

DELUXE INVESTMENT GROUP LIMITED

LIMITED

**P.O .Box 21742 , Dar es Salaam,Tanzania Plot No. 94
Vijibweni Area, Kigamboni District, Dar es Salaam region,**

BUSINESS PLAN

FOR

CARGO TRANSPORTATION PROJECT

1.0. **EXECUTIVE SUMMARY.**

DELUXE INVESTMENT GROUP LIMITED LTD is a company registered in the country under the Companies Act 2002 and bears Certificate of Incorporation No. 167002668 dated 17th July 2023

The project promoters are Ethiopians and well-established businessmen in Tanzania. Having been in the business for over 20 years the directors are now well prepared for the establishment transportation business and they see a very bright future in the transport sector.

This document has been prepared to serve as a business plan for **DELUXE INVESTMENT GROUP LIMITED LTD** for the transport project. The implementation of this project will comprise of the following activities:-

- The purchase of 25 trucks,
- The purchase of 1 crane
- The purchase of 1 pick up
- The purchase of 2 Hardtop
- The purchase of 2 break down
- The purchase of 1 generator
- Equipping the company with relevant facilities

The proposed project is estimated to cost about **US\$2.5m**. The project sponsors will prove 100% of this investment.

1.1 THE PROJECT PROMOTERS

The shareholders of this project are all entrepreneurs with a diverse professional and business backgrounds. The company is owned by 2 shareholders, namely:-

NAME	NATIONALITY	% OF SHARE
Elshaday Abay Kinfe,	Ethiopia	10
Mulugeta Kidanemariam,	Ethiopia	45
Alula Gabremichael Paulos,	Ethiopia	45

1.2 Location.

The project head office will be located at Plot No. 94 Vijibweni Area, Kigamboni District, Dar es Salaam region,

1.3 Targeted Markets.

The targeted markets of the project are the neighboring landlocked countries of Tanzania and to a small extent the hinterland of Tanzania. The neighboring countries that are the target of this project are specifically DRC, Malawi, Zambia, Burundi, Rwanda and Uganda, including some hinterland parts of Tanzania.

Poor transport and communication infrastructure are said to be the major causes of low levels of intraregional trade in Eastern Africa. It is in view of this that, despite poor road infrastructure linking these countries that **DELUXE INVESTMENT GROUP LIMITED LTD** has resolved to invest in the transport sector so as to provide a solution that would lead to stimulating the said intraregional trade. The project is expected to offer a challenge to the business community to enhance intraregional trade between Tanzania and these countries.

2 PROJECT DETAILS

2.1 INTRODUCTION

Tanzania is the largest country in East Africa that is geographically strategically located in relation to her neighbors. Because of the above mentioned factor, the country's transportation system is also used to serve landlocked neighbors, i.e. countries of Uganda, Rwanda, Burundi, Eastern D. R. of Congo, Northern parts of Zambia, Malawi and some northern parts of Mozambique.

The transport sector plays a critical role in the social and economic development of a country. Transport provides links

between centers of production and those of consumption, markets, in the economic sectors such as agriculture, industry mining and tourism. It facilitates the flow of goods and people along the import/export corridors that link the coastal ports and landlocked countries. Transport equally provides access to employment, health, education, recreation and other services. Therefore, one is rightly justified to conclude that "without a good transportation system the development of a country is impossible. What roads and railways are to a country's development is like what the blood system is to the human body'

It is quite gratifying to note that the Government of Tanzania realizes the role of the transport sector for its economic and social development, and as a result has developed a Transport Sector Programme which will be very instrumental in improving the business and investment environment in the transport sector.

It is alleged that poor transport and communication infrastructure are the major causes of low levels of intraregional trade in Eastern Africa. It is in view of this that, despite this poor infrastructure, **DELUXE INVESTMENT GROUP LIMITED**

LTD has resolved to assist to provide a solution to stimulate the said intraregional trade.

