

FIRST VISION (T) LIMITED

BUSINESS PLAN

FOR

TRANSPORTATION PROJECT

1.0. **EXECUTIVE SUMMARY.**

FIRST VISION (T) LIMITED is a company registered in the country under the Companies Act 2002 and bears Certificate of Incorporation No. 113734 issued on 12th December, 2014.

The project promoters are well-established businesses in Tanzania engaged in the transport logistics business and they see a very bright future in the transport sector.

This document has been prepared to serve as a business plan for FIRST VISION (T) LIMITED for their transport project. The implementation of this project will comprise of the following activities:-

- The purchase of 300 trucks to be done in phases,
- The construction of a modern workshop and office
- The purchase of 2 cranes
- The purchase of 5 pick up
- The purchase of 2 Hardtop
- The purchase of 2 break down
- The purchase of 1 set of CCTV
- The purchase of 1 generator
- Equipping the company with relevant facilities

The proposed project comprising the purchase of **300 trucks** is estimated to cost about **US\$26,520,000**. The project sponsors will provide US\$ 7,956,000 of this investment while the US\$ 18,564,000 will be sought from financial resources institutions.

1.1 THE PROJECT PROMOTERS

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

Name	Nationality	No of Shares
Mary Nicholaus Chacha	Tanzania	60
Leonard Nobert Nyarufunjo	Tanzania	44

1.2 Location.

The project head office will be located at **Plot No.76 & 77 Lumumba Street, Ilala, Dar es Salaam**

1.3 Targeted Markets.

The targeted markets of the project are the neighboring landlocked countries of Tanzania and to a small extent the hinterland 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.

It is in view of this that, despite poor road infrastructure linking these countries that **FIRST VISION (T) LIMITED** has resolved to invest in the transport sector so as to provide a solution that would lead to stimulating the said intraregional trade. The project is expected to offer a challenge to the business community to enhance intraregional trade between Tanzania and these countries.

2 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 lie 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 that will be very instrumental in improving the business and investment environment in the transport sector.

It is alleged that poor transport and communication infrastructure are the major causes of low levels of intraregional trade in Eastern Africa. It is given that, despite this poor infrastructure, **FIRST VISION (T) LIMITED**. Has resolved to assist in providing a solution to stimulate the said intraregional trade.

In summary, we can say that **FIRST VISION (T) LIMITED** has 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 have a fleet of vehicles a total of **300 trucks** each with a trailer. The trucks will be sourced mostly UK. The trucks, together with their trailers will be procured in phases.

This study is based on the **300trucks**. It has been estimated that full-scale operations of the **300 trucks** are expected to meet at least **6,600 trips** annually, their destinations being Tanzania's landlocked neighboring countries of Malawi, Zambia, Burundi, Rwanda the Democratic Republic of Congo, etc.

3.1 PROJECT SPONSORS

FIRST VISION (T) LIMITED is owned by three individuals, all of whom are Tanzanians. **FIRST VISION (T) LIMITED** shareholders have adequate experience in running the business of motor vehicles as such are well versed in this line of business.

4.0 INVESTMENT AND FINANCING US\$ 26,520,000.00

For the project to be a reality a total investment amounting to **US\$26,520,000** the summary is found in the schedule.

FIRST VISION (T) LIMITED COST STRUCTURE US\$

Land and Buildings	500,000.00
Machinery & Equipment	1,000,000.00
Motor Vehicles	24,000,000.00
Furniture & Fixtures	5,000.00
Pre exp	10,000.00
Others	5,000.00
Working Capital	1,000,000.00
TOTAL	26,520,000.00

4.1 FINANCING PATTERN

The financing pattern being considered is that involving the purchasing of **300 trucks** and their trailers. The project will be financed both by equity and loan. Equity contribution will constitute US\$ 7,956,000, while the remaining US\$ 18,564,000 will be in the form of a loan.

The loan will be negotiated and acquired from one of the domestic financial institutions. The project sponsors expect to procure this loan on the following terms and conditions:-

Loan Amount: **US\$ 18,564,000**

Interest Rate: 8% annually

5.0 TECHNICAL ASPECTS

5.1 Location

The proposed project offices will be established on **Plot No.76 & 77 Lumumba Street, Ilala, Dar es Salaam**

5.2 Sources of Technology

All the project's trucks will be procured from the U.K., Sweden, China, and Turkey. The envisaged trucks will be either Scania trucks with trailers.

