

BUSINESS PLAN

FOR

CARGO
TRANSPORTATION

EXPANSION PROJECT

FOR

HEROCEAN
ENTERPRISES (T) LTD

1. BUSINESS OVERVIEW

Herocean Enterprises (T) Ltd registered in Tanzania in April 2010 is located in Block 24A, Nyerere road, Ilala Dar es salaam offers transportation services throughout the East and Central Africa. With a total of 58 trucks ranging from light to heavy, Herocean Enterprises (T) Ltd can meet any transportation need and works with small to large sized businesses. Timeliness, security, and cost-efficiency are the main driving factors for the success of Herocean Enterprises (T) Ltd.

The landlocked countries of the region are characterized by large trade imbalances, with export-import ratios below 30 percent, and an overwhelming reliance on road transport.

Through advanced technology, all transactions and deliveries are monitored to make sure that there are no delays or damages on the goods that are being transported. Every delivery is handled with the highest form of professionalism by a responsible and well-trained crew that strives to provide the best service and experience to every client.

Products Served

Herocean Enterprises (T) Ltd will be able to provide local and long-distance transportation services:

- General Freight
- Refrigerated Freight
- Dry Bulk Freight
- Bulk Liquids
- Customer Focus

Herocean Enterprises (T) Ltd will primarily serve manufacturers and distributors within the United Republic of Tanzania. The demographics of these customers are as follows:

- 300 manufacturing businesses
- 400 wholesale businesses
- 56 retail businesses

Management Team

Herocean Enterprises (T) Ltd is headed by its founder, **Senhua Song** who graduated from Fujian University with a degree in Business Administration. Prior to starting Herocean Enterprises (T) Ltd, **Senhua Song** worked as an operations manager at a freight logistics company 8 years where he was able to learn the ins and outs of the transportation industry. This experience will be the company's most valuable asset.

Success Factors

Herocean Enterprises (T) Ltd is uniquely qualified to succeed for the following reasons:

Herocean Enterprises (T) Ltd will fill a specific market niche in the growing manufacturing and wholesale industries.

In addition, we have surveyed the target market and received extremely positive feedback saying that they explicitly want to make use of our services when launched.

The U.R.T. has a robust business environment with a large number of businesses needing transportation services like ours

The management team has a track record of success in the trucking services business.

1. COMPANY OVERVIEW

Who is Herocean Enterprises (T) Ltd?

Herocean Enterprises (T) Ltd offers transportation services throughout the U.R.T. With a total of 58 trucks ranging from light to heavy, Herocean Enterprises (T) Ltd can meet any transportation need and works with small to large sized businesses. Timeliness, security, and cost-efficiency are the main driving factors for the success of Herocean Enterprises (T) Ltd. Through advanced technology, all transactions and deliveries are monitored to make sure that there are no delays or damages on the goods that are being transported. Every delivery is handled with the highest form of professionalism by a responsible and well-trained crew that strives to provide the best service and experience to every client.

Herocean Enterprises (T) Ltd's History

As the number of businesses grow in the U.R.T., the need for a reliable transportation vehicle also increases. In 2010, Senhua Song decided to meet this market need by investing in a small fleet of trucks to provide transportation services to small businesses. In 5 years, Senhua Song was able to grow its business to a fleet of 40 trucks.

Upon incorporation, Herocean Enterprises (T) Ltd was able to achieve the following milestones:

- Found a business location and signed Letter of Intent to lease it

- Developed the company's name, logo and website located at www.globalleadersupply
- Determined equipment and fixture requirements
- Began recruiting key employee

Herocean Enterprises (T) Ltd's Products/Services

Herocean Enterprises (T) Ltd has over 78 freight trucks in its fleet available for local and long distance trucking services. Each truck is regularly maintained to ensure the clients that their goods will be delivered on time and in best condition.

Herocean Enterprises (T) Ltd will be able to provide these local and long-distance transportation services:

- General Freight
- Refrigerated Freight
- Dry Bulk Freight
- Bulk Liquids

2. INDUSTRIAL ANALYSIS

The Trucking industry's performance mostly follows the Tanzania economy, so increases in consumer spending, manufacturing output and trade volumes have created high demand for industry services over the past five years. Further, increases in fuel prices positively affect the industry as revenue typically increases in line with fuel costs, as operators are dependent on fuel surcharge revenue. Higher manufacturing output and commodity prices have also presented another opportunity for operators.

Over the next five years, recovering manufacturing activity and greater retail spending are expected to ensure higher freight volumes for the Trucking industry, as retail inventory expands to satisfy growing consumer spending.

