PP LOGISTICS LIMITED

PROJECT DOCUMENT

ON

ESTABLISHMENT

OF

TRANSPORTATION COMPANY

Prepared By:

PP LOGISTICS LIMITED

P.O.BOX 20571

DAR-ES –Salaam

October 2023

1.0 EXECUTIVE SUMMARY

1.1 Company Background

Messrs **PP LOGISTICS LIMITED** is a private limited liability company, established on 17/03/2023 under Certificate of Incorporation No. **164411591** and is licensed to carry out a variety of businesses, ranging from the transportation sector, industry, 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

Analysis of the demand for transit cargo and supply of trucks/trailers has revealed that there is an excess demand in the transportation sector and establishing a company and purchasing a fleet of about 50 new trucks/trailers to facilitate the movement of transit cargo by road system to and from landlocked neighbouring countries of Burundi, Rwanda, Uganda, Congo, Malawi, and Zambia is justifiable. The shortage of wagons and locomotives in Rail transport and the problem of TAZARA railway in the turnaround of wagons from Zambia have created an increase in demand for road transportation of transit cargo. This is expected to be on the rise for the foreseeable future.

1.4 Investment Costs

The project cost is estimated at **US$2,670,000**which will be contributed by the sponsors. The Company will decide to look for the loan if a need arises.

INVESTMENT COST

US$

	LOCAL	**TOTAL**
Land & Building	55,000	55,000
Motor vehicles	2,550,000	2,550,000
Workshop equipment	10,000	10,000
Furniture and fixture	30,000	30,000
Pre-operation & Expenses	5,000	5,000
Others	-	-
Working capital	20,000	20,000
Total	**2,670,000**	**2,670,000**

1.5 Financing Plan

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

SOURCE	US $
Equity	**2,670,000**
Sub total	**2,670,000**

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2.0 INTRODUCTION

2.1Background

PP LOGISTICS LIMITED intends to establish a transport fleet system. This involves 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 technical 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. The revised appraisal will indicate the current status of the project's transport system and the infrastructure; costs and estimates. Other issues include the management, truck model choices, infrastructure, developments, market and cargo haulage trends both inland and transit, price trends, capital and operating costs.

2.2The Company

PP LOGISTICS LIMITED is a private liability company engaged in the transportation business. The company has been incorporated on **17/03/2023** under Certificate of Incorporation No. **164411591**. It is primarily a family business with the following shareholders.

Director/Shareholders	Nationality	Shares
KEWAL SURENDRA CHOHAN	Tanzanian	90
SHAILESH DHANJI CHAVDA	Tanzanian	10

3.0 THE PROJECT

3.1 Project Concept

The project envisages establishing a trucking company, which deals with transportation of transit cargo to and from neighbouring countries. The project components include purchasing the number of cargo haulage trucks/trailers. This involves acquiring 50 trucks and 50 trailers,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 are to 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 118, kisiwani Kigamboni, 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 & administration	Motor Vehicle	UNIT	2
Single cabin pickup – for workshop	Motor Vehicle	UNIT	2
Mini bus for staff	Motor Vehicle	UNIT	3
Fork lift	Equipment’s	UNIT	2
Mobile workshop with cranes	Equipment’s	unit	3
Complete sets of tyre changer	machine	unit	2
Compressor 500 litre capacity	Machine	pc	1
Standby power generator	equipment	unit	1
Underground & overhead water tanks	equipment	pc	2
Pump	equipment	pc	2
Clutch and brake bonding machine	equipment	unit	2
radio call for 200trucks	communication equipment	sets	2
Side cranes lift	M/vehicle	unit	2

4.0 MARKETING ASPECTS

There is a wide market for domestic as well as transit cargo transport.

PP 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
- 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 and construction to build A Standard Gauge railway. TAZARA constitutes an important component of the regional network linking the SADC member states. The length of the rail track is 1866 km. 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. The growth drivers include the increase in cargo tonnage and passengers transported by road. Road transport is the most widely used form of transport in Tanzania, carrying over 90% of the passengers and 80% of the freight traffic in the country (www.tanzaniainvest.com)

- As of to date the Government has been implementing construction of roads in most parts of Tanzania. The project also includes the construction of eight interchanges, seven toll plazas, weighbridges as well as a number of bridges as depicted, service roads, amenities for road users, and the installation of toll gates, traffic signals and information boards. 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. With the above upgrades the project will run smoothly as there will be reduction of wear and tear on his trucks.

4.2 Demand for Trucking Facilities

The demand for transit transport facilities is made up of neighbouring countries imports and exports passing mainly through Dar es Salaam, which is the major port for international traffic. The main commodities being transported comprise 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. It is further estimated that 90 percent of the bulk of transit goods is handled through road transport systems.

4.3 Supply of Transport Equipment

The supply of goods transport 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 acts as a transit country for the landlocked countries of DRC, Zambia, Rwanda, Burundi, Uganda, and Malawi. General Cargo (that is excludes bulk petroleum and other bulk liquids) handled through the Dar es Salaam ports.