5.3 IMPLEMENTATION

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

6.0 MANPOWER AND ORGANIZATION STRUCTURE

The project will be managed by a Board of Directors of **FIRST VISION (T) 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 the Managing Director.

The project's employee requirement is estimated to be **320** people in number, as shown below:-

As can be seen above the Company handsomely remunerates its workers. To ensure timely delivery of consignments and provision of goods service to customers, Management will provide on-the-job training in the field of motor vehicle maintenance and will provide bonuses 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 Managing Director. Assisted by Finance & Administration Director and Director of Technical & Operations

7.0 PROJECT OPERATING COSTS

To realize its intended objective the project will have to meet the operating costs estimated to be 75% of total revenue.

8.0 MARKET AND MARKETING

The project's earmarked clientele is in the landlocked 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 project management plans for all vehicles several trips per month. The number of trips and the cost of the trip are determined by both the trip's destination and the nature of the road involved. All in all, a total of **6,600 trips** will be made. Each truck will transport a minimum of **28 tons** per trip. The routes are priced according to distance and the status of the road in question. It has however been conservatively assumed that all foreign destinations will have a flat rate charge of US \$ 5000 per trip.

9.0 REVENUE ASSUMPTIONS

- 300 trucks each make two trips per month. Each trip will cost **US \$ 5000**, The number of trips assumed here, is just a conservative estimate. With the expected improvement of the roads and in general operations coupled with the driver's gaining experience in long-distance travels, the number of trips per truck will be raised. This will have a tremendous impact on the Company's expenditure and earnings. However, this scenario is not the subject of the current study.

10.0 FINANCIAL ASPECTS OF THE PROJECT

(i) Projected Profit and Loss Statement

The schedule below shows the projected income for the 8 years. The position depicted is that the project earns profit throughout its life. Accumulated after-tax profits grow from. **US\$ 1,885,716** to **US\$ 26,400,947** in the 8th year

FIRST VISION (T) LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT US\$

	1	2	3	4	5	6	7	8
Revenue	33,000,000	34,650,000	36,382,500	38,201,625	40,111,706	42,117,292	44,223,156	46,434,314
Operating Expenses:	26,400,000	27,720,000	29,106,000	30,561,300	32,089,365	33,693,833	35,378,525	37,147,451
Profit before Depreciation & Interest	6,600,000	6,930,000	7,276,500	7,640,325	8,022,341	8,423,458	8,844,631	9,286,863
Interest	1,485,120	1,272,960	1,060,800	848,640	636,480	424,320	212,160	-
Depreciation	2,421,000	2,421,000	2,421,000	2,421,000	2,421,000	2,421,000	2,421,000	2,421,000
Gross Profit	2,693,880	3,236,040	3,794,700	4,370,685	4,964,861	5,578,138	6,211,471	6,865,863
Tax (30%)	808,164	970,812	1,138,410	1,311,206	1,489,458	1,673,441	1,863,441	2,059,759
Profit After Tax	1,885,716	2,265,228	2,656,290	3,059,480	3,475,403	3,904,697	4,348,030	4,806,104
Accumulated Profit	1,885,716	4,150,944	6,807,234	9,866,714	13,342,116	17,246,813	21,594,843	26,400,947

(ii) Projected Cash Flows

The project's cash flows depict a good liquid position right from the first year. Cash accumulation builds up from **US\$ 6,043,836** in the first year to **US\$ 54,115,802** at the end of the 8th year of the project's operations based on the 300 trucks.

FIRST VISION (T) LIMITED PROJECTED CASH FLOW

SOURCES:		1	2	3	4	5	6	7	8
Profit before interest and depreciation	-	6,600,000	6,930,000	7,276,500	7,640,325	8,022,341	8,423,458	8,844,631	9,286,863
Equity	7,956,000								
Loan	18,564,000								
Total Sources	26,520,000	6,600,000	6,930,000	7,276,500	7,640,325	8,022,341	8,423,458	8,844,631	9,286,863
Applications:									
Capital expenditure	25,510,000	-	-	-	-	-			
working Capital & Others	1,010,000								
Cash	-	6,043,836	6,223,788	6,415,920	6,620,841	6,839,190	7,071,640	7,318,894	7,581,693
Tax	-	556,164	706,212	860,580	1,019,484	1,183,151	1,351,819	1,525,737	1,705,170
Sub total	26,520,000	6,600,000	6,930,000	7,276,500	7,640,325	8,022,341	8,423,458	8,844,631	9,286,863
Total applications	26,520,000	6,600,000	6,930,000	7,276,500	7,640,325	8,022,341	8,423,458	8,844,631	9,286,863
Accumulated cash		6,043,836	12,267,624	18,683,544	25,304,385	32,143,575	39,215,215	46,534,109	54,115,802

