

BRIGHTSUN LOGISTICS LIMITED

FEASIBILITY STUDY

FOR

EXPANSION

OF

CARGO TRANSPORTATION

BRIGHTSUN LOGISTICS LIMITED
P.O. Box 896
ARUSHA

November 2023



1.0 EXECUTIVE SUMMARY

1.1 Company Background

M/S Brightsun Logistics limited is a private limited liability company, established in 17th September 2003 under Certificate of Incorporation No. 46933. It is licensed to carry out a variety of businesses, ranging from transportation sector, industry and management to clearing and forwarding. It is a medium size trucking company mainly catering for transit cargo of landlocked neighbouring countries. The company has its headquarters based in Arusha.

1.2 The Project

This project envisages expanding its transport fleet system with modern facilities in order to be more competitive both in the local, SADCC and East African market. The company intends to acquire 50 Light and Heavy trucks including trailers and also related handling and service facilities. The company's competitive advantage is the experience, that the shareholders gained over the years and the standing arrangements it has with various companies and agencies for providing the bulk of cargo destined for the neighbouring countries. Burundi, Uganda, The Democratic Republic of Congo, Zambia, Malawi and Kenya.

1.3 INVESTMENT COSTS

The project cost is estimated at **US\$ 1,535,000**. The company will use both equity and loan financing in order to make their project successful. The breakdown of investment costs is as follows:

	USD LOCAL	USD TOTAL
Land & Building	-	-
Plant/workshop facilities	-	-
Vehicles	1,200,000	1,200,000
Furniture and fixture	-	-
Pre-expenses	30,000	30,000
Others	105,300	105,300
Working capital	200,000	200,000
Total	1,535,000	1,535,000

1.4 FINANCING PLAN

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

SOURCE	US \$	Total
Equity	1,535,000	1,535,000
Total	1,535,000	1,535,000

1.5 THE PROMOTERS

The promoter of the project is Brightsun Logistics limited and its shareholders are as follows;

FULL NAME	NATIONALITY	SHAREHOLDING
Jagjit Raj Aggrawal	Tanzanian	50
Sandesh Kumar Aggarwal	Tanzanian	50

1.6 LOCATION

The project Head Quarters is located at plot no. 60, Themi Industrial area, Arusha. The area is accessible through a tarmac road from the town. Hence the project stands to benefit from a wide range of clientele in the vicinity.

1.7 THE MARKET

Analysis of the demand of transit cargo and supply of trucks has revealed that there is a room for 50 Light and Heavy trucks including 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.

1.8 ENVIRONMENTAL ASPECT

Generally, Tanzania has environmental regulations governing the operation of garages, workshops, and storage of oil. Nevertheless, each operator takes basic precautions to ensure that during and in case if an accidental spillage or fire, damage to environment is limited to the minimum possible level.

1.9 PROFITABILITY

The business as indicated in the projected cash flow is commercially and financially viable. The business will continue contributing suitably to the Nation in terms of income tax and other taxes, which the Directors are going to pay to the respective authorities

1.10 SOCIAL AND ECONOMIC IMPACT

The proposed project will result into the following social and economic impacts:

- Increase the provision of high-quality services in the distribution of industrial products in the country.
- The proposed project of the fleet of trucks investment in this sector will provide employment for **57** people.
- The government and other agencies will benefit from various taxes, fees and commissions that will be paid to the Treasury.

1.12 CONCLUSION AND RECOMMENDATIONS

The executive summary highlights indicate that the proposed project will be financially and economic viable. It is recommended that the project be accorded the required institutional and financial support to be able to implement its expansion programme.

2.0 INTRODUCTION

2.1 Background

The feasibility study intends to indicate the current status of the project's transport system and the infrastructure; establish cost estimates, and advise on the way forward for the proposed transportation project in Arusha. The project development strategy involves the acquisition of transport fleet trucks in order to obtain the project's earnings capacity through handling more cargo, providing prompt cargo handling services as required and being more competitive in the transport sector.

2.2 The Company and Sponsors

2.2.1 The Company

M/S Brightsun Logistics Ltd is a private liability company engaged in the transportation business. The company, incorporated on 17th September 2004 under Registered Company Ordinance 212 with certificate number 46933. It is primarily a family business with the following shareholders.

