

# **AMSTA LOGISTIC LIMITED**

*Business Plan*

**for**

**Cargo Transportation Project**

## 1.0. EXECUTIVE SUMMARY.

AMSTA LOGISTIC LIMITED is a company with Certificate of Change of Name No: 171050936 issued on 5th January 2024 incorporated in the country under the Companies Act 2002.

The project promoters are Tanzanians and well-established businessmen in Tanzania. Having been in the business for over 10 years, the directors are now well prepared for modernizing the transportation business and they see a very bright future in the transport sector.

This document has been prepared to serve as a business plan for **AMSTA LOGISTIC LIMITED** for their transport project. The implementation of this project will comprise the following activities:-

- The purchase of 25 trucks is to be done in phases,
- The construction of a modern workshop and office
- The purchase of 1 crane
- The purchase of 2 pick up
- The purchase of 2 Hardtop
- The purchase of 1 breakdown
- The purchase of 1 set of CCTV
- The purchase of 1 generator
- Equipping the company with relevant facilities

The proposed project is estimated to cost about **US\$ 1,600,000**. The project sponsors will prove 50% of this investment while the rest will be sought from financial resources institutions.

### **1.1 VISION**

To be the transport company of choice and leader in East and Central Africa by providing quality and customized services.

### **1.2 MISSION STATEMENT**

**AMSTA LOGISTIC LIMITED's** mission is to provide reliable and efficient services that add value to our customers and grow business through safe operations, innovation, and excellence.

### **1.3 COMPANY MOTTO**

Customer satisfaction is our number one priority.

### **1.4 THE PROJECT PROMOTERS**

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

<b>Name</b>	<b>% of shares</b>	<b>Nationality</b>
Jabir Manyendi Kigoda P.O.Box 34057 Dar es Salaam	94	Tanzania
Sahifa Seif Khamis P.O.Box 34057 Dar es Salaam	6	Tanzania

## **1.5 LOCATION.**

The project head office will be located at **Plot No.113Block 6, Bunju Kinondoni District, Dar Es Salaam Region**

## **1.6 TARGETED MARKETS.**

The targeted markets of the project are the neighboring landlocked countries of Tanzania and to a small extent the hinterland of Tanzania (domestic market). The neighboring countries that are the target of this project are specifically DRC, Malawi, Zambia, Burundi, Rwanda and Uganda, including some hinterland parts of Tanzania.

Poor transport and communication infrastructure are said to be the major causes of low levels of intraregional trade in Eastern Africa. It is in view of this that, despite poor road infrastructure linking these countries that **AMSTA LOGISTIC LIMITED** has resolved to invest in the transport sector so as to provide a solution that would lead to stimulating the said intraregional trade. The project is expected to offer a challenge to the business community to enhance intraregional trade between Tanzania and these countries.

## **2 PROJECT DETAILS**

### **2.1 INTRODUCTION**

Tanzania is the largest country in East Africa that is geographically strategically located in relation to her neighbors. Because of the above mentioned factor, the country's transportation system is also used to serve landlocked neighbors, i.e. countries of Uganda,

Rwanda, Burundi, Eastern D. R. of Congo, Northern parts of Zambia, Malawi and some northern parts of Mozambique.

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

It is quite gratifying to note that the Government of Tanzania realizes the role of the transport sector for its economic and social development, and as a result has developed a Transport Sector Programme which 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 this that, despite this poor infrastructure, **AMSTA LOGISTIC LIMITED** has resolved to assist in providing a solution to stimulate the said intraregional trade.

In summary, we can say that **AMSTA LOGISTIC LIMITED** has major objectives the following:-

- Construction, import, and export of agricultural produce
- Storage and distribution.
- Import of merchandised goods
- Wholesale.

### 3.0 THE PROJECT

The project's objective is to have a fleet of vehicles in a total of **25 trucks and trailers** each with a trailer. The trucks will be sourced mostly European Union and Japan. The trucks, together with their trailers will be procured in phases.

This study is based on the **25 trucks** to be purchased in the first phase within 3 to 5 years of the project implementation period from 2024. The first phase will start with 25 trucks. It has been estimated that in full-scale operations the **25 trucks** are expected to meet at least **1,440 trips** annually, their destinations being Tanzania's landlocked neighboring countries of Malawi, Zambia, Burundi, Rwanda the Democratic Republic of Congo, etc. as well as domestic trips.

### 4.0 INVESTMENT AND FINANCING US\$ 1,600,000

For the project to be a reality a total investment amounting to **US\$ 1,600,000m** the summary is found in the schedule.

