

FEASIBILITY STUDY

FOR

**MOBIKEY TRUCK AND BUS
LIMITED**

(TRANSPORTATION SERVICES)

**PREPARED BY
MOBIKEY TRUCK AND BUS LIMITED,
DAR ES SALAAM**

MOBIKEY TRUCK AND BUS LIMITED

1.0. EXECUTIVE SUMMARY.

M/S **MOBIKEY TRUCK AND BUS LIMITED** is a company registered in the country under the Companies Act, Cap 212 and bears Certificate of Incorporation No. 140593 issued on 22nd January 2018.

The project promoters are well established business in Dar es Salaam carrying out various businesses but majoring in Transportation sector as an authorized importer and distributor of MAN trucks and buses, HYUNDAI Equipment, RANDON Trailers and POWERTRAC Tractors.

This document has been prepared to serve as a business plan for Ms. **MOBIKEY TRUCK AND BUS LIMITED** for their transportation sector business project. The implementation of this project will comprise of the following activities:-

- The purchase of trucks, buses, tractors, construction equipment and trailers from the brand producers,
- The construction of a modern workshop, office and staff quarters
- Equipping the company with relevant facilities

1.1. THE PROJECT PROMOTERS

The shareholders of this project are all entrepreneurs with a diverse professional and business backgrounds. The company is owned by 2 shareholders, namely:-

S N	Names	Nationality	Share s
1	Carlos Alberto De Magarhaes	Portuguese	40
2	Angelo Queiros Perreira	Portuguese	50
3	Jose Manuel Ferreira Garcia	Portuguese	10

1.2. Location.

The project head office is located at Plot No.1829 Block 33A House No.3334, Buguruni Ward, Ilala district, Dar Es Salaam. The premises have adequate space for the project requirement of vehicles parking yard, garage, offices, and workshop for repairing and servicing the company's fleet of vehicles.

1.3. Targeted Markets.

The targeted markets of the project are Tanzanian firms and Individuals, the neighboring landlocked countries of Tanzania. The neighboring countries that are the target of this project are specifically DRC, Malawi, Zambia, Burundi, Rwanda and Uganda, including some hinterland parts of Tanzania.

Poor transport and communication infrastructure are said to be the major causes of low levels of intraregional trade in Eastern Africa. It is in view of this that, despite poor road infrastructure linking these countries that MOBIKEY TRUCK AND BUS LIMITED LTD has resolved to invest in import of trucks and buses for the transport sector so as to provide a solution that would lead to stimulating the said intraregional trade. Also, construction and Agricultural sector will benefit from Machineris and Tractors we import.

2.0. PROJECT DETAILS

2.1. INTRODUCTION

Tanzania is the largest country in East Africa that is geographically strategically located in relation to her neighbors. Because of the above-mentioned factor, the country's transportation system is also used to serve landlocked neighbors, i.e. countries of Uganda, Rwanda, Burundi, Eastern D. R. of Congo, Northern parts of Zambia, Malawi and some northern parts of Mozambique.

The transport sector plays a critical role in the social and economic development of a country. Transport provides links between centers of production and those of consumption, markets, in the economic sectors such as agriculture, industry mining and tourism. It facilitates the flow of goods and people along the import/export corridors that link the coastal ports and landlocked countries. Transport equally provides access to employment, health, education, recreation and other services. Therefore, one is rightly justified to conclude that "without a good transportation system the development of a country is impossible. What roads and railways are to a country's development is like what the blood system is to the human body'

It is quite gratifying to note that the Government of Tanzania realizes the role of the transport sector for its economic and

social development, and as a result has developed a Transport Sector Programme which will be very instrumental in improving the business and investment environment in the transport sector.

En resume, we can say that MOBIKEY TRUCK AND BUS LIMITED LTD, has a major objectives the following:-

- To promote trade between Tanzania and her neighbors
- To procure foreign currency for the country in the course of its business transactions.
- To provide extra employment to more people in the sector.

