

PROPOSED BUSINESS PLAN FOR CARGO TRANSPORT

PROJECT

BY

TALKCARGO LOGISTICS LIMITED

Drawn by:

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Dar Es Salaam

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Talkcargo Logistics Ltd is a company registered in Tanzania under the companies Act as a company limited by Shares.

Ownership:

It is founded by Shareholders who owns 100% shares of the company

SaifRatani 95%

Mahendi Gowani 05%

Location:

The Project is in Dar es salaam, office 23 SFC, shaurimoyo street, shaurimoyo business center, Dar es salaam and will establish terminals in Mbeya, Lusaka, Ndola.

Project Highlight

In this project, the company intends to venture deeply in cargo transport operations in Tanzania and outside the country (neighbouring countries) of Uganda, Zaire, Rwanda, Burundi, Zambia, and Malawi. The intended investment is estimated at USD 7,000,000.00 when fully implemented, to be financed by the owners' equity. The project is viable as it is shown by an Internal Rate of Return on Investment (IRR) of 24% and a short payback period of within 3 years of operation.

The project will create more than 150 jobs and several indirect employment opportunities to the residents of Tanzania. The project will require Five years of implementation before it becomes optimally operational.

PROJECT DESCRIPTION

This business plan sets out results of the feasibility study made for cargo transport activities with haulage and storage facilities in Tanzania and countries around.

Objective

The objective of the report is therefore, to show the possibilities to operate haulage trucks and do truck services for all types of bulk cargo including liquid and non liquid goods. This is to be presented to the project directors, financiers and other stakeholders for the project support including Tanzania Investment Centre for acquiring the Certificate of Incentives.

Value and Rationality

Policy

Although the country has no national policy on cargo transport, but the national acknowledges the contribution made by this business segment to the national economy. In Tanzania, transport operation business is one of the leading economic activities in terms of value invested, employment offered, economic operation, economic performance, and untapped potentiality. It is also one of the leading link-making economic activities for Tanzania and all surrounding neighbouring countries especially the land-locked Uganda, Rwanda, Burundi,

Zambia, and Malawi.

Its value therefore contains a multiplier effect to social economic attributes like creating wealth to its owner and users, helping to make goods available to immediate consumers, means of income generation and indirect force to road development requirements.

Evidence provided by investment statistics presented by the National (Tanzania) Economic Survey has shown success. For the past five years, the transportation industry in Tanzania has gained an upwards expansion momentum. The upwards trend reflected in the number of projects, value of projects and jobs created.

Table I: Extract of Percentage share of selected activities to GDP at current prices
Transport in Tanzania

Year Percentage

2015	5.2%
2016	4.4%
2017	4.2%
2018	4.3%
2019	4.3%
2020	4.3%
2021	4.5%

Source: Bank of Tanzania Annual Report

On the advance internationally, the industry has become one of the world's largest and most rapidly expanding economic sectors rendering service to business operators, foreign exchange earners and more importantly the good employer among other well doing economic players world wide

The significance of the transportation industry is invariable in the short, medium, and long economic terms, with a lot of attributes to make it is an inevitable service demanded. More intrinsic, the on-land transport segment is a core link between small scattered entities and international giants. Among the attributes to that significance are individual national social economic viability, globalization of business activities, information and communication technology and entrepreneurship.

Tanzania is a strategically positioned country. It is surrounded by six land locked countries, through its ports; it offers these countries a "gate-way" to the rest of the world. Note worthy are also: Tanzania's commendable growth of the economy which has been recorded since 1995; good local business climate; abundance of resources, and stable leadership, have made the country a focal point for businesspeople and cargo transit convergence, be it for Tanzania or for neighbouring countries in the light of social, business and/or economic development. These report findings mean good indicator of business viability and growth implying economic growth with more deployment of economic factors of production which in turn makes goods transit inevitable.

The company is encouraged to venture into this sector in view of all benefits at the national level and as one way of making our contribution to the national development. The sector of transport and communication has recorded an increasing contribution to the National GDP over time.

Table II: Distribution of GDP at Constant Prices per Economic Activity, in percentage

ITEM	2016	2017	2018	2019	2020	2021
WHOLE TRADING	10.60	10.40	10.20	10.50	10.70	10.70
AGRICULTURE	29.40	31.10	31.25	28.80	29.00	29.10
MINING	5.10	4.90	4.20	4.30	4.30	4.30

MANUFACTURING	7.60	7.50	6.40	5.60	5.20	5.10
CONSTRUCTION	9.00	8.10	10.80	12.40	13.60	14.00
HOTEL & RESTAURENT	2.40	2.40	2.30	2.10	2.00	2.00
TRANSPORT	5.20	4.40	4.20	4.30	4.30	4.30

Source: Bank of Tanzania

Markets, and Competition

a) Targeted Markets

The targeted market for this project is on all types of cargo for all intra-trans and inter-trans business operations in East, Central and Southern Africa countries.

b) Competition

There are many cargo transport operators in Tanzania; competition is one of our desired challenges as it is our base for quality and best services provision measurement. We are sure that to this project competition will be lessened by the uniqueness in quality and size of the services it will offer.

c) Capacity Utilization.