Further, rising trade volumes will likely increase shipments to and from Dar es salaam ports, requiring more trucking companies to move goods. These improvements are partially noted in the rise of the freight transportation services index, which is expected to increase at an annualized rate of 3.3%. As global and domestic shipping rates rise, the per-mile value of industry services is anticipated to rebound.

3. CUSTOMER ANALYSIS

Demographic Profile of Target Market

Herocean Enterprises (T) Ltd will primarily serve businesses within the U.R.T and East Africa in general that may need local and long distance transportation services for their products or supplies.

The business breakdown in the U.R.T. is as follows:

	All establishments
Total for all sectors	890
Agriculture, forestry, fishing and hunting	245
Mining, quarrying, and oil and gas extraction	367
Utilities	189
Construction	715
Manufacturing	290
Wholesale trade	409
Retail trade	164
Transportation and warehousing	373
Information	539
Finance and insurance	487
Real estate and rental and leasing	468
Professional, scientific, and technical services	149
Management of companies and enterprises	636
Administrative and support and waste management and remediation services	197
Educational services	157
Health care and social assistance	979
Arts, entertainment, and recreation	436
Accommodation and food services	267
Other services (except public administration)	648
Industries not classified	762

Customer Segmentation

We will primarily target the following customer segments:

Manufacturing businesses are currently among the fast growing sectors in the U.R.T and East Africa in general. This means that the need for trucking services is increasing to assure speedy transactions between businesses.

Wholesale Businesses- With the increase in manufacturing, wholesale businesses need reliable transportation to get goods downstream.

Retail businesses- Retail sales are booming in Tanzania. This sector requires reliable transportation to get the goods they need so they can consistently deliver products to consumers.

4. COMPETITIVE ANALYSIS

Direct & Indirect Competition

The diversity of prices billed by trucking firms on comparable loads and routes and the decline in prices over the past decade charged by trucking firms generally indicate at least some level of competition among trucking firms

Inadequate regulatory frameworks, shortcomings in their implementation, and established collusive business practices limit effective competition within the trucking industry. The sector is effectively divided between many small, informal

and inefficient transporters and a few larger and relatively efficient companies. The small informal and inefficient transporters rely on intermediaries and market organizers to find freight and, while this opaque allocation creates sizeable rents,

truckers typically only obtain barely break-even rates, and any reductions in transport costs fail to translate into reduced transport prices. Low profitability creates strong incentives for small truckers to resort to short-term survivalist behaviors, including through overloading of trucks beyond the legal axle load limit.

Overloading adversely affects the durability and safety of operations, damages the road network, and discourages containerization. Moreover, the regional regulatory and policy environment does not provide much incentive to offer effective and competitive transport services.

Competitive Advantage

Herocean Enterprises (T) Ltd enjoys several advantages over its competitors. These advantages include:

Location: Herocean Enterprises (T) Ltd's business is not limited to its location because it transports goods and services nationwide.

Client-oriented service: Herocean Enterprises (T) Ltd will have a full-time customer service and sales manager to keep in contact with clients and answer their everyday questions.

Management: Senhua Song has been extremely successful working in the industry and will be able to use his previous experience to provide the best sales and customer service experience. His unique qualifications will serve customers in a much more sophisticated manner than GLETL's competitors.

Relationships: Senhua Song knows many of the local leaders, business managers and other influencers within Tanzania. With his 8 years of experience and good relationships with business leaders in the area, he will be able to develop an initial client base.

5. MARKETING PLAN

The Herocean Enterprises (T) Ltd Brand

The Herocean Enterprises (T) Ltd brand will focus on the Company's unique value proposition:

- Client-focused trucking services, that treat each client individually and get the job done right the first time
- Service built on long-term relationships
- Thorough knowledge of our clients and their varying needs

Promotions Strategy

Herocean Enterprises (T) Ltd expects its target market to be individuals working and/or living within East Africa. The Company's promotions strategy to reach these individuals includes:

Publications

Herocean Enterprises (T) Ltd will announce its product launching several weeks in advance through publicity pieces in multiple newspapers and publications. Regular advertisements will run to maintain exposure to relevant markets.

Commuter Advertising

We will drive attention toward Herocean Enterprises (T) Ltd by renting billboard ad spaces along routes or highways that hold heavy traffic. Advertising on heavily traveled commute routes are an opportunity to alert large numbers of businesses of our opening.

