

R.J MOTICHAND TRANS LIMITED

PROJECT DOCUMENT

ON

EXPANSION AND MODERNASATION

OF

TRANSPORTATION COMPANY

Prepared By:

R.J MOTICHAND TRANS LIMITED

P.O.BOX 5084

DAR-ES –Salaam

1.0 EXECUTIVE SUMMARY

1.1 Company Background

R.J MOTICHAND TRANS LIMITED is a private limited liability company, established on 07/02/2011 under Certificate of Incorporation No.81366 and it is licensed to carry out a variety of businesses, ranging from transportation sector, industry and management to clearing and forwarding. It is a large size trucking company mainly catering for transit cargo of landlocked neighbouring countries. The company has been in transportation business for more than 10 years. 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 the standing arrangements it has with international companies and agencies for providing bulk of cargo destined for the neighbouring countries. Besides, this transport business is that it has all the necessary facilities needed for transit cargo.

1.3 The Market

Analysis of the demand of transit cargo and supply of trucks/trailers has revealed that there is a need to increase the existing fleet by about **200** new trucks/trailers to facilitate movement of transit cargo by road system to and from landlocked neighbouring countries of Burundi, Rwanda, Uganda, Congo, Malawi and Zambia. Zambia have created increase in demand for road transportation of transit cargo.

1.4 Investment Costs

The project cost is estimated at US\$ **16,250,000** which will be contributed by the sponsors. The Company will decide to look for the loan if I a need arise.

INVESTMENT COST

US\$

	LOCAL	TOTAL
Land & Building	100,000	100,000
Motor vehicle	15,800,000	15,800,000
Workshop equipment	100,000	100,000
Furniture and fixture	100,000	100,000
Pre-operation & Expenses	50,000	50,000
Others	100,000	100,000
Total	16,250,000	16,250,000

1.5 Financing Plan

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

SOURCE	US \$
Equity	16,250,000
Sub total	16,250,000

2.0 INTRODUCTION

2.1 Background

2.1.1 **R.J Motichand Trans Limited** intends to carry expansion and modernization of their transport fleet system. Among other things this involves acquisition of more cargo haulage trucks with trailers, upgrading their existing workshops and terminal comprising of container yard, truck parking places, go down and offices.

2.1.2 The project has been prepared in order to assessing the project's viability and to be used to obtain certificate of incentives. The project will indicate the current status of the project's transport system and the infrastructure and provide expansion and modernisation costs estimates. Other issues include the management, trucks & trailers, infrastructure, developments, market and cargo haulage trend both inland and transit, price trends, capital and operating costs. The outcome is presented in this report.

.2.2 The Company and Sponsors

2.2.1 The Company

R.J Motichand Trans Limited is a private liability company engaged in the transportation business. The company, is a private limited liability company, established on 07/02/2011 under Certificate of Incorporation No.81366. It is primarily a family business with the following shareholders.

2.3.2 The Sponsors/shareholders

Director/Shareholder	Nationality	shares	%
Rajendra J. Motichand	Tanzanian	1600	40
Kamal R. Motichand	Tanzanian	800	20
Rohit R. Motichand	Tanzanian	800	20
Dhiren. Motichand	Tanzanian	800	20

The shareholders have extensive and long-term exposure to the transport industry through his involvement in transporting cargo to landlocked 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.

3.0 THE PROJECT

3.1 Project Concept

3.1.1The project envisages expanding and modernizing its Transportation company, which deals with transit cargo to and from neighbouring countries. Among other things, the project components include.

- Increase the number of cargo haulage trucks/trailers. This involves acquiring 200 trucks and 200 trailers. In addition, the company intends to acquire 4WD patrol vehicles to assist in highway patrols and maintenance services.
- Purchase of machinery and equipment/tools such as cranes, forklifts and repair equipment to enhance smooth operation of its transport fleet. The company will also replace some of the furniture and will also fit with all trucks and patrol vans with HF Radio system connected to the base station.
- The company will also carry repairs on its workshops and container yards Parking of trucks/trailers and storage of containers, etc.

Modernization of its operating system and infrastructure is intended to make the company facilitate smooth movement of cargo and be more competitive in the transportation sector. The present fleet does not suffice to handle available transit and inland cargo. Therefore, the additional trucks/trailers are intended partly to alleviate this problem.