FULL NAME	NATIONALITY	SHAREHOLDING%
Jagjit Raj Aggrawal	Tanzanian	50
Sandesh Kumar Aggarwal	Tanzanian	50

The promoters have vast experience in cargo transportation especially in the areas of transits business

2.3 Company Vision

The project promoters wish to see **M/S Brightsun Logistics Ltd** to continue being reliable and leading cargo transporter in Tanzania. The customers should continue to associate the company's name with high quality transport services to the international standards. This includes positioning **M/S Brightsun Logistics Ltd** clearly in relation to the competitors and placing the company to continue be a leading and reliable cargo Transporter

2.4 Project Concept

M/S Brightsun Logistics Ltd intends to expand its transport fleet system. It will involve acquiring 50 Light and Heavy trucks including trailers. Among other things, the project components will also include, acquiring 4WD patrol vehicles to assist in highway patrols and maintenance services. The company will also Purchase GPS equipment's for the new trucks

2.5 Location

The project Head Quarters is located at plot at **plot no. 60, Themí Industrial area, Arusha.**

2.6 Trucks and Trailers Requirement

The company proposes to acquire 50 Light and Heavy trucks including trailers. The trucks will operate from Tanzania and therefore follow Tanzania highway codes pertaining to maximum load factor per axle. The company will purchase Communication equipment such as GPS system, Radio calls for 50 trucks. The equipment's are to be acquired as part of the project to enhance efficient operations. In order to strengthen monitoring performance and maintenance of transport fleet the company will also requires1- 4WD Pick up – for highway patrol and a mobile workshop truck.

3.0 THE MARKET ANALYSIS

3.1 Demand for Trucking Facilities

The demand for transit transport facilities is made up of neighbouring countries' imports and exports passing mainly through Arusha, From Kenya and Uganda, and northern region Countries. The main commodities being transported comprise consumer goods, agricultural inputs, food vegetable oil, gas oil and various types of minerals. The road transport now accounts 97% compared to other modes of transport.

3.1.1 Local Demand for Trucking Facilities

Over 90 percent of the country's freight movement is by road transport. Road transport is the most widely used form of transport in Tanzania, Tanzania's transport sector has contributed 14.2% to the country's real GDP with a 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. (**www.tanzaniainvest.com**).

The number of ship calls involving mainly deep-sea ships at the port of Dar 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 transshipment which in turn requires more tranship facilities inclusive of trucking facilities. Road transport accounts for 90% of total freight volume and 80% of passenger transport.

3.2 Competition

Leading clearing and forwarding companies prefer to give business to transporters with a sizeable fleet of reliable trucks/trailers. M/S Brightsun Logistics Ltd Limited with 50 Light and Heavy trucks including trailers and also already with a well-established market is therefore poised to emerge as one of the major transporters of transit cargo in Tanzania with no serious competition since demand the or road transport is already higher than supply of trucks for transit cargo.

4.0 PROJECT IMPLEMENTATION SCHEDULE

The Expansion project is expected to be implemented within five years. The critical activities are securing finance to purchase or acquiring transport trucks.

5.0 MANAGEMENT AND ORGANISATION STRUCTURE

5.1 Organisation

M/S Brightsun Logistics Ltd Limited is organised directly under the Shareholders, who form part of Board of Directors. The company has employed two directors (shareholders) who regularly report to Chairman and Board of Directors through the Managing Director (MD) on targets and performance of the company in their respective sections. One of the Directors will deal in sales and marketing and the other one will be involved in operations and logistics.

5.2 Manpower Requirements

The company expects to employ **57** people. Out of these 50 will be truck drivers.

6.0 FINANCIAL ANALYSIS

6.1 Revenue Assumptions

The basic revenue underlying the projected revenue are detailed below:

Basic Revenue Assumptions

- 1) The project will operate a total fleet of 50 trucks.
- 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, overhauls, accidents, etc. at any one time i.e., 5 trucks.
- 6) The revenue and operating cost assumptions have been projected at constant prices; it is assumed that any increase in costs will be offset by a corresponding increase in freight rate.

Freight Revenue Assumptions

Based on the above revenue assumptions, the trucks will realize earnings for the company of about **US\$1,920,000** in the first year This is expected to increase to **US\$ 4,800,000** in year 5 and onwards.

6.2 Operating Costs and Assumptions

The major direct operating costs are Fuel and Lubricants, Tyres and Tubes. Other direct costs the company incurs include drivers, road toll or borders fees, PTA Insurance, loading and offloading costs. The costs of normal repairs and maintenance of the assets has been estimated on the basis of the costs of assets. The operation costs have been estimated at 65%

7.0 PROJECT COST AND FINANCING PLAN

Estimated Project Cost

The total project cost is estimated as **US\$ 1,535,000**. This covers investments required to cover the expansion project. The breakdown of these investments is as outlined below.

	USD LOCAL	USD TOTAL
Land & Building	-	-
Plant/workshop facilities	-	-
Vehicles	1,200,000	1,200,000
Furniture and fixture	-	-
Pre-expenses	30,000	30,000
Others	105,300	105,300
Working capital	200,000	200,000
Total	1,535,000	1,535,000

9.1 Proposed Financing Plan

It is proposed that the project be financed as follows:

SOURCE	US \$	Total
Equity	1,535,000	1,535,000
Total	1,535,000	1,535,000

8.0 FINANCIAL ANALYSIS

Projected Profit and Loss Accounts

From the foregoing freight revenue and operating cost assumptions, it clearly demonstrates that the project will be very profitable.

Projected Cash flow

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

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.

9.0 Economic Development Considerations

Employment Creation

The project will create approximately 57 jobs with capacity to expand the employment levels in the later years upon expansion.

