

SPECIALISED HAULIERS (T) LIMITED

PROJECT DOCUMENT

ON

EXPANSION AND MODERNASATION

OF

TRANSPORTATION COMPANY

**Prepared By:
Specialised Hauliers (T) Limited
P.O.BOX 222
DAR-ES –Salaam**

1.0 EXECUTIVE SUMMARY

1.1 Company Background

Messrs SPECIALISED HAULIERS (T) LIMITED is a private limited liability company, established on 10th August 2012 under Certificate of Incorporation No.92968 and it is licensed to carry out a business in the transportation sector. It is a large size trucking company mainly catering for transporting Agricultural Products, Construction Materials, Fertilisers, Coal and cement. Within a span of a short period, SHTL retained an important place in the Transportation Business. At the end of 2020, the company owned around 100 trucks and due to an increase demand, 100 more trucks were added t in 2021, totalling around 200 Trucks and trailers. Within 10 years, SHTL has grown 100 times, which shows the Dedication, Sincerity, and credibility they have in their business approach. The company has its headquarters based in Dar es Salaam.

1.2 The Project

This project envisages expanding its transport fleet system. It will also modernize its supporting facilities in order to be more competitive both in the local and East African market. The Company's competitive advantage is the experience gained over the years and their Dedication, Sincerity, and credibility in their business approach and also the standing arrangements it has with various companies and agencies for providing bulk of cargo destined to their desired destination. Besides, this transport business is that it has all the necessary facilities needed of Transportation of cargo.

1.3 The Market

Analysis of the demand of cargo transportation in Tanzania and supply of trucks/trailers has revealed that there is a need to increase the existing fleet by about 250 new trucks/trailers to facilitate movement of cargo by road system to and from different location in Tanzania mainland and some of the east African countries .

1.4 Investment Costs

The project cost is estimated at US\$ **22,750,000** which will be contributed by the sponsors and the term loan.

INVESTMENT COST US\$

	LOCAL	TOTAL
Land & Building	30,000	30,000
Motor vehicle	22,500,000	22,500,000
Workshop equipment's	100,000	100,000
Furniture and fixture	10,000	10,000
Pre-operation & Expenses	10,000	10,000
Working capital	100,000	100,000
Total	22,750,000	22,750,000

1.5 Financing Plan

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

SOURCE	US \$
Equity	250,000
Loan	22,500,000
Sub total	22,750,000

1.6 THE PROMOTERS

The promoter of Messrs Specialised Hauliers (T) Limited are as follows;

FULL NAME	NATIONALITY	SHAREHOLDING%
Mr. Sharath Krishna Gottipati	Tanzanian	51.61
Mr. Sivarama Krishna Gottipati	Indian	25.81
Mr. Arun Gottipati	Indian	19.35
Mrs. Nishtha Arora	India	3.23

1.7 LOCATION

The project Head Quarters is located at plot no 180 & 181 Hussein Street, Ilala, Dar-Es-Salaam. This available open space is used as a yard and garage for company trucks. The area is accessible through tarmac road from the town. Hence the project stands to benefit from a wide range of clientele in the vicinity

1.8 ENVIRONMENTAL ASPECT

Generally, there are environmental regulations governing the operation of garages, workshops, and storage of oil. The company will take precautions to ensure that during and in case if an accidental spillage or fire, damage to environment is limited to the minimum as possible level.

1.9 PROFITABILITY

The business as indicated in the projected profit and loss account and that of cash flow is commercially and financially viable.

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 country.
- The proposed project of the fleet of trucks investment in this sector will provide employment for **318** 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 proposed project will be financially and economic viable. It is recommended that the project be accorded the required support to pave the way for its expeditious establishment and development.

2.0 THE PROJECT

2.1 Project Concept

The project envisages expanding and modernizing its trucking company, which deals with transportation of various cargo within Tanzania mainland and some of the neighbouring countries. Among other things, the project components include.

