



Business Plan to Establish the Transportation Arm of Plant



October 2024.

Table of Contents

1	EXECUTIVE SUMMARY	1
2	INTRODUCTION.....	3
2.1	Fertilizer plants construction status.....	4
2.2	The Transportation Project	5
2.2.1	Project Objectives	6
2.3	Investment Cost.....	8
2.3.1	Financing Plan	9
2.4	Project implementation Plan	9
3	AGRICULTURE SECTOR PERFORMANCE	14
3.1	Key Contributions to the Economy:.....	14
3.2	Recent Performance and Challenges.....	14
3.3	Government Support and Reforms	15
3.4	Overview of the Fertilizer Industry.....	15
3.4.1	Fertilizer Production and Consumption.....	16
3.4.2	Prominent Players	16
3.4.3	Competitive Advantage of ITRACOM Fertilizers Ltd.	17
3.4.4	Challenges and Opportunities.....	18
3.4.5	Future Outlook	18
3.5	Transportation Sector Overview.....	18
4	BUSINESS & MARKET ANALYSIS SUMMARY.....	20
4.1	The Business	20
4.2	Market Analysis	20
i)	Threat of New Entrants (Moderate)	20
ii)	Bargaining Power of Suppliers (High).....	21
iii)	Bargaining Power of Buyers (Moderate to Low)	21
iv)	Threat of Substitutes (Low)	22
v)	Industry Rivalry (Moderate to High)	22
4.3	Transportation Business Sustainability	22
5	TECHNICAL ANALYSIS.....	24
6	FINANCIAL PROJECTIONS	27
6.1	Assumptions	27

6.1.1	Operational Variables:	27
6.1.2	Variable Costs:	28
6.1.3	Revenue Driver:	28
6.1.4	Other Expenses:	28
6.2	Capital Expenditure	29
6.3	Projected Income Statement	29
6.4	Balance sheet Management.....	32
6.5	Projected Cashflow Statement	33
6.6	Business Viability	34
6.7	Conclusion:	36

List of Tables

Table 1: Investment Item	1
Table 2: Shareholding Structure	3
Table 3: Investment Breakdown	8
Table 4: Financing Plan	9
Table 5: Projected balance sheet	32

List of Figures

Figure 1: Plant Arial Layout	5
Figure 2: Vilima Vitatu Project Layout	5
Figure 3: Project Timeline for Full Implementation	13
Figure 4: Revenue-cost projections.....	30
Figure 5: Revenue projected trend.....	30
Figure 6: Net earnings projected trend.	31
Figure 7: Cashflow Trends	33
Figure 8: Summary of Ratios.....	34

1 EXECUTIVE SUMMARY

ITRACOM Fertilizer Limited (IFL) is embarking on a transformative transportation project designed to streamline its logistics and distribution network. This initiative aims to optimize the transportation of raw materials, such as phosphate and other mineral fertilizers from mines and ports to IFL's fertilizer factory in Dodoma, as well as to distribute finished fertilizer products across Tanzania and neighbouring countries. Over the next 10 years, IFL plans to establish a fleet of 1,200 trucks, 7 pickup trucks and 5 SUVs, reducing its reliance on third-party logistics providers, lowering transportation costs, and improving overall service efficiency.

Table 1: Investment Item

S/n	Item	Quantity
1	Transportation Truck (Tractor Head & Trailer)	1200
2	Supportive Vehicles (Pickup and SUVs)	12
3	Assorted of workshop equipment	4349

IFL, which was incorporated on November 25, 2020, under the Company Ordinance (Cap. 212) with Certificate of Incorporation No. 145278112, is co-owned by Adrien Ntigacika and ITRACOM Holdings, a Burundian company. Both shareholders hold 50% stakes each in the business. IFL's primary focus is on producing and distributing organic and organo-mineral fertilizers to Tanzania and the surrounding regional markets.

The project will operate out of Dodoma, specifically serving the IFL fertilizer plant located in the Nala Area, Dodoma Urban. It will also handle materials sourced from the phosphate mine in Mdori, Manyara Region. The transportation network will cover major domestic markets and expand into regional markets including but not limited to Burundi, Rwanda, Uganda, Kenya, Malawi and Zambia.

The core objective of this project is to develop a highly efficient and sustainable logistics network. By managing its own fleet of trucks, IFL aims to minimize transportation delays, cut costs, and significantly improve the reliability of its services, especially during Tanzania's peak agricultural seasons.

The project is expected to create 2,505 direct jobs, offering employment opportunities to 1,200 drivers, 1,200 assistant drivers, 100 mechanics, and 5 fleet managers. Additionally, the modern truck fleet will employ advanced tracking and logistics systems, which will facilitate the transfer of technical skills to local employees. There will also be a strong focus on promoting gender inclusion, with a commitment to recruiting women in both skilled and unskilled roles.

The total investment for the project over 10 years is projected to be **USD 104.2 million**. This investment includes USD 151,737 allocated to land and buildings, USD 103.42million for vehicles such as trucks and support vehicles, USD 633,130 for machinery and equipment, and working capital sourced internally from ongoing operations. The project's financing structure is split between 30% foreign equity from shareholders and 70% local debt secured from Tanzanian banks. The debt will be secured against company assets and debentures.

The implementation of the project will be phased over the next 10 years. In Year 1, IFL plans to procure 150 trucks, 3 supportive vehicles and establish a garage and workshop. By Year 5, the fleet will grow to 510 trucks and 8 supportive vehicles, and by Year 10, the full fleet of **1,200 trucks** will be operational together with **12 supportive vehicles**, serving both local and regional markets.

Financial projections for the period from 2024 being Year 1 to 2033 being Year 10 indicate strong growth. Revenue is expected to grow from USD 8.52 million in Year 1 to USD 125.56million by Year 10. Net earnings will also rise significantly, from USD 474,596 in Year 1 to USD 21.34 million by Year 10. The project has a payback period of 10 years and an internal rate of return (IRR) of 21%, signalling strong financial viability.

In conclusion, IFL's transportation project is a strategic investment that will enhance the company's logistics and distribution capabilities of IFL. This initiative supports the growth of Tanzania's agricultural sector and boosts regional trade. With a solid financing structure, job creation potential, and strong financial projections portraying a project that is viable and capable of generating sustainable growth, profits, and returns on investment, IFL is well-positioned to catalyse economic growth and well as positively impact livelihood creation of individuals.

2 INTRODUCTION

ITRACOM Fertilizers Limited (IFL) is a private fertilizers producer based in Nala Area, Dodoma Urban. Its primary focus is producing and selling organic fertilizers in Tanzania and neighbouring countries. The company was incorporated on 25th November 2020 under the Company Ordinance (Cap. 212) with Certificate of Incorporation No. 145278112. It is co-owned by Mr. Adrien Ntigacika and ITRACOM HOLDING, each holding an equal share of 3,841,000,000 shares at TZS 100 each. ITRACOM HOLDING, the promoter is a Burundian with extensive business experience and investment experience primarily invests in other businesses, including transportation, insurance, banking, cement manufacturing, and polyethylene bags, without directly engaging in day-to-day operations.

Table 2: Shareholding Structure

S/n	Name of Shareholder	Percentage Ownership	Nationality
1	Adrien Ntigacika	50%	Burundian
2	ITRACOM Holding	50%	Burundian Company
	Total	100%	

IFL's vision is to be a top-class corporate in the production of high-quality organo-mineral fertilizers and other soil amendments in the region with dominant position in the Eastern, Central, and Southern African market.

Its mission is to enhance rapid agricultural growth through sustainable intensification of agricultural systems and fostering business excellence by focus on maximizing stakeholders' value by manufacturing and selling quality organo-mineral fertilizers in a reliable, ethical and socially responsible manner.

The company operates a 1,000,000 MT fertilizer plant in Nala Area, Dodoma Urban, Dodoma Region, and a phosphate mine in Mdori, Manyara Region with estimated resource destined to last over 20 years of operations. IFL is set to become Tanzania's largest producer of farming inputs, offering a diversified range of fertilizers, including intermediate products like Ammonia and Nitric Acid (NA), and final products like Urea, Calcium Ammonium Nitrate (CAN), and Nitro

Phosphate (NP). These products are sold under the brand name **FOMI**, which stands for "**Fertilisants Organo-Minéraux Industries**" in French, or "**Organomineral Fertilizer Industries**" in English, blending organic and mineral elements to enhance soil fertility and support sustainable farming. To fully run the plant to its optimal capacity the company will have to hire 3,000 employees ranging from temporary workers, contractual and permanent staff in areas of logistics, production, admin and operations.

2.1 Fertilizer plants construction status

The construction of the ITRACOM Fertilizer plants has progressed well across its two major phases. In Phase I, several critical components, including the organo-mineral fertilizer production line, agricultural lime production line, organic raw materials processing line, and multiple godowns for storage, have reached 100% completion. Additionally, key infrastructure such as the production technical office, laboratory, restaurant, clinic, and spare parts stock are fully operational. While some infrastructure, such as roads and parking, is at 70% completion, the electric power production unit is at 90%, the weighbridge at 85%, and the fence and security gates at 80%.

