BUSINESS PLAN FOR TIC REGISTRATION OF AN EXPANSION PROJECT OF TRANSPORTATION

A Fleet Expansion Project – Phase I – Dar Es Salaam

10/5/2023
SIMBA LOGISTICS LIMITED

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1.0 INTRODUCTION

1.1 Business Background

Simba Logistics Limited is a business well experienced in the field of cargo transportation by road. It has a fleet of 130 trucks and 130 trailers. Following market growth and the financing muscle shareholders have the company has decided to expand its size in order to make the best use of the market. Simba Logistics Limited is a local company.

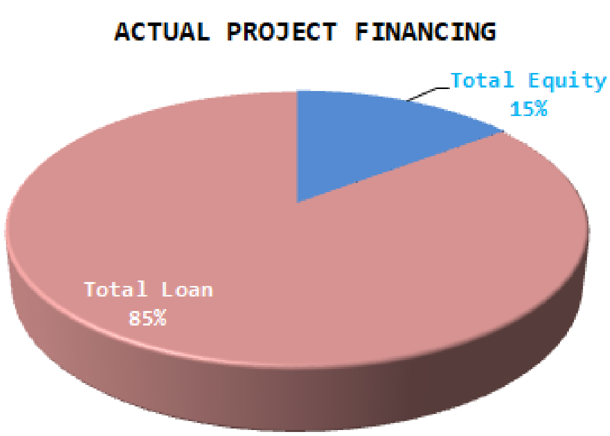
The company first registered a cargo transportation project at TIC in August 2010. The project has been successful, and the investment made so far is greater than USD 2,100,000.

Shareholders of the Company are:-

Ally Azim Dewji … 51% … Tanzanian
Hussein Azim Dewji … 49% … Tanzanian

1.2 Brief Overview of the Project

The project was originally financed by local equity and local loan. The total investment was planned to be USD 2,090,000 but the total actual investment became more than USD 2,100,000. Of this amount 15% is equity and 85% is a loan.



In terms of employment the project has employed a total of 200 people, 150 of whom are drivers.

Details of the Financing Made

Details	Amount	Percentage
Local		
Equity	310,000	14.76%
Loan	1,790,000	85.24%
Sub-total	**2,100,000**	**100.00%**
Foreign		
Equity	-	0.00%
Loan	-	0.00%
Sub-total	**-**	***0.00%***
GRAND TOTAL	**2,100,000**	
Total Equity	310,000	14.76%
Total Loan	1,790,000	85.24%

2.0 THE EXPANSION PROJECT

2.1 Investment Plan

Total investment for this fleet expansion project is USD 26,968,000. Of this amount, fixed capital is projected to be USD 25,368,000 while working capital is USD 1,600,000. Most of the investment will be done during the first two years of operation and the figures will gradually go down as completion of the investment process keeps going.

a) Projected Investment Plan

INVESTMENT BREAKDOWN		**INVESTMENT PLAN**				
ITEMS	**FINANCING IN USD**	**Y1**	**Y2**	**Y3**	**Y4**	**Y5**
Land & Buildings	63,000	41,000	22,000	-	-	-
Plant	2,330,000	1,330,000	1,000,000	-	-	-
Vehicles	22,920,000	18,500,000	4,420,000			
Furniture & Fittings	20,000	20,000				
Pre Expenses	20,000	20,000				
Others	15,000	15,000				

Working Capital	1,600,000	1,600,000				
TOTAL	**26,968,000**	**21,526,000**	**5,442,000**	**-**	**-**	**-**
FIXED CAPITAL	25,368,000					
WORKING CAPITAL	1,600,000					
CAPITAL ADDITIONS		**21,526,000**	**5,442,000**	**-**	**-**	**-**

b) Initial List of Capital Items

ITEM	**UNIT**	**UNITS**
Land	PC	1
Horses	PC	200
Trailers	PC	300
Hilux Pickups	PC	10
Furiture and Fittings	Lumpsum	1
Steel Structures	PC	2
Generators	PC	2
Staff Buses	PC	2
Land Cruiser Prado	PC	2
Land Cruiser Hardbody	PC	5
Wreck Trucks (Recovery)	PC	2
Tracking Devices	Sets	500
IVMS Cameras for Trucks	PC	200
Tire Changing Machines	PC	5
Welding Machines	PC	5
Pneumatic Jacks	PC	10
Pneumatic Air Tools	PC	70
Forklift 3 Ton	PC	3
Forklift 5 Ton	PC	3
Forklift 7 Ton	PC	3
Forklift 10 Ton	PC	2

2.2 Employment Plan

At full capacity the project will directly employ a minimum of 300 people 300 of whom are locals and 5 foreigners. Indirect employment is estimated to be 800.