#### AMSTA LOGISTIC LIMITED COST STRUCTURE

PARTICULAR	US\$
Buildings	100,000
Machinery & Equipment	200,000
Motor Vehicles	1,200,000

<b>Furniture &amp; Fittings</b>	<b>2,000</b>
<b>Pre expenses</b>	<b>8,000</b>
<b>Others</b>	<b>20,000</b>
<b>Working Capital</b>	<b>70,000</b>
<b>TOTAL</b>	<b>1,600,000</b>

**(i) Building: US\$ 100,000,**

The project is going to renovate project buildings

**(ii) Machinery and Equipment: US\$200,000**

Some US\$ 200,000 is anticipated to be spent on the purchase of various garage machinery and equipment. The equipment for the mechanical workshop will include things like a diesel pump, lathe, panel beating, and spray facilities, and tire retreating plants.

Also to be included in the purchase of a welding and grinding machine, compressors, mobile and stationary, iron sheet folding machine, generator, and other general tools and equipment

**(iii) Motor Vehicles: US\$ 1,200,000**

The project will need **25 vehicles** at an estimated cost of **US\$1,200,000**. These vehicles will be used in overhauling petroleum products on behalf of several customers located in the land-locked neighboring countries of Malawi, Zambia, Burundi, Rwanda, Democratic Republic of Congo, Uganda, and domestic market

Internally the project anticipates making trips to several regional centers spread throughout the country. However, when required to do so, these trips will be also made to any internal destination provided they have the rightful road conditions.

**(iv) Office Furniture and Equipment: US\$ 2,000**

This investment cost item has been estimated to cost US\$ 2,000. It will consist of office tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

**(v) Pre-Operational Expenses: US\$ 8,000**

These will come to about US\$8,000 and they cover things like company registration, and expenses spent by **AMSTA LOGISTIC LIMITED** in exploring the viability of the project, especially the market/client identification exercise done in those countries targeted to be served. This Pre-operational cost item also covers the architectural designs of project buildings and other engineering services. Also included under this item are issues like consultancy fees, legal fees, and recruitment and training costs of personnel.

**(vi) Initial Working Capital: US\$ 70,000**

Calculations as well as assumptions for working capital requirements are shown in the working capital schedule.

#### **4.1 FINANCING PATTERN**

The financing pattern being considered is that involving the purchasing of **25 trucks** and their trailers. The project will be financed both by equity and loan. Equity contribution will constitute 50% i.e. **US\$ 600,000** while the remaining 50 % will be in the form of a loan, this loan amount is expected to be the equivalent of **US\$ 600,000**

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\$ 600,000**

Interest Rate: 12% annually

## **5.0 TECHNICAL ASPECTS**

### **5.1 Sources of Technology**

All the project's trucks will be procured from China.

### **5.2 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 **AMSTA LOGISTIC LIMITED** The Board, like all other boards is responsible

for the formulation and supervision of company policies and guidelines. The project's day-to-day operations will be under the supervision of the Managing Director.

The project's employee requirement is estimated to be **40** people

## **7.0 MARKET AND MARKETING**

The project's earmarked clientele is in the landlocked neighboring countries of Malawi, Zambia, the 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 **1,440 trips** will be made. Each truck will transport a minimum of **28** tons per trip. Thus, a total of **40,320 tons** of cargo will be overhauled between Tanzania and her neighbors.

The routes are prices 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,

## **8.0 REVENUE ASSUMPTIONS**

- 20 trucks each makes two return trips per month. Each trip will cost **US \$ 5,000** per each return trip therefore for 40 trips/month

revenue is **US\$ 200,000**. Therefore, a total of US2,400,000 revenue per year

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.

## **9.0 FINANCIAL ASPECTS FOR THE PROJECT**

### **(i) PROJECTED PROFIT AND LOSS STATEMENT**

The schedule below shows the projected income for the 5years period. The position depicted is that the project earns profit throughout its life. Accumulated after-tax profits grow from. **US\$1,943,214** to **US\$ 2,738,985** in the 5<sup>th</sup> year, refer Appendix I

### **(ii) PROJECTED CASH FLOWS**

The project's cash flows are shown in schedule vii. They depict a good liquid position right from the first year. Cash accumulation builds up from **US\$ 531,497** in the first year to **US\$ 4,906,873** at the end of 5th year of the project's operations based on the 20 trucks in the first phase, refer Appendix II

### **(iii) BALANCE SHEET**

The total assets increased from **US\$1,600,000** in the first year to **US\$ 5,754,473** in the fifth year of the project implementation period in the first phase, refer to Appendix III

### **(iv) PAYBACK PERIOD**

Total investment is **US\$1,600,000**; cash accumulation in year 3 is **US\$ 2,083,897**, which is more than the initial investment of **US\$ 483,897**. The project payback Period is within three years, for and half months only.