Client Referral Programs

Herocean Enterprises (T) Ltd will create an aggressive client referral program that gives discounts to existing clients for every successful referral.

Direct Mail

Herocean Enterprises (T) Ltd will blanket businesses with direct mail pieces. These pieces will provide general information on Herocean Enterprises (T) Ltd, offer discounts and/or provide other enticements for people to use our services.

Online Marketing

Herocean Enterprises (T) Ltd will maintain a website and publish an update on on-going promotions, discounts and new feature upgrades on our fleet of trucks. It will invest resources in two forms of geographically-focused internet promotion—organic search engine optimization and pay-per-click advertising. The Company will develop its website in such a manner as to direct as much traffic from search engines as possible. Additionally, it will use highly-focused, specific keywords to draw traffic to its website.

6. OPERATION PLAN

Functional Roles

Herocean Enterprises (T) Ltd will carry out its operations at its headquarters in Dar es salaam, U.R.T. The business location will be used for sales, customer service, client meetings and bookings. It will house 65 full-time staff.

Senhua Song will work as the primary salesperson for the company's services, although the assistant manager and administrative assistant may be trained in sales activities over time.

The Company intends to employ 2 admin staff, 3 mechanics for the trucks' maintenance, 58 drivers and 2 security personnel. In order to execute on Herocean Enterprises (T) Ltd's business model, the Company's employees divide the following roles:

Service Functions

Assistant Manager – 1 Chinese

Mechanics – 2 Tanzanian

Drivers – 58 - Tanzanians

Customer service representatives - 2

Security personnel - 2

Administrative Functions

General & administrative functions including marketing, bookkeeping, etc.

Delivery scheduling

Milestones

Herocean Enterprises (T) Ltd's long term goal is to become the most reliable and cost-efficient trucking company in the U.R.T. We seek to be the standard by which other providers are judged.

7. MANAGEMENT TEAM

Management Team Members

Herocean Enterprises (T) Ltd is headed by its founder, **Senhua Song** who graduated from Fujian University with a degree in Business Administration. Prior to starting Herocean Enterprises (T) Ltd, **Senhua Song** worked as an operations manager at a freight logistics company 8 years where he was able to learn the ins and outs of the transportation industry. This experience will be the company's most valuable asset.

Hiring Plan

Senhua Song will serve as the Manager of Herocean Enterprises (T) Ltd. In order to launch, it needs to hire the following personnel:

Sales and customer service: 2 full-time employees to manage the day to day operations and customer service

Truck mechanics: 2 on-call experienced mechanics

Drivers: 53 Skilled, responsible drivers who are willing to travel locally or long-distance

8. FINANCIAL PLAN

PROJECT COST

The project has budgeted to cost the followings:

Land and Buildings 500,000.00

Machinery & Equipment 500,000.00

Motor Vehicles 300,000.00

Furniture & Fixtures 100,000.00

Pre exp 50,000.00

Others 50,000.00

Working Capital 7,000,000.00

TOTAL 8,500,000.00

Revenue and Cost Drivers

Herocean Enterprises (T) Ltd's revenues will come primarily from transportation services.

The lease and maintenance of the fleet of trucks and labor expenses are the key cost drivers of Herocean Enterprises (T) Ltd. The major cost drivers for the company's operation will consist of:

- *Salaries*
- *Truck leases and maintenance*
- *Lease on business location*

Ongoing marketing expenditures are also notable cost drivers for Herocean Enterprises (T) Ltd.

Capital Requirements and Use of Funds

Herocean Enterprises (T) Ltd is seeking a total funding of \$8,500,000 of debt capital to expand its trucking business. The capital will be used for funding capital expenditures and location build-out, hiring initial employees, marketing expenses and working capital.

The following table reflects the financial model:

Financial Model	Amount
Foreign Equity	2,500,000\$
Local Equity	2,000,000\$
Foreign Loan	3,000,000\$
Local Loan	1,000,000\$
Total Amount	8,500,000\$

5 Year Annual Income Statement

		Year 1	Year 2	Year 3	Year 4	Year 5
Revenues						
	Product/Service A	\$151,200	\$333,396	\$367,569	\$405,245	\$446,783
	Product/Service B	\$100,800	\$222,264	\$245,046	\$270,163	\$297,855
	Total Revenues	\$252,000	\$555,660	\$612,615	\$675,408	\$744,638
Expenses & Costs						
	Cost of goods sold	\$57,960	\$122,245	\$122,523	\$128,328	\$134,035
	Lease	\$60,000	\$61,500	\$63,038	\$64,613	\$66,229
	Marketing	\$20,000	\$25,000	\$25,000	\$25,000	\$25,000
	Salaries	\$133,890	\$204,030	\$224,943	\$236,190	\$248,000
	Other Expenses	\$3,500	\$4,000	\$4,500	\$5,000	\$5,500

