

CHAVDA LOGISTICS LIMITED

Feasibility Study Report

On

Establishment of Cargo Transportation Project

Prepared for:

CHAVDA LOGISTICS LIMITED

P.O. Box 325

Dar-es-Salaam

October 2023

1.0. EXECUTIVE SUMMARY

1.1 COMPANY BACKGROUND

CHAVDA LOGISTICS LIMITED is a company limited by shares which intends to mainly deal with cargo transportation of fuel, containerized and loose cargoes. The company was registered on 9th January 2023. The shareholders have decided to establish its cargo Transportation Company to provide both for domestic and transit haulage services. The company has its headquarters based in Dar-es-Salaam.

1.3 THE PROJECT

The Directors of **CHAVDA LOGISTICS LIMITED** intends to establish fleet of trucks to acquire 100 trucks and 100 trailers. The company will also acquire pick-ups, light trucks and workshop tools and related handling service facilities. The project will be able to strengthen distribution and marketing facilities in the Country and also for transit cargo of neighbouring landlocked Countries East and Central Africa namely: Rwanda, Burundi, Uganda, The Democratic Republic of Congo, Zambia, Malawi and Kenya.

1.4 INVESTMENT COSTS

The project cost is estimated at **US\$5,640,000**. The company will use both equity and loan financing in order to make their project successfully. The breakdown of investment cost is as follows:

	LOCAL	TOTAL
Land & Building	50,000	50,000
Plant/workshop facilities	30,000	30,000
Vehicles	5,000,000	5,000,000
Furniture and fixture	20,000	20,000
Pre-expenses	10,000	10,000
Others	30,000	30,000
Working capital	500,000	500,000
Total	5,640,000	5,640,000

1.5 FINANCING PLAN

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

SOURCE	US \$	Total
Equity	5,640,000	5,640,000
Total	5,640,000	5,640,000

1.6 THE PROMOTERS

The promoter of the project is **CHAVDA LOGISTICS LIMITED** and its shareholders are as follows;

FULL NAME	NATIONALITY	SHAREHOLDING%
NIMESH DILIP CHAVDA	Tanzanian	50.1
DHARMESH DILIP CHAVDA	Tanzanian	49.9

1.7 LOCATION

The project Head Quarters is located at plot no 2689, Mtoni Buza, Temeke Dar Es Salaam. This available open space will be 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 THE MARKET

The demand for transit cargo and supply of trucks/trailers has revealed that there is an excess demand in the transportation sector and the establishment of a company by purchasing a fleet of about 100 new trucks/trailers is justifiable There is an ample market for the transportation sector. Enquiries and draft contracts are already in hand from local traders and manufactures that have shown interest in the company services. The company will ensure that deliveries will be of right

quality, quantities, time and promptly. The company will adopt prevailing freight rates however a lot of efforts will be directed towards minimizing operational costs and particularly overheads.

1.9 ENVIRONMENTAL ASPECT

Generally, Tanzania has 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 possible level.

1.10 PROFITABILITY

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

1.11 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 more than 100 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 economically 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 THE COMPANY

CHAVDA LOGISTICS LIMITED is a private liability company engaged in the transportation business and was registered on 9th January 2023 under Certificate of Incorporation **No. 162457128**. **CHAVDA LOGISTICS LIMITED** main aim is to establish transportation company by acquiring 100 cargo haulage trucks with trailers, constructing workshops and terminal comprising of container yard, truck parking places, godowns and offices

2.2 PROJECT Concept

The project intends to establish trucking company to deal with transportation of transit cargo to and from neighbouring countries and will consist of the following;

- 100 trucks including 100 trailers with the average load carrying capacity of 30 tons per truck/trailers trailers, light trucks and 4WD patrol vehicles to assist in highway patrols and maintenance services
- Purchase of GPS equipment's for the trucks , more machinery and equipment/tools such as cranes, light forklifts and repair equipment to enhance smooth operation of its transport fleet.
- Acquiring office furniture, fittings, computers and telecommunication system to replace the ones which are worn out now.

