). Currently the central line is under rehabilitation of which a Standard Gauge railway is constructed. TAZARA is an important component of the regional network linking the SADC member states. TAZARA serves Zambia, Malawi and Congo. Mbeya is an important terminal on TAZARA serving transit cargo for Malawi.
- Road transport is the most widely used form of transport in Tanzania. Tanzania transport sector has contributed 14.2% to the country real GDP with the growth rate of 9.4%.in the year 2022. (Internet). The growth drivers include the increase in cargo tonnage and passengers transported by road. Road transport is carrying over 90%

of the passengers and 80% of the freight traffic in the country. (www.tanzaniainvest.com)

4.2 To date the Government has been implementing construction of roads in most parts of Tanzania. The rehabilitation of the road system should greatly ease the transport problems in the country and facilitate road transportation of transit cargo to neighbouring countries.

4.3 Demand For Trucking Facilities

There is a high demand for transit transport facilities in the neighbouring countries as most of its imports and exports are passing mainly through Dar es Salaam, which is the major port for international traffic. The main commodities being transported comprise of consumer goods, agricultural inputs, food vegetable oil, gas oil and various types of minerals. Over 90 percent of the country's freight movement (1.75 billion ton-km) is by road transport. (internet) It is further estimated that 90 percent of the bulk of transit goods is handled through road transport systems.

4.3 Supply Of Trucking Facilities

The supply of goods for cargo transportation in the region is represented by a fleet of commercial cargo-carrying vehicles with average capacities of 35 tons and above operating within the regions, intra-regional and inter-regional routes. Tanzania plays a good role in transporting various goods for the landlocked countries of DRC, Zambia, Rwanda, Burundi, Uganda, and Malawi.

4.5 Market Base

The proposed project will look for markets in and outside Tanzania. There is an increase in demand for transportation in the country. Other factors are the rise in people's standard of living, change in people's consumption patterns, General improvement in the national economy there is also an increase in the general level of investments in industrial activities which are the major users of industrial products, and increased transit trade between Tanzania and its neighbours, especially Uganda, Rwanda, Malawi, Burundi, the Democratic Republic of Congo and some of the SADC countries.

4.6 Future Prospects

The future of cargo transportation activities especially in transit trade as a result of the following:

- The number of ship calls involving mainly deep-sea ship at the port of Dar es Salaam has risen.
- The **Increase of Port performance/efficiency** by the introduction of new technology, such as electronic data interchange (EDI), which has improved the efficiency of the port. The improvement of the port's governance, has reduced corruption and inefficiency.

5.0 STATUS OF TRUCKING FACILITIES IN TANZANIA

Due to the government improvement of roads, the roads are better and have shorter travel time and has resulted to traffic volumes increased on all roads. From pre-project levels to 2019, annual traffic growth ranged from 5 to 17 percent on the mainland road. Road transport accounts for 80% of total freight volume and 90% of passenger transport. There are more than 2000 trucks registered in Tanzania and about 220 with foreign registration engaged in transit cargo. The survey showed that the demand for cargo transportation has increased substantially. It has been estimated that each truck on average makes 1½ return trip to neighbouring countries per month. Assuming a load factor of 70% and that 50% of the trucks carry a return cargo, the existing fleet is able to carry about 201,600 tons per annum which represents 42.8% of estimated annual demand for road transport of transit cargo.

5.1 Major Transit Point For Road Transportation

The road infrastructure serving international traffic consists of TANZAM Highway Chalinze - Arusha roads and others: e.g., Karonga - Mbeya that provides access to TAZAM Highway. Uyole - Ibanda highway has become important for transit export and import cargo for neighbouring Malawi.

5.2 Competition

Leading clearing and forwarding companies prefer to give business to transporters with sizeable own fleet of reliable trucks/trailers. **TWON INTERNATIONAL LOGISTICS LIMITED** with 50 new trucks/trailers is therefore poised to emerge as one

of the major transporters of transit cargo in Tanzania with no serious competition since demand for road transport is already higher than supply of trucks for transit cargo.

5.0 PROJECT IMPLEMENTATION SCHEDULE

The critical activities are securing finance to purchase or acquire more transport trucks/trailers. Also, other important activities include communication facilities and the completion of infrastructure facilities.