4.5 Market Base

The proposed project will look for markets in and outside Tanzania as there are vast opportunities existing in the regional and domestic transport business .The factors that have contributed to an increase in demand for transportation in the country is the increased level of rehabilitation and expansion of truck roads by the Government and international assistance agencies which has subsequently resulted in increased kilometre of passable roads by small and heavy-duty vehicles. Other factors are the rise in people's standard of living and change in people's consumption patterns, General improvement in the national economy, 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. 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

4.6 Freight Charges

The rates offered for standard transportation are on a per-ton basis; hence the more one carries per road, the more earnings are.

4.7 Future Prospects

On the strength of the following positive business environmental factors/economic indicators, there are good prospects for the sizes of both transit and local cargo to rise.

- ***Rise in International Deep Sea ship calls***

The number of ship calls involving mainly deep-sea ship at the port of Dar es Salaam has risen. A rise in the number of ship calls is bound to push up the volume of cargo handled which in turn requires more transhipment which in turn requires more tranship facilities inclusive of trucking facilities.

- **Increased Port performance/efficiency**

The Dar es Salaam Port has improved its ranking in the World Bank's Container Port Performance Index (CPPI). In 2022, the port ranked 361st out of 386 ports. In 2023, the port ranked 312th out of 348 ports. The improvement in the ranking of the Dar es Salaam Port is due to a number of factors, including. The completion of the USD 2.9 billion expansion project, which increased the port's capacity by 50%. 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, which has reduced corruption and inefficiency.

- ***Economic Growth Rate***

Tanzania has enjoyed a strong post-pandemic recovery despite a challenging external environment. The GDP growth rate reached 4.6% in 2022 and is expected to rise to 5.1% in 2023, supported by the implementation of structural reforms to strengthen the competitiveness of the economy, improve the business and investment environment, and reduce the cost of regulatory compliance. Growth is projected to reach the long-run potential of about 6 percent in 2025.

4.8 Supply of Trucking Facilities

Due to the government improvement of roads, the roads are better and have shortern 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 1000 trucks registered in Tanzania and about 220 with foreign registration engaged in transit cargo. The survey showed that most of the trucks were rather old and unreliable and needed to be urgently replaced. The number of reliable trucks presently engaged in transit cargo has declined to about 200 trucks with a total haulage capacity of about 16,000 tons at a 100% load factor. 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.

4.9 Major Transit Point for road Transportation

Main transit point on Tanzania boarder with neighbouring countries include:

Country		Boarder point
Kenya	-	Namanga & Sirari
Burundi	-	Kabanga
Rwanda	-	Rusumo
Malawi	-	kasumulu
- Uyole-Ibanda		
Zambia	-	Tunduma

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.

4.10 Competition

Leading clearing and forwarding companies prefer to give business to transporters with sizeable own fleet of reliable trucks/trailers**. PP 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.

According to the above table the range of freight rate is between US$ 600 to US$ 4500 per container for containerised cargo and for loose cargo is between US$ 55 and US$ 112 per ton. However, in the financial projections contained in this report a freight rate of US$ 4500 per ton has been used.

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

PP 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 Managing Director will be the overall in charge of day-to-day operations of the Company. The following heads of sections – the Manager of Operations, Administrative officer, Financial Controller, Chief Mechanics, Container Terminal Manager and Senior Logistics Officer, assists him. The company expects to employ **150** people. . All key staff is to be employed 1-2 months before the Company acquires the additional 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$ 4000 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. 5 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$ 1.92 million in the first year after acquiring the additional trucks/trailers. This is expected to increase to US$4.80 million from year 5 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 with pre-tax profits of about USD 1.99 Million from year 5 of operation onwards.

7.7 Projected Cashflow

Substantial cash surpluses will accrue to the project right from year 2 of operation accumulating to over US$1.35 million by the sixth year. 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. The project's long-term retained earnings are considerably high due to the gains from the current establishment.

8.0 PROJECT COST AND FINANCING PLAN

The project cost is estimated at **US$2,670,000**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:

US$

	LOCAL	**TOTAL**
Land & Building	55,000	55,000
Motor vehicles	2,550,000	2,550,000
Workshop equipment	10,000	10,000
Furniture and fixture	30,000	30,000
Pre-operation & Expenses	5,000	5,000
Others		
Working capital	20,000	20,000
Total	**2,670,000**	**2,670,000**

8.2 Financing Plan

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

SOURCE	US $
Equity	**2,670,000**
Sub total	**2,670,000**

8.3 Economic Development Considerations

- Employment Creation

The project will create approximately **150** 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.