The project has a relatively short payback period. It is remarkably impressive for a project whose investment is as big as **US\$1,600,000** to be recovered in less than 3 years, refer to Appendix V

**(V) LOAN REPAYMENT**

The loan will be repaid within five years, refer to Appendix IV

**10.0 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 **AMSTA LOGISTIC LIMITED** is going to provide additional employment to **40** 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 amounting to **US\$ 1,191,719 during** the project's five years covered under our project review.

## **11.0 CONCLUSION AND RECOMMENDATION**

### **11.1 Conclusion**

- (i) The project is profitable and contributes to government revenue by way of taxes.
- (ii) The project provides direct employment to **40** people all of whom are national Tanzanians.
- (iii) 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.

## **12.0 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.

APPENDIX I

PROJECTED INCOME & EXPENDITURE STATEMENT

	1	2	3	4	5
Projected Income	2,400,000.00	2,401,200.00	2,641,320.00	2,642,640.66	2,906,904.73
Cost of Sales(diesel and oil)	840,000.00	840,420.00	924,462.00	924,924.23	1,017,416.65
<b>Gross Profit</b>	<b>1,560,000.00</b>	<b>1,560,780.00</b>	<b>1,716,858.00</b>	<b>1,717,716.43</b>	<b>1,889,488.07</b>
<b>Operating Expenses:</b>					
Administrative Expenses	20,000.00	21,000.00	22,050.00	23,152.50	24,310.13
Motor vehicle running expenses	480,000.00	504,000.00	529,200.00	555,660.00	583,443.00
Pension Contribution	9,600.00	10,080.00	10,584.00	11,113.20	11,668.86
Interest	32,000.00	32,000.00	32,000.00	32,000.00	32,000.00
Depreciation	150,400.00	150,400.00	150,400.00	150,400.00	150,400.00
Salaries and Wages	96,000.00	100,800.00	105,840.00	111,132.00	116,688.60
Marketing Costs	5,000.00	5,250.00	5,512.50	5,788.13	6,077.53
Utility costs	5,000.00	5,250.00	5,512.50	5,788.13	6,077.53
Insurance	21,100.00	22,155.00	23,262.75	24,425.89	25,647.18
Communication	6,000.00	6,300.00	6,615.00	6,945.75	7,293.04
<b>Total Expenses</b>	<b>825,100.00</b>	<b>866,355.00</b>	<b>890,976.75</b>	<b>926,405.59</b>	<b>963,605.87</b>
<b>Profit before tax</b>	<b>734,900.00</b>	<b>694,425.00</b>	<b>825,881.25</b>	<b>791,310.84</b>	<b>925,882.21</b>
Tax (30%)	220,470.00	208,327.50	247,764.38	237,393.25	277,764.66
<b>Profit After Tax</b>	<b>514,430.00</b>	<b>540,151.50</b>	<b>578,116.88</b>	<b>553,917.59</b>	<b>648,117.54</b>

## APPENDIX II

## PROJECTED CASH FLOWS

	0	1	2	3	5	
<b>SOURCES:</b>						
Profit before interest and depreciation	0	917,300.00	876,825.00	1,008,281.00	973,710.00	1,108,282.00
Loan	800,000.00					
Equity	800,000.00	-	-	-	-	
<b>Total Sources</b>	<b>1,600,000.00</b>	<b>917,300.00</b>	<b>876,825.00</b>	<b>1,008,281.00</b>	<b>973,710.00</b>	<b>1,108,282.00</b>
<b>Applications:</b>						
Capital expenditure	1,502,000.00	-	-	-	-	
working Capital &Others	98,000.00	-	-	-	-	
Cash	0	531,497.00	503,165.00	595,184.00	570,984.00	665,155.00
Tax	-	220,470.00	208,327.00	247,764.00	237,393.00	277,764.00
<b>Sub total</b>	<b>1,600,000.00</b>	<b>751,967.00</b>	<b>711,492.00</b>	<b>842,948.00</b>	<b>808,377.00</b>	<b>942,919.00</b>
<b>Debt service</b>						
Principal	0.00	133,333.33	133,333.33	133,333.33	133,333.33	133,333.33
Interest	0	32,000	32,000	32,000	32,000	32,000
<b>Total debt service</b>	<b>-</b>	<b>165,333.33</b>	<b>165,333.33</b>	<b>165,333.33</b>	<b>165,333.33</b>	<b>165,333.33</b>
<b>Total applications</b>	<b>1,600,000.00</b>	<b>917,300.33</b>	<b>876,825.33</b>	<b>1,008,281.33</b>	<b>973,710.33</b>	<b>1,108,252.33</b>
Accumulated cash		531,497.00	1,034,662.00	1,629,846.00	4,241,718.00	4,906,873.00
Necessary working capital	98,000.00	98,000.00	98,000.00	98,000.00	98,000.00	98,000.00