In Phase II, progress continues with 100% completion of additional organo-mineral fertilizer lines, raw material processing lines, and multiple storage godowns. However, a few items like the chemical fertilizer blending line, administration office, and fuel station are at 60%, while the shelter for natural drying is 45% complete. The overall construction completion rate for the ITRACOM Fertilizer plant is approximately **87.8%**. In Phase III, the company intends to set up its own packaging plant, with project capacity of 20 million bags per year.



Figure 1: Plant Arial Layout



Figure 2: Vilima Vitatu Project Layout

2.2 The Transportation Project

As part of its strategic growth and efforts to improve operational efficiency, IFL is launching an ambitious transportation project to streamline the logistics of both raw materials and finished products. This project is essential for ensuring the efficient delivery of raw materials to the plant

and distributing finished fertilizers to farmers and agents, both within Tanzania and across neighbouring countries. The transportation project includes the procurement of 1,200 trucks (tractor heads and trailers) over the next ten years, starting with 150 trucks and corresponding trailers in the first year.

2.2.1 Project Objectives

The transportation project is a strategic initiative designed to enhance the company's logistics, distribution, and operational efficiency. The key objectives of the project are as follows:

1. Optimize Logistics for Raw Material Supply:

- **Goal:** Ensure the seamless transportation of raw materials essential for fertilizer production to IFL's processing plant in Nala Area, Dodoma.
- **Details:** This objective focuses on streamlining the supply of critical inputs, including phosphate from the **Vilima Vitatu mines in Mdori, Manyara Region**, and imported raw materials arriving via the **Port of Dar es Salaam**.

By implementing a dedicated fleet of trucks, IFL will reduce delays, improve safety and security of the cargo and ensure a continuous and reliable flow of materials, enabling uninterrupted production of fertilizers.

2. Enhance the Distribution Network for Finished Fertilizers:

- **Goal:** Efficiently distribute IFL's finished fertilizer products (under the **FOMI** brand) to agents and farmers across Tanzania and neighbouring export markets.
- **Details:** The transportation project aims to cover both domestic and international distribution. Domestically, it will ensure that farmers and agents receive fertilizers on time, improving access during peak agricultural seasons. Internationally, the project will strengthen IFL's export capabilities to neighbouring countries, including but not limited to **Burundi, Rwanda, Uganda, Kenya, Malawi, and Zambia**, positioning IFL as a regional leader in organo-mineral fertilizers production and distribution. The dedicated fleet of trucks will ensure timely and consistent deliveries, which will support farmers in boosting crop yields and contribute to regional food security.

3. Reduce Dependency on Third-Party Logistics Providers:

- **Goal:** Lower transportation costs and increase control over delivery timelines by minimizing reliance on external logistics companies.
- **Details:** The project involves the procurement of **1,200 trucks** (tractor heads and trailers) over the next ten years, starting **with 150 trucks in the first year**. By owning and managing its own fleet, IFL will significantly reduce its dependence on third-party transporters. This will lead to cost savings, more reliable logistics, and faster delivery times. The result will be better service to IFL's clients, as farmers and agents will benefit from more efficient distribution of fertilizers, especially during crucial planting seasons.

4. Create Employment Opportunities and Economic Impact:

- **Goal:** Generate direct and indirect employment opportunities, contributing to economic development and livelihood improvement.
- **Details:** Each truck in the fleet will require at least two personnel (a driver and a mechanic), creating a minimum of 2,505 direct and indirect jobs (where 1,200 being drivers, 1,200 assistant drivers, 100 mechanics, and 5 fleet managers) over the course of the project's rollout. Additionally, the transportation project will spur economic growth by supporting ancillary industries such as fuel suppliers, truck maintenance services, and spare parts manufacturers. This will contribute to the local and national economy by creating a wide range of employment opportunities and supporting livelihoods across Tanzania. Furthermore, by facilitating the distribution of fertilizers, the project will help increase agricultural productivity, boosting incomes for smallholder farmers and strengthening the agricultural value chain.

5. Support Regional Economic Growth and Cross-Border Trade:

- **Goal:** Expand IFL's market presence in neighbouring countries and contribute to regional economic integration.
- **Details:** The transportation project's international distribution strategy will enable IFL to become a major exporter of fertilizers to neighbouring countries, including but not limited to **Burundi, Rwanda, Uganda, Kenya, Malawi, and Zambia**. This cross-border trade will not only increase IFL's revenue but also generate foreign exchange for Tanzania and contribute to the country's trade balance. By positioning itself as a

key player in the regional fertilizers market, IFL will play a significant role in improving agricultural productivity across East and Southern Africa.

2.3 Investment Cost

The estimated initial project investment cost is USD 14.66 million for the first year towards the 150 trucks (Tractor Heads and Trailers), all channelled towards purchase of Tractor heads, semi-trailers and local taxes. Tractor heads are purchased from China while the semi-trailers are purchased from a local manufacturer. The supportive vehicles i.e. (Hilux and Harrier) are purchased from supplier in Japan through the local dealership. The project is funded through internal generated funds and bank loan. Along this the company shall raise working capital internally from on-going businesses to fund day to day expenses of the transport operations. The total investment cost being USD 104,203,628.

Table 3: Investment Breakdown

S/n	CAPEX Details			Total Cost (USD)
	I. LAND AND BUILDING			151,737
1	Land			24,000
2	Building (Garage)			127,737
	II. MOTOR VEHICLE	Qty	Unit Price	103,418,761
3	3 axle flatbed container trailer with front plate (New)	1200	34,329	41,194,800
4	BEIBEN NG80B 2638SZ 6X4 380HP Tractor head--Right hand drive (New)	1200	51,483	61,779,600
5	Pickup (Hilux Single Cabin)	7	28,338	198,366
6	SUV (Harrier)	5	16,199	80,995
7	forklift 5Tonne	1	65,000	65,000
8	Tow truck	1	100,000	100,000
	III MACHINERY & EQUIPMENT			633,130
9	Garage and Workshop Part and Equipment	1	633,130	633,130
	TOTAL PROJECT COST			104,203,628

This logistics initiative not only strengthens IFL's operational capability but also aligns with the company's vision to be a benchmark in sustainable agriculture through the production and distribution of quality fertilizers.

2.3.1 Financing Plan

The investment cost is being funded through both own foreign equity of 30% and 70% from local debt for a maximum tenure of 10 years, provided as per truck needs projections. The same will be secured by landed properties of the company, debentures and lien over the financed vehicles.

Table 4: Financing Plan

S/N	Financing Instrument	Amount (USD)
1	Owners' Equity	31,810,496
2	Long term Loan	72,393,133
Total		104,203,628

2.4 Project implementation Plan

ITRACOM Fertilizers Limited (IFL) is embarking on a comprehensive transportation project aimed at enhancing its logistical capabilities for both raw materials and finished fertilizer products. This 10-year implementation plan begins in 2024, with the company gradually importing trucks, hiring drivers, and setting up a modern garage and workshop to ensure optimal operational efficiency. The goal is to reduce reliance on third-party logistics providers, improve the company's ability to serve its markets domestically and regionally, and build long-term operational sustainability. By 2033, IFL will have a fleet of 1,200 trucks, 12 Supportive vehicles and a fully functional garage and workshop capable of maintaining its fleet and supporting efficient logistics operations.

Year 1 (2024): Initial Procurement and Setup

The project kicked off in January 2024 with the procurement of 150 trucks and 3 supportive vehicles. During this first phase, IFL focuses on establishing its foundational logistics infrastructure and recruiting key personnel such as drivers, assistant drivers, and mechanics. A total of 150 drivers, 150 assistant drivers, 10 mechanics, and 1 fleet manager will be hired to ensure that the fleet is operationally ready by mid-year. The initial fleet will facilitate the transport of raw materials from phosphate mines in Mdori and imports arriving via Dar es Salaam Port to IFL's fertilizers production plant in Dodoma. By mid-2024, the trucks will be actively transporting raw materials and finished products to key markets in Tanzania.

This year will also focus on setting up the garage and workshop. Ten mechanics will be hired to perform routine maintenance and repairs, ensuring the fleet operate smoothly. As the fleet grows, the garage will gradually expand its capacity to service the increasing number of trucks.

Year 2 (2025): Further Expansion and Optimization

In 2025, no new trucks will be imported as the focus shifts toward optimizing the logistics operations and ensuring the effective utilization of the initial 150 trucks. The year will involve enhancing logistics routes and improving fleet management systems. There will be no additional hires for drivers or mechanics this year.

IFL will continue the expansion of its garage and workshop, improving its capacity to handle preventive and on-demand maintenance. Logistics will also be optimized to ensure that transportation is efficient and cost-effective, meeting the needs of IFL's expanding markets.