In summary, we can say that **DELUXE INVESTMENT GROUP LIMITED LTD** has major objectives the following:-

- To promote trade between Tanzania and her neighbors
- To procure foreign currency for the country in the course of its business transactions.
- To provide extra employment to more people in the sector.

3.0 THE PROJECT

The project's objective is to have a fleet of vehicles in a total of **25** trucks.

This study is based on the **25 trucks**. It has been estimate that full scale operations the **20 trucks** are expected to meet at least **1,800 trips** annually, their destinations being Tanzania's landlocked neighboring countries of Malawi, Zambia, Burundi, Rwanda the Democratic Republic of Congo, etc. as well as domestic trips

4.0 INVESTMENT AND FINANCING US\$ 2.5 m

For the project to be a reality a total investment amounting to **US\$ 2m** the summary is found in schedule.

SCHEDULE 4: DELUXE INVESTMENT GROUP LIMITED COST STRUCTURE

Land and Buildings	50,000
Machinery & Equipment	100,000
Motor Vehicles	2,000,000
Furniture & Fixtures	2,000.00
Pre exp	4,000.00
Others	4,000.00
Working Capital	340,000.00
TOTAL	2,500,000.00

4.1 FINANCING PATTERN

The financing pattern being considered is that involving the purchasing of **25 trucks** and their trailers. The project will be financed both by equity and loan. Equity contribution will constitute US**\$2.5m**

5.0 TECHNICAL ASPECTS

5.1 Sources of Technology

All the project's trucks will be procured from China and Turkey

5.2 IMPLEMENTATION

Project implementation is expected to be relatively very short once TIC approval is received. Currently, the supplier of the trucks has already been identified and supply is awaiting instructions from the project promoters. In this respect, delivery can be done in less than 18 months once we finalize financing sources.

6.0 MANPOWER AND ORGANIZATION STRUCTURE

The project will be managed by a Board of Directors of **DELUXE INVESTMENT GROUP LIMITED LTD.** The Board, like all other boards is responsible for the formulation and supervision of company policies and guidelines. The project's day to day operations will be under the supervision of Managing Director.

The project's employee requirement is estimated to be **30** people

6.1 ORGANIZATION STRUCTURE

The project's operations will be managed through the Board of Directors, while the day to day activities of the project will be supervised by the Managing Director. Assisted by Finance & Administration Director and Director of Technical & Operations

7.0 MARKET AND MARKETING

The project's earmarked clientele is in the land locked neighboring countries of Malawi, Zambia, Democratic Republic of Congo, Burundi, Rwanda and even Uganda. Management has already explored these markets and is confident it can conduct profitable business with them.

The project management plans for all vehicles several trips per month. The number of trips and the cost of trip are determined by both the trip's destination and nature of road involved. All in all, a total of **1,200 trips** will be made. Each truck will transport a minimum of **28 tons** per trip. Thus, a total of **33,600 tons** of petroleum products will be overhauled between Tanzania and her neighbors.

The routes are prices according to distance and the status of the road in question. It has however been conservatively assumed that all foreign destinations will have a flat rate charge of US \$ 4000 per trip,

8.0 REVENUE ASSUMPTIONS

- 25 trucks each makes two return trips per month. Each trip will cost **US \$ 4,000**; annual revenue is estimated to **US\$ 4,800,000**.

The number of trips assumed here, is just a conservative estimate. With the expected improvement of the roads and in general operations coupled with the driver's gaining experience in long distance travels, the number of trips per truck will be raised. This will have a tremendous impact on the Company's

expenditure and earnings. However, this scenario is not the subject of the current study.

9.0 FINANCIAL ASPECTS FOR THE PROJECT

(i) Projected Profit and Loss Statement

The schedule below shows the projected income for the 5 years. The position depicted is that the project earns profit throughout its life. Accumulated after-tax profits grow from. **US\$708,092** to US\$ 3,874,585 in the 5th year.