Foreign exchange Earnings

Due to the nature transit cargo business, all payments are made in foreign currency. This is a 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 **50** Light and Heavy trucks including trailers, improved communication, and infrastructure facilities this will increase transport logistics significantly, It will increase profitability dramatically hence guaranteeing higher returns in the long run.

11.0 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 Light and Heavy trucks including trailers . 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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APPENDICES

BRIGHTSUN LOGISTICS LIMITED
INVESTMENT COST
USD

	USD LOCAL	USD TOTAL
Land & Building	-	-
Plant/workshop facilities	-	-
Vehicles	1,200,000	1,200,000
Furniture and fixture	-	-
Pre-expenses	30,000	30,000
Others	105,300	105,300
Working capital	200,000	200,000
Total	1,535,000	1,535,000

BRIGHTSUN LOGISTICS LIMITED

Project financing Plan

SOURCE	US \$
Equity	1,535,000
Sub total	1,535,000

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PROJECTED CARGO HANDLING

USD

Item/year	1	2	3	4	5	6	7	8	9	10
PERCENTAGES	40%	60%	80%	100%	100%	100%	100%	100%	100%	100%
ACHIEVABLE CAPACITY										50
Number of Trucks										
New Trucks	20	30	40	50	50	50	50	50	50	
No of Trips return 2 per moth	240	360	480	600	600	600	600	600	600	600
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

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PROJECTED DEPRECIATION SCHEDULE

US\$

Item/year	%	Item	1	2	3	4	5	6	7	8
Vehicles	25%	1,200,000	300,000	300,000	300,000	300,000	-	-	-	-
Pre-Operation-expenses	20	30,000	6,000	6,000	6,000	6,000	6,000	-	-	-
Totals Depreciation		1,230,000	306,000	306,000	306,000	306,000	6,000	-	-	-

BRIGHTSUN 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	1,248,000	1,872,000	2,496,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000
Sub Total Cost of Sales	1,248,000	1,872,000	2,496,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000	3,120,000
Gross Profit	672,000	1,008,000	1,344,000	1,680,000	1,680,000	1,680,000	1,680,000	1,680,000	1,680,000	1,680,000
Gross Operating Profit	672,000	1,008,000	1,344,000	1,680,000	1,680,000	1,680,000	1,680,000	1,680,000	1,680,000	1,680,000
Capital & Finance Charges						-	-	-	-	-
Depreciation	306,000	306,000	306,000	306,000	6,000					
Sub Total	306,000	306,000	306,000	306,000	6,000		-	-	-	-
PROFIT BEFORE TAX	366,000	702,000	1,038,000	1,374,000	1,674,000	1,674,000	1,674,000	1,674,000	1,674,000	1,674,000
Corporation Tax at 30%	109,800	210,600	311,400	412,200	502,200	502,200	502,200	502,200	502,200	502,200
PROFIT AFTER TAX	256,200	491,400	726,600	961,800	1,171,800	1,171,800	1,171,800	1,171,800	1,171,800	1,171,800
Profit Brought Forward	366,000	857,400	1,584,000	2,545,800	3,717,600	4,889,400	6,061,200	7,779,200	8,952,000	10,123,972

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PROJECTED CASHFLOWS

US \$

Item/year		1	2	3	4	5	6	7	8	9
CAPITAL INFLOW										
Present Equity Capital	1,535,000	-	-	-	-	-	-	-	-	-
Additional Equity		-	-	-	-	-	-	-	-	-
Bank Overdraft		-	-	-	-	-	-	-	-	-
Bank Loan		-	-	-	-	-	-	-	-	-
Sub Total Capital Inflow	1,535,000	-	-	-	-	-	-	-	-	-
OPERATING INFLOW										
Profit before tax		366,000	702,000	1,038,000	1,374,000	1,674,000	1,674,000	1,674,000	1,674,000	1,674,000
Depreciation		306,000	306,000	306,000	306,000	600,000	-	-	-	-
Sub Total Operating Inflow		672,000	1,008,000	1,344,000	1,680,000	2,274,000	1,674,000	1,674,000	1,674,000	1,674,000
TOTAL INFLOW		672,000	1,008,000	1,344,000	1,680,000	2,274,000	1,674,000	1,674,000	1,674,000	1,674,000
CAPITAL OUTFLOW	1,535,000									
Investment										
Sub Total Capital Outflow	1,535,000	-	-	-	-	-	-	-	-	-
OPERATING OUTFLOW										
Taxation		109,800	210,600	311,400	412,200	502,200	502,200	502,200	502,200	502,200
Sub Total Operating Outflow		109,800	210,600	311,400	412,200	502,200	502,200	502,200	502,200	502,200
TOTAL OUTFLOW	1,535,000									
NET CASHFLOW	-	562,200	797,400	1,032,600	1,267,800	1,771,800	1,771,800	1,771,800	1,771,800	1,771,800

