

LIST OF ABBREVIATIONS	
AFL	Africarriers Limited
C&F	Clearing and Forward Agent
CHMVL	Cargo Haulage Motor Vehicles
CII	Capital Investment Items
CIICE	Capital Investment Items Cost Estimates
CLO	Cargo Licenses Only
CMV	Cargo Motor Vehicle
CnF	Clearing and Forwarding Agent
CRT	Cargo Requiring Trucks
DER	Debt/Equity Ratio
DSCR	Debt Service Coverage Ratio
EAT	Earnings After Tax
EBI	Earnings Before Interest
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
EBT	Earnings Before Tax
EKFPIs	Expected Key Financial Performance Indicators
GDP	Gross Domestic Product
ICBD	Inland Cargo Customs Bonded Depot
IRR	Internal Rate of Return
MSCL	Marine Services Company Limited
MT	Metric Ton
No.	Number
NPV	Net Present Value
ROCE	Return On Capital Employed
ROE	Return On Equity
Se.	Serial
SINOTASHIP	Chinese-Tanzania Joint Shipping Company Limited
TIC	Tanzania Investment Centre
TPA	Tanzania Ports Authority
TWC	Trip With Cargo
TZS	Tanzania Shillings
USD	United States Dollar

AFRICARRIERS LIMITED

CARGO HAULAGE MOTOR VEHICLE LEASING (CHMVL) PROJECT

1.0 EXECUTIVE SUMMARY

The transport industry in Tanzania is active and vibrant. During the year 2023, the sector grew at a rate of 4.1% compared to 3.8% for the year 2022¹. Its contribution to the country's GDP increased to 7.2% from 6.7% for the year 2022². With the demands for movements of freight on rise due to increasing imports and exports including local manufacturing and distribution systems, its growth is expected to continue. Like all other industries, it is being impacted by emerging technologies and innovations in operating procedures.

Over almost the last four decades, the Africarriers Limited (hereinafter referred to as “Africarriers”) has been in the motor vehicles businesses of three types – i.e. (i) selling brand new and used motor vehicles, (ii) operating a garage for motor vehicles repairs as well as (iii) hiring vehicles to customers for fairly short (less than a year) fixed period of time in exchange for money and in which there is no change of ownership. Over the period they have seen enormous productivity increase which is not likely to slow in the years to come. Incorporated on 10th May 1986, the Company has moved from 1986, as a Start-up designated Company as common carriers' Company with very limited number of vehicles to a Big one managing a large fleet of vehicles of both cargo and non-cargo ones. Africarriers wants to regain and maintain the competitive advantage and achieve success by providing better services through:

- being more proactive and helpful in negotiating lease agreements using highly qualified team of sales representatives with requisite negotiation skills that helps to effectively navigate the journey with customers;
- providing customized service that allows the customers to have their requirements accommodated; and
- offering the best pricing compared to that of its competitors.

The Company now proposing to diversify its current motor vehicles procurement and selling as well as maintenance business by into leasing of both heavy and light duty cargo haulage motor vehicles so as to consolidate its existing customer base and to attract new up-scale customers by starting a cargo hauling motor vehicle leasing project. The expansion programme is driven by the fact that;

- there is huge potential freight business growth along the Central Corridor, as a result of the country's implementation of its Master Plan that justifies the Company's expansion investment programme;
- operating lease is gaining more popularity and choice because it is budget-friendly for customers who use vehicles without a long-term commitment;
- operating lease is exercised for a short period of time and value of the asset (vehicle) is quickly recouped unlike the finance lease which spans through a longer period.

¹ “The Economic Survey year 2023” – A publication of Tanzania Government's Ministry of Finance & Planning.

² Ibid

1.1 Financial Highlights of Africarriers Limited’s Cargo Haulage Motor Vehicles Leasing (CHMVL) project

The main financial highlights of Africarriers’ CHMVL project are as listed hereunder.

- The Capital Investment Items Costs for the proposed CHMVL project, inclusive of initial working capital, are estimated at TZS 10.53 billion. The Africarriers Limited (AFL) will finance its diversification project by way of a long term loan of TZS 9.00 billion and equity – new of TZS 1.53 billion. The Capital Investment Items Cost Estimates (CIICE) totaling the above figure of TZS 10.53 billion includes other cost estimates for additional office equipment, furniture & fittings as well as pre-operating expenses, all estimated at TZS 642.50 million. The cargo haulage motor vehicles, comprising 24 heavy duty and 68 light duty commercial vehicles are estimated to cost TZS 9.77 billion. The initial working capital items cost estimates are TZS 83.85 million.
- The projected income statement provided in Appendix 1 shows the Company’s CHMVL project is expected to be a profitable undertaking with its profit before tax expected to grow from TZS 90.73 million during the first of its projected eight years of its operational period to TZS 5.12 billion by the end of year eight.
- The cash flow projections in Appendix 2 show that the Company’s CHMVL project is expected to become a cash cow as it is expected to generate adequate cash to meet **ALL** its financial obligations, inclusive of cash surpluses, at the end of each year of its projected operational period.
- Appendix 4 of Africarriers’ CHMVL project shows that based on the assumptions underlying the financial projections attached to this business plan, the Company’s CHMVL project is expected to be viable as its operations demonstrated that the project’s Internal Rate of Return is expected to be 35.33% and it will have a pay-back period of four years.

In the context of the above financial highlights, Africarriers’ CHMVL project is expected to be commercially and financially viable if implemented as described in this business plan report.

1.2 Cargo Haulage Motor Vehicle Leasing Business (CHMVL) Project

The Cargo Haulage Motor Vehicle Leasing Project – CHMVL – has two elements – i.e.

- Procurement of cargo hauling/transportation motor vehicles – both heavy and light duty; and
- Leasing the said cargo hauling/transportation vehicles on “operating leases” basis.

The CHMVL project will procure a total of ninety-two motor (92) cargo transportation vehicles. Out these motor vehicles, twenty-four (24) will be heavy duty (trucks) commercial vehicles while sixty-eight (68) will be light duty cargo vehicles. The second element of the CHMVL will commence immediately after all the 92 vehicles have been cleared from Dar es Salaam port.

1.3 Promoter of the Cargo Haulage Motor Vehicle Leasing Project

Africarriers Limited, hereinafter referred to as either “AFL” or “Africarriers” is the Promoter of the CHMVL project. Africarriers Ltd is a private limited liability company that was incorporated on 10th May 1986. Its Certificate of Incorporation is no. 12273. In line with companies incorporated under the Companies Act of year 2002, Africarriers Limited is managed by its Board of Directors that comprises

two members. The directors who held office during the year ended on 30th September, 2022 are Mr. Fidahussein Noorali Rashid and Mr. Mustafa Rajabali Rashid.

The Company's principal activity is that of sale of new and used motor vehicles as well as running of a motor vehicles garage. For the immediate past four years of the Company, its financial performance was shown in table no. 1 below.

Table 1: Summary of the company's performance from year ended 30th September, 2019

Past performance of the Company for years ended 30th September is as shown below.							
1. Statement of Profit or Loss for the years ended 30th September							
Year				2019	2020	2021	2022
Particulars				TZS '000'			
Revenues				19,449,006	19,786,942	23,451,080	27,975,733
Gross Profit				4,125,459	3,321,862	3,777,807	4,517,773
Other income				203,275	241,926	4,952	168,352
Total Operating income				4,328,734	3,563,788	3,782,759	4,686,125
Profit before tax				484,007	526,352	695,192	(374004)
2. Statement of Financial Position (Balance Sheet)							
Particulars							
Assets							
Non-Current assets				16,352,671	29,106,313	30,757,177	32,399,523
Current Assets				71,969,882	56,138,240	64,350,054	75,291,172
Total Assets				88,322,553	85,244,553	95,107,232	107,690,694
Financed by							
Shareholders Funds (Equity)				52,188,715	60,496,409	60,947,635	59,344,403
Term Loans				12,408,039	10,661,628	11,651,880	28,306,248
Current Liabilities				23,725,799	14,086,516	22,507,716	20,040,042
Total Equity and liabilities				88,322,553	85,244,553	95,107,232	107,690,694

The loss for the year ended 30th September, 2022 was caused by mainly exchange losses sustained by the Company due to the depreciation of the TZS against the USD, which is the currency of one of the loans the Company had to service during that year. Save for this loan, which the Company has now fully serviced, the Company remains strong financially.

1.4 Market of The Cargo Haulage Motor Vehicles Leasing project

An assessment of the market for this project that has been carried out to find out whether there is at present a market for this project in Tanzania's cargo haulage sector has shown there are five types of cargo that are transportable by road and rail in Tanzania at present. These types are: -

- (i) solid items – e.g. farm implements like a farm tractor and sacks of crops like maize grain, to name only two of them;
- (ii) liquids – e.g. edible cooking oil and petroleum products such as diesel;
- (iii) gaseous items – e.g. cooking gas in gas cylinders;
- (iv) powders – e.g. cement packed in bags; and
- (v) granules – e.g. groundnuts packed in bags.

In addition to the above, much as all these types of cargo require careful handling during their loading and unloading, all of them may be transported by normal cargo trucks provided they are packed well. This notwithstanding, cargo of types (ii) to (iv) is best transported in special cargo trucks made solely to handle such cargo. For example, bulk oxygen gas is best transported using special cylindrical gas transportation tankers. Equally so are liquids – such as fuel that is transported in fuel tankers. Subject to quantity, sometimes bulk powdery cargo may also be transported in special bulk powdery cargo transportation tanks. This leaves solids and granular types of cargo. These types of cargo may be transported either alone in another bigger cargo suited for this kind of cargo or may be transported in a special container – inclusive of normal 20ft and 40ft cargo containers that are loaded into ships and later after being unloaded at destination ports are loaded onto flat-bed trucks for their customers' final destinations.