3.0. THE PROJECT

The project's objective is to import vehicles, equipments and Tractors, mostly from Europe, and sell and service them for an affordable price in Tanzania, thence to stimulate Tanzania economy

4.0. INVESTMENT AND FINANCING USD. 4,393,500/=

For the project to be a reality a total investment amounting to USD 4,393,500/= including a working capital investment of USD. 1,000,000/= is needed.

(i) Land and Building: USD. 480,000/=

The project is going to construct project buildings, including services garage on its plot at the cost of USD. 480,000/=, out of which:-

- USD. 200,000 will be for the acquisition and development of project premises
- USD 190,000 for construction of a motor service workshop and project offices.

- USD 60,000 for fencing the project site. This is important for the overall security of the project assets.
- USD 30,000 for the construction two residential blocks for workers accommodation.

(ii) Machinery and Equipment: USD. 500,000/=

Some USD 500,000 is anticipated to be spent on the purchase of various garage machinery and equipments. The equipment for the mechanical workshop will include things like a diesel pump, lathe and panel beating and spray facilities, tyre retreating plants.

Also to be included is the purchase of a welding and grinding machine, compressors, both mobile and stationery, iron sheet folding machine and other general tools and equipment. Mr. Hashim the project director, is an experienced motor vehicle dealer so he perfectly knows the right type of equipment for him.

(iii) Motor Vehicles: USD. 400,000/=

The project will need several vehicles at the estimated cost of USD. 400,000/= for official works.

MOTOR VEHICLES TO BE IMPORTED YEARLY

	PRICE USD	UNIT	TOTAL
MAN Trucks/Bus	100,000	10	1,000,000
RANDON Trailers	38,000	10	380,000
HYUNDAI Equipments	150,000	10	1,500,000
POWERTRAC Tractors	41,000	3	123,000
TOTAL			3,003,000

(iv) Pre-Operational Expenses: USD. 10,000/=

These will come to about Tshs. 16 million and they cover things like company registration, expenses spent by MOBIKEY TRUC AND BUS LIMITED in exploring the viability of the project, especially the market/client identification exercise done in those countries targeted to be served. This Pre-operational cost item also covers the architectural designs of project buildings and other engineering services. Also included under this item are issues like consultancy fees, legal fees and recruitment and training costs of personnel.

4.1. FINANCING PATTERN

The loan will be negotiated and acquired from one of the foreign banks operating in the country. Also, directors from their respective companies (JAP International B.V of Netherland, Mobikey trucks and bus Limited of Uganda) will finance this project.

	FOREIGN (USD)	LOCAL
EQUITY	3,177,500	NA
LOAN	1,216,000	NA
TOTAL	4,393,500	

INVESTMENT SUMMARY SCHEDULE

	TOTAL
Land & Buildings	480,000
Machineries	500,000
Motor Vehicle	400,000
Working Capital	3,003,000
Pre-Occupational	10,500
TOTAL	4,393,500

5.0. TECHNICAL ASPECTS

5.1. Location

The proposed project will be established on Plot No.1829 Block A33, House No.3334 at Buguruni ward, Ilala district, Dar es Salaam. The location is ideal; it is accessible from every corner of Tanzania.

5.2. IMPLEMENTATION

Project implementation is expected to be relatively very short once TIC approval is received. Currently, the supplier of the trucks, buses, tractors etc has already been identified and supply is awaiting word from the project promoters. In this respect, delivery can be done in less than 18 months once the sources of financing have been confirmed.

6.0. MANPOWER AND ORGANIZATION STRUCTURE

The project will be managed by a Board of Directors of MOBIKEY TRUCK AND BUS LIMITED. The Board, like all other boards is responsible for the formulation and supervision of company policies and guidelines. The project's day to day operations will be under the supervision of Management under its Managing Director Mr. Angelo.

