

TOTAL MBEYA SERVICE *STATION*

BUSINESS PLAN

FOR

TRANSPORTATION PROJECT

1.0. **EXECUTIVE SUMMARY.**

TOTAL MBEYA SERVICE STATION is a company registered in the country under the Companies Act 2002 and bears Certificate of Registration No. 483336 issued on 17th December 2020.

The project promoter is a well-established business 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 TOTAL MBEYA SERVICE STATION for their transport project. The implementation of this project will comprise of the following activities:-

- The purchase of 150 trucks is 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 **150 trucks** is estimated to cost about **US\$ 11,300,000** the project sponsors will provide US\$ 4,300,000 of this investment while the US\$ 7,000,000 will be sought from financial resources institutions.

1.1 THE PROJECT PROMOTERS

The shareholders of this project is sole entrepreneur with diverse professional and business backgrounds. :-

Name	Nationality	Ownership %
Frank Nicholas Chawe Trade as TOTAL MBEYA SERVICE STATION	Tanzania	100

1.2 Location.

The project head office will be located at **Postal Code: 53103, Makanisani Street, Forest Ward, Mbeya CBD, Mbeya region (Office)**

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 **TOTAL MBEYA SERVICE STATION** 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, **TOTAL MBEYA SERVICE STATION**. Has resolved to assist in providing a solution to stimulate the said intraregional trade.

In summary, we can say that **TOTAL MBEYA SERVICE STATION** 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 **150 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 **150trucks**. It has been estimated that full-scale operations of the **150 trucks** are expected to meet at least **3,300 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

TOTAL MBEYA SERVICE STATION is owned by a sole proprietor, a Tanzanian. **TOTAL MBEYA SERVICE STATION** with 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\$ 11,300,000

For the project to be a reality a total investment amounting to **US\$11,300,000** the summary is found in the schedule.

TOTAL MBEYA SERVICE STATION COST STRUCTURE US\$

PARTICULAR	US\$
Land and Buildings	100,000.00
Machinery & Equipment	400,000.00
Motor Vehicles	10,500,000.00
Furniture & Fixtures	5,000.00
Pre exp	10,000.00
Others	5,000.00
Working Capital	280,000.00
TOTAL	11,300,000.00

4.1 FINANCING PATTERN

The financing pattern being considered is that involving the purchasing of **150 trucks** and their trailers. The project will be financed both by equity and loan. Equity contribution will constitute US\$ 4,300,000, while the remaining US\$ 7,000,000 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\$ 7,000,000**

Interest Rate: 8% annually

5.0 TECHNICAL ASPECTS

5.1 Location

The proposed project offices will be established on **Postal Code: 53103, Makanisani Street, Forest Ward, Mbeya CBD, Mbeya region (Office)**

5.2 Sources of Technology

All the project's trucks will be procured from the U.K., Sweden, 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 **TOTAL MBEYA SERVICE STATION**. 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 **160** 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 **3,300 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

150 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\$ 2,018,100** to
US\$ 40,378,029 in the 8th year

TOTAL MBEYA SERVICE STATION PROJECTED INCOME & EXPENDITURE STATEMENT US\$

	1	2	3	4	5	6	7	8
Revenue	18,000,000	18,900,000	19,845,000	20,837,250	21,879,113	22,973,068	24,121,722	25,327,808
Operating Expenses:	13,500,000	14,175,000	14,883,750	15,627,938	16,409,334	9,189,227	9,648,689	10,131,123
Profit before Depreciation & Interest	4,500,000	4,725,000	4,961,250	5,209,313	5,469,778	13,783,841	14,473,033	15,196,685
Interest	560,000	480,000	400,000	320,000	240,000	120,000	60,000	0
Depreciation	1,057,000	1,057,000	1,057,000	1,057,000	1,057,000	1,057,000	1,057,000	1,057,000
Gross Profit	2,883,000	3,188,000	3,504,250	3,832,313	4,172,778	12,606,841	13,356,033	14,139,685
Tax (30%)	864,900	956,400	1,051,275	1,149,694	1,251,833	3,782,052	4,006,810	4,241,905
Profit After Tax	2,018,100	2,231,600	2,452,975	2,682,619	2,920,945	8,824,789	9,349,223	9,897,779
Accumulated Profit	2,018,100	4,249,700	6,702,675	9,385,294	12,306,238	21,131,027	30,480,250	40,378,029

(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\$ 3,635,100** in the

first year to **US\$ 51,014,029** at the end of the 8th year of the project's operations based on the 150 trucks.