Africarriers Ltd – the promoter of the CHMVL project - is planning to purchase cargo handling/haulage trucks for all five types of cargo – provided that the liquid cargo is not fuel and the powdery one is not bulky. By purchasing cargo trucks capable of handling all the five types of cargo, the company will not have shut itself from most of the cargo that is transported within the country as well as that is destined for various neighbouring countries.

Furthermore, the market assessment has shown there are two sources of cargo that is hauled within and from Tanzania – i.e. (i) local cargo generated within Tanzania's economy that is destined for use either within Tanzania or for export as well as (ii) foreign cargo generated from foreign countries destined for either Tanzania or other foreign countries (imports) as well as that is destined to (exports) other foreign countries, whose owners have decided to route it through Tanzania. Given the types of cargo haulage trucks that Africarriers Ltd will procure for its leasing business, the project will be able to service all the sources of cargo that is transported within and from Tanzania for both its use and other neighbouring foreign countries.

(1) Quantum of cargo generated within the country and that which is routed through Tanzania

The type and quantity of cargo that was generated within Tanzania as well as the cargo that was routed through Tanzania for the seven years' period from year 2017 to 2023, both of which could be hauled by Africarriers Ltd's leased cargo trucks is as summarized in table no. 2.

Table no. 2: Quantum of some of the selected cargo generated within and which is routed through Tanzania

1.0 SOURCES OF SOME OF THE SELECTED CARGO TRANSPORTED WITHIN AND FROM TANZANIA													
YEAR							2017	2018	2019	2020	2021	2022	2023
All data in Metric Tons '000'													
(1) Cargo handled by All Sea and lake ports under Tanzania Ports Authority							15,014	16,144	17,118	16,942	18,783	22,879	26,360
(2) Some Selected Cargo generated within Tanzania's economy							37,948	32,637	35,472	38,233	40,284	41,695	47,897
Total Cargo generated within/routed through Tanzania							52,961	48,780	52,590	55,175	59,068	64,574	74,257
Less: Actual cargo transported by Air and Rail within/from Tanzania							551	628	559	697	792	715	687
Net Total Cargo most likely all transported within/from Tanzania by road							52,411	48,152	52,031	54,477	58,275	63,859	73,569

Data Source: Economic Surveys 2021, 2022 & Hali ya Uchumi wa Taifa Katika Mwaka 2023

Finally projections have been made to determine the amount of cargo for the period from year 2024 to 2031, which is the projected period of operations of Africarriers CHMVCVL project. The assumptions and detailed outcomes of the projections are in Chapter 5 of this report. A summary of the projected quantities of cargo for the said period of operations and cargo haulage motor vehicles is as indicated in table no. 3 below.

Table no. 3: Projected demand for Cargo Haulage Trucks and cargo quantities

PROJECTED MARKET DEMAND FOR CARGO HAULING MOTOR VEHICLES										
YEAR	2023	2024		2025	2026	2027	2028	2029	2030	2031
	ACTUAL	P	R O	J	E	C	T	E	D	
All data in Metric Tons '000'										
(1) Cargo expected to be handled by Sea & Lake ports under Tanzania Ports Authority	26,360		27,678	29,062	30,515	32,041	33,643	35,325	37,091	38,946
(2) Some Selected Cargo expected to be generated within Tanzania's economy	47,897		50,292	52,806	55,447	58,219	61,130	64,186	67,396	70,765
Total: Cargo expected to be transported within/from Tanzania by air, rail or road	74,257		77,970	81,868	85,962	90,260	94,773	99,511	104,487	109,711
Less: Cargo expected to be transported by Air and Rail within/from Tanzania	687		754	792	832	873	917	963	1,011	1,061
Net Total Cargo expected to be transported within/from Tanzania by road	73,569		77,215	81,076	85,130	89,386	93,856	98,548	103,476	108,650
New Licenses issued for cargo transportation motor vehicles										
No. of new Cargo Licenses Only (CLO) issued for cargo haulage	183,392	CLO	192,562	202,190	212,299	222,914	234,060	245,763	258,051	270,954
Number of Cargo Motor Vehicles (CMV) actually operating		CMV	357,614	375,495	394,270	413,983	434,683	456,417	479,237	503,199
Number of Trips With Cargo (TWC) made per truck per year		TWC	7	7	7	7	7	7	7	7
Quantity - Metric Ton -(MT) of cargo transported by road per annum		MT '000'	75,099	78,854	82,797	86,937	91,283	95,847	100,640	105,672
Excess Cargo Requiring Trucks (CRT) in MT		MT'000'	2,116	2,222	2,333	2,450	2,572	2,701	2,836	2,978

It is apparent from the above table that there is excess cargo for other cargo trucks to haul within/from Tanzania.

1.5 Impact of The CHMVL Project to the Country

The impact of implementing Africarriers Ltd's CHMVL project to Tanzania is expected to be positive in three aspects, namely, (a) Economic, (b) Environmental and (c) Social.

Under the economic aspect, the project's operations are expected to impact positively in three economic aspects – i.e. direct employment generation – another four permanent staff positions are expected to be created; tax payments to the government. The CHMVL project is also expected to be a foreign currency earner. Nearly 20% of its total annual lease fees income will be paid for in foreign currency. In addition, it is expected to generate various economic multiplier effects, such as direct employment of drivers to the motor vehicle lessees; easing the shortage of transportation facilities for various types of cargo within the country and income generation for the people that will service the requirements of lessees' motor vehicle drivers when in transit.

Under the environmental aspect, it is expected that the lessees will of necessity use and maintain the vehicles in good order throughout the periods of their lease terms. Thus the operations of the motor vehicles will continue to be friendly to the country's environment.

From the social aspect, the lessor has every reason to assure that the operations of its CHMVL project imbue a positive and more friendly impact amongst the communities its leased motor vehicle encounter while on their daily cargo hauling tasks - especially that of showing friendliness to the communities living along the routes plied by the Company's leased motor vehicles. Such friendliness when reciprocated by the staff of the lessees to these communities usually guarantees the safety of the staff of the lessees while on duty within these communities.

1.6 Risks, Mitigation Measures and Probability of Risk Occurrence

Even though the Africarriers' CHMVL project will be operating under Africarriers' management as a separate department, the risks hereunder discussed are those of the motor vehicle leasing business and not those of Africarriers Ltd as whole company - the ultimate owner of the proposed Leasing Project. That said, the risks likely to face Africarriers' leasing business are as discussed in Chapter 11 of this report - specifically as shown in Matrix no. 1 in that chapter.

1.7 Success Factors

There are two types of success factors for Africarriers' proposed CHMVL's project, namely, (a) Internal factors to Africarriers; and (b) External factors to Africarriers.

(1) Success factors internal to Africarriers

Success factors that internal to Africarriers' proposed project are two only – i.e. its ability to raise all the funds required for physically setting up its proposed Cargo Haulage Motor Vehicle Leasing project; and Africarriers' Management Team's determination and ability to run its CHMVL's project.

That Africarriers Limited has the ability to raise all the funds required for physically setting up its proposed CHMVL's project is not in doubt. The Company's shareholders have the capacity to raise additional equity for the Company and the Company has enough assets so as to borrow additional funds for it to establish its proposed CHMVL's project. On the same vein, its Management Team is even more determined to physically set up its motor vehicle leasing business.

(2) Success factors external to Africarriers

As for success factors that are external to Africarriers for its proposed CHMVL project, these are equally in place and include: -

- (a) Continued growth of Tanzania's economy as whole at a growth rate of not less than 5% annually for the period from year 2024 to the end of the projected operational period of the project of year 2031;
- (b) Continued growth rate of the Tanzania's transportation sector in particular, and especially that of road transport, at annual growth rates that are higher than that of the whole economy of Tanzania that will be prevailing during the projected period of the project from year 2024 to the end of the projected operational period of the project of year 2031;
- (c) Continued counterpart annual growth rates of the economies of Tanzania's neighbouring countries that route their imports and exports via Tanzania;
- (d) Continued friendly relations – diplomatic and non-diplomatic ones – between Tanzania and all of its neighbouring countries;
- (e) Tanzania's ability to complete its strategic investment in the SGR railway system from Dar es Salaam to Mwanza and Kigoma as well as making greater increases in the productivity of its ports, especially those of D'Salaam, Kigoma, Mwanza and Tanga as well as also converting the Tanga-Arusha railway line into an SGR one and investing in a new SGR railway line from Mtwara port to Songea.

2.0 ROLE OF THE COUNTRY'S TRANSPORTATION SECTOR IN TANZANIA'S GDP

Tanzania's Transportation Sector/Industry comprises three subsectors, namely, (a) air, (b) land and (c) marine. Of these three subsectors, the land subsector has two types of transportation infrastructures – i.e. Alphabetically, these subsectors are: -

- Railway transport infrastructure; and
- Road transportation infrastructure.

So technically, one may say that Tanzania's transportation sector/industry comprises four types of transportation infrastructures, namely: -

- Air;
- Marine
- Railway and
- Road

The performance of each of the above subsectors is given in the Tanzania's Government's annual publication *iro*³ the Country's Gross Domestic Product – which is about the Country's economic performance. The said GoT's annual publication is now called "The Economic Survey"⁴. That said, the subsequent section of this chapter gives a summary of the overall economic performance of the transportation sector's growth and contribution to Tanzania's GDP.