- Economies of Scale

Profitability is greatly affected by economies of scale. The project will be profitable with subsequent to 50 trucks

- 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 brief financial analysis indicates that the proposed project will be financially and economic viable. The project will generate significantly to the social and economic progress by purchasing 50 trucks. 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 expansion the propose project

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ANNEXTURE

AND

APPENDICES

PP LOGISTICS LIMITED
Investment Cost

US$

	LOCAL	**TOTAL**
Land & Building	55,000	55,000
Motor vehicles	2,550,000	2,550,000
Workshop equipment	10,000	10,000
Furniture and fixture	30,000	30,000
Pre-operation & Expenses	5,000	5,000
Others	-	-
Working capital	20,000	20,000
Total	**2,670,000**	**2,670,000**

PP LOGISTICS LIMITED
Project's Financing Plan

US$

Item/Funds	Equity	TOTAL
CAPITAL COST	**2,670,000**	**2,670,000**
Total Capital Cost	**2,670,000**	**2,670,000**

PP LOGISTICS LIMITED
PROJECTED CARGO HANDLING AND FREIGHT REVENUE US$

Item/year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
PERCENTAGES	**40%**	**60%**	**80%**	**100%**						
ACHIEVABLE CAPACITY **Number of Trucks** New Trucks/Trailers	20	30	40	50						
Various Cargo Haulage per month	40	60	80	100	100	100	100	100	100	100
Various Cargo Haulage per year	480	720	960	1200	1200	1200	1200	1200	1200	1200
Freight Revenue@ usd 4000 per trip of Various cargo haulage	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
GRAND TOTAL FREIGHT 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

PP LOGISTICS LIMITED
PROJECTED DEPRECIATION SCHEDULE

US$

Item/year	**Rate %**	**Amount**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Land and Buildings	5	55,000	2750	2750	2750	2750	2750	2750	2750	2750	2750	2750
Motor Vehicles	25	2,550,000	637,500	637,500	637,500	637,500	-	-	-	-	-	-
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	30,000	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	-	-
Pre Operational Expenses	20	5,000	1,000	1,000	1,000	1,000	1,000	-	-	-	-	-
TOTAL			646,250	646,250	646,250	646,250	8,750	7,750	7,750	7,750	2,750	2,750

PP LOGISTICS LIMITED
PROJECTED INCOME STATEMENT

US$

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	646,250	646,250	646,250	646,250	8,750	7,750	7,750	7,750	2,750	2,750
Sub Total	646,250	646,250	646,250	646,250	8,750	7,750	7,750	7,750	2,750	2,750
PROFIT BEFORE TAX	**26,000**	**361,750**	**889,750**	**1,273,750**	**1,911,250**	**1,912,250**	**1,912,250**	**1,912,250**	**1,917,250**	**1,917,250**
Taxable Income Corporation Tax at 30%	**7,800**	**108,750**	**266,925**	**382,125**	**573,375**	**573,675**	**573,675**	**573,675**	**575,175**	**575,175**
PROFIT AFTER TAX	18,200	253,000	622,075	891,625	1,337,875	1,337,875	1,337,875	1,337,875	1,342,075	1,342,075
Profit Brought Forward	18,200	271,200	893,275	1,784,900	3,122,775	4,460,650	5,798,525	7,136,400	8,478,475	9,820,550

PP LOGISTICS LIMITED
PROJECTED CASHFLOWS

US$

Item/year		1	2	3	4	5	6	7	8	9	10
CAPITAL INFLOW											
Present Equity Capital	2,670,000-	-	-	-	-	-	-	-	-	-	-
Additional Equity	-	-	-	-	-	-	-	-	-	-	-
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-
Bank Loan		-	-	-	-	-	-	-	-	-	-
Sub Total Capital Inflow	2,670,000-	-	-	-	-	-	-	-	-	-	-
OPERATING INFLOW											
Profit before tax		26,000	361,750	889,750	1,273,750	1,911,250	1,912,250	1,912,250	1,912,250	1,917,250	1,917,250
Depreciation		646,250	646,250	646250	646,250	8,750	7,750	7,750	7,750	2,750	2750
Sub Total Operating Inflow		**672,250**	**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**
TOTAL INFLOW											
CAPITAL OUTFLOW			-	-	-	-	-	-	-	-	-
Investment	2,670,000										
Sub Total Capital Outflow	2,670,000	-	-	-	-	-	-	-	-	-	-
OPERATING OUTFLOW											
Taxation		7,800	108,750	266,925	382,125	573,375	573,675	573,675	573,675	575,175	575,175
Sub Total Operating Outflow		**7,800**	**108,750**	**266,925**	**382,125**	**573,375**	**573,675**	**573,675**	**573,675**	**575,175**	**575,175**
TOTAL OUTFLOW	2,670,000	**7,800**	**108,750**	**266,925**	**382,125**	**573,375**	**573,675**	**573,675**	**573,675**	**575,175**	**575,175**
NET CASHFLOW	-	**664,450**	**899,250**	**1,269,075**	**1,537,875**	**1,346,625**	**1,346,625**	**1,346,625**	**1,346,625**	**1,344,825**	**1,344,825**