Year 3 (2026): Continued Growth and Fleet Expansion

By 2026, another lot of 150 trucks and 1 supportive vehicle will be added to the fleet, bringing the total number of trucks to 300. To support the growing fleet, IFL will hire 150 more drivers, 150 more assistant drivers, 10 additional mechanics, and another fleet manager. The logistics network will expand to cover more regions in Tanzania as well as neighbouring countries such as Burundi, Uganda, and Kenya. The garage and workshop will also continue growing to support the maintenance needs of the expanding fleet; ensuring preventive maintenance and repairs are performed efficiently.

Year 4 (2027): Expansion of Operations and Cross-Border Logistics

In 2027, no additional trucks will be imported. Instead, IFL will focus on expanding its operational footprint and continuing to optimize logistics operations. The logistics network will expand further into regional markets while enhancing operations in Tanzania. During this year, IFL will further develop regional logistics centres to handle the growing distribution capacity. The workshop will continue scaling up to ensure the timely servicing of trucks, with the recruitment of more mechanics to meet demand. Real-time tracking and logistics systems will be implemented to improve operational visibility and customer communication.

Year 5 (2028): Major Expansion and Efficiency Optimization

In 2028, IFL will procure an additional 210 trucks and 3 supportive vehicles, bringing the total fleet to 510 trucks and 7 supportive vehicles. This significant fleet expansion will be accompanied by the hiring of 210 new drivers, 210 assistant drivers, 30 more mechanics, and another fleet manager.

The garage and workshop will reach near full capacity, with preventive and demand-based maintenance carried out seamlessly. The integration of advanced tracking, fuel management, and logistics systems will further optimize fleet performance, minimizing operational risks and reducing overall costs.

Year 6 (2029): Operational Stability and Garage Optimization

During 2029, no new trucks will be imported. IFL's focus will shift to maintaining the current fleet of 510 trucks and optimizing its logistics and maintenance operations. No new personnel will be hired this year.

The garage and workshop will continue supporting the full fleet, with mechanics ensuring that trucks remain operational and in top condition. The focus will be on improving operational efficiency, reducing downtime, and ensuring cost-effective maintenance.

Year 7 (2030): Further Fleet Expansion and Cross-Border Reach

In 2030, IFL will add another 285 trucks and 5 supportive vehicles, bringing the total fleet size to 795 trucks and 12 supportive vehicles. To support this growth, the company will hire 285 new drivers, 285 assistant drivers, 50 mechanics, and an additional fleet manager.

The logistics network will continue expanding into new markets within Tanzania and cross-border regions, including Zambia and Malawi. The workshop will scale up further, employing more staff to ensure that routine and emergency maintenance needs for the larger fleet are met.

Year 8 (2031): Fleet Growth and Market Expansion

In 2031, IFL will add another 210 trucks, bringing the total fleet size to 1,005 trucks. This expansion will be supported by the recruitment of 210 more drivers, 210 assistant drivers, and additional mechanics as needed to maintain the fleet.

This phase of the project will focus on maximizing operational efficiency and enhancing cross-border logistics. The garage will be fully capable of handling the entire fleet, ensuring that trucks are in optimal condition and operational throughout the year.

Year 9 (2032): Fleet Maintenance and Stabilization

No trucks will be procured in 2032. Instead, the year will be focused on fleet maintenance and ensuring the smooth functioning of logistics operations. No additional hires will be made, but the garage and workshop will continue playing a critical role in fleet maintenance and emergency servicing.

Year 10 (2033): Final Fleet Expansion and Full Operational Capacity

In the final year of the project, IFL will procure an additional 195 trucks, completing its fleet with a total of 1,200 trucks. To support this full fleet, the company will hire 195 new drivers, 195 assistant drivers, and more mechanics to ensure the trucks are well-maintained.

The company will reach full operational capacity by the end of 2033, ensuring that logistics operations are highly efficient and capable of meeting the demands of both domestic and regional markets. The garage and workshop will continue playing a pivotal role in the long-term sustainability of the project, with a well-trained team of 100 mechanics providing both routine and emergency services.

This 10-year implementation plan ensures that IFL's transportation project is executed in a phased and strategic manner. The systematic expansion of the fleet and the development of a robust garage and workshop infrastructure will allow the company to meet growing demand in both domestic and regional markets. Through the integration of advanced logistics systems and the strategic hiring of skilled personnel, IFL will ensure its operations remain efficient and sustainable over the long term.

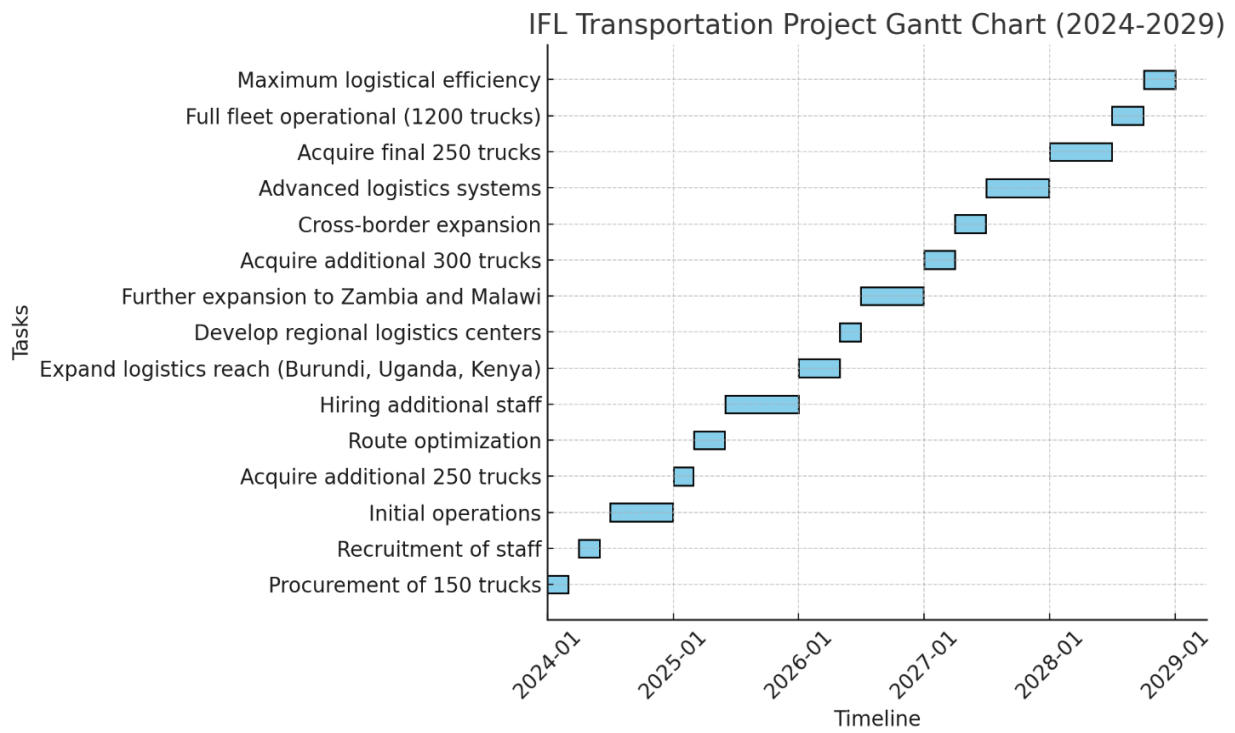


Figure 3: Project Timeline for Full Implementation

3 AGRICULTURE SECTOR PERFORMANCE

Agriculture is the cornerstone of Tanzania's economy, contributing approximately 26.7% of the country's Gross Domestic Product (GDP) and employing nearly 65-70% of the total labour force. The sector is not only crucial for food security but also for the country's overall economic stability, particularly in rural areas where most of the population depends on farming for their livelihoods.

3.1 Key Contributions to the Economy:

1. **Employment:** The agricultural sector provides employment for a large portion of Tanzania's population, with about 75% of the workforce being engaged in agricultural activities. This includes crop cultivation, livestock rearing, and fishing.
2. **Export Earnings:** Agriculture is one of the key sectors driving Tanzania's export revenue. Major export crops include coffee, tea, tobacco, and cashew nuts, which together contribute over 25% of total export earnings. These crops are critical for generating foreign exchange, bolstering the national economy.
3. **Food Security:** Agriculture ensures food security for the nation, with smallholder farmers producing 85% of the food consumed locally. Crops such as maize, cassava, and rice are staples, helping to meet the nutritional needs of the growing population.

3.2 Recent Performance and Challenges

Despite its importance, Tanzania's agricultural sector has faced several challenges in recent years. These challenges include:

1. **Weather-related Issues: Unpredictable weather patterns**, including droughts and floods, have negatively impacted agricultural productivity. Tanzania's reliance on rain-fed agriculture makes it vulnerable to climate change, with crop yields fluctuating annually.
2. **Low Productivity:** Productivity in the sector remains low due to limited access to modern farming inputs, such as **improved seeds, fertilizers, and irrigation systems**. This affects yields, which are significantly below potential despite the availability of arable land.