(ii) Projected Cash Flows

The project's cash flows are shown in schedule vii. They depict a good liquid position right from the first year. Cash accumulation builds up from **US\$ 389,724** in the first year to **US\$ 4,223,205** at the end of 5th year of the project's operations based on the 25 trucks.

(iii) Payback Period

Total investment is **US\$2,500,000**; cash accumulation in year 4 is **US\$3,728,324.00** which is more than the initial investment The project payback Period is within four years, for and half months only.

10.0 ECONOMIC ASPECTS OF THE PROJECTS

Besides the financial/monetary returns to the owners, there are other benefits to be derived for the whole country viz.

(i) Employment Opportunities

Employment and poverty reduction are among the major concern of the Central and the Local Government authorities. It is gratifying to note that **DELUXE INVESTMENT GROUP LIMITED** is going to provide additional employment to **30** people. This is a significant contribution coming from local investors.

(ii) Revenue to the Government

The Project is expected to pay a substantial annual amount in the form of corporation tax.

(iii) Foreign Exchange Earning

Since the project's clientele is mostly towards neighboring countries the project will thus earn foreign currency for the United Republic of Tanzania. Out of all project expected cargo overhauling transactions will be settled in foreign currencies.

11.0 CONCLUSION AND RECOMMENDATION

11.1 Conclusion

- (i) The project is profitable and contributes to government revenue by way of taxes.
- (ii) The project has a sound after tax internal rate of return
- (iii) The project provides employment to **30** people all of whom are national Tanzanians.
- (iv) The project is an encouraging sign to prove that we have investors who have confidence in this country. Tanzania so much so that they are ready to invest such large sums of investment despite the odds of the sector in question.

12.0 RECOMMENDATION

After the foregoing economic and financial evaluation of the project, we strongly recommend that this project be implemented and be given all the support required by all the concerned Government Ministries and Agencies, including the Tanzania Revenue Authority, TRA and the Tanzania Investment Centre – (TIC). The project deserves this support because of its viability,

since it is technical feasible, economically viable and socially acceptable.

APPENDIX I

DELUXE INVESTMENT GROUP LIMITED LTD PROJECTED INCOME & EXPENDITURE STATEMENT " US \$"

	1	2	3	4	5
Projected Income	4,800,000.00	4,802,400.00	5,282,640.00	5,285,281.32	5,813,809.45
Cost of Sales(diesel and oil)	1,920,000.00	1,920,960.00	2,113,056.00	2,114,112.53	2,325,523.78
Gross Profit	2,880,000.00	2,881,440.00	3,169,584.00	3,171,168.79	3,488,285.67
Operating Expenses:					
Administrative Expenses	20,000.00	21,000.00	22,050.00	23,152.50	24,310.13
Motor vehicle running expenses	1,440,000.00	1,512,000.00	1,587,600.00	1,666,980.00	1,750,329.00
Pension Contribution	9,600.00	10,080.00	10,584.00	11,113.20	11,668.86
Interest	105,240.00	105,240.00	105,240.00	105,240.00	105,240.00
Depreciation	160,500	160,500	160,500	160,500	160,500
Salaries and Wages	96,000.00	100,800.00	105,840.00	111,132.00	116,688.60
Marketing Costs	5,000.00	5,250.00	5,512.50	5,788.13	6,077.53
Utility costs	5,000.00	5,250.00	5,512.50	5,788.13	6,077.53
Insurance	21,100.00	22,155.00	23,262.75	24,425.89	25,647.18
Communication	6,000.00	6,300.00	6,615.00	6,945.75	7,293.04
Total Expenses	1,868,440.00	1,961,862.00	2,032,716.75	2,121,065.59	2,213,831.87
Profit before tax	1,011,560.00	919,578.00	1,136,867.25	1,050,103.20	1,274,453.80
Tax (30%)	303,468.00	275,873.40	341,060.18	315,030.96	382,336.14
Profit After Tax	708,092.00	743,496.60	795,807.08	735,072.24	892,117.66
Accumulated Profit	708,092.00	1,451,588.60	2,247,395.68	2,982,467.92	3,874,585.58