CATEGORY	**MALE**	**FEMALE**	**TOTAL**
Local	235	60	**295**

Foreign	4	1	**5**
TOTAL	**239**	**61**	**300**

2.3 Targeted Market

The project targets both local and regional markets. It operates within Tanzania and beyond to neighboring countries.

2.4 Supplies Plan

The company will source its supplies including fleet from outside Tanzania. Other supplies will be sourced from within Tanzania for those which can be locally available. For those not available the company will source from within the EAC member countries.

Trucks en route to deliver a consignment

That committed Team

Moving the movers

2.5 Production Plan

At full capacity the expansion project is expected to be running a fleet of 200 lorries (200 horses and 300 trailers) transporting an estimated cargo of 84,000 tons per annum with an annual turnover of USD 31,080,000. The capacity is projected to grow over the years of operation of the project.

Sales Projections

a) Production

Details	Years				
	Y1	**Y2**	**Y3**	**Y4**	**Y5**
Fleet Size (No. of Trucks)	100	180	200	200	200
Tonnage per Truck per Annum	420	420	420	420	420
Total Tonnage per Annum	42,000	75,600	84,000	84,000	84,000

b) Sales

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Tonnage per Annum	42,000	75,600	84,000	84,000	84,000
Price per MT	350	355	360	365	370
Projected Sales Revenue	**14,700,000**	**26,838,000**	**30,240,000**	**30,660,000**	**31,080,000**

2.6 Implementation Plan

Production is planned to begin in this year of 2023 and full capacity will be attained in 2028. The project's life is expected to be a minimum of 5 years.

Implementation Schedule

No.	Activity	2023						2024	2025	2026	2027	2028
		Jul	Aug	Sep	Oct	Nov	Dec					
1	Registrations - TIC											
2	Market Analyisis											
3	Project Development											
4	Retention and Clientelle Broadening											
5	Promotion and Advertisement Campaigns											
6	Analysis for Business Expansion											

3.0 MARKET ANALYSIS

This section reviews the market status for the cargo haulage sector in Tanzania. It covers the status-quo of the market, SWOC analysis, PESTEL analysis, market worthiness and market strategy for the planned product.

3.1 Market Status-Quo

Road transportation is older than our modern nation. The Tanzania Road Haulage Company was established back in 1980 some forty plus years back and almost 20 years after our independence. The country, having the seaports handling cargo to and fro the Middle and the

Far East for Tanzania itself and for her neighboring countries that are land locked. This provides a promising avenue for road transportation.

Our company looks forward to handle both local consignments and transit cargo to and fro the landlocked countries of Uganda, Rwanda, Burundi, DRC, Malawi and Zambia.

3.2 SWOC Analysis

This sub-section covers the analysis of the overall transportation business in the country, and tries to position the project in the broad spectrum within Tanzanian, regional and global economy.

INTERNAL STRENGTHS	**INTERNAL WEAKNESSES**
➢ The project is assured of liquidity as shareholders have capital and have secured loan ➢ The company is experienced in the Tanzanian market and has seasoned staff	➢ The project is not diversified enough in the road transportation business as it focuses only on dry goods.
ENVIRONMENTAL OPPORTUNITIES	**ENVIRONMENTAL CHALLENGES**
➢ Integration of African nations reduces trade and transport hurdles and provides a wider market ➢ Tanzania provides incentives for transportation projects ➢ Good business environment in Tanzania ➢ With the SGR, there are opportunities to transport consignments to locations off the lines ➢ With the seaports of Dar es Salaam, Mtwara and Tanga there is an opportunity to win transportation deals to the neighboring landlocked countries.	➢ Players in the transportation sector do increase in numbers and pose stiffer competition. ➢ Business procedures are somehow complicated in Tanzania.