3.2 Location

The company headquarters is based in Dar-es-salaam. It is situated at **Plot P935 Kibugumo, Kigamboni.**

3.3.1 Additional Trucks and Trailers Requirement

The company proposes to acquire 200 new trucks and 200 trailers that will have average load carrying capacity of 30 tons per truck/trailers. The trucks will operate from Tanzania

3.3 Other Equipment

The following equipment is to be acquired as part of the project to enhance efficient operations:

	Quantity
i) Handling Equipment	
Crane 30 tons capacity	1 unit
Fork lift 10 tons capacity	2 unit
ii) Workshop equipment and Tools	3 sets
iii) Mechanics Equipment	
iv) Communication equipment	
v) Office Equipment	
vi) Service Vehicles	8,4WD Pick up – for highway patrol

4.0 INFRASTRUCTURE DEVELOPMENT FOR TRANSIT CARGO IN TANZANIA

4.1 Port

The major seaports of Tanzania Mainland are Dar es Salaam, Tanga and Mtwara. Among the three ports, 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.

4.2 Railways

There are Two railway systems in Tanzania namely Tanzania Railway Corporation (TRC) and Tanzania Zambia Railway Authority (TAZARA). There is an upgrading of the railways system to Standard Gauge which is on progress now.

TRC central line has a total length of 1250 km starting in Dar es Salaam to Kigoma and it serves Eastern Congo, Burundi and Rwanda. TAZARA is jointly owned by the Government of Tanzania and Zambia and 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.

4.3 Lake Transport

Wagon ferries and cargo ships exist in Lake Victoria serving Uganda transit cargo, in Lake Tanganyika serving Burundi, Zambia and Congo and in Lake Nyasa serving transit cargo for Malawi.

4.4 Roads

The current main tarmac roads in Tanzania are TANZAM Highway (Dar es Salaam – Kapingiri Mposhi) and the roads branching off from Morogoro to Dodoma, Makambaku to Songea, Mbeya to Karonga in Malawi and from Chalinze to Segera – Tanga, Segera-Moshi-Arusha-Namanga on the border with Kenya. The rehabilitation of the road system is being carried on and it should greatly ease the transport problems in the country and facilitate road transportation of transit cargo to neighbouring countries.

5.0 THE MARKET ANALYSIS

5.1 Approach

Our assessment of the market potential for both local and transit cargo trucking facilities is based on the information/data retrieved from trucking companies from various sources.

5.2 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. Main commodities being transported comprise consumer goods, agricultural inputs, food vegetable oil, gas oil and various types of minerals. Analysis of countrywide imports clearance by mode of transport at Dar es Salaam port gives the following result in percentage (%)

Country	Road Transport	Others	Total
Tanzania	75	25	100
Zambia	54	46	100
Congo	40	60	100
Burundi	21	79	100
Rwanda	65	35	100
Uganda	30	70	100

From above, it can be seen that road transport accounts for a substantial share of 90% of the transport facilities utilized.

5.2.1 Local Demand for Trucking Facilities

- **Importance of Road Transport**

Estimated freight movement within Tanzania is 4,359 ton-kms (World bank Report 2021). Tanzania road transport sector contributed 8.1% to the country's real GDP in 2018 with **USD 3.8 billion** compared to **USD2.8 billion** in 2014, representing

an increase of 33%. It is further estimated that 90 percent of the bulk of agricultural crops is handled through road transport system.

5.2.2 Land locked Countries Using Dar Port

The potential market for transit cargo through Tanzania is high. Road transportation is most dominant for most of neighbouring countries transit cargo. With the current Government programme to improve the road network in the country and the fact that both TRC and TAZARA are short of wagons and locomotives it is estimated that the share of road transport in transit cargo haulage in the near future will continue to increase.

5.2.3 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**

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.

- **Economic Growth Rates**

The economy of Tanzania grew by 5.6% year on year in the first quater of 2023 With a population of 63.59million, Tanzania GDP is also recording an upward trend rising at approximately 6% which is the target by the end of the year 2023.

5.3.1 Major Transit Point for road Transportation

Main transit point on Tanzania boarder with neighbouring countries includes:

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.