Capacity utilization of the trucks starts from 90% to 94-97% in the Fifth year. The trend of capacity utilization has been set to enable project promoters to put more emphasis into marketing of the company services within

and outside the country.

Project Evaluation

- a. Strengths
 - The project is banking on the development of the East Africa Community with its plan of interlinked road infrastructure and harmonised trade among partners
 - The project has been provided with enough capital to start with
 - The project operators know well the operational environment
- b. Opportunities
 - Other operating project in the same area, offer experience learning grounds.
 - Government supports the growth of the cargo transportation industry

MANAGEMENT AND WORKING ENVIRONMENT

a) Management

By this plan, the company intends to employ more than 30 local people to manage and run the project.

The management team will comprise:

DIRECTORS			
GENERAL MANAGER			
MECHANICS	DRIVERS	OTHERS	ACCOUNTANTS

b) Staff, Quality and Training

The project will recruit and employ qualified staff as per jobs requirements and descriptions.

However, the project will do in-house training of Its staff on transports operation, cargo handling and ethics, plus customer service.

c) Working Ethics

All dimensions of good working environment will be observed. This will include workers' welfare and surrounding visible working area. Application of cleaner and safer production policy and environmental management will be paramount. It must be noted that many laws on occupational health and safety, injury and death at workplace still constitute a major problem. Poor work habits; pose other serious hazards in various workplaces. Our company measures will include being diligent in following local and international safety regulations.

INVESTMENT

Investment Structure:

The project cost is estimated to be USD 7,000,000.00 when fully implemented. Although the project is based in Dar es Salaam the investment especially for offices and stores will spread to a dry port of Mbeya, Shinyanga for the easy facilitation of neighbouring countries. A summary of investment costing is as follows:

Table iii: Investment structure,

PARTICULARS	AMOUNT
	IN USD
LAND & BUILDING	280,000
MACHINERY & EQUIPMENT	90,000
MOTOR VEHICLES	6,500,000
WORKING CAPITAL	65,000
FURNITURE	20,000
OTHERS	45,000

Elaboration on investments:

Haulage Trucks

One Hundred (100) Pulling trucks with separate engines-chasses and trailers will be purchased by the company to expand the project to complement the existing ones currently Nine(9). This will happen in phases as and when the promoters study the trend in the market and gather sufficient experience. Currently, the promoters have already placed an order for TWO (02) trucks from China, which are in Transit to Dar es salaam. These Funds are generated from business and Now, they are looking for another 10 Trucks and financed by commercial bank which can finance the tankers such that when the trucks arrive, they will be fitted and start working without wasting much time consequently loss of revenue due to lead time. The promoters are willing to contribute 20% of the total sum required for the trucks and the rest to be from the bank or any other financial institution.

Financial Analysis

The financial analysis show that sufficient cash will be generated to meet both short- and long term financial obligations and the project can generate fairly good profits. The review is given hereunder:

I. Fundamental assumptions

The assumptions used in the preparations of the financial accounts are:

- a) The operating period under which the viability of the project is being evaluated is 5 years
- b) The capital cost of the proposed project is USD 7,000,000.00 inclusive of the working capital
- c) The main sources of the project's capital for investment are owners' equity and Bank loan
- d) The main sources of the project revenue are revenues earned from cargo haulage and garaging workshop.
- e) Distance between Dar es Salaam (Tanzania) and other destination arrears such as Lusaka (Zambia) Kigali (Rwanda), Democratic Republic of Congo (DRC), Bujumbura (Burundi) etc has been assumed average for calculation purposes.

11 Capital and financing

The project is financed by owners' equity.

The capital cost summary of the project development stated in Tanzanian currency is given as follows:

Fixed capital: 6,935,000.00

Working Capital: 65,000.00

Total: 7,000,000.00

Financing Plan

capital source	Amount	%
	Usd	
Owners Equity	700,000	20
Finance	5,600,000	80
Total	7,000,000	100

Depreciation:

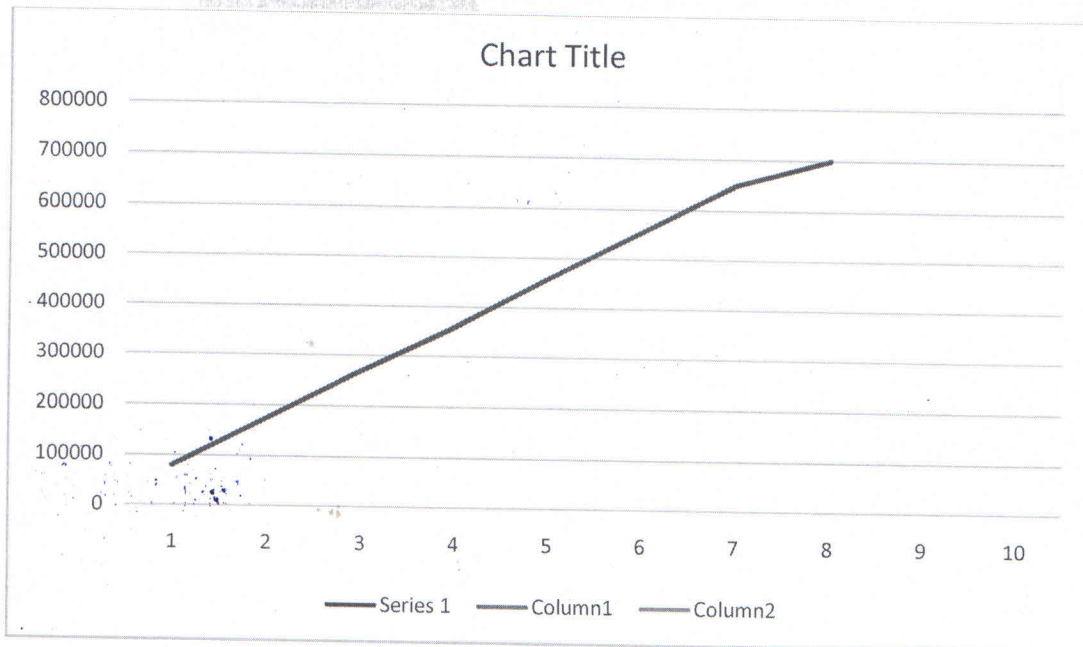
Economic depreciation rates based on the used for lifetime of the various capital items have been adopted and the following facts apply for the depreciation rates in this project

Land & Building	5%
Equipment & Machinery	12.5%
Trucks & Trailers	25%
Computer & Software	33.33%

III Projected Revenue Schedule

In the income statement, the expected average total turnover from the project operation is expected to rise from USD 2,835,000 in the first year to USD 4,958,433 in the fifth year and continue to rise as more fleets of vehicle are added.

Figure I. Graph on Project Revenues



VI. Working Capital

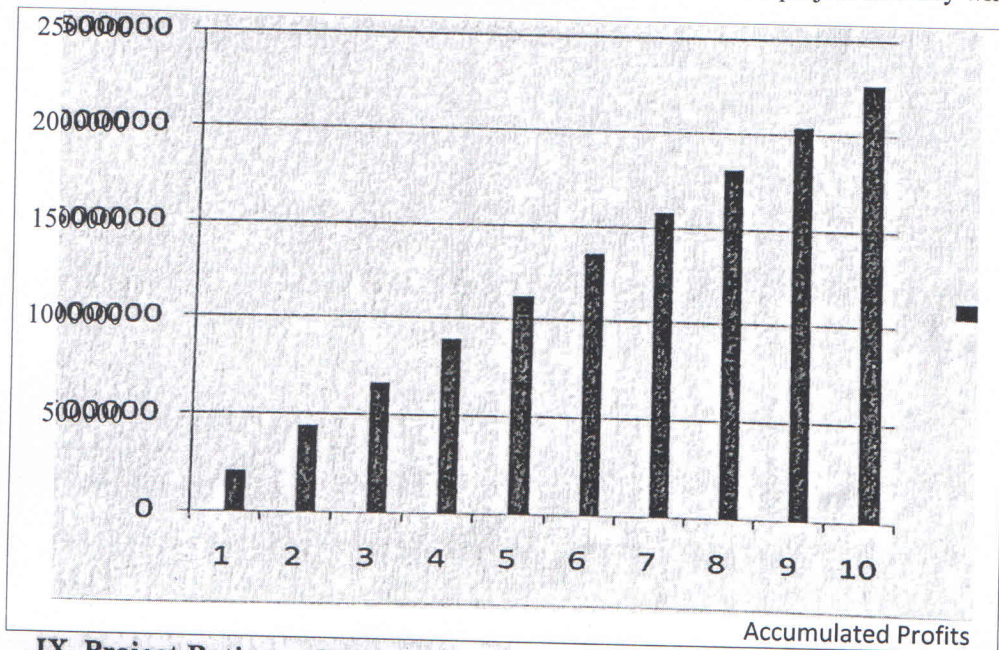
The computation of working capital is a combination of the salaries to be paid by the initial capital throughout the year and the office administrative of one month. The social securities are not included in this category. It shows that the initial working capital will be USD 65,000

VII. Taxation

The corporate tax charged is 30% of the profits.