APPENDIX II

DELUXE INVESTMENT GROUP LIMITED LTD PROJECTED CASH FLOW US\$

	0	1	2	3	4	5
SOURCES:						
Profit before interest and depreciation	0	973,832.00	1,009,236.00	1,061,547.00	1,000,812.00	1,157,857.00
Equity	2,500,000	-	-	-	-	
Total Sources	1,999,500.00	973,832.00	1,009,236.00	1,061,547.00	1,000,812.00	1,157,857.00
Applications:						
Capital expenditure	1,605,000.00	-	-	-	-	
working Capital &Others	395,000.00	-	-	-	-	
Cash	0	389,724.00	452,723.00	439,847.00	405,142.00	494,881.00
Tax	-	303,468.00	275,873.00	341,060.00	315,030.00	382,336.00
Sub total	2,000,000.00	693,192.00	728,596.00	780,907.00	720,172.00	877,217.00
Debt service						
Principal	0.00	175,400.00	175,400.00	175,400.00	175,400.00	175,400.00
Interest	0	105,240	105,240	105,240	105,240	105,240
Total debt service	-	280,640.00	280,640.00	280,640.00	280,640.00	280,640.00
Total applications	2,000,000.00	973,832.00	1,009,236.00	1,061,547.00	1,000,812.00	1,157,857.00
Accumulated cash		389,724.00	842,447.00	1,282,294.00	3,728,324.00	4,223,205.00
Necessary working capital	395,000.00	395,000.00	395,000.00	395,000.00	395,000.00	395,000.00

APPENDIX III

DELUXE INVESTMENT GROUP LIMITED LTD PROJECTED BALANCE SHEET US \$

	0	1	2	3	4	5
Fixed Assets	-					
Opening balance	-	1,605,000.00	1,444,500.00	1,284,000.00	3,728,324.00	963,000.00
Additions	1,605,000.00	0	0	0	0	0
Total Long-term Assets	1,605,000.00	1,605,000.00	1,444,500.00	1,284,000.00	3,728,324.00	963,000.00
Less depreciation	-	160,500.00	160,500.00	160,500.00	160,500.00	160,500.00
Closing balance	1,605,000.00	1,444,500.00	1,284,000.00	1,123,500.00	3,567,824.00	802,500.00
Working capital	395,000.00	395,000.00	395,000.00	395,000.00	395,000.00	395,000.00
Accumulated cash	-	389,724.00	842,447.00	1,282,294.00	3,728,324.00	4,223,205.00
Total assets	2,000,000.00	2,229,224.00	2,521,447.00	2,800,794.00	7,691,148.00	5,420,705.00
Financed by						
Equity	1,123,000.00	1,123,000.00	1,123,000.00	1,123,000.00	1,123,000.00	1,123,000.00
Accumulated profit	-	708,092.00	1,451,588.00	2,247,395.00	2,982,467.00	4,223,205.00
Total equity	1,123,000.00	1,831,092.00	2,574,588.00	3,370,395.00	4,105,467.00	5,346,205.00
Long term loan	877,000.00	701,600.00	526,200.00	350,800.00	175,400.00	
creditors	-	-	-	-	-	-
Bank overdraft	0	0	0	0	0	0
Total debts	877,000.00	701,600.00	526,200.00	350,800.00	837,120.00	-
Total equity and debts	2,000,000.00	2,532,692.00	3,100,788.00	3,721,195.00	4,942,587.00	5,346,205.00

APPENDIX IV

PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
2011	514,430.00	150,400.00	664,830.00	664,830.00
2012	540,151.00	150,400.00	690,551.00	1,355,381.00
2013	578,116.00	150,400.00	728,516.00	2,083,897.00
2014	553,917.00	150,400.00	704,317.00	2,788,214.00
2015	648,117.00	150,400.00	798,517.00	3,586,731.00

Initial Fixed Investment = USD

2,500,000.00

From above table payback period is calculated is within three years