5.3.2 International Destination Points

International destination points for the trucking companies carrying transit cargo to the neighbouring countries include:

Country	Destination/Town	Distance from DSM (in kms)
Zambia	Lusaka	1988
Burundi	Bujumbura via Kigali	1728
Rwanda	Kigali	1508
Uganda	Kampala	1771
Congo	Lubumbashi – Bukuvi	2051
Malawi	Lilongwe	1654
	Mbeya – Lilongwe	853

Source: Consultant's survey

5.3 Competition

R.J Motichand Trans Limited with 200 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. Therefore, leading clearing and forwarding companies prefer to give business to transporters with sizeable own fleet of reliable trucks/trailers.

6.0 MANAGEMENT AND ORGANISATION STRUCTURE

6.1 Organisation

R.J Motichand Trans 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. Financial Controller is the Management chief adviser in all matters pertaining to finance of the company. He heads the accounts department. The senior accountant assists him.

6.2 Manpower Requirements

To improve its transport system the company expects to employ additional staff of 250 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 new 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.

7.0 FINANCIAL ANALYSIS

Basic Revenue Assumptions

- 1) The project will operate extra total fleet of **200** trucks/trailers.
- 2) The entire fleet is deployed to haul mainly international transit cargo only with 40% return cargo. In addition, the company has long-term contract arrangement with World Food Programme.
- 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 ton.
- 5) About 20% 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.

8.1.1 Freight Revenue

Based on the above revenue assumptions, the trucks will realise earnings for the company of about **US\$ 83.64m** million in the first year after acquiring the additional trucks/trailers. This is expected to increase to US\$ million in year 2005 and onwards.

7.1 Operating Costs and Assumptions

The operation costs have been estimated at 80% of the total revenue

7.2 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 2.15Million** in year 6 of operation onwards.

7.3 Projected Cashflow

Substantial cash surpluses will accrue to the project right from year 2 of operation accumulating to over **US\$ 5.1 million** by the sixth year. The strong liquidity position confirms the project's ability to meet all financial obligations.

7.4 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

8.1 Estimated Project Cost

The total project cost is estimated at **US\$ 16,250,000**. This covers the additional investments required to cover both modernization and the proposed expansion. The breakdown of these investments is as outlined below.

US\$

	LOCAL	TOTAL
Land & Building	100,000	100,000
Motor vehicle	15,800,000	15,800,000
Workshop equipment	100,000	100,000
Furniture and fixture	100,000	100,000
Pre-operation & Expenses	50,000	50,000
Others	100,000	100,000
Total	16,250,000	16,250,000

Land, buildings, equipment and planting material costs are based on professional valuations and current quotations. A contingency allowance of 5%-10% has been included for individual items to cover potential cost over-runs and changes.

8.2 Proposed Financing Plan

It is proposed that the project be financed as follows:

	US\$'000
Sponsors equity	16,250,000
Total Financing	16,250,000

8.3 Economic Development Considerations

9.5.1 Employment Creation

The project will create approximately 250 additional jobs with capacity to expand the employment levels in the later years upon expansion.

9.5.2 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.

9.6.1 Economies of Scale

Profitability is greatly affected by economies of scale. The project will be profitable with subsequent expansion to 200 trucks, improved communication and infrastructure facilities this will increase transport logistics significantly, without increasing the cost of core facilities or management overheads. It will increase profitability dramatically hence guaranteeing higher returns in the long run.

(9.0) 8.0 CONCLUSION

This business plan has attempted to highlight the main elements of the business plan in preparation for an investment decision of a total of US\$. **16,250,000.**

In order to maintain the cargo transportation company, government authorities, port operators, warehouses, and freight transport providers will have to play a key role in ensuring that the project will be realized. It is therefore recommended that the project is commercially, financially and economically viable.