- Acquiring 250 trucks and trailers.
- Purchase of additional machinery and equipment/tools such as cranes, forklifts and repair equipment to enhance smooth operation of its transport fleet
- HF Radio system from the trucks to be connected to the base station.
- Rehabilitation and refurbishment of workshops and container yards
Parking of trucks/trailers, etc.

2.2 The Company and Sponsors

Specialised Hauliers (T) Limited is a private liability company engaged in the transportation business. The company, incorporated on 10th August 2012 under Certificate of Incorporation No.92968 is primarily a family business with the following shareholders.

The promoter of Messrs Specialised Hauliers (T) Limited are as follows;

FULL NAME	NATIONALITY	SHAREHOLDING%
Mr. Sharath Krishna Gottipati	Tanzanian	51.61
Mr. Sivarama Krishna Gottipati	Indian	25.81
Mr. Arun Gottipati	Indian	19.35
Mrs. Nishtha Arora	India	3.23

The shareholders have extensive and long-term exposure to the transport industry through their involvement in transporting of various cargo within Tanzania and some of the neighbouring countries. The company's good performance since its incorporation is the result of the shareholders sheer hard work and articulate management dynamism in the transport sector.

2.3 Location

The company headquarters is based in Dar-es-salaam. It is situated at plot number 180 & 181, Hussein Street ILALA, Dar es Salaam. This available open space is used as a yard and garage for company trucks. The area is accessible through tarmac road from the town. Hence the project stands to benefit from a wide range of clientele in the vicinity

2.4 Implementation Time Schedule)

The proposed investment programme is expected to take a period of five years.

2.5 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.

3.0 CAPITAL INVESTMENT FINANCING

3.1 Investment Plan

In order to sustain the viability and expansion of Specialised Hauliers (T) Limited Investment plan has been drawn during the projected period. It is planned that the company will buy **250 heavy duty trucks** and trailers in the period of five years at the cost US\$ 22,500,000

INVESTMENT COST

US\$

	LOCAL	TOTAL
Land & Building	30,000	30,000
Motor vehicle	22,500,000	22,500,000
Workshop equipment's	100,000	100,000
Furniture and fixture	10,000	10,000
Pre-operation & Expenses	10,000	10,000
Working capital	100,000	100,000
Total	22,750,000	22,750,000

3.2 Financing Plan

The company itself through loan will raise the bulk of the capital cost. The other major source of funding will be internally generated revenue from operations that will plough back. The other possible sources of finance are through supplier's credit.

SOURCE	US \$
Equity	250,000
Loan	22,500,000
Sub total	22,750,000

4.0 MARKETING ASPECTS

There is a wide market for domestic as well as transit cargo transport. It is therefore expected that the sponsors would not face marketing and operational problems in managing the proposed project. Specialised Hauliers (T) Limited will endeavour to achieve the transportation contract from various companies in mainland Tanzania and some of the neighbouring countries. So far, they have been transporting Agricultural Products, Construction Materials, Fertilisers, Coal and cement

4.1 Facts About Cargo Haulage Services in Tanzania

There are three major seaports in Tanzania Mainland which are Dar es Salaam, Tanga and Mtwara. Among the three ports, Dar es Salaam Port is the most active and important port for various cargo for mainland Tanzania and neighbouring landlocked countries of Zambia, Malawi, Rwanda, Burundi, Uganda and Congo. Tanga Port is going to be very important port for Tanzanian imports and exports but with the construction of standard gauge railway and the pipeline from Hoima Uganda will increase its importance.

b) Railways

Two railway systems exist 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 is jointly owned by the Government of Tanzania and Zambia.

c) Roads

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)

.Following is the list of Tanzanian trunk roads.^[8]