The project's employee requirement is estimated to be 62 people in number, as shown below:-

SN	CATEGORY	NUMBER
1	DIRECTORS	3
2	MANAGERS	3
2	SECRETARY	2
3	MARKETING OFFICERS	15
4	ACCOUNTANT	5
5	MECHANICAL ENGINEER	3
6	MECHANICS	10
6	CLEANING	5
7	MESSENGER	2
8	DRIVER	8
9	OTHERS	6
	TOTAL	62

remunerates its workers. In order to ensure timely delivery of consignments, provision of goods service to customers, Management will provide on the job training in the field of motor vehicle maintenance and will provide bonus and other incentives as a means of instilling and boosting employee work morale.

6.1. ORGANIZATION STRUCTURE

The project's operations will be managed through the Board of Directors, while the day to day activities of the project will be supervised by the Project Manager. He will also be in-charge of the financial issues of the project. Under him will be the Administration department and the operations department headed by the Technical Manager.

7.0. PROJECT OPERATING COSTS

In order to realize its intended objective, the project will have to meet the following operating costs.

(i) Salaries and Wages USD 109,800/=

The project will engage 62 people. These project employees range from the Project Manager down to marketing officers, accountants, Secretaries, Engineers and technicians, drivers, messengers and watchmen.

(ii) Utilities USD. 39,000/=

Considered here are water and electricity which together will cost USD 39,000/= annually respectively.

(iii) Administrative & Advertising

A portion of USD. 90,000 is to be used in advertising the project and also for administrative purposes, for instance, Public Relations' contributions, charity donations, etc.

(iv) Office Expenses

For the day to day operations of the project USD 18,000/= will be required annually to pay for telephone, fax, stamps, stationeries, etc.

(v) Importation

Importation of vehicles and machineries will cost USD 3,003,000. This will involve buying, port charges and maintenance costs.

8.0. MARKET AND MARKETING

The project's earmarked clientele is in the land locked neighboring countries of Malawi, Zambia, Democratic Republic of Congo, Burundi, Rwanda and even Uganda. Management has already explored these markets and is confident it can conduct profitable business with them.

The Marketing team will be vibrant and active all over East African countries, considering this company had a branch in Kampala. Commercial platforms will be

9.0. FINANCIAL ASPECTS FOR THE PROJECT

(i) Projected Profit and Loss Statement

The attached Appendix I shows the projected income for the 8 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from USD. 673,682/= to USD. 5,471,176/= in the 8th year.

(ii) Projected Cash Flows

The project's cash flows are shown in Appendix II. They depict a good liquid position right from the first year. Cash accumulation builds up from USD. 1,110,907/= in the first year to USD. 8,184,976/= at the end of 8 years of the project's operations based on the 20 trucks obtained in the first phase.

(iii) Internal (After Tax) Rate of Return

The project has an after tax internal rate of return that is over 18.9175%, while the bank loan carries an interest rate of 12.5% per year. Therefore, with an internal rate of return which is more than the cost of capital the project is very acceptable and encouraging.

(iv) Payback Period

PAYBACK PERIOD: USD.

YEAR	PROFIT AFTER TAX	DEPRECIATION	CASH FLOWS	ACCUMULATED CASHFLOW
1	637,682	473,225	1,110,907	1,110,907
2	637,682	473,225	1,110,907	2,221,814
3	656,162	473,225	1,129,387	3,351,201

Total investment is USD. 4,393,000/=, cash accumulation in year 3 is USD. 5,934,000 which is more than the initial investment by USD. 1,541,000/=. The project payback Period is exactly two years and half months only.

The project has a relatively short payback period. It is remarkably impressing for a project whose investment is as big as USD. 2,653,000/= being recovered in less than 3 year.

11.0. ECONOMIC ASPECTS OF THE PROJECTS

Besides the financial/monetary returns to the owners, there are other benefits to be derived for the whole country viz.

(i) Employment Opportunities

Employment and poverty reduction are among the major concern of the Central and the Local Government authorities. It is gratifying to note that MOBIKEY TRUCK AND BUS LIMITED, is going to provide additional employment to 56 people all of whom will be nationals. This is a significant contribution coming from local investors.