2.3 LOCATION

The project Head Quarters is located at plot no 2689, Mtoni Buza, Temeke Dar Es Salaam.. This available open space will be 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 THE PROJECT PROMOTERS

The promoter of the project is **CHAVDA LOGISTICS LIMITED** and its shareholders are as follows;

FULL NAME	NATIONALITY	SHAREHOLDING%
NIMESH DILIP CHAVDA	Tanzanian	50.1
DHARMESH DILIP CHAVDA	Tanzanian	49.9

The promoters have vast experience in cargo transportation especially in the areas of transits business

2.5 COMPANY VISION

The project promoters wish to see **CHAVDA LOGISTICS LIMITED** to be a reliable and leading cargo transporter in Tanzania. The customers usually want to associate the company's name with high quality transport services to the international standards. This includes positioning **CHAVDA LOGISTICS LIMITED** clearly in relation to the competitors and placing the company to be a and reliable cargo Transporter.

3.0 MARKETING AND MARKETING STRATEGIES

3.1 DEMAND FOR TRUCKING FACILITIES

There is an ample market for the transportation sector. Enquiries and draft contracts are already in hand from local traders and manufactures that have shown interest in the company services. Competition is inevitable in the transportation business. Due, however, to ever-rising demand for transportation facilities in the country transportation sector grows constantly in volume. There is a very high demand for the cargo transportation in neighbouring countries. Most of their imports and exports are passing mainly through Dar-es-Salaam, which is the major port for international traffic. **CHAVDA LOGISTICS LIMITED** will endeavour to achieve the transportation contract for domestic and transit business in the neighbouring countries. Therefore, it can be expected that the sponsors would not face any marketing and operational problems in managing the proposed project.

3.2 SUPPLY OF TRUCKING FACILITIES

The trucking industry is the largest single section of transportation. 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)

CHAVDA LOGISTICS LIMITED in either way will benefit because of the range of fleet or trucks it will own. Customer service will still be given top priority. The company will ensure that deliveries will be of right quality, quantities, time and promptly. The company will adopt prevailing freight rates however a lot of efforts will be directed towards minimizing operational costs and particularly overheads. Cost control and personal accountability is paramount in the operations of the business.

3.3 COMPETITION

CHAVDA LOGISTICS LIMITED with 100 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. Given the volume of business activities that are conducted within the SADC region, forwarding and clearing prefers to give transporters with a sizeable own fleet of reliable trucks that values time.

M/S CHAVDA LOGISTICS LIMITED with 100 new trucks will be one of the major transporters of transit cargo in the East Africa, COMESA and SADC region with no serious competition .

3.4 PROJECT IMPLEMENTATION SCHEDULE

The project promoter intends to take five years to purchase the intended 100 trucks .

3.5 Environmental impact

The project does not have any environmental problem/risk, as it does not involve production of any harmful by products.

4.0 INVESTMENT PLAN

In order to sustain the viability and growth **M/S CHAVDA LOGISTICS LIMITED**, a modest Investment plan has been drawn during the project period and the investment cost of the project is **US\$5,640,000**

	LOCAL	TOTAL
Land & Building	50,000	50,000
Plant/workshop facilities	30,000	30,000
Vehicles	5,000,000	5,000,000
Furniture and fixture	20,000	20,000
Pre-expenses	10,000	10,000
Others	30,000	30,000
Working capital	500,000	500,000
Total	5,640,000	5,640,000

4.1 FINANCING PLAN

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

SOURCE	US \$	Total
Equity	5,640,000	5,640,000
Total	5,640,000	5,640,000

5.0 MANAGEMENT AND ORGANISATION STRUCTURE

5.1 ORGANIZATION

M/S CHAVDA LOGISTICS LIMITED will be directly under the Shareholders, who form part of Board of Directors. The Managing Director will be appointed by the Board of Directors and will be overall in charge of day-to-day operations of the Company and will be assisted by the following heads of sections –, Financial Controller, Chief Mechanics, the Manager of Operations Container Terminal Manager and Senior Logistics Officer.

5.2 MANPOWER REQUIREMENTS

To improve its transport system the company expects to employ additional 113 including 8 expatriates' people. 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 employees are expected to receive on-the-job training. All key staff is to be employed 1-2 months before the Company acquires the trucks and trailers.