3. **Land Tenure and Access:** Complicated land tenure systems limit access to land, especially for smallholder farmers and women. This reduces opportunities for expanding agricultural activities and affects the ability to secure financing).

3.3 Government Support and Reforms

To address these challenges and boost the sector's performance, the Tanzanian government has been implementing several key reforms:

1. **Subsidies for Inputs:** The government allocated **TZS 150 billion** in 2022/23 to subsidize fertilizers, helping to lower input costs and increase agricultural productivity. This subsidy is part of broader efforts to modernize agriculture and reduce reliance on imported agricultural inputs.
2. **Agricultural Sector Development Program (ASDP II):** This is Tanzania's flagship initiative aimed at transforming agriculture from subsistence farming to commercial farming. It focuses on increasing productivity, improving rural infrastructure, and facilitating access to financial services).
3. **Expansion of Irrigation:** The government has placed a strong emphasis on expanding irrigation schemes to mitigate the impacts of climate change. By increasing irrigation coverage, Tanzania aims to stabilize crop production and reduce its dependency on seasonal rainfall).

Looking ahead, the Tanzanian agricultural sector is expected to grow as it becomes more mechanized and as fertilizer usage increases, supported by both government and private sector investments. The ongoing efforts to modernize the sector through policy reforms and infrastructure investments are gradually improving productivity, but significant challenges remain. If these challenges are addressed, agriculture is well-positioned to remain a key driver of economic growth in Tanzania.

3.4 Overview of the Fertilizer Industry

The fertilizer industry remains a vital pillar for Tanzania's agricultural sector, supporting the country's efforts to achieve food security. As of 2023, the industry operates under the oversight of the **Tanzania Fertilizer Regulatory Authority (TFRA)**, which continues to collaborate with the **Tanzania Bureau of Standards (TBS)** to ensure quality control.

In 2021, Tanzania transitioned away from the **Bulk Procurement System (BPS)** due to its inefficiencies in lowering fertilizer costs, moving towards a liberalized market. This change has encouraged more players to enter the market, contributing to a more competitive environment. Under the current system, any company that meets the required quality standards can import fertilizer, which has helped stabilize supply.

3.4.1 Fertilizer Production and Consumption

Fertilizer consumption in Tanzania has been growing, albeit impacted by fluctuating global prices, supply chain challenges, and weather conditions. As of the 2022/2023 farming season, Tanzania's total fertilizer usage increased to 500,000 tonnes, largely due to government subsidies aimed at cushioning farmers from rising prices. The government allocated TZS 150 billion in the 2022/23 agricultural budget to subsidize fertilizers, contributing to the uptake increase from 360,000 tonnes used in the previous season. Tanzania's target is to reach 800,000 tonnes of fertilizer consumption by 2025, up from 475,000 tonnes recorded in 2020/2021. These projections are supported by the expansion of local production capacities. With IFL expected to produce up to 1,000,000 tonnes of fertilizer annually, making it a key domestic player, while Minjingu Fertilizer aims to boost its production from 25,732 tonnes in 2021 to around 100,000 tonnes.

Despite these gains, Tanzania still heavily relies on imports for its fertilizers needs, particularly for **phosphates, potash, and urea**. Imports remain critical due to the high demand for nitrogen-rich fertilizers, with **urea** accounting for around **68%** of the total fertilizers used, followed by **phosphorous-based fertilizers** like DAP (15%). Nitrogen fertilizers, especially **urea**, are essential due to the widespread nitrogen deficiency in Tanzania's soils, with nearly 80-90% of the land lacking adequate phosphorous.

3.4.2 Prominent Players

The fertilizer industry in Tanzania is dominated by both local producers and major international players. The most prominent include:

- **Yara International:** As one of the largest fertilizer importers, Yara handles approximately **200,000 metric tonnes** annually. They are known for importing urea, DAP, and other nitrogen-based fertilizers into Tanzania

- **Export Trading Group (ETG):** ETG continues to play a significant role in the Tanzanian fertilizers market by sourcing agricultural inputs internationally and partnering with both governmental and private sector players to optimize the supply chain
- **OCP (Morocco):** OCP began operations in Tanzania in 2017 and supplies phosphate-based fertilizers. OCP's global influence as the world's largest phosphate producer enables it to maintain a strong position in Tanzania's fertilizer market.
- **Premium Agro Chem Ltd.:** With distribution centres across Tanzania, this company imports and exports fertilizers to neighbouring countries such as Malawi, Zambia, and Burundi, adding a regional dimension to Tanzania's fertilizer supply chain

3.4.3 Competitive Advantage of ITRACOM Fertilizers Ltd.

ITRACOM Fertilizers Ltd. has positioned itself as a leading local producer of fertilizers, benefiting from access to locally sourced phosphate, a critical nutrient in fertilizer production.

ITRACOM's competitive advantage is derived from:

- **Proximity to raw materials,** which allows it to reduce logistics costs and ensure timely delivery of fertilizers to Tanzanian farmers. This proximity offers a significant edge over competitors who rely heavily on imported raw materials.
- **Product Diversification:** ITRACOM's ability to produce a range of fertilizers, including **urea, DAP,** and **nitro phosphate (NP),** helps the company maintain steady earnings and hedge against global price volatility.
- **Faster Market Penetration:** As a local producer, ITRACOM benefits from significant government subsidies, which are much higher for local manufacturers compared to importers. This competitive advantage enables ITRACOM and Minjingu to quickly deploy their products to the market and achieve higher sales volumes. The subsidies allow these local producers to offer fertilizers at more competitive prices, making them more attractive to farmers and facilitating faster market penetration.

3.4.4 Challenges and Opportunities

The Tanzanian fertilizer industry faces several challenges, including:

- **Global Price Volatility:** Fertilizer prices spiked between 2020 and 2022 due to supply chain disruptions caused by the COVID-19 pandemic, followed by the Ukraine war, which affected global agricultural input supply. While prices have stabilized, affordability remains a concern, especially for smallholder farmers.
- **Dependency on Imports:** Despite growing domestic production, Tanzania still imports a significant portion of its fertilizer needs, especially for nitrogen-rich fertilizers like urea

On the positive side, government support through subsidies and tax incentives is improving fertilizers affordability. Additionally, the expansion of domestic production capacity at companies like ITRACOM and Minjingu Fertilizer will reduce Tanzania's reliance on imports in the coming years, making fertilizers more accessible and affordable for farmers. The government's target of reaching **800,000 tonnes** of fertilizer consumption by 2025 reflects a broader strategy to ensure **food security** and enhance agricultural productivity, contributing to national economic growth.

3.4.5 Future Outlook

Looking forward, the Tanzanian fertilizers market is expected to grow steadily due to increased demand from the agricultural sector. Key factors driving this growth include:

- **Increased government subsidies** aimed at lowering fertilizer prices for farmers.
- **Rising agricultural demand**, as the population continues to grow, and food security remains a national priority.
- **Expanding domestic production capacities**, which will help reduce dependency on imports and stabilize supply.

3.5 Transportation Sector Overview

According to recent reports, the Tanzanian transportation sector continues to be a key contributor to the country's economy, particularly through road transport. As of 2022, the road transport sector accounts for over 90% of passenger traffic and 75% of freight traffic, making it the dominant mode of transport for both goods and people.

The Tanzania National Roads Agency (TANROADS) manages a road network spanning 36,258 km, with approximately 85% of trunk roads being paved. Road transport remains crucial, especially given the inadequate capacity and investment in the rail and air transport sectors, which limits alternatives.

Moreover, the sector contributed about 8.1% to Tanzania's GDP in 2023, valued at USD 3.8 billion, with continued growth anticipated due to infrastructure improvements. Recent government initiatives aim to boost the transportation sector's efficiency through investments in road and port infrastructures, alongside private sector involvement).

4 BUSINESS & MARKET ANALYSIS SUMMARY

4.1 The Business

IFL plans to operate **150 trucks** during its first year, while outsourcing additional truck to meet the logistical demands of its operations that are not met internally. The company's objective is to optimize the transportation of raw materials and finished products between its processing plant and various destinations, including its **1-million-ton capacity fertilizer facility in Dodoma Urban**. With an estimated total demand for **1,200 trucks** at peak production levels, the planned capacity is sufficient to support current operations, while additional trucks will be contracted externally.

- Trips per truck per month: 4 trips
- Carrying capacity per trip: 30 tons
- Cargo per truck per month: 120 tons
- Annual cargo per truck: 1,440 tons

This setup enables IFL to maintain efficient internal logistics while managing costs by contracting out a portion of the demand. This strategic combination of owned and outsourced trucks ensures flexibility in scaling operations as demand increases. The projected volumes and truck utilization align with the company's goal of achieving full operational efficiency while optimizing delivery timelines.

