

**CITYCOM ENERGY LIMITED**

***BUSINESS PLAN***

**FOR**

**TRANSPORTATION PROJECT**

## 1.0. EXECUTIVE SUMMARY.

**CITYCOM ENERGY LIMITED** is a company registered in the country under the Companies Act 2002 and bears Certificate of Incorporation No. 170232135 issued on 21<sup>th</sup> November 2023.

The project promoters are well-established business in Tanzania and recently have entered in transport logistics business and they see a very bright future in the transport sector.

This document has been prepared to serve as a business plan for CITYCOM ENERGY LIMITED for their transport project. The implementation of this project will comprise of the following activities:-

- The purchase of 50 trucks to be done in phases,
- The construction of a modern workshop and office
- The purchase of 2 cranes
- The purchase of 5 pick up
- The purchase of 2 Hard top
- The purchase of 2 break down
- The purchase of 1 set of CCTV
- The purchase of 1 generator
- Equipping the company with relevant facilities

The proposed project comprising the purchase of **50 trucks** is estimated to cost about **US\$ 5,211,000.00** . The project sponsors will prove US\$2,711,000 of this investment while the US\$ 2,500,000 will be sought from financial resources institutions.

## I.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:-

<b>Name</b>	<b>Nationality</b>	<b>No of Shares</b>
YUSSUF ABDIRAHAMAN YUSSUF P. O. BOX 62 ARUSHA TANZANIA	Tanzania	29.415
ABDIKHER MOHAMED TIFO P. O. BOX 62 ARUSHA TANZANIA	Kenya	41.17
MOHAMUD ABDULLAHI ADAN P. O. BOX 62 ARUSHA TANZANIA	Kenya	29.415

## I.2 Location.

The project head office will be located at Ungalimited Plot No.II Esso Road Arusha Tanzania

### **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.

It is in view of this that, despite poor road infrastructure linking these countries that **CITYCOM ENERGY LIMITED** 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, **CITYCOM ENERGY LIMITED**. has resolved to assist to provide a solution to stimulate the said intraregional trade.

In summary, we can say that **CITYCOM ENERGY LIMITED** 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 **50 trucks** each with a trailer. The trucks will be sourced mostly UK. The trucks, together with their trailers will be procured in phases.

This study is based on the **50 trucks**. It has been estimate that full scale operations the **50 trucks** are expected to meet at least **1500 trips** annually, their destinations being Tanzania's landlocked neighboring countries of Malawi, Zambia, Burundi, Rwanda the Democratic Republic of Congo, etc.

### **3.1 PROJECT SPONSORS**

**CITYCOM ENERGY LIMITED** is owned by three individuals, all of whom are Tanzanian and Kenyans. **CITYCOM ENERGY LIMITED** shareholders have an adequate experience in running the business of motor vehicles as such are well versed in this line of business.

#### 4.0 INVESTMENT AND FINANCING US\$ 5,211,000

For the project to be a reality a total investment amounting to **US\$5,211,000** the summary is found in schedule.

#### SCHEDULE I: CITYCOM ENERGY LIMITED COST STRUCTURE

<b>PARTICULAR</b>	<b>US\$</b>
Land and Buildings	400,000.00
Machinery & Equipment	500,000.00
Motor Vehicles	3,500,000.00
Furniture & Fixtures	2,000.00
Pre exp	5,000.00
Others	4,000.00
Working Capital	800,000.0
<b>TOTAL</b>	<b>5,211,000.00</b>

**(i) Land and Building: US\$ 400,000,**

The project is going to construct project buildings, including services garage on its plot at the cost of US\$150,000, out of which:-

- US\$100,000 will be for the acquisition and development of project premises
- US\$200,000 for construction of a motor service workshop and project offices.
- US\$25,000 for fencing the project site. This is important for the overall security of the project assets.
- US\$ 50,000 for the construction two residential blocks for workers accommodation.

**(ii) Machinery and Equipment: US\$500,000**

Some US\$ 500,000 is anticipated to be spent on the purchase of various garage machinery and equipments. The equipment for the mechanical workshop will include things like a diesel pump, lathe and panel beating and spray facilities, tyre retreating plants.

Also to be included is the purchase of a welding and grinding machine, compressors, mobile and stationery, iron sheet folding machine, generator and other general tools and equipment

**(iii) Motor Vehicles: US\$3,500,000**

The project will need **50 vehicles** at the estimated cost of **US\$3,500,000**. These vehicles will be used in overhauling various types of goods and products on behalf of several customers located in the land locked neighboring countries of Malawi, Zambia, Burundi, Rwanda, Democratic Republic of Congo and even Uganda.