From the SWOC analysis conducted of the company and of the operating environment the promoters are confident that the project will be a success by leveraging on appropriate market strategies.

3.3 PESTEL Analysis

The external environment of the project is analyzed as follows:-

ENVIRONMENTAL ISSUE	ANALYTICAL DESCRIPTION
Political	Tanzania is politically stable and predictable, conditions that are favorable for road haulage of dry products project.
Economic	Tanzania is growing and so does her trade with the neighboring landlocked countries. Tanzania’s location as the eastern Seagate to these nations promises a success for road haulage project.
Social	Tanzania is socially stable, with people of varied background globally.
Technological	The country has developed in terms of energy, ICT and overall production and marketing technology. Communication is available for the larger part of the country
Environmental	The project is user friendly as it does not degrade the environment. As such it is sustainable.
Legal	Tanzania is much more predictable when it comes to state-enterprise disputes. The country accepts suitable settlement of investment disputes. The new investment act is a good sign of this.

3.4 Marketing Strategy

The company is experienced in the Tanzanian and regional EAC market for years now. As part of our marketing strategy, we will engage both persistence (stay) and expansionist strategies. The persistence strategy will focus on creating branches from off the SGR lines being developed, and the expansionist strategy will employ digital technology in conducting social awareness teaser campaigns. This will be done using social media, an excellent website and excellent services rendered. It will push the way for our product into the broader local, regional and international markets.

As for the persistence strategy, we look forward to develop a niche by extending our supplies in local, regional and international markets.

4.0 FINANCIAL ANALYSIS

This section covers project financing and financial projections. Project financing includes source of funding and financing of items in the project. Financial projections, on the other hand, cover sales projections, income projections, projected retained earnings and projected cash flow.

4.1 Project Financing

Sources of Funding

The project will be financed by equity (20%) amounting to **USD 5,393,600** and by a loan (80%) which will total to **USD 21,574,400** as below.

Project Financing

Details	Amount	Percentage
Local		
Equity	5,393,600	20.00%
Loan	21,574,400	80.00%
Sub-total	**26,968,000**	**100.00%**
Foreign		
Equity	-	0.00%

Loan	-	0.00%
Sub-total	**-**	***0.00%***
GRAND TOTAL	**26,968,000**	
Total Equity	5,393,600	20.00%
Total Loan	21,574,400	80.00%

Financing of Project Items

The invested capital of USD 26,968,000 will fund various items in the project. These include land and buildings, vehicles and other items as shown below.

Funding of Items

Land & Buildings	63,000
Plant	2,330,000
Vehicles	22,920,000
Furniture & Fittings	20,000
Pre Expenses	20,000
Others	15,000
Working Capital	1,600,000
TOTAL	**26,968,000**
FIXED CAPITAL	25,368,000
WORKING CAPITAL	1,600,000

4.2 Financial Projections

Production Projections

The company has projections of steadily growing production (tonnage of transports) over the first five years of operation of the project. From year 1 to year 5 the company expects to have tonnages as shown below and the maximum is 84,000 Metric Tons

Details	**Years**				
	Y1	**Y2**	**Y3**	**Y4**	**Y5**
Fleet Size (No. of Trucks)	100	180	200	200	200
Tonnage per Truck per Annum	420	420	420	420	420
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Sales Projections

Details	Years				
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Price per MT	350.00	355.00	360.00	365.00	370.00
Projected Sales Revenue	**14,700,000**	**26,838,000**	**30,240,000**	**30,660,000**	**31,080,000**

Gross Profit Projections

Details	Years				
	Y1	**Y2**	**Y3**	**Y4**	**Y5**
Water Utilities	12,000	13,200	14,520	15,972	17,569
Energy Utilities	36,000	39,600	43,560	47,916	52,708
Wages - Combined	494,000	494,000	494,000	494,000	494,000
Total Production Costs	**506,000**	**507,200**	**508,520**	**509,972**	**511,569**
Details	**Years**				
	Y1	**Y2**	**Y3**	**Y4**	**Y5**
Sales	14,700,000	26,838,000	30,240,000	30,660,000	31,080,000
Cost of Sales	506,000	507,200	508,520	509,972	511,569
Gross Profit/ (Loss)	**14,194,000**	**26,330,800**	**29,731,480**	**30,150,028**	**30,568,431**

The project promises to yield gross profit throughout the first five years of operation. In Year 1 the profit is expected to be the lowest as it is the year of investment – even in promotion campaigns - which implies much spending while the brand is developing further its outreach in the market.

