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**ARCOLA INVESTMENT COMPANY LIMITED**

**Feasibility study report**

**On**

**Proposed cargo transportation project.**

**Prepared for:**

**ARCOLA INVESTMENT COMPANY LIMITED**

**P.O.BOX 42047**

**Dar es Salaam**



## 1.0 EXECUTIVE SUMMARY

### 1.1 The Company

ARCOLA INVESTMENT COMPANY LIMITED is a company limited by shares, mainly intended to deal with transportation of fuel, containerized and loose cargoes. The company was registered on 5<sup>th</sup> January 2023.

The shareholders have decided to establish a cargo Transportation Company. The company will use equity financial in order to make their project successfully.

### 1.2 company shareholders

Currently the company has two shareholders as follows:-

| FULL NAME               | NATIONALITY | SHAREHOLDING |
|-------------------------|-------------|--------------|
| BARAKA DAUDI MUNISI     | TANZANIAN   | 60%          |
| HERRIETH PANTALEO MOSHA | TANZANIAN   | 15%          |

## 2.0 THE PROJECT

The directors of ARCOLA INVESTMENT COMPANY LIMITED envisages a bright future in the transportation sector after the Government efforts to improve most of the country's trunk roads and especially after acquiring the new transportation contract. The company is, therefore, intends to acquire 150 trucks and 150 trailers in phases up to completion of the project.

## 3.0 PROJECT IMPLEMENTATION SCHEDULE

The director of the company intends to implement this project in three phases of three years each within six –years strategic plan.

### Phase I

This is the current phase for the first two years. The directors are planning to buy 50 trucks and 50 trailers, 5 road patrol pickups and five station wagons for the managing director. In this phase One hundred workers are going to be employed.

### Phase II

In this second phase the directors intend to modernize and strengthen the project by acquiring another 50 trucks and 50 trailers, modern workshop, tools and equipment, recruiting another One hundred staffs, buying four pick-up and two station wagons as per phase I cost assumptions attached.

### **Phase III**

In this final phase the directors intend to modernize and strengthening the project by acquiring another 50 trucks and 50 trailers, employing another One hundred staffs, buying three pick-up and four station wagons as per phase III cost assumptions attached.

### **Business location**

The project headquarters is located at plot No 6. Block, Kigamboni, Uvumba-Kibada - 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. The city is well connected to the outside environments by air, water, roads, railways and telecommunication. Hence the project stands to benefit from a wide range of clientele in the vicinity.

### **Profitability**

The business as indicated in the projected cash flow is commercially and financially viable; the business will continue contributing suitably to the nation in terms of income tax and other taxes, which the Directors are going to pay to the respective authorities.

## **4.0 ECONOMIC ASPECT**

### **4.1 Institution Set Up**

The Company Directors and Management decision to establish the business has been promoted by the current ever- growing economic activities. The transportation sector fits in the overall policy framework of the government of promoting the informal sector as means of employment creation.

### **Project Priority**

The Company has been established in line with the Government policy, which advocate for improving private sector participation in provision of various development inputs to the public especially in remote areas. Many upcountry regions experience transportation problems to Transport their various goods at different times, so the company's priority is to solve this uncertain various cargoes & fuel availability to those regions.

### **Employment effect**

The 150 trucks to be bought in three phases will provide employment opportunities for more than 300 people, also it will provide employment to direct-linked activities and their incomes shall bring about multiple effects across the entire economy of the country.

### **Government revenue**

The company will contribute to the government in some earnings through taxes. This will be direct form the business and form the linked activities.

## **5.0 MARKETING AND MARKETING STRATEGIES**

There is an ample market for the transportation sector. Enquires 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. ARCOLA INVESTMENT COMPANY LIMITED in either way will benefit because of the range of fleet or trucks it will own and possess. 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 toward minimizing operational costs and particular over heads. Cost control and personal accountability is paramount in the operations of the business.

## **6.0 FINANCIAL ANALYSIS**

### **Freight revenue**

Based on the above revenue assumptions, the trucks will realize earnings for the company of about us\$6.0m in year 5 on wards

## 9.0 PROJECT COST AND FINANCIAL PLAN

The company plans to finance the business through equity of US\$ 500,000.

|                      | US\$              |
|----------------------|-------------------|
| LAND AND BUILDING    | \$ 20,000         |
| PLANT                | \$ 15,000         |
| VEHICLES             | \$ 300,000        |
| FURNITURE & FITTINGS | \$ 40,000         |
| PRE-EXPENSES         | \$ 10,000         |
| OTHERS               | \$ 15,000         |
| WORKING CAPITAL      | \$ 100,000        |
| <b>TOTAL</b>         | <b>\$ 500,000</b> |

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

### 9.1 Proposed financial plan.

It is proposed that the project be financed as follows.

|                  | US\$    |
|------------------|---------|
| Sponsor's equity | 500,000 |
| Total financing  | 500,000 |

## 10.0 CONCLUSION AND RECOMMENDATIONS

### Project priorities

The project is in line with the government policy of encouraging private sector employment effect.