2.1 Growth and Contribution of Tanzania's Transport Industry to Tanzania's GDP

(1) Tanzania's GDP's Growth in year 2023

Prior to delving into the growth and contribution of Tanzania's Transport Industry to Tanzania's GDP, hereunder is brief status re the performance of Tanzania economy and its GDP for the year 2023.

During the year 2023, Tanzania's GDP grew by a rate of 5.1% compared to the growth rate of 4.7% for the year 2022. Though the year 2023 GDP's growth rate of 5.1% was higher than that of the year 2022, it was slightly lower than the targeted growth rate of 5.2% for the year 2023. The higher growth rate of year 2023 was attributed to strategic investments in sectoral infrastructure concerning energy, water, health, education and transportation. There was also an increase in the production of various minerals, particularly gold and coal. The increase in domestic lending to the private sector also contributed to the stimulation of various economic activities in the country.

(2) Growth and Contribution of Tanzania's Transport Industry to Tanzania's GDP

During the year 2023, Tanzania's Transport Industry/Sector grew at a rate of 4.1% compared to that of 3.8% in year 2022. This growth rate was contributed by an increase in the number of passengers and cargo transported in that year by road, rail and air. The increase in the growth rate of the transport sector led to the increase in the sector's share of contribution to the country's GDP, which also increased to 7.2% for the year 2023 compared to 6.7% for the year 2022.

³ *iro* stands for "in respect of"

⁴ The four dots in the name of the publication of the Tanzania Government *iro* Tanzania's GDP represent the YEAR of Tanzania's GDP that is the subject matter of that publication.

The above growth and contribution of Tanzania's transportation sector to the country's GDP during the year 2023 indicates that the country's transport sector is one of the growth sectors of the country's economy. This is therefore a source of comfort to any would-be investor who is interested in investing in this sector in the future.

3.0 CARGO HAULAGE MOTOR VEHICLE LEASING (CHMVL) PROJECT

Leasing of assets – whether they be motor vehicles, furniture or equipment – is business that is not new in Tanzania. It has been undertaken since during the colonial period to date. In the past it was known as “hire purchase” and since independence it has been called “leasing” business. As there is a differential in the meaning of the terms “hire purchase” and “leasing”, it is appropriate at this juncture to define the meaning of each term prior to progressing on to the nitty-gritty of the proposed leasing business that is the subject of this report.

3.1 What is “hire purchase” business and what is “leasing” business

In hire purchase business transactions, *“Hire purchase agreements allow buyers to purchase expensive goods, but they don't own the goods until the last installment has been paid”*⁵. On the other hand, in a “leasing” business transaction - particularly in an operating lease one, ownership of the assets remains that of the lessor for the whole term of the lease. Other differences between a “hire purchase” transaction and a “lease” transaction may be found at the website of <<https://www.shiksha.com/online-courses/articles/understanding-the-difference-between-hire-purchase-and-leasing>>.

3.2 Type of Motor Vehicle Leasing

There are two types of asset leasing transactions – an “operating lease” and a “capital/finance lease” transaction. The main difference of these two types of leases is as per their definitions stated below.

Finance lease definition: *A finance lease is a long-term concept in which the ownership of the asset is transferred to the lessee (owner of an asset that is leased or rented).* **Operating lease definition:** *An operating lease is a short-term concept in which the ownership of the asset is not transferred and remains with the lessor (legal owner of the asset)*⁶.

Other differences between a “Finance lease” transaction and an “Operating lease” transaction may be found at the website of <https://www.shiksha.com/online-courses/articles/understanding-the-difference-between-hire-purchase-and-leasing>.

The type of lease business that is the subject of this report which the Promoter of the proposed lease project is intending to carry out is an “Operating Lease Business of Cargo Haulage Motor Vehicles”. Thus the official project’s name is “CARGO HAULAGE MOTOR VEHICLE LEASING PROJECT” in short “CHMVL”.

3.3 Elements of the CHMVL Project

Africarriers Ltd’s CHMVL project has two elements, namely: -

- Procurement of cargo hauling/transportation motor vehicles – both heavy and light duty; and
- Leasing the said cargo hauling/transportation vehicles on “operating leases” basis.

A brief description of each of the above elements follows in the subsequent sections of this chapter.

⁵ <https://www.investopedia.com> ›

⁶ <https://www.shiksha.com/online-courses/articles/difference-between-finance-lease-and-operating-lease/>

(1) Procurement of cargo hauling/transportation motor vehicles

Africarriers Ltd, the Promoter of the CHMVL project is proposing to purchase two types of cargo transportation motor vehicles for its leasing project – i.e. heavy duty and light duty motor vehicles. The total number of cargo haulage motor vehicles to be purchased is ninety-two (92) motor vehicles. These vehicles are listed in the tables below.

The heavy duty cargo transportation motor vehicles are as listed in the table 4 below.

Table no. 4: Heavy duty cargo motor vehicles to be purchased for Africarriers Ltd’s CHMVL project

TYPE OF MOTOR VEHICLES BY GROSS VEHICLE WEIGHT	MV GVW MT	NO. MV UNITS
(1) HEAVY DUTY CARGO HAULAGE COMMERCIAL VEHICLES - ID MARKS		
(i) PRO 6031 T RHD FBT BS3 VDEX8 20CM BB DW PRM:	31	1
(ii) PRO 5025 L HIGH SIDE DECK TRUCK BS3 DW:	25	5
(iii) PRO 5025 L HIGH SIDE DECK TRUCK BS3 DW:	25	3
(iv) PRO 5016 K K HIGH SIDE DECK TRUCK BS 3 DW:	16.2	5
(v) NEW 20.15 N LHD E3 ACD 62S HHR SD BUS -ME AC:	16.2	1
(vi) PRO 3015 J SLP HSD PS BS3 DW RDLT EXP 10:	16	9
TOTAL - Heavy Duty Cargo Haulage Commercial Vehicles		24

Details of the cost estimates of the above motor vehicles are in Annex 1.4, which forms part of this report.

The list of light duty cargo haulage motor vehicles is as indicated in table 5 hereunder.

Table no. 5: Light duty cargo motor vehicles to be purchased for Africarriers Ltd’s CHMVL project

TYPE OF MOTOR VEHICLES BY GROSS VEHICLE WEIGHT	MV GVW MT	NO. MV UNITS
(2) LIGHT COMMERCIAL VEHICLES		
(i) PRO 1095XP K CBC AB PS BS3 DW PRM EXP	10.7	10
(ii) Skyline PRO 3009L NAC SEATER BUS:	10	1
(iii) PRO 1075 F CABIN & CHASSIS RHD BSI HB PS DW:	7.45	15
(iv) EICHER 10.75 H SRL SCHOOL BUS BS3 EXP NPL	7.45	7
(v) PRO 1075 F CBC RHD BSI HB PS DW PRM EXP	7.45	6
(vi) EICHER 10.90 L RHD BUS BS3 AB PS DW TNZ EXP	7.45	4
(vii) PRO 1055 C CBC RHD BS3 PS DW HB PRM EXP :	6.25	15
(viii) Brand new Toyota Hilux Double Cabin Pick up, 4x4,	1.86	6
(ix) Inv. # EMPO/002-2911-2021:	1.86	2
(x) Inv. # 804 Order Nos. 786/110/11	1.86	2
TOTAL - Light Duty Cargo Haulage Commercial Vehicles		68

Details of the cost estimates of the above motor vehicles are in Annex 1.4, which forms part of this report.

(2) Leasing the said cargo hauling/transportation vehicles on “operating leases” basis

The second element of Africarriers Ltd’s proposed Cargo Haulage Motor Vehicles Leasing project is that of actually carrying out the leasing business by way of leasing the said cargo haulage motor vehicles on a basis of an “Operating Lease” type of leasing business as opposed to a “capital” or “finance” lease type.

As expected of any business, following the leasing of any of its cargo haulage motor vehicles, Africarriers will activate the system of monitoring each one of its leased motor vehicles so as to ensure that the lessee of any of its cargo haulage motor vehicle abide/comply with the terms of the leasing agreement between them and the Company. To this end it is expected that management of Africarriers’ leasing business will be managed in that it yields the expected projected financial results that are the subject of chapter nine (9) of this report.

4.0 PROMOTER OF THE CARGO HAULAGE MOTOR VEHICLE LEASING PROJECT

The Promoter of the proposed Cargo Haulage Motor Vehicle Leasing Project – in short CHMVL – is Africarriers Limited, herein after abbreviated/referred to as Africarriers or the Company. A brief on the Company regarding this project’s report is as under.

4.1 Promoter’s Incorporation and Ownership

Africarriers Limited is a private limited liability company that was incorporated on 10th May 1986. According to its latest audited accounts for the year ended 30th September 2022, Africarriers Limited is owned by thirteen shareholders. Of these thirteen shareholders, eight of them control the company by each shareholder having more than 10% shareholding – altogether owning a total of seventy-one point eighty-one (71.81) per cent of the Company. At the same time only one shareholder is an individual while the remaining are all private limited companies.

4.2 Governance

In line with companies incorporated under the Companies Act of year 2002, Africarriers Limited is managed by its Board of Directors that comprises two members. The directors who held office during the year and at 30th September, 2022, the date of the audited accounts. The directors who were in office then are Mr. Fidahussein Noorali Rashid and Mr. Mustaf Rajabali Rashid.

4.3 Performance

The Company’s principal activity is that of sale of new and used motor vehicles as well as running of a motor vehicles garage. For the immediate past four years of the Company, its financial performance was shown in table no. 6 below.