4.2 Market Analysis

Market Analysis Using Porter's Five Forces Model for project covering Tanzania's Fertilizer industry and Transportation sub-sectors.

i) Threat of New Entrants (Moderate)

In both the fertilizer and transportation industries in Tanzania, the threat of new entrants is moderate. The fertilizer industry has become more liberalized since the elimination of the Bulk Procurement System (BPS) in 2021, allowing for new players to enter the market if they meet the regulatory requirements of **TFRA** and **TBS**. However, capital-intensive investments and access to raw materials like phosphates and nitrogen

fertilizers act as significant barriers to entry. In the transportation sector, the initial investment required for a trucking fleet and ongoing operational costs (fuel, maintenance, and personnel) pose challenges to new entrants. Established players such as ITRACOM benefit from economies of scale, local subsidies, and government support, which make it harder for smaller, newer firms to compete).

ii) **Bargaining Power of Suppliers (High)**

The bargaining power of suppliers in both sectors is high. In the fertilizer industry, Tanzania still relies on imports for raw materials like urea and potash, which are subject to international price fluctuations and supply chain disruptions. Global suppliers, particularly for nitrogen and phosphate-based products, hold significant leverage over local producers. In the transportation sector, suppliers such as truck manufacturers, fuel providers, and maintenance service providers exert considerable influence. The cost of trucks, fuel, and spare parts, which are often imported, affects the overall profitability of transportation businesses. Tanzania's road network and infrastructure limitations also add to transportation costs, further increasing suppliers' bargaining power.

iii) **Bargaining Power of Buyers (Moderate to Low)**

In the fertilizer industry, smallholder farmers—who form the bulk of fertilizer buyers—have limited bargaining power due to their reliance on government subsidies to afford fertilizers. Larger commercial farms and cooperatives may have more negotiating power but still face the same constraints of availability and price fluctuations. In the transportation sector, companies like ITRACOM that operate own fleets to distribute fertilizer and transport raw materials have moderate bargaining power. They can negotiate fuel prices and service agreements, but they are still dependent on the overall supply chain. Contracted freight companies and large agricultural firms with high logistics demands also have moderate influence over transport service providers, but the limited number of high-quality roads and logistical infrastructure reduces the flexibility of transportation options).

iv) **Threat of Substitutes (Low)**

In both industries, the threat of substitutes remains low. In the fertilizer industry, organic fertilizers are available but are not widely adopted due to slower results and the need for chemical fertilizers to address Tanzania's severe soil nutrient deficiencies, especially for nitrogen. Chemical fertilizers like urea and DAP remain indispensable for crop productivity, particularly for smallholder farmers seeking quick results during planting seasons. In the transportation sector, the use of trucks for freight and fertilizer distribution is critical given the underdeveloped rail infrastructure. While rail could offer a potential substitute in the future, it currently lacks the reach and efficiency needed to handle large-scale agricultural logistics.

v) **Industry Rivalry (Moderate to High)**

Industry rivalry is moderate to high in both sectors. In the fertilizer market, competition has intensified due to the entrance of new local producers like IFL and the continued dominance of global players like Yara International and OCP. The growing demand for fertilizers, driven by Tanzania's expanding agricultural sector, creates opportunities for competition, but price sensitivity and dependency on raw material imports can squeeze margins. In the transportation sector, competition among logistics providers is high, especially in long-haul trucking for industrial and agricultural products. Companies with larger fleets, better logistics networks, and established relationships with major agricultural inputs producers (such as **ITRACOM**) can achieve economies of scale and higher profitability.

4.3 **Transportation Business Sustainability**

The sustainability of the transportation business, especially for a company like **ITRACOM**, is supported by several factors:

- **Internal and Outsourced Fleet Management:** ITRACOM plans to operate 150 trucks in its first year while outsourcing an additional 250 trucks. This mix allows the company to maintain internal control over critical logistics while outsourcing extra capacity during peak seasons. This flexible approach helps manage costs while ensuring efficient delivery.

- **Trips and Capacity Utilization:** Each truck in the fleet is expected to make 4 trips per month, with a cargo capacity of 30 tons per trip. This maximizes fleet utilization and ensures that trucks are not idling, contributing to overall profitability. The use of both owned and contracted trucks further spreads the financial burden and minimizes risk during times of lower demand.
- **Government Infrastructure Investments:** Recent improvements in Tanzania's road infrastructure, supported by government investments, will continue to benefit the transportation sector. TANROADS manages over 36,000 km of trunk and regional roads, which serve as the primary freight routes for fertilizer distribution. Ongoing upgrades in roads and port infrastructure also ensure that transportation businesses can sustain long-term operations by improving efficiency and reducing transit times).

The fertilizer and transportation sectors in Tanzania present both opportunities and challenges. In the fertilizer industry, local production capacity is expanding, but reliance on imports for raw materials and exposure to global price fluctuations remain critical concerns. In the transportation sector, local companies benefit from Tanzania's growing infrastructure investments and the flexibility of managing both owned and outsourced fleets. However, high supplier power and intense competition necessitate strong operational efficiency to sustain long-term business viability in both industries.

5 TECHNICAL ANALYSIS

The company management is sourcing one hundred and fifty (150) trucks i.e., Tractor Horse and Trailers for purchase to add to existing contracted for purpose of providing services to ITRACOM Fertilizers Limited. The designated route for the start will be transportation of fertilizer raw materials from Dar es Salaam Port to Dodoma region, also from Vilima Vitatu Phosphate mine in Babati. Some of the vehicles will be earmarked for distribution of the produce all over Tanzania and the neighboring countries. For this purpose, they have negotiated with a supplier of trucks in Hongkong China for purchase of Tractor Head-Right hand drive trucks.

The BEIBEN NGBOB 6X4 TRACTOR HEAD MODEL 2638S2/RHD Tractor head--Right hand drive truck is a heavy-duty truck designed for long-haul transportation, with a maximum load capacity of approximately 50 tons per trip. Here are some technical specifications of the BEIBEN NGBOB 6X4 TRACTOR HEAD MODEL 2638S2/RHD Tractor head--Right hand drive truck:

Technical review

- **Engine:** The truck is equipped with a diesel engine with a displacement of 11.596L and a maximum power output of 380hp at 2,200 rpm. The engine is designed to meet Euro II emission standards and has low fuel consumption.
- **Transmission:** The truck uses a manual 12-speed gearbox with a 2-speed reduction gear, providing excellent gear ratios for both highway and off-road driving.
- **Suspension:** The truck has a front suspension system with double-wishbone and leaf spring, and a rear suspension system with multi-leaf spring and stabilized bar, which ensures stability and comfort while driving on rough terrain.
- **Brakes:** The truck is equipped with a dual-circuit pneumatic braking system, with ABS and automatic slack adjusters, providing excellent braking performance and safety.
- **Cabin:** The truck has a spacious and comfortable cabin, with a sleeper bed, air conditioning, and an audio system, providing a comfortable driving environment for the driver.

Business Advantages:

- **High load capacity:** The BEIBEN NG80B 6X4 TRACTOR HEAD MODEL 2638S2/RHD Tractor head--Right hand drive truck has a high load capacity, making it suitable for transporting heavy cargo over long distances, such as fertilizers from Dar es Salaam Port to Dodoma region.
- **Fuel efficiency:** The truck's engine is designed to be fuel-efficient, which can result in lower fuel costs for the company.
- **Comfortable and safe driving:** The truck's cabin is designed to be comfortable and safe for the driver, which can help to reduce driver fatigue and improve safety on the road.
- **Reliability:** BEIBEN is a well-known brand in the trucking industry, and their trucks are known for their reliability and durability, which can help to reduce maintenance costs and downtime for the company.
- **Cost-effective:** The BEIBEN NG80B 2638SZ 6X4 380HP Tractor head--Right hand drive truck is competitively priced, which can provide a cost-effective solution for the company's transportation needs.

While they intend to attach a 3-axle flatbed container trailer, using a 3 axle flatbed container trailer with a front plate can provide several advantages for transportation companies. Here are some of the advantages:

- **Increased load capacity:** The 3-axle flatbed container trailer can carry a larger load than a 2-axle trailer, which can result in fewer trips and more efficient transportation.
- **Versatility:** The flatbed design allows for a variety of cargo types and sizes to be transported, including standard shipping containers, oversized cargo, and construction materials.
- **Improved safety:** The front plate on the trailer can help to secure the cargo and prevent it from shifting during transportation, reducing the risk of accidents and damage to the cargo.
- **Cost-effective:** The larger load capacity of the 3-axle flatbed container trailer can help to reduce transportation costs, as fewer trips are required to transport the same amount of cargo.

- **Timesaving:** The increased load capacity and versatility of the trailer can help to reduce loading and unloading times, as more cargo can be loaded and unloaded at once.
- **Reduced environmental impact:** By transporting larger loads in fewer trips, the use of a 3-axle flatbed container trailer with a front plate can help to reduce the carbon footprint of transportation operations.

Overall, using a 3-axle flatbed container trailer with a front plate can provide transportation companies with a more efficient, cost-effective, and versatile way to transport a variety of cargo types and sizes.