		Year 1	Year 2	Year 3	Year 4	Year 5
	Total Expenses & Costs	\$271,850	\$412,775	\$435,504	\$454,131	\$473,263
EBITDA		(\$19,850)	\$142,885	\$177,112	\$221,277	\$271,374
	Depreciation	\$36,960	\$36,960	\$36,960	\$36,960	\$36,960
EBIT		(\$56,810)	\$105,925	\$140,152	\$184,317	\$234,414
	Interest	\$23,621	\$20,668	\$17,716	\$14,763	\$11,810
PRETAX INCOME		(\$80,431)	\$85,257	\$122,436	\$169,554	\$222,604
	Net Operating Loss	(\$80,431)	(\$80,431)	\$0	\$0	\$0
	Income Tax Expense	\$0	\$1,689	\$42,853	\$59,344	\$77,911
NET INCOME		(\$80,431)	\$83,568	\$79,583	\$110,210	\$144,693
Net Profit Margin (%)		-	15.00%	13.00%	16.30%	19.40%

5 Year Annual Balance Sheet

		Year 1	Year 2	Year 3	Year 4	Year 5
ASSETS						
	Cash	\$16,710	\$90,188	\$158,957	\$258,570	\$392,389
	Accounts receivable	\$0	\$0	\$0	\$0	\$0
	Inventory	\$21,000	\$23,153	\$25,526	\$28,142	\$31,027
	Total Current Assets	\$37,710	\$113,340	\$184,482	\$286,712	\$423,416
	Fixed assets	\$246,450	\$246,450	\$246,450	\$246,450	\$246,450
	Depreciation	\$36,960	\$73,920	\$110,880	\$147,840	\$184,800
	Net fixed assets	\$209,490	\$172,530	\$135,570	\$98,610	\$61,650
TOTAL ASSETS		\$247,200	\$285,870	\$320,052	\$385,322	\$485,066
LIABILITIES & EQUITY						
	Debt	\$317,971	\$272,546	\$227,122	\$181,698	\$136,273
	Accounts payable	\$9,660	\$10,187	\$10,210	\$10,694	\$11,170
	Total Liabilities	\$327,631	\$282,733	\$237,332	\$192,391	\$147,443
	Share Capital	\$0	\$0	\$0	\$0	\$0
	Retained earnings	(\$80,431)	\$3,137	\$82,720	\$192,930	\$337,623
	Total Equity	(\$80,431)	\$3,137	\$82,720	\$192,930	\$337,623

		Year 1	Year 2	Year 3	Year 4	Year 5
TOTAL LIABILITIES & EQUITY		\$247,200	\$285,870	\$320,052	\$385,322	\$485,066

5 Year Annual Cash Flow Statement

	Year 1	Year 2	Year 3	Year 4	Year 5
CASH FLOW FROM OPERATIONS					
Net Income (Loss)	(\$80,431)	\$83,568	\$79,583	\$110,210	\$144,693
Change in working capital	(\$11,340)	(\$1,625)	(\$2,350)	(\$2,133)	(\$2,409)
Depreciation	\$36,960	\$36,960	\$36,960	\$36,960	\$36,960
Net Cash Flow from Operations	(\$54,811)	\$118,902	\$114,193	\$145,037	\$179,244
CASH FLOW FROM INVESTMENTS					
Investment	(\$246,450)	\$0	\$0	\$0	\$0
Net Cash Flow from Investments	(\$246,450)	\$0	\$0	\$0	\$0
CASH FLOW FROM FINANCING					
Cash from equity	\$0	\$0	\$0	\$0	\$0
Cash from debt	\$317,971	(\$45,424)	(\$45,424)	(\$45,424)	(\$45,424)
Net Cash Flow from Financing	\$317,971	(\$45,424)	(\$45,424)	(\$45,424)	(\$45,424)

CASH FLOW FROM OPERATIONS

Net Cash Flow	\$16,710	\$73,478	\$68,769	\$99,613	\$133,819
Cash at Beginning of Period	\$0	\$16,710	\$90,188	\$158,957	\$258,570
Cash at End of Period	\$16,710	\$90,188	\$158,957	\$258,570	\$392,389

SUMMARY