Table 6: Summary of the company's performance from year ended 30th September, 2019

Past performance of the Company for years ended 30th September is as shown below.							
1. Statement of Profit or Loss for the years ended 30th September							
Year				2019	2020	2021	2022
Particulars				TZS '000'			
Revenues				19,449,006	19,786,942	23,451,080	27,975,733
Gross Profit				4,125,459	3,321,862	3,777,807	4,517,773
Other income				203,275	241,926	4,952	168,352
Total Operating income				4,328,734	3,563,788	3,782,759	4,686,125
Profit before tax				484,007	526,352	695,192	(374004)
2. Statement of Financial Position (Balance Sheet)							
Particulars							
Assets							
Non-Current assets				16,352,671	29,106,313	30,757,177	32,399,523
Current Assets				71,969,882	56,138,240	64,350,054	75,291,172
Total Assets				88,322,553	85,244,553	95,107,232	107,690,694
Financed by							
Shareholders Funds (Equity)				52,188,715	60,496,409	60,947,635	59,344,403
Term Loans				12,408,039	10,661,628	11,651,880	28,306,248
Current Liabilities				23,725,799	14,086,516	22,507,716	20,040,042
Total Equity and liabilities				88,322,553	85,244,553	95,107,232	107,690,694

The loss for the year ended 30th September, 2022 was caused by mainly exchange losses sustained by the Company due to the depreciation of the TZS against the USD, which is the currency of one of the loans the Company had to service during that year. Save for this loan, which the Company has now fully serviced, the Company remains strong financially.

5.0 MARKET OF THE CARGO HAULAGE MOTOR VEHICLES LEASING BUSINESS

As stated in section 3.3 of chapter three above, the CHMVL project entails amongst the purchase of and leasing of various cargo haulage motor vehicles which it will lease out to various entrepreneurs who are either currently operating or are interested in operating cargo haulage within Tanzania's cargo transportation sector. In view of this an assessment of the market for this project has been carried out to find out whether there is at present a market for this project in Tanzania's cargo haulage sector. To this end some of the aspects that have been assessed to determine the existence of an adequate market for this project are as listed here below.

- Type of cargo that is hauled by trucks within and from Tanzania's cargo haulage sector;
- Sources of the cargo hauled;
- Current means of cargo haulage;

Each of the above aspects is discussed hereunder.

5.1 Types of Cargo That Is Transported by Existing Means of Cargo Transportation Within and From Tanzania's Cargo Haulage Sector

There are five types of cargo that are transportable by road and rail in Tanzania at present, namely: -

- (vi) solid items – e.g. farm implements like a farm tractor and sacks of crops like maize grain, to name only two of them;
- (vii) liquids – e.g. edible cooking oil and petroleum products such as diesel;
- (viii) gaseous items – e.g. cooking gas in gas cylinders;
- (ix) powders – e.g. cement packed in bags; and
- (x) granules – e.g. groundnuts packed in bags.

Much as all these types of cargo require careful handling during their loading and unloading, liquids and gaseous cargo require special means of transportation. For example, bulk oxygen gas is best transported using special cylindrical gas transportation tankers. However, when such gas is filled in cylinders, a normal cargo haulage motor vehicle same as that can carry gravel or other industrial manufactured goods like metal/wooden chairs and tables may carry such cargo of oxygen gas. Equally so are liquids – such as fuel that is transported in fuel tankers. Subject to quantity, sometimes bulk powdery cargo may also be transported in special bulk powdery cargo transportation tanks. This leaves solids and granular types of cargo. These types of cargo may be transported either alone in another bigger cargo suited for this kind of cargo or may be transported in a special container – inclusive of normal 20ft and 40ft cargo containers that are loaded into ships and later after being unloaded at destination ports are loaded onto flat-bed trucks for their customers' final destinations.

As mentioned in Chapter three, Africarriers Ltd – the promoter of the CHMVL project is planning to purchase cargo handling/haulage trucks for all five types of cargo – provided that the liquid cargo is not fuel and the powdery one is not bulky. By purchasing cargo trucks capable of handling all the five types of cargo, the company will not have shut itself from most of the cargo that is transported within the country as well as that is destined for various neighbouring countries.

5.2 Sources of the cargo hauled

There are two sources of cargo that is hauled within and from Tanzania – i.e. (i) local cargo generated within Tanzania's economy that is destined for use either within Tanzania or for export as well as (ii)

foreign cargo generated from foreign countries destined for either Tanzania or other foreign countries (imports) as well as that is destined to (exports) other foreign countries, whose owners have decided to route it through Tanzania.

Given the types of cargo haulage trucks that Africarriers Ltd will procure for its leasing business, the project will be able to service all the sources of cargo that is transported within and from Tanzania for both its use and other neighbouring foreign countries. At this juncture, it is appropriate to indicate the quantum of cargo that is likely to be available for some of it to be handled and transported by Africarriers Ltd's motor vehicles that will be for its CHMVL project.

5.3 Quantum of cargo generated within the country and that which is routed through Tanzania

The type and quantity of cargo that is generated within Tanzania as well as the one that is routed through Tanzania, both of which could be hauled by Africarriers Ltd's leased cargo trucks is as indicated in table no. 7 hereunder.⁷

Table no7: Quantum of some of the selected cargo generated within and which is routed through Tanzania

1.0 SOURCES OF SOME OF THE SELECTED CARGO TRANSPORTED WITHIN AND FROM TANZANIA							
YEAR	2017	2018	2019	2020	2021	2022	2023
(1) Cargo handled by All Sea and lake ports under Tanzania Ports Authority	All data in Metric Tons '000'						
(a) Local: Imports and exports	9,705	10,970	11,246	11,601	12,362	14,640	17,489
(b) Transit cargo - Imports and exports	5,308	5,173	5,872	5,340	6,422	8,239	8,871
Subtotal - TPA Cargo	15,014	16,144	17,118	16,942	18,783	22,879	26,360
(2) Some Selected Cargo generated within Tanzania's economy							
(a) Traded agricultural foodstuffs	15,902	16,892	16,290	18,195	18,665	17,148	20,402
(b) Edible Oilseeds	6,668	1,109	1,231	1,584	1,713	1,508	2,061
(c) Traded non-food agricultural products	902	967	1,156	1,059	899	973	1,267
(d) Sugar	325	304	359	311	368	379	460
(e) Wheat flour	606	663	680	767	738	685	839
(f) Horticulture	6,564	5,333	6,556	7,560	7,305	7,723	8,438
(g) Animal feeds	1,100	776	600	900	1,200	1,380	1,580
(h) Fish	388	376	470	474	477	472	480
(i) Coal	563	628	712	690	976	2,511	3,256
(j) Gypsum	124	241	257	444	598	604	550
(k) Pozzolana	79	92	263	160	217	226	352
(l) Kaolin	14	129	15	98	101	47	75
(m) Cement	4,398	4,766	6,515	5,605	6,614	7,598	7,673
(n) Iron sheets	232	275	266	278	294	312	344
(o) Corrugated iron sheets	85	84	101	108	120	129	119
Subtotal	37,948	32,637	35,472	38,233	40,284	41,695	47,897
Total: Cargo with transportation potential within/from Tanzania by air, rail or road	52,961	48,780	52,590	55,175	59,068	64,574	74,257
Less: Actual cargo transported by Air and Rail within/from Tanzania							
(i) Cargo transported by Rail:							
TRC	352	379	355	340	370	491	382
TAZARA	171	221	176	333	392	189	301
Subtotal	523	600	531	673	762	680	683
(ii) Cargo transported by air							
ATCL	27	28	28	24	30	35	4
Subtotal	27	28	28	24	30	35	4
Total: Cargo transported within/from Tanzania by air and rail	551	628	559	697	792	715	687
Net Total Cargo most likely all transported within/from Tanzania by road	52,411	48,152	52,031	54,477	58,275	63,859	73,569

⁷ Sources of data of table no. 3 are the Economic Surveys 2021, 2022 & Hali ya Uchumi wa Taifa Katika Mwaka 2023.

NB. The quantity of some of the selected cargo generated within Tanzania's economy as indicated in table 7 herein above is ONLY PART OF THE CARGO WHOSE WEIGHT IS DENOMINATED IN GRAMS/TONNES and NOT A 100% OF SUCH CARGO. For example, gold, and gemstones denominated in grams have not been included in that table. Also some other types of cargo such as gravel, sand and building materials locally manufactured such as iron round bars have been omitted from the data of cargo in that table.

In order to get an idea of number of cargo haulage motor vehicles actually operating in the country, we have checked on the number of licenses that are issued by the relevant authorities in the country for the purpose of cargo haulage within or from Tanzania. According to the same sources of data in table no. 7 above, licenses issued for cargo & passengers transportation motor vehicles for the years from year 2017 to year 2023 are as indicated in table no. 8 below.

Table no. 8: Number of licenses issued for cargo & passengers transportation motor vehicles

Year	2017	2018	2019	2020	2021	2022	2023
Passenger buses	46,612	46,449	60,344	52,081	53,451	50,452	50,316
Cargo haulage only	99,484	113,345	123,460	142,559	133,428	142,154	183,392
Bajaji/Pikipiki	14,819	16,488	18,345	20,400	36,984	52,812	64,562
Total	160,915	176,282	202,149	215,040	223,863	245,418	298,270

Much as there are some types of cargo that are transported by passenger buses and tricycle and motor cycles, for the purpose of assessing the demand for cargo trucks, licenses for passenger buses, tricycle and motor cycles have been ignored. Given the difficulty of establishing the number of motor vehicles that have been licensed to transport cargo only which are still roadworthy and operational - i.e. actually carrying cargo and plying Tanzanian roads - at any time in any year, a rough assessment of the demand for trucks that are licensed to carry cargo only has been projected for eight years starting from year 2024 based on the assumptions below.