VIII. Project Profitability

On the Profit and Loss Account, the accumulated Net Profit for the project annually will be:



IX. Project Ratios and Return (IRR)

The liquidity position of the project shows that if the proposed sales structure will not be a deterrent, the liquidity position of the project will be able to sustain the operations of the project.

The project is profitable as expected at 24% which confirms the project's economic Viability and profitability especially when compared to the adopted rate of borrowing of 8%

RECOMMENDATIONS

- The project is profitable.
- The operations are financially viable
- The key ratios are acceptable
- The liquidity position is sound since the project can meet its financial commitments without any undue difficulties

Conclusion

PROJECTED BALANCE SHEET

	YEAR I	YEAR II	YEAR III	YEAR IV	YEAR V
NET FIXED ASSETS	375,000	1,000,000	1,750,000	2,125,000	2,875,000
CURRENT ASSETS					
Stocks	6,075	18,225	47,250	101,250	213,840
Debtors	18,000	54,000	147,000	294,000	609,000
Cash and Bank	385,500	1,082,600	2,422,225	4,849,225	9,671,345
Creditors	9,450	23,625	78,750	157,500	332,640
Long Term Loan	250,000	750,000	1,250,000	1,250,000	1,600,000
NET ASSETS	525,125	1,381,200	3,037,725	5,961,975	11,436,545
CAPITAL EMPLOYED					
Share capital	62,500	62,500	62,500	62,500	62,500
Accumulated Profit	462,625	1,318,700	2,975,225	5,899,475	11,374,045
Total Capital Employed	525,125	1,381,200	3,037,725	5,961,975	11,436,545

PROJECTED CASH FLOW

INFLOWS:	YEAR I	YEAR II	YEAR III	YEAR IV	YEAR V
Equity & Finance	500,000	1,000,000	1,500,000	1,500,000	2,500,000
Transport Income	360,000	1,080,000	2,940,000	5,880,000	12,180,000
TOTAL INFLOW	860,000	2,080,000	4,440,000	7,380,000	14,680,000
OUTFLOWS:	YEAR I	YEAR II	YEAR III	YEAR IV	YEAR V
Salaries & Wages	18,000	36,000	56,250	75,000	96,000
Safari Allowances	21,600	64,800	180,000	360,000	760,320
Fuel & Lubricants	54,000	162,000	450,000	900,000	1,900,800
Tyres & Tubes	27,000	81,000	225,000	450,000	950,400
Motor Vehicle repair & Maintenance	28,800	86,400	240,000	480,000	1,013,760
Insurance	12,600	37,800	105,000	210,000	443,520
Office Expenses	10,800	32,400	90,000	180,000	380,160
Road Tax & License	7,200	21,600	60,000	120,000	253,440
Interest	40,000	80,000	120,000	120,000	200,000
Taxation	4,500	30,900	199,125	558,000	1,329,480
Loan Repayment	250,000	750,000	1,375,000	1,500,000	2,530,000
TOTAL OUT FLOW	474,500	1,382,900	3,100,375	4,953,000	9,857,880
Opening Balance	0	385,500	1,082,600	2,422,225	4,849,225
Closing Balance	385,500	1,082,600	2,422,225	4,849,225	9,671,345

PROJECTED PROFIT & LOSS ACCOUNT

	YEAR I	YEAR II	YEAR III	YEAR IV	YEAR V
TRANSPORT INCOME	360,000	1,080,000	2,940,000	5,880,000	12,180,000
OPERATING EXPENSES					
Salaries & Wages	18,000	36,000	56,250	75,000	96,000
Safari Allowances	21,600	64,800	180,000	360,000	760,320
Fuel & Lubricants	54,000	162,000	450,000	900,000	1,900,800
Tyres & Tubes	27,000	81,000	225,000	450,000	950,400
Motor Vehicle repair & Maintenance	28,800	86,400	240,000	480,000	1,013,760
Insurance	12,600	37,800	105,000	210,000	443,520
Office Expenses	10,800	32,400	90,000	180,000	380,160
Road Tax & License	7,200	21,600	60,000	120,000	253,440
Interest	40,000	80,000	120,000	120,000	200,000
Depreciation	125,000	375,000	750,000	1,125,000	1,750,000
	<u>345,000</u>	<u>977,000</u>	<u>2,276,250</u>	<u>4,020,000</u>	<u>7,748,400</u>
Profit Before Tax	15,000	103,000	663,750	1,860,000	4,431,600
Taxation	4500	30900	199125	558000	1329480
Profit for the Year	10,500	72,100	464,625	1,302,000	3,102,120

Based on the issues analysed in this report, it is recommended that the project be approved and facilitated for implementation as planned by the investors.