(ii) Revenue to the Government

The Project is expected to pay a substantial annual amount in the form of corporation tax amounting to USD. 2,344,624/= during the project's eight years covered under our project review.

12.0. CONCLUSION AND RECOMMENDATION

12.1. Conclusion

- (i) The project is profitable and contributes to government revenue by way of taxes.
- (ii) The project has a sound after tax internal rate of return of 18.9175% that is above the cost of capital at 12.5%.
- (iii) The project provides employment to 62 people, majority being Tanzanians.
- (iv) The project is an encouraging sign to prove that we have local investors who have confidence in their country. Tanzania so much so that they are ready to invest such large sums of investment despite the odds of the sector in question.

13.0. RECOMMENDATION

After the foregoing economic and financial evaluation of the project, we strongly recommend that this project be implemented and be given all the support required by all the concerned Government Ministries and Agencies, including the Tanzania Revenue Authority, LATRA, etc.. The project deserves this support because of its viability, since it is technical feasible, economically viable and socially acceptable.

APPENDIX I**MOBIKEY TRUCK AND BUS LIMITED
PROJECTED PROFIT AND LOSS STATEMENT****USD.**

Year	1	2	3	4	5	6	7	8
Revenue	5,934,000	5,934,000	5,934,000	5,934,000	5,934,000	5,934,000	5,934,000	5,934,000
Operating Costs	4,417,800	4,417,800	4,417,800	4,417,800	4,417,800	4,417,800	4,417,800	4,417,800
Operating Profit								
Less: C/Charges	1,516,200	1,516,200	1,516,200	1,516,200	1,516,200	1,516,200	1,516,200	1,516,200
Depreciation	473,225	473,225	473,225	473,225	473,225	473,225	473,225	473,225
Interest	132,000	132,000	105,600	79,200	52,800	26,400	0	0
Total	605,225	605,225	578,825	552,425	526,025	499,625	473,225	473,225
Profit Before								
Tax	910,975	910,975	937,375	963,775	990,175	1,016,575	1,042,975	1,042,975
Corporate Tax								
30%	273,293	273,293	281,213	289,013	297,053	304,973	312,893	312,893
Profit After Tax	637,682	637,682	656,162	674,762	693,122	711,602	730,082	730,082
Retained Earnings	637,682	1,275,364	1,931,526	2,606,288	3,299,410	4,011,012	4,741,094	5,471,176

APPENDIX II**MOBIKEY TRUCK AND BUS LIMITED
PROJECTED CASH FLOWS****USD.**

ITEM/YEAR	1	2	3	4	5	6	7	8	9
Cash Inflows									
Equity	3,177,500								
Loan	1,216,000								
Depreciation		473,225	473,225	473,225	473,225	473,225	473,225	473,225	473,225
Profit B/Tax		2,910,975	1,908,515	1,937,375	1,963,775	1,990,175	2,016,575	2,042,975	2,042,975
Total Inflows		2,384,200	2,381,730	2,384,200	2,410,600	2,437,000	2,463,400	2,488,800	2,515,200
Investment	4,393,500								
W/Capital			3,003,000						
L/Repayment		0	211,200	211,200	211,200	211,200	211,200	211,200	211,200
Corp. Tax		273,293	273,293	281,213	289,013	297,053	304,973	312,893	312,893
Total Outflows		273,293	497,493	492,413	500,213	508,253	516,173	312,893	312,893
NET FLOWS	0	1,110,907	886,707	918,187	936,787	955,147	972,627	1,202,307	1,202,307
CUMULATIVE	0	1,110,907	4,871,693	2,915,801	3,852,588	4,807,735	5,780,362	6,982,669	8,184,976