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6.0 FINANCIAL ANALYSIS

6.1 REVENUE ASSUMPTIONS

The basic revenue underlying the projected revenue is detailed below:

6.1.1 Basic Revenue Assumptions

- 1) The project will operate total fleet of 100 trucks/trailers by the sixth year.
- 2) The entire fleet is deployed to haul mainly international transit cargo only with 0% return cargo.
- 3) Due to the long distances involved and condition of roads, the load factor is assumed at 90%.
- 4) About 10% of the trucks will be grounded on account of mechanical breakdowns, overhaul, accidents, etc. at any one time
- 5) Freight rates have been conservatively estimated at ***US\$ 5000 per Trip***
- 6) The revenue and operating cost assumptions have been projected at constant prices and assumed that any increase in costs will be off-setted by a corresponding increase in freight rate.
- 7) The round trip is estimated to be ***eight Trips per annum*** to the neighbouring countries like DRC Congo

6.2 OPERATING COSTS AND ASSUMPTIONS

6.1.1 Direct Cost

- 1) The major direct operating costs have been estimated to be 60 % of the total revenue:

2) Depreciation

The following fact facts apply for the depreciation rates in this project:

- Building and Civil works are depreciated at 4% straight line.
- Workshop equipment, plant, machinery, and operating equipment 12.5 %.

- Office equipment is depreciated at 12.5%.
- Furniture and fittings are depreciated at 12.5%
- Pre-operational expenses are is 20%.

3) Working Capital Requirements

Ideally, working capital requirements are directed by the volume and business tempo.

4) The capacity

The capacity utilization of the truck starts from 60% in the 1st Year to 70% in the 2nd year and 80%, in the 3rd year and other subsequent years.

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6.3 PROJECTED PROFIT AND LOSS ACCOUNTS

From the foregoing freight revenue and operating cost assumptions, the accounts clearly demonstrate that the project will be very profitable from year six.

6.4 PROJECTED CASH FLOW

Substantial cash surpluses will accrue to the project right from year one. The strong liquidity position confirms the project's ability to meet all financial obligations.

6.5 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 started rising from year one.

7.0 ECONOMIC DEVELOPMENT CONSIDERATIONS

7.1 Employment Creation

The project will create approximately 113 jobs with capacity to establish the employment levels in the later years.

7.2 Foreign exchange Earnings

The project will earn foreign exchange through its operation of transit goods

7.3 Economies of Scale

The project will be profitable with subsequent to 100 trucks and will improve communication and infrastructure facilities.

7.4 Development Aspects

The following are the major economic and social benefits, which will be generated by proposed project.

- Revenue to the Government and other organs in the form of taxes, fees and levies.
- Increase in employment opportunities of 113 people.
- foreign exchange earnings as the project will be actively engaged in the transit trade
- Facilitate in increase improvement and availability of the freight haulage services especially in the transportation of raw materials, fuels, crops and finished products to and from markets.

10.0 CONCLUSIONS

After a thorough review of this particular industry, it is the strong opinion of the Consultants, Directors and management alike that this business is worth serious consideration by TIC because the project is commercially, financially and economically viable.

ANNEXTURE AND APPENDICES

CHAVDA LOGISTICS LIMITED

INVESTMENT COST USD

	LOCAL	TOTAL
Land & Building	50,000	50,000
Plant/workshop facilities	30,000	30,000
Vehicles	5,000,000	5,000,000
Furniture and fixture	20,000	20,000
Pre-expenses	10,000	10,000
Others	30,000	30,000
Working capital	500,000	500,000
Total	5,640,000	5,640,000

CHAVDA LOGISTICS LIMITED

PROJECT'S FINANCING PLAN

US\$

ITEM/FUNDS	EQUITY	TOTAL
CAPITAL COST	5,640,000	5,640,000
Total Capital Cost	5,640,000	5,640,000

CHAVDA LOGISTICS LIMITED

ESTIMATED WORKING CAPITAL

Item/year	Assumptions	1	2	3	4	5	6	7	8	9
A. CURRENT ASSETS										
STOCKS										
Direct Cost	1-month costs	356,635	392,227	493,173	474,567	474,567	474,567	474,567	474,567	474,567
Spare&Lubricants	3 months stock	144,230	158,653	174,279	191,106	191,106	191,106	191,106	191,106	191,106
Fuel	3 months' supply	391,827	431,490	487,981	537,260	537,260	537,260	537,260	537,260	537,260
Total Stocks		892,692	980,370	1,155,433	1,202,933	1,202,933	1,202,933	1,202,933	1,202,933	1,202,933
B. DEBTORS										
Trade debtors	50% of ½ month	125,000	262,500	300,000	375,000	375,000	375,000	375,000	375,000	375,000
Total Current Assets		1,017,692	1,242,870	1,455,433	1,577,933	1,577,933	1,577,933	1,577,933	1,577,933	1,577,933
C. CURRENT LIABILITIES										
CREDITORS										
Salaries	1 month	134,615	147,837	162,660	179,087	179,087	179,087	179,087	179,087	179,087
Sub Total		134,615	147,837	162,660	179,087	179,087	179,087	179,087	179,087	179,087
Working Capital		883,077	1,095,033	1,262,773	1,398,846	1,398,846	1,398,846	1,398,846	1,398,846	1,398,846
Change in W/Capital		883,077	211,956	167,700	136,073	-	-	-	-	-