**ANNEXTURE
AND
APPENDICES**

RJ MOTCHAND LIMITED

INVESTMENT COST

US\$

	LOCAL	TOTAL
Land & Building	100,000	100,000
Motor vehicle	15,800,000	15,800,000
Workshop equipment	100,000	100,000
Furniture and fixture	100,000	100,000
Pre-operation & Expenses	50,000	50,000
Others	100,000	100,000
Total	16,250,000	16,250,000

RJ MOTCHAND LIMITED

PROJECT'S FINANCING

Item/Funds	Equity	TOTAL
CAPITAL COST	16,250,000	16,250,000
Total Capital Cost	16,250,000	16,250,000

RJ MOTCHAND LIMITED

PROJECTED DEPRECIATION SCHEDULE

US\$000

Item/year	Amount	1	2	3	4	5	6	7	8	9	10	
Land and Buildings	100,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Motor Vehicles	15,800,000	3,950,000	3,950,000	3,950,000	3,950,000	-	-	-	-	-	-	-
Workshop equipment's	100,000-	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	-	-	-
Furniture & Fixtures	100,000	12,500	12,500	12,500	12,500	12,500	12,500	12,500	12,500	-	-	-
Pre-Operational Expenses	50,000	10,000	10,000	10,000	10,000	10,000	-	-	-	-	-	-
TOTAL		3,990,000	3,990,000	3,990,000	3,990,000	40,000	30,000	30,000	30,000	5,000	5,000	5,000

RJ MOTCHAND LIMITED

PROJECTED INCOME STATEMENT

US\$000

Item/year	1	2	3	4	5	6	7	8	9	10
Sales Revenue	18,000	25,200	28,800	36,000	36,000	36,000	36,000	36,000	36,000	36,000
Cost Of Sales	14,400	20,000	22,400	28,800	28,800	28,800	28,800	28,800	28,800	28,800
Sub Total Cost of Sales	14,400	20,000	22,400	28,800	28,800	28,800	28,800	28,800	28,800	28,800
Gross Profit	3,600	5,200	6,400	7,200	7,200	7,200	7,200	7,200	7,200	7,200
Gross Operating Profit	3,600	5,200	6,400	7,200	7,200	7,200	7,200	7,200	7,200	7,200
Capital & Finance Charges Depreciation	3,990	3,990	3,990	3,990	40	30	30	30	5	5
Sub Total	3,990	3,990	3,990	3,990	40	30	30	30	5	5
Profit Before Tax	(390)	1210	2,410	3,210	7,160	7,170	7,170	7,170	7,195	7,195
Corporation Tax At 30%	(390)	363	723	963	2,148	2,151	2,151	2,151	2159	2159
Profit After Tax	(390)	363	723	963	2,148	2,151	2,151	2,151	2159	2159
Profit Brought Forward	(390)	(27)	696	1,659	3807	5,958	8,109	10,260	12,419	14,578

RJ MOTCHAND LIMITED

PROJECTED CASHFLOWS

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Item/year		1	2	3	4	5	6	7	8	9	10
CAPITAL INFLOW	16,250										
Present Equity Capital		-	-	-	-	-	-	-	-	-	-
Additional Equity		-	-	-	-	-	-	-	-	-	-
Bank Overdraft		-	-	-	-	-	-	-	-	-	-
Bank Loan		-	-	-	-	-	-	-	-	-	-
Sub Total Capital Inflow	16,250										
OPERATING INFLOW											
Profit before tax		(390)	1210	2,410	3,210	7,160	7,170	7,170	7,170	7,195	7,195
Depreciation		3990	3,990	3,990	3990	40	30	30	30	5	5
Sub Total Operating Inflow		(3,600)	5,200	6,400	7,200	7,200	7,200	7,200	7,200	7,200	7,200
TOTAL INFLOW		(3,600)	5,200	6,400	7,200	7,200	7,200	7,200	7,200	7,200	7,200
CAPITAL OUTFLOW											
Investment	16,250										
Sub Total Capital Outflow	16,250	-	-	-	-	-	-	-	-	-	-
OPERATING OUTFLOW											
Taxation		(390)	363	723	963	2,148	2,151	2,151	2,151	2159	2159
Sub Total Operating Outflow		(390)	363	723	963	2,148	2,151	2,151	2,151	2159	2159
TOTAL OUTFLOW	16,250	(390)	363	723	963	2,148	2,151	2,151	2,151	2159	2159
NET CASHFLOW	-	(3990)	4,837	5,677	6,237	5052	5049	5049	5049	5041	5041