## PROJECTED BALANCE SHEET US \$

	0	1	2	3	4	5
<b>Fixed Assets</b>						
Opening balance	-	1,502,000.00	1,351,600.00	1,201,200.00	1,050,800.00	900,000.00
Additions	1,502,000.00	0	0	0	0	0
<b>Total Long-term Assets</b>	<b>1,502,000.00</b>	<b>1,502,000.00</b>	<b>1,351,600.00</b>	<b>1,201,200.00</b>	<b>1,050,800.00</b>	<b>900,000.00</b>
<b>Less depreciation</b>	-	150,400.00	150,400.00	150,400.00	150,400.00	150,400.00
<b>Closing balance</b>	<b>1,502,000.00</b>	<b>1,351,600.00</b>	<b>1,201,200.00</b>	<b>1,050,800.00</b>	<b>900,400.00</b>	<b>749,600.00</b>
Working capital	98,000.00	98,000.00	98,000.00	98,000.00	98,000.00	98,000.00
Accumulated cash	-	531,497.00	1,034,662.00	1,629,846.00	4,241,718.00	4,906,873.00
<b>Total assets</b>	<b>1,600,000.00</b>	<b>1,981,097.00</b>	<b>2,333,862.00</b>	<b>2,778,646.00</b>	<b>5,240,118.00</b>	<b>5,754,473.00</b>
Financed by						
Equity	800,000.00	800,000.00	800,000.00	800,000.00	800,000.00	800,000.00
Accumulated profit	-	514,430.00	1,054,581.00	1,632,698.00	2,186,615.00	2,834,733.00
Total equity	800,000.00	1,314,430.00	1,854,581.00	2,432,698.00	2,986,615.00	3,634,733.00
Long term loan	800,000.00	666,666.00	533,333.00	400,000.00	266,666.00	133,333.00
Creditors	-	-	-	-	-	-
Bank overdraft	0	0	0	0	0	0
<b>Total debts</b>	<b>800,000.00</b>	<b>666,666.00</b>	<b>533,333.00</b>	<b>400,000.00</b>	<b>837,120.00</b>	<b>133,333.00</b>
<b>Total equity and debts</b>	<b>1,600,000.00</b>	<b>1,981,096.00</b>	<b>2,387,914.00</b>	<b>2,832,698.00</b>	<b>3,823,735.00</b>	<b>3,768,066.00</b>

## PROJECTED LONG TERM LOAN REPAYMENT

Repayments US\$				
Year	Principle	Loan Interest (12%)	Total Amount Paid	Loan Balance
0	-			800,000.00
1	133,333.33	96,000.00	229,333.33	666,666.67
2	133,333.33	96,000.00	229,333.33	533,333.34
3	133,333.33	96,000.00	229,333.33	400,000.01
4	133,333.33	96,000.00	229,333.33	266,666.68
5	133,333.33	96,000.00	229,333.33	133,333.35
6	133,333.33	96,000.00	229,333.33	0.02
<b>TOTAL</b>	<b>799,999.98</b>	<b>576,000.00</b>		

## PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
2011	514,430.00	150,400.00	664,830.00	664,830.00
2012	540,151.00	150,400.00	690,551.00	1,355,381.00
2013	578,116.00	150,400.00	728,516.00	2,083,897.00
2014	553,917.00	150,400.00	704,317.00	2,788,214.00
2015	648,117.00	150,400.00	798,517.00	3,586,731.00

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Initial Fixed Investment = USD **1,160,000.00**

From above table, payback period is calculated is within three years

## COST STRUCTURE

<b>PARTICULAR</b>	<b>US\$</b>
<b>Buildings</b>	<b>100,000</b>
<b>Machinery &amp; Equipment</b>	<b>200,000</b>
<b>Motor Vehicles</b>	<b>1,200,000</b>
<b>Furniture &amp; Fittings</b>	<b>2,000</b>
<b>Pre expenses</b>	<b>8,000</b>
<b>Others</b>	<b>20,000</b>
<b>Working Capital</b>	<b>70,000</b>
<b>TOTAL</b>	<b>1,600,000</b>