Road No.	Length	Span	Via
A7	492 km	Dar es Salaam - Iringa	Chalinze - Morogoro - Mikumi
A14	315 km	Chalinze - Horohoro	Segera - Tanga
A19	620 km	Masasi - Mbamba Bay	Tunduru - Songea - Mbinga
<u>A23</u>	117 km	Arusha - Holili	Moshi
A104	1,218 km	Tunduma- Namanga	Mbeya - Iringa - Dodoma - Kondoa - Arusha
B1	263 km	Segera - Himo	
B2	561 km	Dar es Salaam - Mtwara	Kilwa - Lindi
B3	625 km	Singida - Rusumo Falls	Nzega - Isaka - Kahama
B4	293 km	Makambako - Songea	Njombe
B5	120 km	Mingoyo - Masasi	
B6	1,071 km	Makogolosi - Sirari	Rungwa - Tabora - Shinyanga - Mwanza
B8	1,128 km	Kasesha - Mutukula	Sumbawanga - Mpanda - Kasulu - Biharamulo - Bukoba
B129	388 km	Morogoro - Manyoni	Dodoma
B141	308 km	Rungwa - Singida	Itigi - Manyoni
B143	151 km	Singida - Babati	
B144	390 km	Makuyuni - Kukirango	Karatu - Ngorongoro - Serengeti National Park
B163	230 km	Usagara - Biharamulo	Sengerema - Geita
B182	171 km	Nyakasanza - Kyaka	Kimisi - Burigi Game Reserve - Omurushaka
B182 W	111 km	Omurushaka - Murongo	
	173 km	Bulahu - Lamadai	Bariadi
	59 km	Nyakasanza - Kobero	Ngara - Kabanga

Source: [List of roads in Tanzania\(Internet \)](#)

4.2 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 excluding bulk petroleum and other bulk liquids) handled through the Dar es Salaam ports. Most of the cargo destined for Tanzania mainland are carried by road transport. It is further estimated that 80 to 90 percent of the bulk of agricultural crops and industrial goods are handled through road transport system

4.3 Competition

Leading clearing and forwarding companies prefer to give business to transporters with sizeable own fleet of reliable trucks/trailers. Specialised Hauliers (T) Limited with **250** new trucks/trailers is therefore poised to emerge as one of the major transporters of cargo in Tanzania with no serious competition since demand for road transport is already higher than supply of trucks for transit cargo.

4.4 Market Base

The proposed project will continue with the existing routes of which is an open eye on the vast opportunities that exist in the regional and domestic transport business. Specialised Hauliers (T) Limited clientele includes Estim Construction, Lake Cement, Sayona Chemicals, ETG Agro, Ruvuma Coal, Kemexon, Shaz Ventures, Keda Kenya, African Inland Logistics, Amsons Group, M R & Sons and the list goes on.

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, increase 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.

4.5 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.

MANAGEMENT AND ORGANISATION STRUCTURE

4.6 Organisation

Specialised Hauliers (T) Limited is organised 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 appointed by the Board of Directors is 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 Operations Manager as head of the operation department deals with all matters on road transport system, vehicle servicing and maintenance. Also undertakes all welfare activities of the workers under his department.

Chief mechanic is the head of engineering department dealing and managing, servicing and maintenance of trucks and similar heavy equipment. Among others things, this includes automotive mechanics, automotive electrical, storage of spare parts, crane forklift mechanics.

4.7 Manpower Requirements

To improve its transport system the company expects to employ additional staff of **318** people. The company will use the same criteria in recruiting the additional truck drivers and turn boys. All are expected to have strong background in transportation. Other news staffs especially in the Operation Department are also expected to have some knowledge in transportation sector. However, all the new employees are expected to receive on-the-job training. All key staff is to be employed 1-2 months before the Company acquires the additional trucks and trailers.

5.0 FINANCIAL ANALYSIS

Basic Revenue Assumptions

- 1) The project will operate extra total fleet of 250 trucks/
- 2) The entire fleet is deployed to haul mainly cargo only with 59% return cargo.
- 3) Due to the long distances involved and 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
- 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.

5.1 Freight Revenue

Based on the above revenue assumptions, the trucks will realise earnings for the company of about **US\$18,900,000** million in the first year after acquiring the additional trucks/trailers. This is expected to increase to **US\$27,000,000** million in year five and onwards.