- (a) In conformity with the law, the Gross Vehicle Weight of cargo haulage trucks allowable on Tanzanian roads shall not exceed fifty-six (56) metric tonnes;
- (b) In the context of assumption (a) above, the maximum weight of cargo loaded onto such truck shall not exceed thirty (30) tonnes;
- (c) Given that the Tanzanian economy has been assumed to grow at a rate of 5% annually from year, 2024 – this growth rate being just slightly lower than the growth rate of 5.1% for the year 2023, all the factors that have been used to project the demand for motor trucks for carrying cargo only have also been billed to grow at a rate of 5% of their previous year numbers. These factors are: -
 - (i) number of new licenses issued to motor vehicles to transport cargo only every year from the beginning of year 2024;
 - (ii) quantity of cargo handled by all ports under the Tanzania Ports Authority, inclusive of transit cargo;
 - (iii) quantity of cargo generated with Tanzania's economy;
 - (iv) quantity of cargo transported by both air and rail; and

- (v) quantity of net cargo transported by road - i.e. cargo not transported by both air and rail;
- (d) The number of motor vehicles licensed to carry and transport cargo only and actually in operation in each year from the beginning of year 2024 shall be 90% of vehicles issued with new licenses in the previous year plus those issued with new licenses in the year at hand. For example, for the year 2024, the vehicles actually operating during that year shall be 90% of those issued with new licenses in year 2023 plus those issued with new licenses in year 2024, thus totaling a number of 357,614 actually operating motor vehicles for that year.

Based on the above assumptions, the number of the projected cargo motor vehicles and resultant actually operating cargo haulage motor vehicles, as well as new licenses issued to motor vehicles required to haul that cargo are as indicated in table 9 below.

Table 9: Projected demand for cargo haulage motor vehicles required to haul cargo and those expected to be actually carrying cargo from year 2024 to 2031

PROJECTED MARKET DEMAND FOR CARGO HAULING MOTOR VEHICLES										
YEAR	2023	2024		2025	2026	2027	2028	2029	2030	2031
	ACTUAL	P	R	O	J	E	C	T	E	D
(1) Cargo handled by Sea & Lake ports under Tanzania Ports Authority						All data in Metric Tons '000'				
(a) Local: Imports and exports	17,489	18,363	19,281	20,245	21,257	22,320	23,436	24,608	25,839	
(b) Transit cargo - Imports and exports	8,871	9,315	9,781	10,270	10,783	11,322	11,889	12,483	13,107	
Subtotal - TPA Cargo	26,360	27,678	29,062	30,515	32,041	33,643	35,325	37,091	38,946	
(2) Some selected types of Cargo generated within Tanzania's economy										
(a) Traded agricultural foodstuffs	20,402	21,422	22,493	23,618	24,799	26,039	27,341	28,708	30,143	
(b) Edible Oilseeds	2,061	2,164	2,272	2,386	2,505	2,631	2,762	2,900	3,045	
(c) Traded non-food agricultural products	1,267	1,331	1,397	1,467	1,540	1,617	1,698	1,783	1,872	
(d) Sugar	460	483	507	533	559	587	617	647	680	
(e) Wheat flour	839	881	925	972	1,020	1,071	1,125	1,181	1,240	
(f) Horticulture	8,438	8,860	9,303	9,768	10,257	10,770	11,308	11,873	12,467	
(g) Animal feeds	1,580	1,659	1,742	1,829	1,920	2,017	2,117	2,223	2,334	
(h) Fish	480	504	529	556	583	613	643	675	709	
(i) Coal	3,256	3,419	3,590	3,770	3,958	4,156	4,364	4,582	4,811	
(j) Gypsum	550	577	606	637	668	702	737	774	812	
(k) Pozzolana	352	370	388	407	428	449	472	495	520	
(l) Kaolin	75	79	83	87	91	96	101	106	111	
(m) Cement	7,673	8,057	8,459	8,882	9,327	9,793	10,283	10,797	11,337	
(n) Iron sheets	344	361	379	398	418	438	460	483	508	
(o) Corrugated iron sheets	119	125	131	137	144	152	159	167	175	
Subtotal	47,897	50,292	52,806	55,447	58,219	61,130	64,186	67,396	70,765	
Total: Cargo for transportation within/from Tanzania by air, rail or road	74,257	77,970	81,868	85,962	90,260	94,773	99,511	104,487	109,711	
Less: Actual cargo transported by Air and Rail within/from Tanzania										
(i) Cargo transported by Rail:										
TRC	382	401	421	443	465	488	512	538	565	
TAZARA	301	316	332	348	366	384	403	424	445	
Subtotal	683	717	753	791	831	872	916	962	1,010	
(ii) Cargo transported by air										
ATCL	4	37	39	41	43	45	47	49	52	
Subtotal	4	37	39	41	43	45	47	49	52	
Total: Cargo transported within/from Tanzania by air and rail	687	754	792	832	873	917	963	1,011	1,061	
Net Total Cargo for transportation within/from Tanzania by road	73,569	77,215	81,076	85,130	89,386	93,856	98,548	103,476	108,650	
New Licenses issued for cargo transportation motor vehicles										
No. of new licenses issued for cargo haulage only (CLO)	183,392	CLO	192,562	202,190	212,299	222,914	234,060	245,763	258,051	270,954
Number of cargo trucks actually operating (MV)	MV	357,614	375,495	394,270	413,983	434,683	456,417	479,237	503,199	
Number of trips loaded with cargo made by such truck per year (TWC)	TWC	7	7	7	7	7	7	7	7	
Quantity of cargo transported by road per annum (MT)	MT '000'	75,099	78,854	82,797	86,937	91,283	95,847	100,640	105,672	
Excess cargo requiring another truck (CRT)	CRT '000'	2,116	2,222	2,333	2,450	2,572	2,701	2,836	2,978	

5.4 Current means of cargo haulage

For the purpose of determining the number of cargo haulage motor vehicles, we have ignored cargo transported by the Chinese-Tanzanian Joint Shipping Company – SINOTASHIP, will of necessity have been first handled by the Tanzania Ports Authority prior to being loaded or unloaded from vessels belonging to SINOTASHIP. Accordingly, including it in table 5 would have been double counting it. It is for this reason that there is no other record. It is for the same reason that the cargo transported by the Marine Service Company Limited (MSCL) was also excluded as the same cargo is part of that handled by TPA managed lake ports.

The above stated, for the purpose of determining the demand for cargo haulage motor trucks, we have considered only three types of current means of cargo haulage existing in Tanzania. These are: -

- Air;
- Rail; and
- Road.

Whereas there is now virtually no restriction for any investor – local or foreign - to invest in Tanzania so long as the would-be investor complies with The Country laws' requirements regarding the type of investment the would-be investor is interested in setting up in Tanzania, The Country's data public repositories do not all the time have all the data required for the would-be investor to make a right decision regarding the kind/type of investment s/he should establish due to deficiency of some critical data regarding the investment s/he is interested in setting up. Africarriers' proposed cargo haulage motor vehicle leasing business project is one such investment. Efforts by the consultants of this project have not succeeded in getting the right data concerning the number of cargo haulage road trucks that are currently operating in this business. The existence of sources of data quoted in this report regarding the quantity of cargo with potential for being hauled by road as well as licenses issued for such cargo to be transported by motor vehicles notwithstanding, the existence of yearly numbers of cargo haulage motor trucks actually transporting that cargo by road – although virtually every motor vehicle driver plying Tanzanian roads daily encounters cargo haulage trucks laden with cargo on the country's roads - have become a nightmare to get.

It is for this reason the consultants have attempted to come up with assumptions – to establish the actual number of cargo haulage trucks that are deemed actually transporting the cargo generated within Tanzania and from Tanzania that has potential for being transported within and from the Country. We leave it to the reader of this report to make his/her judgement as to the degree to which the assumptions in section 5.2 are realistic as well as their resultant projected actual number of motor vehicles that are expected to transport the net cargo that will be generated for the period from year 2024 to 2031.

6.0 CAPITAL INVESTMENT ITEMS COST ESTIMATES

Inclusive of Initial Working Capital Items Cost Estimates (IWCICE) the Capital Investment Items Cost Estimates (CIICE) of Africarriers Limited’s Cargo Haulage Motor Vehicle Leasing (CHMVL) project amount to TZS 10.53billion. The breakdown of these CIICE is as shown in table 10 hereunder.

Table 10: Breakdown of CIICE of CHMVL Project – Figures in TZS ‘000’

S. No.	Capital Investment Items (CII)	TOTAL COST ESTIMATES		
	Investment Capital Items (ICI)	Foreign Costs* (A)	Local Costs* (B)	Total Costs* (A+B)
		USD	TZS '000'	TZS '000'
1	Carog Haulage motor vehicles	1,670,647	5,222,666	9,766,825
2	Motor vehicle tracking system	-	32,844	32,844
3	Office furniture & fittings	-	20	20
4	Office equipment	-	25	25
5	Pre-Operational expenses	-	642,500	642,500
Subtotal: Investment Capital Items Cost Estimates		1,670,647	5,898,055	10,442,213
Add: Initial Working Capital Items Cost Estimates		-	83,851	83,851
TOTAL CAPITAL INVESTMENT ITEMS COST ESTIMATES		1,670,647	5,981,906	10,526,065

NB.