Internally the project anticipates making trips to several regional centers spread throughout the country. However, when required to do so, these trips will be also made to any internal destination provided they have the rightful road condition

**(iv) Office Furniture and Equipment: US\$ 2,000**

This investment cost item has been estimated to cost US\$ 2,000. It will consist of office tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

**(v) Pre-Operational Expenses: US\$ 5,000**

These will come to about US\$10,000 and they cover things like company registration, expenses spent by **CITYCOM ENERGY LIMITED** in exploring the viability of the project, especially the market/client identification exercise done in those countries targeted to be served. This Pre-operational cost item also covers the architectural designs of project buildings and other engineering services. Also included under this item are issues like consultancy fees, legal fees and recruitment and training costs of personnel.

**(vi) Initial Working Capital: US\$ 800,000**

Calculations as well as assumptions for working capital requirements are as shown in the working capital schedule.

#### **4.1 FINANCING PATTERN**

The financing pattern being considered is that involving the purchasing of **50 trucks** and their trailers. The project will be financed both by equity and loan. Equity contribution will constitute US\$2,711,000, while the remaining US\$2,000,000 will be in the form of a loan.

The loan will be negotiated and acquired from one of domestic financial institutions. The project sponsors expect to procure this loan on the following terms and conditions:-

Loan Amount : **US\$ 2,500,000**

Interest Rate : 8% annually

## **5.0 TECHNICAL ASPECTS**

### **5.1 Location**

The proposed project offices will be established in Ungalimited Plot No.11 Esso Road Arusha Tanzania

### **5.2 Sources of Technology**

All the project's trucks will be procured from the U.K. , Sweden, China and Turkey. The envisaged trucks will be either Scania trucks with trailer.

### **5.3 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 **CITYCOM ENERGY LIMITED**. 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 **120** people in number, as shown below:-

As can be seen above the Company handsomely remunerates its workers. In order to ensure timely delivery of consignments, provision of goods service to customers, Management will provide on the job training in the field of motor vehicle maintenance and will provide bonus and other incentives as a means of instilling and boosting employee work morale.

## **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 PROJECT OPERATING COSTS**

In order to realize its intended objective the project will have to meet the operating costs estimated to be 75% of total revenue.

## **8.0 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 **1,500trips** will be made. Each truck will transport a minimum of **28** tons per trip. Thus, a total of **42,000 tons** of various goods and 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.

## **9.0 REVENUE ASSUMPTIONS**

- 50 trucks each make three return trips per month. Each trip will cost **US \$ 4000**, therefore for 150 trips/month .Each truck is expected to make 3 trips internally per month.

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.

## 10.0 FINANCIAL ASPECTS FOR THE PROJECT

### (i) Projected Profit and Loss Statement

The schedule below shows the projected income for the 8years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. **US\$892,210** to **US\$7,809,094** in the 8<sup>th</sup> year

#### CITYCOM ENERGY LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT US\$

	1	2	3	4	5	6	7	8
Revenue	6,000,000	6,300,000	6,615,000	6,945,750	7,293,038	7,657,689	8,040,574	8,442,603
<b>Operating Expenses:</b>	4,500,000	4,725,000	4,961,250	5,209,313	5,469,778	5,743,267	6,030,430	6,331,952
<b>Profit before Depreciation &amp; Interest</b>	<b>1,500,000</b>	<b>1,575,000</b>	<b>1,653,750</b>	<b>1,736,438</b>	<b>1,823,259</b>	<b>1,914,422</b>	<b>2,010,143</b>	<b>2,110,651</b>
<b>Interest</b>	200,000	160,000	120,000	80,000	40,000	-		
<b>Depreciation</b>	363,200	363,200	363,200	363,200	363,200	363,200	363,200	363,200
<b>Gross Profit</b>	<b>936,800</b>	<b>1,051,800</b>	<b>1,170,550</b>	<b>1,293,238</b>	<b>1,420,059</b>	<b>1,551,222</b>	<b>1,646,943</b>	<b>1,747,451</b>
Tax (30%)	281,040	315,540	351,165	387,971	426,018	465,367	494,083	524,235
<b>Profit After Tax</b>	<b>655,760</b>	<b>736,260</b>	<b>819,385</b>	<b>905,266</b>	<b>994,042</b>	<b>1,085,856</b>	<b>1,152,860</b>	<b>1,223,215</b>
Accumulated Profit	892,210	1,628,470	2,447,855	3,353,121	4,347,163	5,433,018	6,585,879	7,809,094

### (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\$ 1,218,960** in the first year to **US\$ 7,975,768** at the end of 8th years of the project's operations based on the 50 trucks.