5.2 Operating Costs and Assumptions

Direct Cost

i)Fuel and Lubricants: All the running trucks are diesel propelled and the addition ones will also use diesel.

ii)Tyres and Tubes; Periodic replacements of worn-out tyres will be necessary because of the long distances to be covered. We estimate a replacement at the rate of 2 sets of tyres per annum.

iii) Other Direct Cost: Other direct costs the company incurs include drivers/turn boys' allowances, road toll or borders fees, PTA Insurance, loading and offloading costs.

iv) Repairs and Maintenance

The costs of normal repairs and maintenance of the assets has been estimated on the basis of the costs of assets.

v) Administrative Overheads: here will be also administrative costs to include roads and fine, wages Printing, stationery and postage, Auditors & Accountants' Fees, Travelling Expenses, Wages and Salaries, Office repair and other office expenses

5.3 Projected Profit and Loss Accounts

The accounts clearly demonstrates that the project will be very profitable after acquiring new trucks with pre-tax profits of about USD **9,433,105** from year five of operation onwards.

5.4 Projected Cashflow

Substantial cash surpluses will accrue to the project right from year 1 of operation accumulating to over USD **6,615,360** million by the sixth year. The strong liquidity position confirms the project's ability to meet all financial obligations.

5.5 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.

6.0 ECONOMIC DEVELOPMENT CONSIDERATION

- ***Employment Creation***

The project will create approximately 318 additional jobs with capacity to expand the employment levels in the later years upon expansion.

- ***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 in the increase in the provision of high-quality services in the distribution of industrial and agricultural products in the country. It will also increase the availability of quality distribution and marketing products alongside competitive prices of these products, which will result in increased healthy competition among all trading and manufacturing companies.

- ***Economies of Scale***

Profitability is greatly affected by economies of scale. The project will be profitable with subsequent to **250 trucks**. It will increase profitability dramatically, hence guaranteeing higher returns in the long run.

7.4 Conclusion and Recommendations

The brief financial analysis indicates that the proposed project will be financially and economically viable. The project will contribute significantly to the social and economic progress by way of increasing the provision of additional **250 trucks**. Therefore, it is strongly recommended that the sponsors of **Specialised Hauliers (T) Limited** be availed with the required institutional assistance so as to enable them to implement the intended expansion of the proposed project.

ANNEXTURE AND APPENDICES

SPECIALISED HAULIERS (T) LIMITED

INVESTMENT COST

	LOCAL	TOTAL
Land & Building	30,000	30,000
Motor vehicle	22,500,000	22,500,000
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Furniture and fixture	10,000	10,000
Pre-operation & Expenses	10,000	10,000
Working capital	100,000	100,000
Total	22,750,000	22,750,000

SPECIALISED HAULIERS (T) LIMITED

Project's Financing Plan

SOURCE	US \$
Equity	250,000
Loan	22,500,000
Sub total	22,750,000

SPECIALISED HAULIERS (T) LIMITED

PROJECTED DEPRECIATION SCHEDULE

US\$

Item/year		Amount	1	2	3	4	5	6	7	8	9	10
Land and Buildings	4%	30,000	1200	1200	1200	1200	1200	1200	1200	1200	1200	1200
Motor Vehicles	25%	22,500,000	5,625,000	5,625,000	5,625,000	5,625,000	-	-	-	-	-	-
Machinery & Equipment	12.5%	100,000-	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	-	-
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	10,000	2000	2000	2000	2000	2000	-	-	-	-	-
TOTAL			5,641,950	5,641,950	5,641,950	5,641,950	16950	14,950	14,950	14,950	1200	1200