Employment of two to three hundred workers will be direct.

### Government revenue

For the whole of the life span of the project, the government will earn an income in form of income tax, Value Added Tax (VAT), and other taxes.

### Environmental Impact

The project does not have any environmental problem/risk, as it does not involve production of any harmful by products 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\$ 500,000net is being anticipated pursuant to this report. After a thorough and painstaking review of this industry, it is a strong opinion of the consultants, directors and management a like that this business is worth serious consideration by TIC; the project is commerciality, financial and economically viable.

# ANNEXTURE AND APPENDICES

## ARCOLA INVESTMENT COMPANY LIMITED

### INVESTMENT COST

|                        | US\$              |
|------------------------|-------------------|
| LAND AND BUILDING      | \$ 30,000         |
| PLANT - WORKSHOP       | \$ 25,000         |
| VEHICLES               | \$ 300,000        |
| FURNITURE AND FITTINGS | \$ 20,000         |
| PRE-EXPENSES           | \$ 10,000         |
| OTHERS                 | \$ 15,000         |
| WORKING CAPITAL        | \$ 100,000        |
| <b>TOTAL</b>           | <b>\$ 500,000</b> |

**ARCOLA INVESTMENT COMPANY LIMITED**  
**PROJECTS FINANCING PLAN**  
 US\$

| ITEM/FUNDS                | EQUITY         | TOTAL          |
|---------------------------|----------------|----------------|
| CAPITAL COST              | 500,000        | 500,000        |
| <b>TOTAL CAPITAL COST</b> | <b>500,000</b> | <b>500,000</b> |

**ARCOLA INVESTMENT COMPANY LIMITED**  
**PROJECTED CARGO HANDLING AND FREIGHT REVENUE US\$000**

| Item/year            | 0              | 1              | 2              | 3              | 4              | 5              | 6              | 7              | 8              | 9              | 10             |
|----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| ACHIEVEABLE CAPACITY | 15             | 20             | 40             | 50             | 60             |                |                |                |                |                |                |
| NUMBER OF TRUCKS     | 50             | 100            | 100            | 120            | 150            | 150            | 150            | 150            | 150            | 150            | 150            |
| FREIGHT REVENUE      | \$3,000        | \$6,000        | \$6,800        | \$8,160        | \$8,500        | \$8,500        | \$8,500        | \$8,500        | \$8,500        | \$8,500        | \$8,500        |
| <b>GRAND TOTAL</b>   | <b>\$3,000</b> | <b>\$6,000</b> | <b>\$6,800</b> | <b>\$8,160</b> | <b>\$8,500</b> | <b>\$8,500</b> | <b>\$8,500</b> | <b>\$8,500</b> | <b>\$8,500</b> | <b>\$8,500</b> | <b>\$8,500</b> |

## ARCOLA INVESTMENT COMPANY LIMITED

### PROJECTED DIRECT COSTS US\$000

| ITEM/YEAR                       | 1                  | 2                  | 3                  | 4                  |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| TYRE AND TUBES                  | \$ 495.24          | \$ 475.00          | \$ 613.33          | \$ 690.00          |
| FUEL                            | \$ 1,492.67        | \$ 1,438.30        | \$ 1,688.00        | \$ 2,091.35        |
| DRIVERS ALLOWANCES,<br>SALARIES | \$ 1,538.46        | \$ 1,478.37        | \$ 1,735.04        | \$ 2,149.04        |
| SPARES, LUBRICANTS              | \$ 549.45          | \$ 528.85          | \$ 619.66          | \$ 764.42          |
| <b>TOTAL DIRECT COSTS</b>       | <b>\$ 4,075.82</b> | <b>\$ 3,920.51</b> | <b>\$ 4,656.03</b> | <b>\$ 5,694.81</b> |