APPENDIX III

**MOBIKEY TRUCK AND BUS LIMITED
PROJECTED CASH FLOWS**

USD

ITEM/YEAR	1	2	3	4	5	6	7	8	9
INFLOWS									
Profit Before Tax	0		910,975	910,975	963,775	990,175	1,016,575	1,042,975	1,042,975
Salvage Values	0	0	0	0	0	0	0	0	0
Total Inflows	0	910,975	910,975	937,375	963,775	990,175	1,016,575	1,042,975	1,042,975
OUTFLOWS									
Investment	4,393,500	0	0	0	0	0	0	0	0
Corporation Tax	0	273,293	273,293	281,213	289,013	297,053	304,973	312,893	312,893
Total Outflows	2,653,000	273,293	273,293	281,213	289,013	297,053	304,973	312,893	312,893
Net Flows	(1,740,500)	637,682	637,682	656,162	674,762	693,122	711,602	730,082	730,082
D/Factor@ 30%	1.0	0.7692	0.5917	0.4552	0.3510	0.2693	0.2072	0.1594	0.1226
NPV: (710,273)	(1,740,500)	490,505	377,317	298,685	236,235	186,658	147,444	116,375	89,508
D/F@ 20%	1.0	0.8333	0.6944	0.5787	0.4822	0.4019	0.3349	0.2791	0.2326
NPV: (101,255)	0	513,381	442,807	379,721	325,371	278,566	238,316	203,766	169,817
D/F at 15%	1.0	0.8696	0.7561	0.6575	0.5717	0.4972	0.4323	0.3760	0.3269
NPV: 366,294		554,529	482,152	431,429	385,762	344,621	307,626	274,511	238,664

ANNEXURE I**MOBIKEY TRUCK AND BUS LIMITED
PROJECT CAPITAL INVESTMENT****USD `000`**

ITEM	LOCAL	FOREIGN	TOTAL
Land & Buildings		480,000	480,000
Motor Vehicles		400,000	1,500,000
Machineries		500,000	180,000
Pre-Operational Cost		10,500	10,500
Total Fixed Investment			
W/Capital		3,003,000	3,003,000
Total Investment			4,393,500

ANNEXURE II**PROPOSED FINANCING PATTERN**

SOURCE OF FUNDS	FOREIGN	LOCAL	TOTAL
Equity	3,177,500		3,177,500
Loan	1,216,000		1,216,000
TOTAL	4,393,500		4,393,500

ANNEXURE III**MOBIKEY TRUCK AND BUS LIMITED
LOAN AND INTERESTS REPAYMENT SCHEDULE****USD**

YEAR	OPENING BALANCE	LOAN REPAID	CLOSING BALANCE	INTEREST AT 12.5%	TOTAL INTEREST LOAN PAID
1	1,216,000	0	1,216,000	152,000	152,000
2	861,300	354,700	861,300	107,663	107,663
3	506,600	354,700	151,900	18,988	18,988
4	151,900	151,900	0	0	0

ANNEXURE V**MOBIKEY TRUCK AND BUS LIMITED
WORKING CAPITAL REQUIREMENT****USD.**

ITEM	BASIS	1	2	3
CURRENT ASSETS				
Spares	Two weeks	57,058	57,058	57,058
Fuel	Two weeks	91,293	91,293	91,293
TOTAL STOCKS		148,351	148,351	148,351
DEBTORS				
Receivables	1 weeks' Revenue	114,116	114,116	114,116
TOTAL CURRENT ASSETS		262,467	262,467	262,467
CURRENT LIABILITIES				
Trade Creditors	2 weeks' Revenue	28,231	28,231	28,231
Utilities	One month	3,250	3,250	3,250
Salaries	Two months	18,300	18,300	18,300
TOTAL CURRENT LIABILITIES		149,781	149,781	149,781
NET W/CAPITAL		12,686	12,686	12,686
CHANGE IN W/CAPITAL		100,000	0	0

ANNEXURE VI

**MOBIKEY TRUCK AND BUS LIMITED
PAYBACK PERIOD**

USD.

YEAR	PROFIT AFTER TAX	DEPRECIATION	CASH FLOWS	ACCUMULATED CASHFLOW
1	637,682	473,225	1,110,907	1,110,907
2	637,682	473,225	1,110,907	2,221,814
3	656,162	473,225	1,129,387	3,351,201