6 FINANCIAL PROJECTIONS

6.1 Assumptions

Operational Variables

Number of Working Days	30.00	Days/Month
Number of Months Per Year	12	Months
No of trips/Month	4	Trips
No of days per trip	5	Days
Carrying capacity per truck	30	Tones
Cost of Inflation	7%	
Exchange Rate	2,740	
Number of trucks	1,200	150 truck each year

Fleet Operations

Carrying Capacity	288,000	Tones/Year
Trips per year	9000	Trips
Fuel consumption rate	2	Km/Lt
Average Charged Distance	529	Km
Distance per round trip	1058	Km

Variable Cost

Fuel	1.13	\$/Lt
Driver Subsistence Allowance	43.80	\$/KM
Assistant Driver Subsistence Allowance	36.50	\$/KM

Revenue Driver

Transport cost rate	40	\$/Ton/KM
Repair and Maintenance	3.00%	of income
Insurance	3.500%	of Vehicle value as per depreciation
Property Tax	0.100%	
Land Rent	1.000%	of value of land

6.1.1 Operational Variables:

- Number of Working Days: The assumption is that there are 30 working days in a month, which will impact the number of trips per month and per year, as well as the utilization capacity of the trucks.
- Number of Months Per Year: This assumption is that there are 12 months in a year, which will impact the annual carrying capacity of the fleet and the number of trips per year.
- No of trips/Month: The assumption is that there will be 4 trips per month per truck, each trip consuming 5 days, which will impact the total number of trips per year.

- Carrying capacity per truck: This is assumed to be 30 tons, which will impact the weight of goods transported per contract and the fuel consumption rate.
- Cost of Inflation: The assumption is that there is a 7% cost of inflation, which will impact the fuel cost and the transport cost rate.
- Exchange Rate: This is assumed to be 2,740, which will impact the transport cost rate.
- Fleet Operations:
- Carrying Capacity: This assumption is that the fleet's carrying capacity is 288,000 tons per year, which will impact the number of trips per year.
- Fuel consumption rate: This is assumed to be 2 km/Liter, which will impact the fuel cost.
- Distance per round trip: This is assumed to be 1058 km as a result of weighted average of distance from Dodoma to Mbeya, Ruvuma, Katavi, Dar, Nakuru as well as Bujumbura. This impacts the fuel cost and the number of trips per year.

6.1.2 Variable Costs:

- Fuel: The assumption is that the fuel cost is \$ 1.13 per litre, which will impact the total fuel cost.
- Driver and assistant driver subsistence allowance i.e. \$ 43.80 and \$ 36.50 respectively.

6.1.3 Revenue Driver:

- Transport cost rate: The assumption is that the transport cost rate is \$ 40 per ton. This is the weighted average of all IFLs rates to different locations, it will impact the total revenue generated.

6.1.4 Other Expenses:

- Repair and Maintenance: The assumption is that the repair and maintenance cost is 3 % of income, which will impact the total cost of operations.
- Insurance: This is assumed to be 3.5% plus VAT 18% of the vehicle value as per depreciation, which will impact the total cost of operations.
- Property Tax: This assumption is that the property tax is 0.1%, which will impact the total cost of operations.
- Land Rent: This is assumed to be 1% of the value of land, which will impact the total cost of operations.

- **Utilization Capacity:** This assumption is that the utilization capacity will increase from 50% in year 1 to 90% in year 5 and beyond, which will impact the number of trips per year and the weight of goods transported per contract.

6.2 Capital Expenditure

The company initiates significant capital expenditures in Year 1, investing USD 104.2 million primarily in acquiring 1,200 tractor heads and trailers. This upfront investment ensures that the fleet can meet initial transportation needs and sets the foundation for future growth. Capital investments are also planned in Years 3, 5, 7, and 10 to expand and maintain operations.

Key Capital Expenditures:

- Year 1: USD 104.2 million
- Year 3: USD 12.9 million
- Year 5: USD 18.1 million
- Year 7: USD 24.5 million
- Year 10: USD 16.7 million

These investments align with the company's strategic objective of reaching a fleet size of 1,200 trucks by Year 10. Spacing capital expenditures across key intervals balances operational efficiency with cash flow demands. The company ensures the capacity to meet market growth while minimizing the risk of financial strain. Refer to Annex 2 for a detailed breakdown of capital costs.

6.3 Projected Income Statement

- **Revenue Growth:** The company projects a strong revenue growth trajectory over the 10-year period. In Year 1, revenue starts at **USD 8.5 million** in Year 1 to **USD 125.6 million** in Year 10, representing a **CAGR of 28%**. This reflects both the expansion of the fleet and increased utilization of capacity.
- **EBIT Growth:** EBIT rises steadily from **USD 1.9 million** in Year 1 to **USD 37.5 million** in Year 10. This increase in earnings before interest and taxes demonstrates effective cost control and operational efficiency, despite the significant initial capital investments. The company's capacity to manage costs as revenue scales supports this positive outlook.

- Gross Profit Margin:** The margin starts at **38.9% in Year 1**, temporarily declines to **28.7% in Year 6**, and recovers to **31.8% by Year 10**. The stability in gross margin over time reflects the company's ability to manage production costs despite increasing fuel prices and other variable costs. See Annex 6 for reference.

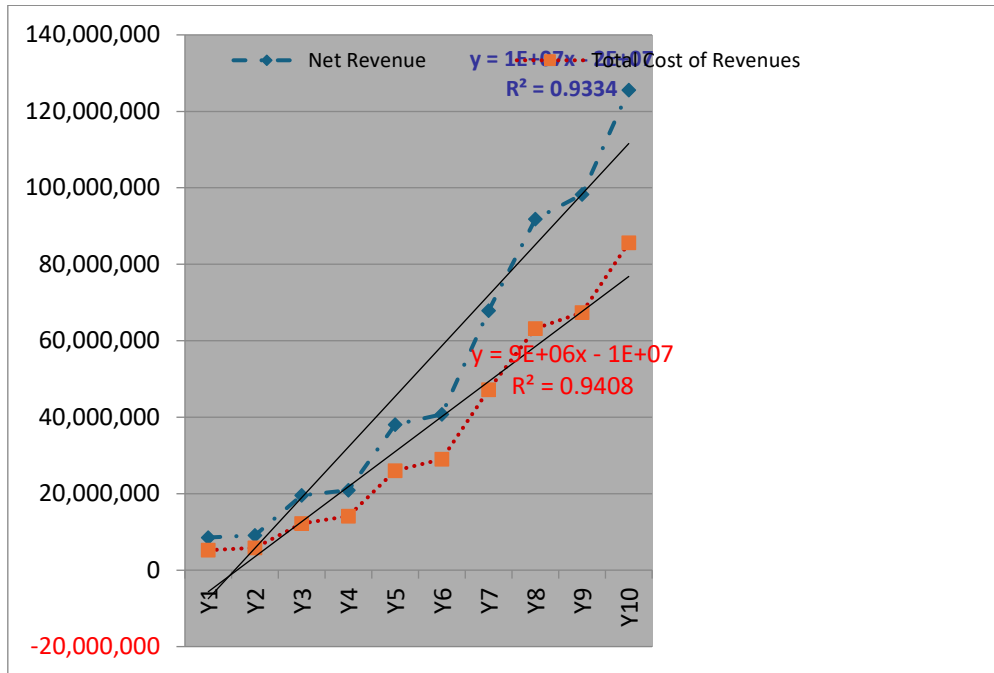


Figure 4: Revenue-cost projections

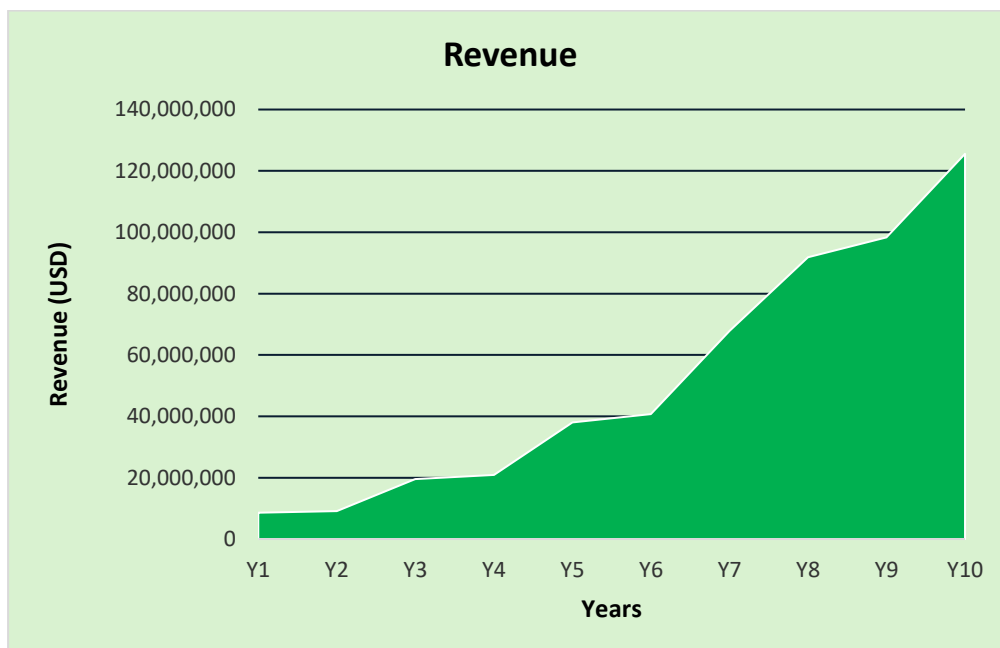


Figure 5: Revenue projected trend

- **Net Earnings Percentage:** The net earnings margin improves from **5.6% in Year 1** to **17% by Year 10**, highlighting the company's ability to achieve profitability as it scales operations and stabilizes costs