SPECIALISED HAULIERS (T) LIMITED

PROJECTED INCOME STATEMENT

US\$

Item/year	1	2	3	4	5	6	7	8	9	10
Sales Revenue	18,900,000	21,600,000	24,300,000	27,000,000	27,000,000	27,000,000	27,000,000	27,000,000	27,000,000	27,000,000
COST OF SALES	12,285,000	14,040,000	15,795,000	17,550,000	17,550,000	17,550,000	17,550,000	17,550,000	17,550,000	17,550,000
Sub Total Cost of Sales	12,285,000	14,040,000	15,795,000	17,550,000	17,550,000	17,550,000	17,550,000	17,550,000	17,550,000	17,550,000
GROSS PROFIT	6,615,000	7,560,000	8,505,000	9,450,000	9,450,000	9,450,000	9,450,000	9,450,000	9,450,000	9,450,000
Gross Operating Profit	6,615,000	7,560,000	8,505,000	9,450,000	9,450,000	9,450,000	9,450,000	9,450,000	9,450,000	9,450,000
Capital & Finance Charges Depreciation	5,641,950	5,641,950	5,641,950	5,641,950	16,950	14,950	14,950	14,950	1,200	1,200
Sub Total	5,641,950	5,641,950	5,641,950	5,641,950	16,950	14,950	14,950	14,950	1,200	1,200
PROFIT BEFORE TAX	973,050	1,918,050	2,863,050	3,808,050	9,433,105	9,435,050	9,435,050	9,435,050	9,448,800	9,448,800
Taxable Income Corporation Tax at 30%	291,915	575,415	858,915	1,142,415	2,829,932	2,830,515	2,830,515	2,830,515	2,834,640	2,834,640
PROFIT AFTER TAX	681,135	1,342,635	2,004,135	2,655,635	6,603,173	6,604,535	6,604,535	6,604,535	6,614,160	6,614,160
Profit Brought Forward	681,135	2,023,770	4,027,907	6,683,540	13,286,713	19,891,248	26,495,783	33,100,318	39,714,478	46,328,638

SPECIALISED HAULIERS (T) LIMITED

PROJECTED CASHFLOWS

Item/year		1	2	3	4	5	6	7	8	9	10
CAPITAL INFLOW	22,750,000										
Present Equity Capital		-	-	-	-	-	-	-	-	-	-
Additional Equity		-	-	-	-	-	-	-	-	-	-
Bank Overdraft		-	-	-	-	-	-	-	-	-	-
Bank Loan		-	-	-	-	-	-	-	-	-	-
Sub Total Capital Inflow	22,750,000	-	-	-	-	-	-	-	-	-	-
OPERATING INFLOW											
Profit before tax		973,050	1,918,050	2,863,050	3,808,050	9,433,105	9,435,050	9,435,050	9,435,050	9,448,800	9,448,800
Depreciation		5,641,950	5,641,950	5,641,000	5,641,950	16,950	14,950	14,950	14,950	1200	1200
Sub Total Operating Inflow		6,615,000	7,560,000	8,505,000	9,450,000	9,450,000	9,450,000	9,450,000	9,450,000	9,450,000	9,450,000
TOTAL INFLOW		6,615,000	7,560,000	8,505,000	9,450,000	9,450,000	9,450,000	9,450,000	9,450,000	9,450,000	9,450,000
CAPITAL OUTFLOW											
Investment	22,750,000	-									
Sub Total Capital Outflow	22,750,000	-	-	-	-	-	-	-	-	-	-
OPERATING OUTFLOW											
Taxation		291,915	575,415	858,915	1,142,415	2,829,932	2,830,515	2,830,515	2,830,515	2,834,640	2,834,640
Sub Total Operating Outflow		291,915	575,415	858,915	1,142,415	2,829,932	2,830,515	2,830,515	2,830,515	2,834,640	2,834,640
TOTAL OUTFLOW	22,750,000	291,915	575,415	858,915	1,142,415	2,829,932	2,830,515	2,830,515	2,830,515	2,834,640	2,834,640
NET CASHFLOW	-	6,615,360	6,615,360	6,615,360	6,615,360	6,615,360	6,615,360	6,615,360	6,615,360	6,615,360	6,615,360