# ARCOLA INVESTMENT COMPANY LIMITED

## ESTIMATED WORKING CAPITAL

'000' US\$

| ITEM/YEAR                     | ASSUMPTION       | 1             | 2             | 3               | 4               | 5               | 6               | 7               | 8               | 9               |
|-------------------------------|------------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>A. CURRENT ASSETS</b>      |                  |               |               |                 |                 |                 |                 |                 |                 |                 |
| <b>STOCKS</b>                 |                  |               |               |                 |                 |                 |                 |                 |                 |                 |
| Direct cost                   | 1 month costs    | 118.88        | 130.74        | 246.59          | 316.38          | 395.47          | 474.57          | 474.57          | 474.57          | 474.57          |
| Spare & lubricants            | 3 month stock    | 48.08         | 52.88         | 87.14           | 127.40          | 159.26          | 191.11          | 191.11          | 191.11          | 191.11          |
| fuel                          | 3 month supply   | 130.61        | 143.83        | 243.99          | 358.17          | 447.72          | 537.26          | 537.26          | 537.26          | 537.26          |
| Total stocks                  |                  | 297.56        | 327.46        | 577.72          | 801.96          | 1,002.44        | 1,202.93        | 1,202.93        | 1,202.93        | 1,202.93        |
| <b>b. DEBTORS</b>             |                  |               |               |                 |                 |                 |                 |                 |                 |                 |
| trade debtors                 | 50% of 1/2 month | 125.00        | 141.67        | 170.00          | 177.08          | 177.08          | 177.08          | 177.08          | 177.08          | 177.08          |
| <b>TOTAL CURRENT ASSETS</b>   |                  | <b>720.13</b> | <b>796.58</b> | <b>1,325.43</b> | <b>1,780.99</b> | <b>2,181.97</b> | <b>2,582.95</b> | <b>2,582.95</b> | <b>2,582.95</b> | <b>2,582.95</b> |
| <b>B. CURRENT LIABILITIES</b> |                  |               |               |                 |                 |                 |                 |                 |                 |                 |
| <b>CREDITORS</b>              |                  |               |               |                 |                 |                 |                 |                 |                 |                 |
| salaries                      | 1 month          | 128.21        | 123.20        | 144.59          | 179.09          | 179.09          | 179.09          | 179.09          | 179.09          | 179.09          |
| <b>Sub total</b>              |                  | <b>128.21</b> | <b>123.20</b> | <b>144.59</b>   | <b>179.09</b>   | <b>179.09</b>   | <b>179.09</b>   | <b>179.09</b>   | <b>179.09</b>   | <b>179.09</b>   |
| <b>Working capita</b>         |                  | <b>592</b>    | <b>673</b>    | <b>1,181</b>    | <b>1,602</b>    | <b>2,003</b>    | <b>2,404</b>    | <b>2,404</b>    | <b>2,404</b>    | <b>2,404</b>    |
| Change in W/ capital          |                  | 592           | 81            | 1,099.38        | 503             | 1,500           | 904             | 1,500           | 904             | 1,500           |

# ARCOLA INVESTMENT COMPANY LIMITED

## PROJECTED DEPRECIATION SCHEDULE

'000' US\$

| Property, & Plant Equipment (PPE)    | Amount    | 1             | 2             | 3             | 4             | 5            | 6            | 7            | 8            | 9            | 10           |
|--------------------------------------|-----------|---------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Land and buildings                   | \$30,000  | 1,200         | 1,200         | 1,200         | 1,200         | 1,200        | 1,200        | 1,200        | 1,200        | 1,200        | 1,200        |
| Motor vehicles                       | \$300,000 | 75,000        | 75,000        | 75,000        | 75,000        | 0            | 0            | 0            | 0            | 0            | 0            |
| Machinery and equipment's - Workshop | \$25,000  | 3,125         | 3,125         | 3,125         | 3,125         | 3,125        | 3,125        | 3,125        | 3,125        | 3,125        | 3,125        |
| Furniture & fixtures                 | \$ 20,000 | 2,500         | 2,500         | 2,500         | 2,500         | 2,500        | 2,500        | 2,500        | 2,500        | 0            | 0            |
| Pre operational expenses             | \$ 10,000 | 2,000         | 2,000         | 2,000         | 2,000         | 2,000        | 0            | 0            | 0            | 0            | 0            |
| <b>TOTAL</b>                         |           | <b>83,825</b> | <b>83,825</b> | <b>83,825</b> | <b>83,825</b> | <b>8,825</b> | <b>6,825</b> | <b>6,825</b> | <b>6,825</b> | <b>4,325</b> | <b>4,325</b> |