- **Foreign Costs***

The USD foreign costs of cargo motor vehicles are in respect of their “Cost, Insurance and Freight” - CIF - from India, their country of origin, to Dar es Salaam Port in Tanzania. The CIF are paid by the importer to their exporter

- **Local Costs***

The TZS Local Costs of cargo motor vehicles are in respect of import charges of the imported cargo motor vehicles at Dar es Salaam port in Tanzania – i.e. (i) TRA customs taxes & duties payable in TZS by the importer (Africarriers Ltd – hereinafter referred to as ‘AFL’) of cargo haulage motor vehicles (ii) TPA various port charges payable by AFL to TPA for their handling of the imported cargo haulage vehicles and (iii) Clearing and Forwarding agent’s costs for the agent’s involvement in clearing the imported cargo from the port and transporting them to either TRA’s or AFL’s Inland Customs Bonded Depot (ICBD) ultimate leasing by AFL to its various customers. These charges are paid in TZS to TRA, TPA and the C&F agent.

- **Total Cost* (A+B)**

Total Cost (A+B) is the sum of the CIF value in USD after its conversion into TZS by the relevant USD/TZS exchange rate on the respective assumed date indicated in Annex 1 that is attached to this report.

Details and basis of all the said CIICE are contained in Annex 1.1 – Annex 1.4, which form part of this report. The said annexes 1.1 to 1.4 and the proforma invoices for the above CIICE are attached to this report.

7.0 PROPOSED FINANCING PLAN

Africarriers Limited is planning to finance the costs of establishing its proposed cargo haulage motor vehicles Leasing Project by a combination of new share capital subscription and a loan from either its current bankers or any other financing company. To this end the proposed financing plan is as shown in table 11 below.

Table 11: Proposed Financing Plan of Africarriers Limited CHMVL project –Figures in TZS ‘000’

TYPE OF FUNDS	LOAN/EQUITY FUNDING PROPORTION %AGE	TOTAL FUNDS: TZS '000'
Equity		
Fresh equity	14.50%	1,526,065
Borrowings		
Long term loan	85.50%	9,000,000
Total Funds	100.00%	10,526,065

The shareholders of Africarriers Limited have already expressed their willingness to subscribe additional share capital for part financing the cost estimates for setting up the proposed cargo haulage motor vehicle Leasing Project. The Company – i.e. Africarriers Limited - has already secured a loan for part financing the establishment of the new cargo haulage motor vehicle leasing business. The letter from Africarriers bankers to confirm the availability of the loan is attached to this report as Annexure no. 1.

8.0 PHYSICAL IMPLEMENTATION PROGRAMME OF THE CHMVL PROJECT

The physical implementation period of setting up the CHMVL project is expected to take a maximum of six months from the time of approval of Africarriers Limited's application for its CHMVL project to get a Certificate of Approved Enterprise by the Tanzania Investment Centre. The Company is planning to submit an application for its project to be eligible to get tax benefits for the investment that Africarriers will make into this project.

The proposed project's physical implementation programme is as indicated in chart 1 below.

Chart 1: CHMVL's Physical Implementation programme of the project.

SERIAL NUMBER	ACTIVITIES/TASKS	DURATION/ACTIVITY IN MONTHS	DURING INVESTMENT YEAR						START OF COMC'IAL LEASING OPERAT'NS
			1	2	3	4	5	6	7
1	Beg of 1st month, Ordering of all cargo haulage motor vehicles (mv)	1							
2	Beg of 2nd month, Transfer balance of mv purchase price to mv vendor so as to start loading mvs into ship ready for sailing from India to D'Salaam	1							
3	Mid 2nd month, ship with cargo of all purchased mv sets sail from Mumbai via Indian Ocean for D'Salaam port, Tanzania	2							
4	End of 4th month, ship with cargo of all mvs arrives at D'Salaam port and clearance and unloading of mvs from ship starts and transport of mvs to Africarriers ICD is finished at end of 5th month	1							
5	Beg of 6th month, leasing of mvs starts and ends at end of 6th month	1							
6	Beg of 7th month Commercial Leasing operations are flagged to start								

The physical implementation of the Cargo Haulage Motor Vehicles Leasing Project is short due to the fact that all the vehicles are expected to be leased out to customers – i.e. lessees - shortly after arrival of these vehicles at Africarriers premises as well as because they are expected to be in sound road-worthy condition.

9.0 EXPECTED FINANCIAL RESULTS OF THE CHMVL PROJECT

The international practice of undertaking operating leases of cargo haulage motor vehicles entails leasing such vehicles for terms of no more than four years after which lessees return the motor vehicles to their owners – i.e. the lessors, most of whom either trade in the depreciated cargo haulage motor vehicles that were leased for new ones or outright sell them and acquire new ones to continue with their operating leasing businesses. In view of this, it has been assumed that Africarriers will also carry out its cargo haulage motor vehicle Leasing Project in the same manner. To this end, financial projections have been prepared for lease operations of a period of eight years - i.e. two terms of lease terms, but with each 4-years lease term involving new cargo haulage motor vehicles.

9.1 Operating Assumptions

Given that Tanzania's economy is fairly inflationary, whereby over the last ten years, the country's inflation has hovered around 3.5% to 3.9% annually, an inflation index has been factored at an annual inflation rate of 3.0% for the eight years' period.

On the other hand, since the amounts of monthly lease payments on leased motor vehicles under an operating lease – whereby the ownership of the motor vehicle remains that of the Lessor – are internationally calculated and paid back to the lessor in equal amounts, inflation has been factored in these payments only in the first year of each lease term of 4 years and not in every year. It is for this reason that the annual lease payments of the second lease term of four years are slightly different from those of the first term of 4 years.

Furthermore, although a lessor of an operating lease has no mandatory obligation to abide by the standard formulas for computing lease payments of an asset that has been leased on a basis of an operating lease as practised in western countries and others where leases of motor vehicles and any other types of equipment are commonplace and normal transactions for both commercial and non-commercial enterprises to carry out, the financial projections for revenues of Africarriers Ltd's CHMVL project have been prepared on the basis of formulas applied by advanced economically countries, such as the United States of America, Japan and the EU.

Finally, tax deductions have been included in the financial projections although Africarriers Ltd will apply to the Tanzania Investment Centre (TIC) for this project to be given the status of "Approved Enterprise" so that it benefits from various tax incentives.

9.2 Expected Key Financial Performance Indicators (EKFPs)

Detailed expected key financial performance indicators of Africarriers Ltd's cargo haulage motor vehicles leasing business appear in Appendixes 1 to 7, all of which are attached to this report. Appendix 8 gives a summary of the project's EKFPs. This appendix is reproduced below.

Appendix 8: EXPECTED KEY FINANCIAL PERFORMANCE INDICATORS (EKFPis)

AFRICARRIERS LIMITED													Appendix 8
CARGO HAULAGE MOTOR VEHICLES LEASING (CHMVL) PROJECT													
EXPECTED KEY FINANCIAL PERFORMANCE INDICATORS (EKFPis)													
YEAR	Source	Investment Year - 0	1	2	3	4	5	6	7	8			
Total capital investment items cost	Annex 1.4	TZS '000'	10,526,065										
Total Capital Employed	Appendix 3	TZS '000'	10,074,987	9,491,203	9,450,640	9,715,534	9,564,516	4,015,198	11,845,976	15,430,480			
Equity Funds	Appendix 3	TZS '000'	1,589,575	2,022,860	3,198,326	4,917,124	6,504,421	8,716,816	11,845,976	15,430,480			
Long term loan	Appendix 3	TZS '000'	8,485,412	7,468,342	6,252,315	4,798,410	3,060,095	981,734	0	-			
Closing cash balance	Appendix 3	TZS '000'	3,356,386	5,221,675	6,792,827	8,118,340	2,658,413	5,417,701	9,239,730	13,863,299			
		TZS '000'											
Revenue	Annex 2.1	TZS '000'	6,025,865	5,024,905	5,024,905	5,024,905	7,987,616	6,861,027	6,861,027	6,861,027			
Earnings before interest, tax, depreciation and amortization (EBITDA)	Appendix 1	TZS '000'	5,491,413	4,490,453	4,490,453	4,490,453	7,257,102	6,130,513	6,130,513	6,130,513			
Earnings before interest and tax (EBIT)	Appendix 1	TZS '000'	1,688,032	2,065,151	2,926,450	3,464,763	2,992,494	3,545,445	4,514,845	5,120,720			
Earnings before tax (EBT)	Appendix 1	TZS '000'	90,728	618,979	1,679,236	2,455,426	2,267,568	3,160,564	4,470,228	5,120,720			
Earnings after tax (EAT)	Appendix 1	TZS '000'	63,510	433,286	1,175,466	1,718,798	1,587,297	2,212,395	3,129,160	3,584,504			
Profit margins													
EBITDA margin			91.13%	89.36%	89.36%	89.36%	90.85%	89.35%	89.35%	89.35%			
Earnings before interest and tax (EBIT) margin			28.01%	41.10%	58.24%	68.95%	37.46%	51.68%	65.80%	74.63%			
Earnings before tax (EBT) margin			1.51%	12.32%	33.42%	48.87%	28.39%	46.07%	65.15%	74.63%			
Earnings after tax (EAT) margin			1.05%	8.62%	23.39%	34.21%	19.87%	32.25%	45.61%	52.24%			
Return on capital													
Return on Capital employed (ROCE)			16.75%	21.76%	30.97%	35.66%	31.29%	88.30%	38.11%	33.19%			
Return on equity (shareholders funds) - ROE			4.00%	21.42%	36.75%	34.96%	24.40%	25.38%	26.42%	23.23%			
Loan service capacity													
Loan interest cover			1.06	1.43	2.35	3.43	4.13	9.21	-	-			
Debt Service Coverage Ratio			1.79	1.17	1.13	1.13	2.97	1.96	4.68	-			
Gearing ratio													
Debt/equity ratio	Appendix 3		5.35	3.72	1.99	1.00	0.49	0.13	0.02	0.02			
Viability criteria													
Internal rate of return (IRR)	Appendix 4		35.05%										
Net present value (NPV)	Appendix 6	TZS '000'	1,054,013										
Payback period is	Appendix 7	Years	4										

On the basis of the assumptions mentioned in section 9.1 above, the proposed project's commercial operations of the CHMVL project indicate that the investment is expected to be a cash-cow as it is expected to generate not only adequate cash to meet all its financial requirements but also surplus cash balances at the end of each financial year from the first year of its operations to the end of its eighth year.