(iii) Projected Balance Sheet

The project's owners' equity grew from US\$ **7,956,000 in** the first year to **US\$ 34,356,947** at the end of the 8th year of the project's operations based on the 50 trucks.

FIRST VISION (T) LIMITED PROJECTED BALANCE SHEET US \$

Fixed Assets	-								
Opening balance	-	25,510,000	23,089,000	20,668,000	18,247,000	15,826,000	13,405,000	10,975,000	8,545,000
Total Long-term Assets	-	25,510,000	23,089,000	20,668,000	18,247,000	15,826,000	13,405,000	10,975,000	8,545,000
Less depreciation	-	2,421,000	2,421,000	2,421,000	2,421,000	2,421,000	2,421,000	2,421,000	2,421,000
Closing balance	-	23,089,000	20,668,000	18,247,000	15,826,000	13,405,000	10,984,000	8,554,000	6,124,000
Working capital	1,010,000	1,010,000	1,010,000	1,010,000	1,010,000	1,010,000	1,010,000	1,010,000	1,010,000
Accumulated cash	-	6,043,836	12,267,624	18,683,544	25,304,385	32,143,575	39,215,215	46,534,109	54,115,802
Total assets	1,010,000	30,142,836	33,945,624	37,940,544	42,140,385	46,558,575	51,209,215	56,098,109	61,249,802
Financed by									
Equity	7,956,000	7,956,000	7,956,000	7,956,000	7,956,000	7,956,000	7,956,000	7,956,000	7,956,000
Accumulated profit	-	1,885,716	4,150,944	6,807,234	9,866,714	13,342,116	17,246,813	21,594,843	26,400,947
Total equity	7,956,000	9,841,716	12,106,944	14,763,234	17,822,714	21,298,116	25,202,813	29,550,843	34,356,947
Long term loan	18,564,000	15,912,000	13,260,000	10,608,000	7,956,000	5,304,000	2652000	0	0
Total debts	18,564,000	15,912,000	13,260,000	10,608,000	7,956,000	5,304,000	2,652,000	-	-
Total equity and debts	26,520,000	25,753,716	25,366,944	25,371,234	25,778,714	26,602,116	27,854,813	29,550,843	34,356,947

(iv) Payback Period

Total investment is **US\$26,520,000** cash accumulation in year 6 is **US\$ 31,772,813** which is more than the initial investment by **US\$5,252,813**. The project payback Period is within three years, for and half months only.

FIRST VISION (T) LIMITED PAYBACK PERIOD: US\$

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	1,885,716	2,421,000	4,306,716	4,306,716
2	2,265,228	2,421,000	4,686,228	8,992,944
3	2,656,290	2,421,000	5,077,290	14,070,234
4	3,059,480	2,421,000	5,480,480	19,550,714
5	3,475,403	2,421,000	5,896,403	25,447,116
6	3,904,697	2,421,000	6,325,697	31,772,813
7	4,806,104	2,421,000	7,227,104	38,999,917

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 concerns of the Central and Local Government authorities. It is gratifying to note that **FIRST VISION (T) LIMITED** is going to provide additional employment to **320** people. 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 during the project's eight years covered under our project review.

(iii) Foreign Exchange Earning

Since the project's clientele is mostly towards neighboring countries the project will thus earn foreign currency for the United Republic of Tanzania. Out of all project expected cargo overhauling transactions will be settled in foreign currencies

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
- (iii) The project employs **320** people all of whom are national Tanzanians.
- (iv) The project is an encouraging sign to prove that we have investors who have confidence in this 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, TRA, and the Tanzania Investment Centre – (TIC). The project deserves this support because of its viability since it is technically feasible, economically viable, and socially acceptable.