CHAVDA LOGISTICS LIMITED

PROJECTED DEPRECIATION SCHEDULE

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Item/year	Amount		1	2	3	4	5	6	7	8	9	10
Land & Buildings	50,000	4%	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000
Motor Vehicles	5,000,000	25%	1,250,000	1,250,000	1,250,000	1,250,000	-	-	-	-	-	-
Machinery & Equipment	30,000	12.5%	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	-	-
Furniture & Fixtures	10,000	12.5%	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	-	-
Pre Operational Expenses	20,000	20%	4,000	4,000	4,000	4,000	4,000	-	-	-	-	-
TOTAL			1,261,000	1,261,000	1,261,000	1,261,000	11,000	7,000	7,000	7,000	2000	2000

CHAVDA LOGISTICS LIMITED

PROJECTED INCOME STATEMENT

US\$

Item/year	1	2	3	4	5	6	7	8	9	10
Sales Revenue	3,000,000	6,300,000	7,200,000	8,100,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000
COST OF SALES	4,279,616	4,706,731	4,320,000	4,860,000	5,400,000	5,400,000	5,400,000	5,400,000	5,400,000	5,400,000
GROSS PROFIT	1,279,616	1,593,269	2,880,000	3,240,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
Depreciation	1,261,000	1,261,000	1,261,000	1,261,000	11,000	7,000	7,000	7,000	2000	2000
Sub Total	1,261,000	1,261,000	1,261,000	1,261,000	11,000	7,000	7,000	7,000	2000	2000
PROFIT BEFORE TAX	18,616	332,269	1,619,000	1,979,000	3,589,000	3,593,000	3,593,000	3,593,000	3,598,000	3,598,000
Corporation Tax at 30%	5585	99,681	507,300	593,700	1,076,700	1,077,900	1,077,900	1,077,900	1,079,400	1,079,400
PROFIT AFTER TAX	13,031	232,588	1,111,700	1,395,300	2,512,300	2,515,100	2,515,100	2,515,100	2,518,600	2,518,600
Profit Brought Forward	13,031	245,619	1,357,319	2,752,619	5,264,919	7,780,019	10,295,119	12,818,219	15,328,819	17,846,819

CHAVDA LOGISTICS LIMITED

PROJECTED CASHFLOWS

US\$

Item/year	0	1	2	3	4	5	6	7	8	9	10
CAPITAL INFLOW											
Present Equity	5,640,000										
Sub Total Capital Inflow	5,640,000										
OPERATING INFLOW		18,616	332,269	1,619,000	1,979,000	3,589,000	3,593,000				
Profit before tax		1,261,000	1261000	1,261,000	1,261,000	11,000	7000	3,593,000	3,593,000	3,598,000	3,598,000
Depreciation								7000	7000	2000	2000
Sub Total Operating Inflow		1,279,616	1,593,269	2,880,000	3,240,000	3,604,000	3,582,000	3,600,000	3,600,000	3,600,000	3,600,000
TOTAL INFLOW		1,279,616	1,593,269	2,880,000	3,240,000	3,604,000	3,582,000	3,600,000	3,600,000	3,600,000	3,600,000
CAPITAL OUTFLOW	5,640,000	-	-	-	-	-	-	-	-	-	-
Investment											
Taxation		5585	99,681	507,300	593,700	1,076,700	1,077,900	1,077,900	1,077,900	1,079,400	1,079,400
Sub Total Operating Outflow	5,640,000	5585	99,681	507,300	593,700	1,076,700	1,077,900	1,077,900	1,077,900	1,079,400	1,079,400
TOTAL OUTFLOW	5,640,000	5585	99,681	507,300	593,700	1,076,700	1,077,900	1,077,900	1,077,900	1,079,400	1,079,400
NET CASHFLOW	-	1,274,031	1,493,588	2,373,000	2,163,300	2,527,300	2,504,100	2,522,100	2,522,100	2,520,600	2,520,600