Furthermore, it is expected to have an after-tax internal rate of return (IRR) of 35.053%. This expected IRR is higher than the current prevailing double digit loan interest rates for loans from both the local commercial and development banks of around 18.0 % p.a. So the project's expected IRR of 35.05% is considered acceptable. Accordingly, the proposed Africarriers' CHMVL project is viable.

9.3 Sensitivity Analysis

As the profitability of virtually every commercial business is affected – positively or negatively - by various factors within its operating environment, a sensitivity analysis has been carried out on the operations of the proposed CHMVL project to find out which factors within its operating environment have greater impact on its profitability. The sensitivity analysis has considered changes in five factors, namely: -

- (i) Decrease in the money factor
- (ii) Decrease in security deposit amount
- (iii) Increase in operating overhead costs
- (iv) Decrease in acquisition fees amount
- (v) Decrease in disposition fees amount

The analysis has been carried out on the assumption that a change in any one of the five factors will happen mutually exclusive of the other four factors. The resultant IRR arising from a 10 % change in any one of the above five factors is shown in table 12 below:

Table 12: Sensitivity Analysis Summary

AFRICARRIERS LIMITED							Appendix 5
CARGO HAULAGE MOTOR VEHICLES LEASING (CHMVL) PROJECT							
SENSITIVITY ANALYSIS							IRR
Base case							35.05%
Decrease in the money factor by						10.00%	32.59%
Increase in operating overhead costs by						10.00%	34.56%
Decrease in acquisition fees amount by						10.00%	34.86%
Decrease in security deposit amount by						10.00%	34.87%
Decrease in disposition fees amount by						10.00%	34.96%

The sensitivity analysis has shown that the profitability of the project is expected to be most sensitive to changes in the money factor followed by changes in operating overhead costs of the project's operations. The money factor in leasing business is the equivalent of the rate of interest on borrowed funds – i.e. a loan. As the money factor is one of the determinants of the amount of rent/lease/finance charge/fee a lessee pays for the right to use an asset leased to him/her by a lessor, it is no surprise that a reduction in this rate has the most impact on the profitability of operating lease businesses.

On the other hand, one of the other payments - i.e. the disposition fees - that lessees are asked to pay the lessors before the leased assets are handed over to the lessee for their use has the least impact on the profitability of operating lease businesses. This is possibly due to the fact that these fees are of nominal amounts only rather than substantial. At the same time, the disposition fee that a lessor gets from a lessee in an operating lease may be said to be optional rather than mandatory as some lessors do not ask the lessees to pay this fee.

Finally, it is also not very surprising that an increase in operating overheads of a lessor of an operating lease are second in their impact to the project's profitability. This is mainly due to the cost of insurance of the leased motor vehicles whose ownership remains with the lessor. Insurance of the leased cargo motor vehicles is best done by the lessor rather than the lessee. Given the high rate of accidents on Tanzanian roads, the lessor would have sleepless nights if s/he left the insurance of these cargo motor vehicles to the lessees.

Incidences of substantial cash operating overheads could occur only where there is stiff competition in getting lessees to lease various assets – motor vehicles, in particular- in the event there is a glut of motor vehicles. Under such circumstances, lessors could be forced to spend more money on marketing and lowering of the rates for setting up the money factor.

10.0 IMPACT OF THE CHMVL PROJECT TO THE COUNTRY

The impact of implementing Africarriers Ltd's CHMVL project to Tanzania is expected to be positive. This chapter describes the impact of the CHMVL project to Tanzania under three aspects, namely: -

- (a) Economic
- (b) Environmental
- (c) Social

Each of the above aspects is briefly described hereunder.

10.1 Economic Aspect's Impact

Under the economic aspect, the project's operations are expected to impact positively in three economic phenomena. These are: -

- direct employment generation;
- tax payments to the government; and
- economic multiplier effects

A brief on each of the above phenomena of the economic impact is as subsequently explained below.

(i) Direct Employment Generation

As the project's only business activity will initially be that of leasing out cargo hauling vehicles, it is proposed that no separate limited liability company be incorporated to own the CHMVL as a 100% subsidiary of Africarriers Ltd. The project will be just another department directly within Africarriers Ltd. Accordingly, the CHMVL project is expected to provide direct employment for no more than four (4) people. This is because the then project manager during the physical implementation period of the project will become its head/manager of Africarriers Ltd's subsidiary Leasing Company - when its motor vehicles leasing operations are at their commercial stage. He/she will have another three (3) people – one of whom will be a driver-cum-messenger, and the other two – one an assistant and the other an accountant.

(ii) Government Revenue Generation

As the operations of the proposed project are expected to be undertaken in a profitable manner, CHMVL project is expected to generate various taxes for the Government.

(iii) Foreign currency earnings

The CHMVL project is also expected to be a foreign currency earner. Nearly 20% of its total annual lease fees income will be paid for in foreign currency.

(iv) Multiplier effects

As a cargo haulage motor vehicles Leasing Project, the major direct and positive economic effects to Tanzania's economy lie in its various economic multiplier effects within the country's economy. To wit, these include – to mention, just a few: -

- (a) Generation of employment for drivers and other personnel – e.g. mechanics and cargo handlers - who will man the cargo haulage motor vehicles during their cargo hauling and transportation trips;
- (b) Easing the shortage of transportation facilities for various types of cargo within the country – particularly food items from rural areas where most of the country's foodstuffs are grown and later sent to various consumers in its urban centres; and
- (c) Generation of further incomes to various categories of business people/entities – inclusive of rural farmers/villagers and local government authorities - within the country whose activities lead to the creation/existence/handling of various types of cargo that is hauled by either motor vehicles or railways.
- (d) Subject to this project becoming successful – i.e. by actually accomplishing the objective of running the project profitably, this CHMVL project could encourage other entrepreneurs to join Africarriers Ltd's bandwagon of becoming lessors of other types of equipment such as heavy machinery for real estate or roads construction. Should this happen, contractors of public roads and real estate as well as crop farmers would become lessees of the lessors of the type of equipment stated in this paragraph. In this way, more wealth would be created to more Tanzanians in various sectors of the country's economy than the ones stated in this paragraph.

10.2 Environmental Aspect's Impact

From the Lessor's point of view, the CHMVL project is an environmentally friendly project to the country as it is the lessees who will be carrying out the operations of hauling cargo within the country. So, to the extent that the lessees use and maintain the vehicles in good order throughout the periods of their lease terms, the operations of the motor vehicles will continue to be friendly to the country's environment.

The above stated, it is expected that the lessor will also closely continue to monitor the way the lessees of its motor vehicles use its vehicles for two reasons, namely: -

- (a) All the lessees abide by all the terms of their leases, one of which requires them to abide by the law of the land while operating the leased vehicles; and
- (b) It is in the lessor's interest to assure that its leased vehicles are operated well and are kept at all times in sound roadworthy condition for the lessor to remain profitable in its leasing business operations.

10.3 Social Aspect's Impact

In the same vein as that of the Environmental Aspect, the lessor has every reason to assure that from the social aspect, the operations of its CHMVL project imbue a positive and more friendly impact amongst the communities its leased motor vehicle encounter while on their daily cargo hauling tasks. To this end, Africarriers has a duty of closely monitoring its lessees' operations for not only the same

reasons as that arise from those imposed by the environmental aspect's impact but also that emanating from the social aspect's one – especially that of showing friendliness to the communities living along the routes plied by the Company's leased motor vehicles. Such friendliness when reciprocated by the staff of the lessees to these communities usually guarantees the safety of the staff of the lessees while on duty within these communities.

11.0 RISKS, MITIGATION MEASURES AND PROBABILITY OF RISK OCCURRENCE

Since all businesses and their owners face various risks at some point in their businesses' operational periods, an analysis has been carried out to find out the types of risks that Africarriers' CHMVL project's commercial operations may likely face and probable mitigation measures that may be applied to either minimize or neutralize or completely avert any negative impact that could result arising from the occurrence of any of such risks.

11.1 AFL's CHMVL Project's Risks, Mitigation Measures and Probability of Risk Occurrence

As the Africarriers' CHMVL project will be operating as a separate department under Africarriers' management and not as a separate limited liability company that is a 100% subsidiary of Africarriers Limited, the risks hereunder discussed are those of the CHMVL project only that will be carrying out the leasing business. So none of the risks discussed under this chapter refer to the current operations - of Africarriers Ltd - the ultimate owner of the proposed Leasing Project. That said, the risks likely to face Africarriers' CHMVL project leasing business are as discussed in the matrix no.1 in the subsequent page of this chapter.

Matrix no. 1: The inherent risks that Africarriers' subsidiary company's leasing business will itself face and the possible mitigation measures for those risks.