6.0 MANAGEMENT AND ORGANISATION STRUCTURE

TWON INTERNATIONAL LOGISTICS LIMITED is organized directly under the Shareholders, who form part of Board of Directors. The Board of Directors is responsible in formulating policies, rules, regulations and planning aspects to ensure that transport system and the related activities meet the requirements the company and that it is operating on profitable basis. The company expects to employ **70** people. All key staff is to be employed 1-2 months before the Company acquires the trucks and trailers.

7.0 FINANCIAL ANALYSIS

7.1 Revenue Assumptions

The basic revenue underlying the projected revenue are detailed below:

7.2 Basic Revenue Assumptions

- 1) The project will operate a total fleet of 50 trucks/trailers
- 2) The entire fleet is deployed to haul mainly international transit cargo only with 59% return cargo.
- 3) Due to the long distances involved and the condition of roads, the load factor is assumed at 70% only.
- 4) Freight rates have been conservatively estimated at US\$ 4500 per Trip.
- 5) About 10% of the trucks will be grounded on account of mechanical breakdowns, overhaul, accidents, etc. at any one time i.e. 3 trucks/trailers.
- 6) The revenue and operating cost assumptions have been projected at constant prices; it being assumed that any increase in costs will be offset by a corresponding increase in freight rate.

7.3 Freight Revenue

Based on the above revenue assumptions, the trucks will realise earnings for the company of about US\$1.920 million in

the first year. This is expected to increase to US\$4.80 million from year 4 and onwards.

7.5 Operating Costs and Assumptions.

The operation costs are estimated to be 65% of the total sales

7.6 Projected Profit and Loss Accounts

The projected profit and loss accounts are presented and clearly demonstrates that the project will be very profitable after acquiring the trucks from the second year onwards.

7.7 Projected Cashflow

The strong liquidity position confirms the project's ability to meet all financial obligations.

7.8 Profitability

The projected profitability levels compare well the profit levels being achieved by other transit cargo transporters of a similar scale.

8.0 PROJECT COST AND FINANCING PLAN

The project cost is estimated at **US\$4,135,000** which will be contributed by the sponsors. The Company will decide to look for the loan if a need arises. The investment breakdown is as below:

	LOCAL	TOTAL
Land & Building	60,000	60,000
vehicles (trucks & trailers	4,000,000	4,000,000
Workshop equipment	10,000	10,000
Furniture and fixture	10,000	10,000
Pre-operation & Expenses	5,000	5,000
Others	-	-
Working capital	50,000	50,000
Total	4,135,000	4,135,000

8.2 Financing Plan

The promoters propose to finance the above investment costs in the following manner:

SOURCE	US \$
Equity	1,240,500
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8.3 Economic Development Considerations

Employment Creation

The project will create approximately **70** jobs with capacity to expand the employment levels in the later years upon.

Foreign exchange Earnings

Due to nature transit cargo business all payments are made in foreign currency. This is great contribution to the country in foreign exchange earnings.

Government revenue

The government and other agencies will benefit from various taxes, fees and commissions that will be paid to the Treasury.

Social and Economic Impact

The proposed project will result into the Increase the provision of high-quality services in the distribution of goods in the country.

8.4 Conclusion and Recommendations

The project will generate significantly to the social and economic progress by purchasing 50 trucks. analysis indicates that the proposed project will be financially and economic viable Therefore, it is strongly recommended that the project promoters be availed with the required institutional assistance so as to enable them to implement the intended proposed project.

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ANNEXTURE AND APPENDICES

TWON INTERNATIONAL LOGISTICS LIMITED
Investment Cost

US\$

	LOCAL	TOTAL
Land & Building	60,000	60,000
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TWON INTERNATIONAL LOGISTICS LIMITED
Project's Financing Plan

US\$

SOURCE	US \$
Equity	1,240,500
Loan	2,894,500
Total	4,135,000

**TWON INTERNATIONAL LOGISTICS LIMITED
PROJECTED DEPRECIATION SCHEDULE**

US\$

Item/year	Rate %	Amount	1	2	3	4	5	6	7	8	9	10
Land and Buildings	5	60,000	3000	3000	3000	3000	3000	3000	3000	3000	3000	3000
Motor Vehicles	25	4,000,000	1,000,000	1,000,000	1,000,000	1,000,000	-	-	-	-	-	-
Machinery & Equipment	12.5	10,000	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	-	-
Furniture & Fixtures	12.5	10,000	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	-	-
Pre-Operational Expenses	20	5,000	1000	1000	1000	1000	1000	-	-	-	-	-
TOTAL			1,006,500	1,006,500	1,006,500	1,006,500	6,500	5,500	5,500	5,500	3000	3000