Income Projections

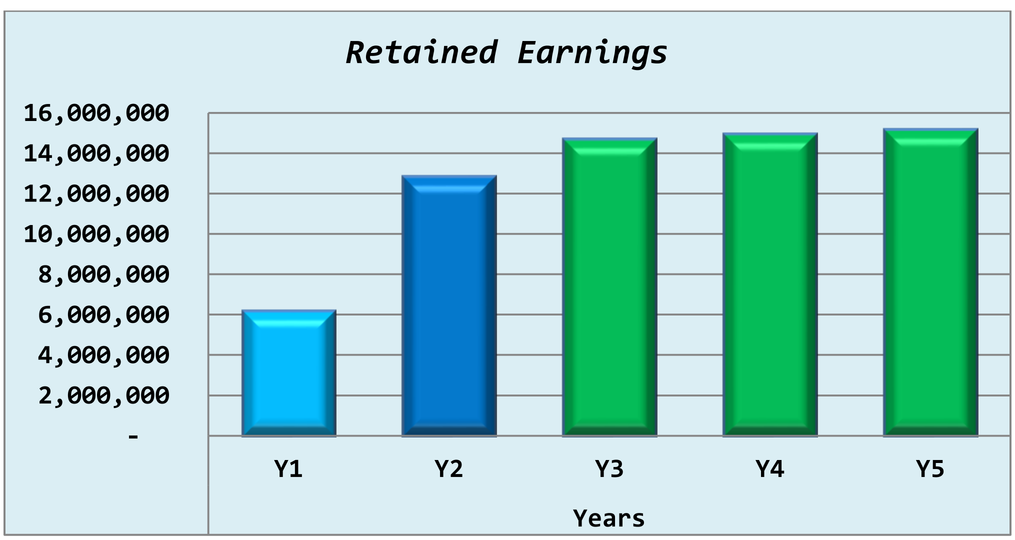
The project is projected to make profits right starting from year 1. In this year profits will be at their minimum and will keep rising up to the highest levels in year 5. The projected profits are as shown below.

Projected Income Statement

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Total Sales	14,700,000	26,838,000	30,240,000	30,660,000	31,080,000
Less: Cost of Sales	506,000	507,200	508,520	509,972	511,569
Gross Profit	14,194,000	26,330,800	29,731,480	30,150,028	30,568,431
Less: Operating Expenses	352,550	559,610	628,850	637,050	645,650
EBIT	13,841,450	25,771,190	29,102,630	29,512,978	29,922,781
Less: Loan Interest	2,291,952	2,291,952	2,291,952	2,291,952	2,291,952
EBT	11,549,498	23,479,238	26,810,678	27,221,026	27,630,829
Less: Taxes (30%)	3,464,849	7,043,771	8,043,203	8,166,308	8,289,249
Net Profit/(Loss)	8,084,649	16,435,467	18,767,475	19,054,718	19,341,580
Dividend (20%)	1,616,930	3,287,093	3,753,495	3,810,944	3,868,316
Retained Earnings	**6,467,719**	**13,148,373**	**15,013,980**	**15,243,775**	**15,473,264**

Projected Retained Earnings

Retained earnings projections show positive trends for the project starting from year 1. If the company enjoys the sought fiscal incentives it will be assured of enjoying profits from year 1 of operation. Through the earned profits the company will develop an edge in the market as it can re-adjust the price mix in order to keep more competitive.



6.0 CONCLUSION

This project aims to provide transportation services in Tanzania and in the neighboring countries. Although its office will be located in Dar es Salaam its operations will be rendered throughout Mainland Tanzania and beyond into the neighboring countries. The project is locally-owned by 100%. The planned capital for this project is USD 26,968,000 and all of this is local.

This project is highly likely to be a success and it is rational in all aspects. If it gets a soft landing in terms of fiscal incentives via the TIC the promoters of the project look forward to a successful project.

The Sky is the Limit