Risks	Likely Cause of such risk	Mitigation measures	Probability of risk's occurrence
<p>1. Economic, such as: -</p> <ul style="list-style-type: none"> • A recession – a local one within Tanzania or a foreign one of a blue chip (very good) foreign lessee customer of Africarriers' leasing business; and • Hyperinflation – within Tanzania. 	<p>There are several causes of a recession or hyperinflation. One such cause could be excessive borrowing beyond the ability of the borrowing country to repay its loans – particularly foreign ones. Another cause is bad fiscal policies that discourage production of goods in favour of imports.</p>	<p>(a) Build internal capacity to control operating costs so as to boost demand for its products/services.</p> <p>(b) Diversify the types of its clientele as a hedge against a recession since the impact of a recession is not the same for all the country's clients – both local and foreign.</p>	<p>MEDIUM TO HIGH</p>
<p>2. Strategic – i.e. Changes in government measures or policies that lead to negative impact on the leasing business prospects.</p>	<p>There are several causes – e.g. the government may recategorise expenses that were previously tax allowable as no longer tax allowable.</p>	<p>(a) If an anti-business measure is introduced, with the support of industry/trade associations, the affected enterprise, say Africarriers' subsidiary leasing business company, would have to engage the Government with a view of retracting such measure(s).</p> <p>(b) Business entities such as Africarriers' Group Companies have to behave as good corporate citizens and fulfil their responsibilities to government – e.g. paying their due taxes - and contributing to good causes within their communities, thus dissuading the government from changing its pro-business measures/policies to anti- business ones.</p>	<p>MEDIUM TO HIGH</p>
<p>3. Stiffening of Competition within the industry – i.e. More companies are setting up cargo haulage motor vehicle leasing businesses</p>	<p>This competition could arise from the existence of many leasing businesses of similar assets/motor vehicles thus leading to reduced demand for Africarriers subsidiary company's leasing business.</p>	<p>Depending on type of competition as that given in the example, Management to be more resourceful in how to promote its business and reduce operating costs without demotivating its staff.</p>	<p>MEDIUM</p>
<p>4. Financial</p>	<p>Main risk is that of foreign currency exchange rate risk. As Africarriers subsidiary company may not be a direct foreign currency earner, it could find it difficult to meet some of its import needs- more if it buys some of its leased motor vehicle using foreign currency loans. Servicing such forex loans could become a pinch in its operations, more so if the TZS continues to depreciates against hard currencies like the USD or Euro.</p>	<p>(a) Management would have to devise a new pricing policy of its lease charges to its lessees of “cost plus” or something similar to this which enables the company to have capacity at all times to operate profitably.</p> <p>(b) To put in place a practice that allows on tolerance to arrears of its monthly lease payments from its lessees so that its liquidity remains high to the extent of enabling it to reinvest part of its spare cash in short term monetary instruments to cover any exchange losses that may occur.</p>	<p>MEDIUM TO HIGH</p>
<p>5. Disturbances -</p>	<p>Particularly those caused by Economic, Political, Social and Religious Grievances</p>	<p>To Fend Off Disturbances of an Economic, Political, Social or Religious Nature and So Maintain Peace and Stability in Tanzania, it is incumbent upon business entities to contribute positively to the sustenance of their country's peaceful and stable environment. One way of doing this is to contribute towards good causes that lead to the improvement of the living standards of most disadvantaged communities – e.g. giving donations to such communities.</p>	<p>LOW To MEDIUM</p>

11.2 Conclusion

In the pre-internet era, the probability of any of the above risks occurring in Tanzania during the life time of an enterprise appeared remote. However, following the world's globalization – since the internet era set in – the probability of any of the above risks occurring in the country may be classified as HIGH, MEDIUM or LOW depending on the circumstances prevailing at the time of carrying out the assessment of such risk.

In the context of the above, the probability of, for example, risk no. 1 (a) occurring in Tanzania may be classified as high+, due to the status of the economies of the countries it mostly trades with. The world economic recession that hit most countries in year 2008 has shown that an economic recession that occurs in an overseas country's economy which is a major trading partner with others could spill over to the economies of its trading partners too. Equally, risk no. 2 could at present be classified as medium– as currently the government is undertaking quite costly infrastructural projects that need substantial public funding to implement. On the other hand, the probability of risk no. 3 happening in Tanzania may currently be classified as low. This is due to the high entry costs of a company in the type of business that Africarriers is currently proposing to undertake with its CHMVL project.

The contents of the second paragraph above notwithstanding, it is therefore incumbent upon managements of any business in Tanzania at present to have in place at all times measures to counter the impact of the occurrences of any of the risks mentioned herein above. To this end Management of Africarriers is advised to devise measures to guard it against or mitigate any adverse effects arising from the occurrence of any of the risks stated above during its operations, inclusive of those of its proposed Cargo Haulage Motor Vehicle Leasing Business (CHMVL)project.

12.0 SUCCESS FACTORS

There are two types of success factors to Africarriers' proposed CHMVL's project. These are: -

- Internal factors to Africarriers; and
- External factors to Africarriers.

12.1 Success factors internal to Africarriers

Success factors that internal to Africarriers' proposed project are two only, namely:-

- (i) Africarriers' ability to raise all the funds required for physically setting up its proposed Cargo Haulage Motor Vehicle Leasing project; and
- (ii) Africarriers' Management Team's determination and ability to run its CHMVL's project.

A brief discussion on each of the above success factors is stated in the section hereunder.

(1) Africarriers' ability to raise all the funds required for physically setting up its proposed CHMVL's project

That Africarriers Limited has the ability to raise all the funds required for physically setting up its proposed CHMVL's project is not in doubt. Since the company started its current activities - i.e. those of selling new and used motor vehicles and operating a motor vehicle repair garage in year 1986 to date – end of its financial year on 30th September, 2023, the company has been operating profitably save for the year ending 30th Sept. 2022. Furthermore, the company has been able to service its loans from the country's banking system. Its credit rating from the country's Credit bureau is at a rating of *Blue Chip* borrower. In addition, the Company's shareholders have been able to raise their Company's issued share capital since its incorporation in year 1986. more than 3,844 times, the last time being in year 2020, when they raised the Company's issued and paid up share capital from TZS 1.5 billion to TZS 59.16 billion. This was for the purpose of financing the Company's expanded operations by setting up a motor vehicles garage to undertake various motor vehicle repairs of its customers.

(2) Africarriers' Management Team's determination and ability to run its CHMVL's project

There is no doubt that Africarriers' Board of Directors and Day-to-day Management Team is determined to and has ability to manage the Company's proposed CHMVL's project. Having been in the motor trade for more than thirty-eight (38) years since its incorporation and setting up shop at current premises is vivid testimony that the Company's Board of Directors and its Management team know the game of managing a fleet of motor vehicles. In addition, the Company is aware of what is happening in the industry in view of various events in the country's economy. With the strategic investment of upgrading the central railway line to an SGR one, from Dar Es Salaam to Kigoma, the prospects of more cargo from and to Burundi, Rwanda and Eastern Democratic Republic of Congo being routed via Tanzania are now greater than ever before. So Africarriers' Management knows this and is planning to benefit from that increase.

12.2 Success factors external to Africarriers

Success factors that are external to Africarriers for its proposed CHMVL's project are as listed below.

- (a) Continued growth of Tanzania's economy as whole at a growth rate of not less than 5% annually for the period from year 2024 to the end of the projected operational period of the project of year 2031;
- (b) Continued growth rate of the Tanzania's transportation sector in particular, and especially that of road transport, at annual growth rates that are higher than that of the whole economy of Tanzania that will be prevailing during the projected period of the project from year 2024 to the end of the projected operational period of the project of year 2031;
- (c) Continued counterpart annual growth rates of the economies of Tanzania's neighbouring countries that route their imports and exports via Tanzania;
- (d) Continued friendly relations – diplomatic and non-diplomatic ones – between Tanzania and all of its neighbouring countries;
- (e) Tanzania's ability to complete its strategic investment in the SGR railway system from Dar es Salaam to Mwanza and Kigoma as well as making greater increases in the productivity of its ports, especially those of D'Salaam, Kigoma, Mwanza and Tanga as well as also converting the Tanga-Arusha railway line into an SGR one and investing in a new SGR railway line from Mtwara port to Songea.

13.0 CONCLUSIONS AND RECOMMENDATIONS

In the context of chapters two to chapter twelve herein above, a number of conclusions in respect of Africarriers proposed CHMVL project may be drawn up. These conclusions are in subsequent sections here below.

13.1 Conclusions

At the outset, chapter indicates that the growth and contribution of the Country cargo transportation sector is a growing sector in that it has been growing every albeit at a lower rate than that of the whole economy. This notwithstanding it shows that investing in this sector is a good thing as there is high probability of your investment becoming profitable due to being in a growing economic sector. Furthermore, chapter five has demonstrated that Africarriers proposed CHMVL project has a market to service as based on the assumptions for determining the number of additional cargo haulage motor vehicles required for net cargo after that transported by rail and air is growing every year. So it is comforting to invest in the cargo haulage motor vehicles sector.

And yet again, from a commercial and financial viability point of view, the Company's proposed CHMVL project is expected to be a cash-cow that is going to generate surplus cash at the end of each operational year during the whole projected period of its operations. Also it is expected to have an internal rate of return of 35.33% which is higher than the country's single digit loan interest rate of 9% per annum that is offered by some of the local banks in Tanzania such as the Tanzania Agricultural Development Bank and the East African Development Bank.

Still more, the project's impact to the country's economy is positive. As for its impact on the environment, this is also expected to be friendly.

Finally, to cap it all, the success factors – both internal and external to the Promoter of this project - of this project appear to be already in place.

13.2 Recommendations

In the context of section 13.1 above, the Tanzania Investment Centre, the country's gateway to Tanzania's new investments should without undue delay in approving the Company's application for its request for a Certificate of Approved Enterprise so that the Company proceeds to get this project up and running at the first available opportunity.