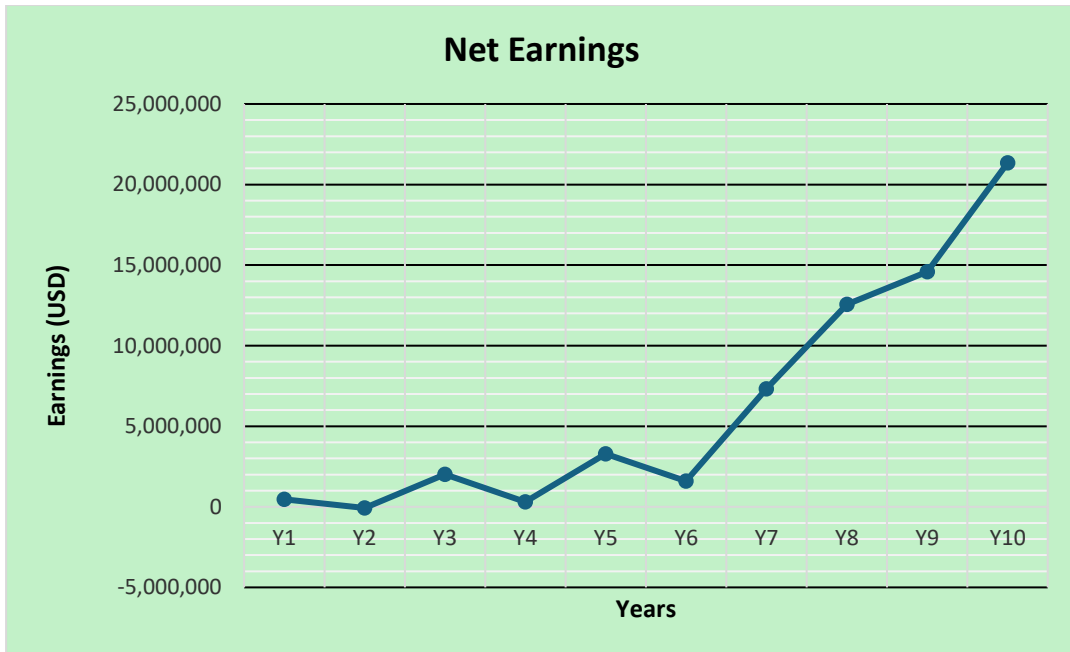


Figure 6: Net earnings projected trend.

6.4 Balance sheet Management

Table 5: Projected balance sheet

"USD" Balance Sheet	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10
ASSETS										
CURRENT ASSETS										
Cash	27,924,203	5,797,098	1,726,529	10,201,382	-253,758	7,406,495	-9,917,154	-19,181,634	-12,609,459	-29,367,901
Accounts Receivable	2,134,360	1,096,207	2,345,883	2,510,095	4,565,863	4,885,474	8,148,683	11,022,247	11,793,804	15,067,905
Inventories	0	0	0	0	0	0	0	0	0	0
Other Current Assets	1,067,180	548,104	1,172,942	1,255,048	2,282,932	2,442,737	4,074,341	5,511,123	5,896,902	7,533,952
Total Current Assets	31,125,743	7,441,409	5,245,354	13,966,525	6,595,037	14,734,705	2,305,870	-2,648,264	5,081,247	-6,766,044
PROPERTY & EQUIPMENT										
TOTAL ASSETS	44,370,676	19,410,212	28,964,083	35,358,415	43,984,594	48,427,254	57,207,068	67,276,159	72,306,753	74,762,474
LIABILITIES & SHAREHOLDERS' EQUITY										
CURRENT LIABILITIES										
Short Term Debt	708,926	681,601	660,059	1,095,438	1,039,267	1,625,717	1,524,251	1,437,209	1,363,448	1,301,960
Accounts Payable & Accrued Expen	0	0	0	0	0	0	0	0	0	0
Other Current Liab	1,422,907	730,805	1,563,922	1,673,397	3,043,909	3,256,983	5,432,455	7,348,164	7,862,536	10,045,270
Current portion of long term debt	0	0	0	0	0	0	0	0	0	0
Total Current Liabilities	2,131,832	1,412,406	2,223,981	2,768,835	4,083,176	4,882,700	6,956,707	8,785,374	9,225,984	11,347,230
LONG TERM DEBT (less current portion)										
	9,953,752	17,594,931	24,318,238	29,865,992	33,897,191	35,944,940	35,335,587	31,009,168	21,005,231	0
STOCKHOLDERS' EQUITY										
Common Stock	31,810,496	0	0	0	0	0	0	0	0	0
Preferred Stock	0	0	0	0	0	0	0	0	0	0
Retained Earnings	474,596	402,875	2,421,865	2,723,588	6,004,228	7,599,615	14,914,774	27,481,618	42,075,538	63,415,244
Total Equity	32,285,091	402,875	2,421,865	2,723,588	6,004,228	7,599,615	14,914,774	27,481,618	42,075,538	63,415,244
TOTAL LIABILITIES & EQUITY	44,370,676	19,410,212	28,964,083	35,358,415	43,984,594	48,427,254	57,207,068	67,276,159	72,306,753	74,762,474

- Liquidity Analysis:** The company's liquidity shows a fluctuating trend. Cash flow management becomes critical as the cash balance, starting at **USD 27.9 million** in Year 1, turns negative by Year 6 and falls to **-USD 29.4 million by Year 10**. Despite this, accounts receivable grow from **USD 2.1 million** in Year 1 to **USD 15.1 million** in Year 10, indicating effective credit sales management and growing revenue. This highlights the need for careful cash flow management, especially in the latter years where capital expenditures increase.
- Solvency Analysis:** Long-term debt peaks at **USD 35.9 million** in Year 6, with a gradual repayment strategy that reduces debt to **zero by Year 10**. Equity grows from **USD 32.3 million** in Year 1 to **USD 63.4 million** in Year 10 through reinvestment of earnings, reducing reliance on external financing.. This indicates that the company is reducing its reliance on external financing over time, improving its solvency.

- Debt-to-Equity Ratio:** The debt-to-equity ratio improves dramatically from 0.24 in Year 1 to 0.00 by Year 10, as the company eliminates long-term debt. This shift highlights the company's transition to equity financing, reducing financial risk and improving overall stability.

6.5 Projected Cashflow Statement

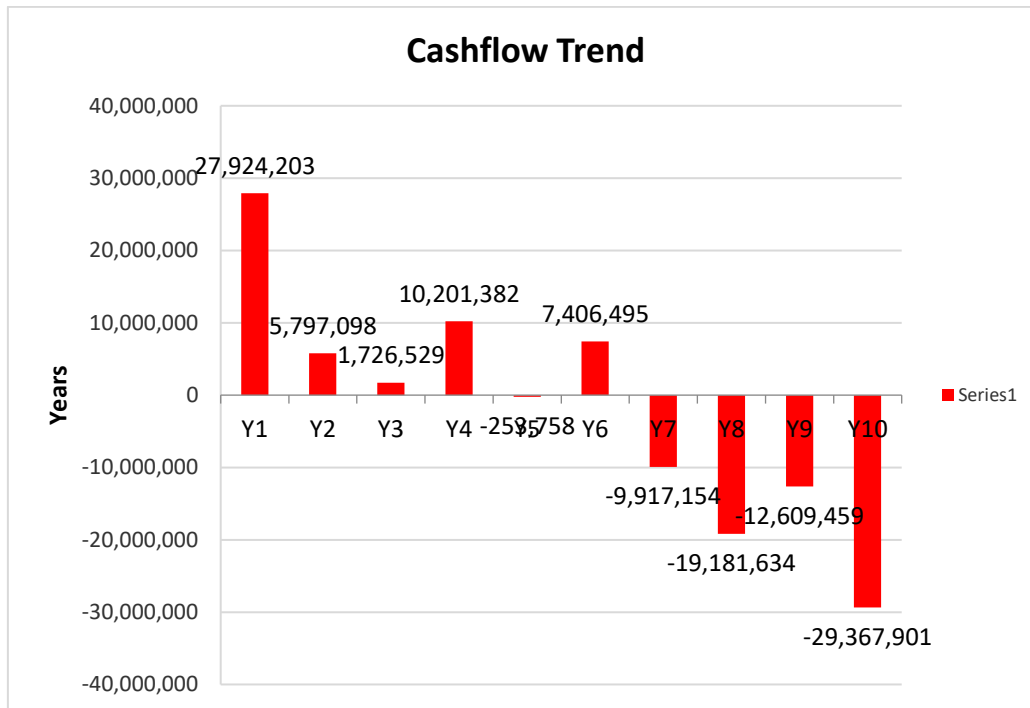


Figure 7: Cashflow Trends

Operating Activities:

- Net Cash Flow from Operations:** Cash flow from operations grows from **USD 112K** in Year 1 to **USD 21 million** in Year 10, driven by increasing net earnings.
- Depreciation:** Depreciation costs, starting at **USD 1.4 million** in Year 1, contribute significantly to cash flow. These expenses peak at **USD 3.7 million** in Year 6, reflecting the company's investment in maintaining assets.
- Working Capital Changes:** The company faces fluctuations in cash flow due to changes in working capital. For example, increases in accounts receivable negatively impact cash flow by **USD 3.3 million** in Year 10, requiring active monitoring.

Investing and Financing Activities:

- Investing Activities:** Significant capital investments are made throughout the period, with **USD 104.2 million** spent in Year 1 and subsequent investments across key years to support fleet expansion and asset renewal.

- **Financing Activities:** Debt increases in the early years, peaking at **USD 35.9 million**, before being repaid entirely by Year 10. Equity financing of **USD 31.8 million** is raised in Year 1 to support initial investments.
- **Net Cash Flow:** Despite efforts to manage cash, the company ends with a negative balance of **-USD 29.4 million** in Year 10, signaling the need for careful liquidity management to maintain operations.

6.6 Business Viability

"USD"	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	
Summary Financials											
Revenue	8,537,439	9,135,060	19,549,029	20,917,461	38,048,861	40,712,281	67,905,691	91,852,056	98,281,700	125,565,873	
Gross Profit	3,321,152	3,331,575	7,323,133	6,761,908	12,030,255	11,692,375	20,738,669	28,701,387	30,884,849	39,919,745	
EBIT	1,905,190	2,055,446	6,172,921	4,435,070	9,934,527	7,995,366	17,409,902	25,704,092	28,185,932	37,489,417	
Net Earnings	474,596	-71,721	2,018,989	301,724	3,280,639	1,595,387	7,315,159	12,566,844	14,593,920	21,339,706	
Net Cash from Operating Activities	111,925	2,069,535	2,127,805	2,491,719	3,663,227	5,026,054	7,924,585	13,169,502	16,649,873	21,041,617	
Capital Expenditures	104,203,628	0	12,900,138	0	18,093,395	0	24,537,415	18,020,520	0	16,733,340	
Interest Income/(Expense)	0	-1,834,780	-2,557,585	-3,177,005	-3,663,521	-3,977,367	-4,062,547	-3,834,309	-3,146,126	-1,650,571	
Dividends	0	0	0	0	0	0	0	0	0	0	
Cash	27,924,203	5,797,098	1,726,529	10,201,382	-253,758	7,406,495	-9,917,154	-19,181,634	-12,609,459	-29,367,901	
Total Equity	32,285,091	402,875	2,421,865	2,723,588	6,004,228	7,599,615	14,914,774	27,481,618	42,075,538	63,415,244	
Total Debt	9,953,752	17,594,931	24,318,238	29,865,992	33,897,191	35,944,940	35,335,587	31,009,168	21,005,231	0	
Growth											
Revenue Growth Rate - CAGR:		7%	114%	7%	82%	7%	67%	35%	7%	28%	
Net Earnings Growth Rate - CAGR:		Nil	Nil	Nil	987.3%	Nil	358.5%	71.8%	16.1%	46.2%	
Ratios											
Current Ratio	14.60	5.27	2.36	5.04	1.62	3.02	0.33	-0.30	0.55	-0.60	
Debt to Capital (LT Debt + Equity)	0.24	0.98	0.91	0.92	0.85	0.83	0.70	0.53	0.33	0.00	
DCSR	0.00	0.00	2.29	1.40	1.81	0.00	1.90	2.10	1.80	1.80	
Profitability											
Gross Profit %	38.9%	36.5%	37.5%	32.3%	31.6%	28.7%	30.5%	31.2%	31.4%	31.8%	
Net Earnings %	5.6%	-0.8%	10.3%	1.4%	8.6%	3.9%	10.8%	13.7%	14.8%	17.0%	
Returns											
Return on Assets (ROA)	1.1%	-0.2%	10.4%	1.0%	9.3%	3.6%	15.1%	22.0%	21.7%	29.5%	
Return on Equity (ROE)	1.5%	-0.2%	501.1%	12.5%	120.5%	26.6%	96.3%	84.3%	53.1%	50.7%	
Return on Capital (LT Debt + Equity)	1.1%	-0.4%	7.6%	0.9%	8.2%	3.7%	14.6%	21.5%	23.1%	33.7%	
Internal Rate of Return (IRR)		21%									
NPV		33,484,024									
Transport cost rate per tone	-26,050,907	474,596	-71,721	2,018,989	301,724	3,280,639	1,595,387	7,315,159	12,566,844	14,593,920	102,868,223
Costs of Equity		31.3%									
Costs of Debt		10.0%									
Discount rate (WACC)		9.6%									

Figure 8: Summary of Ratios

- **Current Ratio:** The current ratio starts at an extremely healthy 13.60 in Year 1, reflecting a strong cushion of current assets. However, the ratio decreases significantly as the company faces liquidity challenges due to capital expenditures and growing debt obligations. It reaches a low of -0.16 in Year 10 but is weighted out with a ten year average of 3.19, indicating a potential liquidity crunch and the need for improved cash flow management to meet short-term liabilities hence the need for short term loan.

- **Debt-to-Capital Ratio:** In Year 1, the debt-to-capital ratio is 0.24, showing a reliance on debt financing. This ratio increases to 0.98 in Year 2 and remains relatively high until Year 7, when it starts to decrease due to the repayment of long-term debt. By Year 10, the debt-to-capital ratio falls to 0.00, indicating that the company has fully transitioned away from debt financing and significantly improved its financial stability.
- **Debt Service Coverage Ratio (DSCR):** The DSCR is low in the first two years due to limited operating cash flow but increases substantially in Year 3, reaching 2.29, which shows that the company can cover its debt service obligations comfortably. The DSCR continues to improve, peaking in Year 8 as long-term debt reduces, further strengthening the company's financial position.
- **Return on Equity (ROE):** ROE starts low at 1.5% in Year 1 but skyrockets to 505% in Year 3 due to a combination of low equity and high earnings growth. While the ROE gradually declines as the company's equity base grows, it remains strong at 50% in Year 10, its ten-year average is 94%, reflecting continued high profitability and efficient use of shareholders' funds.
- **Liquidity Management:** Although cash flows from operations improve steadily throughout the forecast period, the company experiences negative cash balances in the later years due to high capital expenditures and debt repayments. The company's ability to generate strong positive cash flows from operations, particularly from Year 3 onwards, signals solid operational performance, but careful cash management will be crucial to maintain liquidity and ensure sustained growth.
- **Internal Rate of Return (IRR):** The project's IRR stands at 21%, which is significantly higher than the weighted average cost of capital (WACC) of 9.6%. This suggests that the project is financially viable and offers attractive returns for investors. The high IRR, combined with a positive NPV of USD 33.48 million, indicates that the project will generate value well above the cost of investment.

6.7 Conclusion:

In conclusion, the financial metrics show a positive overall trend. The **Net Present Value (NPV)** of **USD 33.48 million** is positive, indicating that the project is expected to generate returns greater than the initial investment. With an IRR of **21%**, the project is expected to yield strong profitability, exceeding typical cost of capital benchmarks.

The company shows solid growth, with revenue, gross profit, and net earnings consistently improving over the forecast period. The early high **debt-to-capital ratio** declines to zero by Year 5, showcasing the company's ability to pay off long-term debt, reduce leverage, and improve financial stability. Additionally, the company generates strong positive cash flows from operations from Year 2 onward, maintaining liquidity and reducing reliance on external financing. **ROE** remains high, indicating that shareholders can expect solid returns.

Overall, IFL's transportation project demonstrates strong growth potential, with significant revenue increases, improving profitability, and a focus on debt reduction. While the company's liquidity will require close management, particularly in the later years, its ability to generate positive operating cash flows, reduce debt, and maintain a high return on equity signals a positive long-term outlook for the project. The project is expected to deliver substantial returns to shareholders, livelihood impact through 2505 jobs it will create and strengthen the company's market position in the transportation and logistics sector.