**ARCOLA INVESTMENT COMPANY LIMITED**  
**PROJECTED INCOME STATEMENT**

'000" US\$

| ITEM/YEAR               | 1               | 2               | 3               | 4               | 5               | 6               | 7               | 8               | 9               | 10              |
|-------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| SALES REVENUE           | 6,000           | 6,800           | 8,160           | 8,500           | 8,500           | 8,500           | 8,500           | 8,500           | 8,500           | 8,500           |
| COST OF SALES           | <b>4,075.82</b> | <b>3,920.51</b> | <b>4,656.03</b> | <b>5,694.81</b> | <b>5,694.81</b> | <b>5,694.81</b> | <b>5,694.81</b> | <b>5,694.81</b> | <b>5,694.81</b> | <b>5,694.81</b> |
| GROSS PROFIT            | 1,924.18        | 2,879.49        | 3,503.97        | 2,805.19        | 2,805.19        | 2,805.19        | 2,805.19        | 2,805.19        | 2,805.19        | 2,805.19        |
| DEPRECIATION            | <b>83.83</b>    | <b>83.83</b>    | <b>83.83</b>    | <b>83.83</b>    | <b>8.83</b>     | <b>6.83</b>     | <b>6.83</b>     | <b>6.83</b>     | <b>4.33</b>     | <b>4.33</b>     |
| SUB TOTAL               | <b>83.83</b>    | <b>83.83</b>    | <b>83.83</b>    | <b>83.83</b>    | <b>8.83</b>     | <b>6.83</b>     | <b>6.83</b>     | <b>6.83</b>     | <b>4.33</b>     | <b>4.33</b>     |
| PROFIT BEFORE TAX       | 1,840.36        | 2,795.67        | 3,420.15        | 2,721.37        | 2,796.37        | 2,798.37        | 2,798.37        | 2,798.37        | 2,800.87        | 2,800.87        |
| Corporation tax at 30%  | 552.11          | 838.70          | 1026.04         | 816.41          | 838.91          | 839.51          | 839.51          | 839.51          | 840.26          | 840.26          |
| <b>Profit after tax</b> | <b>1,288.25</b> | <b>1,956.97</b> | <b>2,394.10</b> | <b>1,904.96</b> | <b>1,957.46</b> | <b>1,958.86</b> | <b>1,958.86</b> | <b>1,958.86</b> | <b>1,960.61</b> | <b>1,960.61</b> |

# ARCOLA INVESTMENT COMPANY LIMITED

## PROJECTED CASH FLOWS

'000' US\$

| Item/year                 | 0   | 1             | 2             | 3               | 4             | 5             | 6             | 7             | 8             | 9             |
|---------------------------|-----|---------------|---------------|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Capital inflow            |     |               |               |                 |               |               |               |               |               |               |
| Present equity            | 500 |               |               |                 |               |               |               |               |               |               |
| Subtotal capita in flow   | 500 |               |               |                 |               |               |               |               |               |               |
| <b>OPERATING INFLOW</b>   |     |               |               |                 |               |               |               |               |               |               |
| Profit before tax         |     | 1840.36       | 2,795.67      | 3,420.15        | 2,721.37      | 2,796.37      | 2,798.37      | 2,798.37      | 2,798.37      | 2,800.87      |
| Depreciation              |     | 84            | 84            | 84              | 84            | 9             | 7             | 7             | 7             | 4             |
| Subtotal operating inflow |     | 1,924         | 2,879         | 3,504           | 2,805         | 2,805         | 2,805         | 2,805         | 2,805         | 2,805         |
| <b>TOTAL INFLOW</b>       |     | <b>2,008</b>  | <b>2,963</b>  | <b>3,588</b>    | <b>2,889</b>  | <b>2,814</b>  | <b>2,812</b>  | <b>2,812</b>  | <b>2,812</b>  | <b>2,810</b>  |
| <b>CAPITAL OUTFLOW</b>    | 250 | 1,924         | 2,879         | 3,504           | 2,805         | 2,805         | 2,805         | 2,805         | 2,805         | 2,805         |
| Investment                |     | 84            | 84            | 84              | 84            | 9             | 7             | 7             | 7             | 4             |
| Subtotal capital outflow  | 250 | 2,008         | 2,963         | 3,588           | 2,889         | 2,814         | 2,812         | 2,812         | 2,812         | 2,810         |
| <b>OPERATING OUTFLOW</b>  |     |               |               |                 |               |               |               |               |               |               |
| TAXATION                  |     | 552.11        | 838.70        | 1,026.04        | 816.41        | 838.91        | 839.51        | 839.51        | 839.51        | 840.26        |
| Subtotal operating flow   | 250 | 552.11        | 838.70        | 1,026.04        | 816.41        | 838.91        | 839.51        | 839.51        | 839.51        | 840.26        |
| <b>TOTAL OUTFLOW</b>      | 250 | <b>552.11</b> | <b>838.70</b> | <b>1,026.04</b> | <b>816.41</b> | <b>838.91</b> | <b>839.51</b> | <b>839.51</b> | <b>839.51</b> | <b>840.26</b> |
| <b>NET CASHFLOW</b>       |     | <b>1,456</b>  | <b>2,125</b>  | <b>2,562</b>    | <b>2,073</b>  | <b>1,975</b>  | <b>1,973</b>  | <b>1,973</b>  | <b>1,973</b>  | <b>1,969</b>  |