TOTAL MBEYA SERVICE STATION PROJECTED CASH FLOW

SOURCES:		1	2	3	4	5	6	7	8
Profit before interest and depreciation	4,300,000	4,500,000	4,725,000	4,961,250	5,209,313	5,469,778	13,783,841	14,473,033	15,196,685
Equity	2,000,000								
Loan	7,000,000								
Total Sources	13,300,000	4,500,000	4,725,000	4,961,250	5,209,313	5,469,778	13,783,841	14,473,033	15,196,685
Applications:									
Capital expenditure	11,010,000	-	-	-	-	-			
working Capital &Others	2,290,000								
Cash	-	3,635,100	3,768,600	3,909,975	4,059,619	4,217,945	10,001,789	10,466,223	10,954,779
Tax	-	864,900	956,400	1,051,275	1,149,694	1,251,833	3782052.263	4006809.876	4241905.369
Sub total	13,300,000	4,500,000	4,725,000	4,961,250	5,209,313	5,469,778	13,783,841	14,473,033	15,196,685
Total applications	13,300,000	4,500,000	4,725,000	4,961,250	5,209,313	5,469,778	13,783,841	14,473,033	15,196,685
Accumulated cash		3,635,100	7,403,700	11,313,675	15,373,294	19,591,238	29,593,027	40,059,250	51,014,029

(iii) Projected Balance Sheet

The project's owners' equity grew from US\$**4,300,000** in the first year to **US\$ 44,678,029** at the end of the 8th year of the project's operations based on the 150 trucks.

TOTAL MBEYA SERVICE STATION PROJECTED BALANCE SHEET US \$

Fixed Assets	-	1	2	3	4	5	6	7	8
Opening balance	-	11,010,000	9,953,000	8,896,000	7,839,000	6,782,000	5,698,956	4,540,911	3,382,867
Total Long-term Assets	-	11,010,000	9,953,000	8,896,000	7,839,000	6,782,000	5,698,956	4,540,911	3,382,867
Less depreciation	-	1,057,000	1,057,000	1,057,000	1,057,000	1,057,000	1057000	1057000	1057000
Closing balance	-	9,953,000	8,896,000	7,839,000	6,782,000	5,725,000	4,641,956	3,483,911	2,325,867
Working capital	2,290,000	2,290,000	2,290,000	2,290,000	2,290,000	2,290,000	2,290,000	2,290,000	2,290,000
Accumulated cash	-	3,635,100	7,403,700	11,313,675	15,373,294	19,591,238	29,593,027	40,059,250	51,014,029
Total assets	2,290,000	15,878,100	18,589,700	21,442,675	24,445,294	27,606,238	36,524,983	45,833,161	55,629,896
Financed by									
Equity	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000
Accumulated profit	-	2,018,100	4,249,700	6,702,675	9,385,294	12,306,238	21,131,027	30,480,250	40,378,029
Total equity	4,300,000	6,318,100	8,549,700	11,002,675	13,685,294	16,606,238	25,431,027	34,780,250	44,678,029
Long term loan	7,000,000	6,000,000	5,000,000	4,000,000	3,000,000	2,000,000	1,000,000		
Total debts	7,000,000	6,000,000	5,000,000	4,000,000	3,000,000	2,000,000	1,000,000	-	-
Total equity and debts	11,300,000	12,318,100	13,549,700	15,002,675	16,685,294	18,606,238	26,431,027	34,780,250	44,678,029

(iv) Payback Period

Total investment is **US\$11,300,000** cash accumulation in year 4 is **US\$ 13,613,294** which is more than the initial investment by **US\$2,313,675** the project payback Period is within three years, for and half months only.

TOTAL MBEYA SERVICE STATION PAYBACK PERIOD: US\$

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	2,018,100	1,057,000	3,075,100	3,075,100
2	2,231,600	1,057,000	3,288,600	6,363,700
3	2,452,975	1,057,000	3,509,975	9,873,675
4	2,682,619	1,057,000	3,739,619	13,613,294
5	2,920,945	1,057,000	3,977,945	17,591,238

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 **TOTAL MBEYA SERVICE STATION** is going to provide additional employment to **160** 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 **160** 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.