US\$

**TWON INTERNATIONAL LOGISTICS LIMITED
PROJECTED INCOME STATEMENT**

Item/year	1	2	3	4	5	6	7	8	9	10
Sales Revenue	1,920,000	2,880,000	3,840,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
COST OF SALES (60%of total revenue)	1,248,000	1,872,000	2,304,000	2,880,000	2,880,000	2,880,000	2,880,000	2,880,000	2,880,000	2,880,000
Sub Total Cost of Sales	1,248,000	1,872,000	2,304,000	2,880,000	2,880,000	2,880,000	2,880,000	2,880,000	2,880,000	2,880,000
GROSS PROFIT	672,000	1,008,000	1,536,000	1,920,000	1,920,000	1,920,000	1,920,000	1,920,000	1,920,000	1,920,000
Gross Operating Profit	672,000	1,008,000	1,536,000	1,920,000	1,920,000	1,920,000	1,920,000	1,920,000	1,920,000	1,920,000
CAPITAL & FINANCE CHARGES Depreciation	1,006,500	1,006,500	1,006,500	1,006,500	6,500	5,500	5,500	5,500	3000	3000
Sub Total	1,006,500	1,006,500	1,006,500	1,006,500	6,500	5,500	5,500	5,500	3000	3000
PROFIT BEFORE TAX	(334,550)	1,500	529,500	913,500	1,913,500	1,914,500	1,914,500	1,914,500	1,917,000	1,917,000
Taxable Income	-	450	158,850	274,050	574,070	574,350	574,350	574,350	575,100	575,100
Corporation Tax at 30%										
PROFIT AFTER TAX	(334,550)	1,050	370,650	639,450	1,339,430	1,340,150	1,340,150	1,340,150	1,394,900	1,394,900
Profit Brought Forward	(334,550)	(333,500)	37,150	676,600	2,016,030	3,356,180	4,696,330	6,036,480	7,431,380	8,826,280

**TWON INTERNATIONAL LOGISTICS LIMITED
PROJECTED CASHFLOWS**

US\$

Item/year		1	2	3	4	5	6	7	8	9	10
CAPITAL INFLOW											
Present Equity Capital	4,135,000-	-	-	-	-	-	-	-	-	-	-
Additional Equity	-	-	-	-	-	-	-	-	-	-	-
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-
Bank Loan	-	-	-	-	-	-	-	-	-	-	-
Sub Total Capital Inflow	4,135,000-	1,006,500	1,006,500	1,006,500	1,006,500	6,500	5,500	5,500	5,500	3000	3000
OPERATING INFLOW											
Profit before tax		(334,550)	1,500	529,500	913,500	1,913,500	1,914,500	1,914,500	1,914,500	1,917,000	1,917,000
Depreciation		1,006,500	1006,500	1,006,500	1,006,500	6,500	6,500	6,500	6500	3000	3000
Sub Total Operating Inflow		671,950	1,008,000	1,536,000	1,920,000	1,920,000	1,921,000	1,921,000	1,921,000	1,920,000	1,920,000
TOTAL INFLOW											
CAPITAL OUTFLOW											
Investment	4,135,000-	-	-	-	-	-	-	-	-	-	-
Sub Total Capital Outflow	4,135,000-	-	-	-	-	-	-	-	-	-	-
OPERATING OUTFLOW											
Taxation		450	158,850	274,050	574,070	574,350	574,350	574,350	574,350	575,100	575,100
Sub Total Operating Outflow		450	158,850	274,050	574,070	574,350	574,350	574,350	574,350	575,100	575,100
TOTAL OUTFLOW	4,135,000-	450	158,850	274,050	574,070	574,350	574,350	574,350	574,350	575,100	575,100
NET CASHFLOW	-	671,500	849,150	1,261,950	1,345,930	1,345,650	1,346,650	1,346,650	1,346,650	1,344,900	1,344,900