**CITYCOM ENERGY LIMITED PROJECTED CASH FLOW**

<b>SOURCES:</b>		1	2	3	4	5	6	7	8
Profit before interest and depreciation	-	<b>1,500,000</b>	<b>1,575,000</b>	<b>1,653,750</b>	<b>1,736,438</b>	<b>1,823,259</b>	<b>1,914,422</b>	<b>2,010,143</b>	<b>2,110,651</b>
Equity	2,711,000								
Loan	2,500,000								
<b>Total Sources</b>	<b>5,211,000</b>	<b>1,500,000</b>	<b>1,575,000</b>	<b>1,653,750</b>	<b>1,736,438</b>	<b>1,823,259</b>	<b>1,914,422</b>	<b>2,010,143</b>	<b>2,110,651</b>
<b>Applications:</b>									
Capital expenditure	4,402,000	-	-	-	-	-			
working Capital & Others	809,000								
Cash	-	1,218,960	1,259,460	1,302,585	1,348,467	1,397,241	1,449,055		
Tax	-	281,040	315,540	351,165	387,971	426,018	465,367	494,083	524,235
<b>Sub total</b>	<b>5,211,000</b>	<b>1,500,000</b>	<b>1,575,000</b>	<b>1,653,750</b>	<b>1,736,438</b>	<b>1,823,259</b>	<b>1,914,422</b>	<b>494,083</b>	<b>524,235</b>
<b>Total applications</b>	<b>5,211,000</b>	<b>1,500,000</b>	<b>1,575,000</b>	<b>1,653,750</b>	<b>1,736,438</b>	<b>1,823,259</b>	<b>1,914,422</b>	<b>494,083</b>	<b>524,235</b>
Accumulated cash		1,218,960	2,478,420	3,781,005	5,129,472	6,526,713	7,975,768	7,975,768	7,975,768

**(iii) Projected Balance Sheet**

The project's owners' equity grow from US\$ **2,711,000** in the first year to **US\$ 10,520,094** at the end of 8th years of the project's operations based on the 50 trucks

CITYCOM ENERGY LIMITED PROJECTED PROJECTED BALANCE SHEET US \$

<b>Fixed Assets</b>	-	1	2	3	4	5	6	7	8
Opening balance	-	4,402,000	4,038,800	3,675,600	3,312,400	2,949,200	2,586,000	2,222,800	1,859,600
<b>Total Long-term Assets</b>	-	4,402,000	4,038,800	3,675,600	3,312,400	2,949,200	2,586,000	2,222,800	1,859,600
Less depreciation	-	363,200	363,200	363,200	363,200	363,200	363,200	363,200	363,200
<b>Closing balance</b>	-	4,038,800	3,675,600	3,312,400	2,949,200	2,586,000	2,222,800	1,859,600	1,496,400
Working capital	809,000	809,000	809,000	809,000	809,000	809,000	809,000	809,000	809,000
Accumulated cash	-	1,218,960	2,478,420	3,781,005	5,129,472	6,526,713	7,975,768	7,975,768	7,975,768
<b>Total assets</b>	<b>809,000</b>	<b>6,066,760</b>	<b>6,963,020</b>	<b>7,902,405</b>	<b>8,887,672</b>	<b>9,921,713</b>	<b>11,007,568</b>	<b>10,644,368</b>	<b>10,281,168</b>
Financed by									
Equity	2,711,000	2,711,000	2,711,000	2,711,000	2,711,000	2,711,000	2,711,000	2,711,000	2,711,000
Accumulated profit	-	892,210	1,628,470	2,447,855	3,353,121	4,347,163	5,433,018	6,585,879	7,809,094
Total equity	2,711,000	3,603,210	4,339,470	5,158,855	6,064,121	7,058,163	8,144,018	9,296,879	10,520,094
Long term loan	-	2,500,000	2,000,000	1,500,000	1,000,000	500,000	-		
<b>Total debts</b>	-	<b>2,500,000</b>	<b>2,000,000</b>	<b>1,500,000</b>	<b>1,000,000</b>	<b>500,000</b>	-		
<b>Total equity and debts</b>	<b>2,711,000</b>	<b>6,103,210</b>	<b>6,339,470</b>	<b>6,658,855</b>	<b>7,064,121</b>	<b>7,558,163</b>	<b>8,144,018</b>	<b>9,296,879</b>	<b>10,520,094</b>

**(iv) Payback Period**

Total investment is **US\$ 5,211,000** cash accumulation in year 3 is **US\$10,007,704** which is more than the initial investment by **US\$5,000**. The project payback Period is within three years, for and half months only.

The project has a relatively short payback period. It is remarkably impressive for a project whose investment is as big as **US\$** being 6,515,568 recovered in within than 6 year.

**CITYCOM ENERGY LIMITED PAYBACK PERIOD: US\$**

<b>Year</b>	<b>Profit After Tax</b>	<b>Depreciation</b>	<b>Total Cash Flow</b>	<b>Accumulated Cash Flow</b>
1	655,760	363,200	1,018,960	158,760
2	736,260	363,200	1,099,460	1,258,220
3	819,385	363,200	1,182,585	2,440,805
4	905,266	363,200	1,268,466	3,709,271
5	994,042	363,200	1,357,242	5,066,513
6	1,085,856	363,200	1,449,056	6,515,568

## **11.0 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 **CITYCOM ENERGY LIMITED** is going to provide additional employment to **120** 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 during the project's eight years covered under our project review.

### **(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

## **12.0 CONCLUSION AND RECOMMENDATION**

### **12.1 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 **120** 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.

### **13.0 RECOMMENDATION**

After the foregoing economic and financial evaluation of the project, we strongly recommend that this project be implement 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.

