

IMPERIAL ROAD HAULAGE LTD

BUSINESS PLAN

FOR

EXPANSION

OF

CARGO TRANSPORTATION

Prepared By:

IMPERIAL ROAD HAULAGE LTD

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1.0 INTRODUCTION

1.1 Background

IMPERIAL ROAD HAULAGE LTD (IRHL) is a Company that was established in 2012 having certificate of incorporation No. 90884 dated 19th July 2023 issued by BRELA. It is a Tanzanian based trucking Company whose strategy is to develop excellent customer service by making timely deliveries, hiring the best of drivers, together with applying competitive pricing structure. It is the plan of IRHL to acquire the best equipment for the job at hand. IRHL has, since its inception, focused mainly on transporting bulk delivery of imported merchandise and products to the landlocked countries of the East Africa Sub region. IMPERIAL ROAD HAULAGE LTD intends to a fleet of more than 500 trucks, currently the Company is operating with a fleet of 280 trucks providing transport services to Zambia and Democratic Republic of Congo (DRC). Having been in the transport business over 10 years and due to an increase in demand in the Transport sector, the IRHL is now well prepared and planning to go through an expansion and modernizing transport business by introducing more trucks and trailers as emerges a very bright future in the transport sector.

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 DRC, 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 doomed. What roads and railways are to a country's development is like 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 significantly improved the Transportation infrastructure sector, 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 in view of this that, despite this poor infrastructure, IMPERIAL ROAD HAULAGE LTD has resolved to assist to provide a solution to stimulate the said intraregional trade.

1.2 The Company

IMPERIAL ROAD HAULAGE LTD is a private liability Company engaged in the running Transport business, mainly fleet managements, cargo movements transporting raw materials, containerized and loose cargo and abnormal/wide loads to up-countries (East and Central Africa). The Company has been registered under Company law in 2012 and is primarily a family business with the following shareholders.

Table1. Distribution of shares

S/N	Directors/Shareholders	Shares
1	Mujtaba Fidahussein Bharwani	40
2	Mehjabin Fidahussein Bharwani	30
3	Mikdad Fidahussein Bharwani	30

The directors have vast experience in cargo transportation especially in the areas of transits business.

1.3 Company History

The Company has long history in the Logistics Industry since 2012.

The Shareholders have identified an opportunity that would enable them to utilize their new facilities to offer modern and international standard Logistics services.

1.4 Company Location and Facilities

The company's principal Location is at Mbagala Mission, Plot no 127 near KTM factory within Dar es Salaam city. The Company has its office at Samora Towers, 8th Floor - Office No 804 in Dar es Salaam, Tanzania. We have one Yard equipped with state of the art Garage, and a store for spares.

1.5 Mission and Vision Statement

Our Vision

To be one of the leading companies in Dar es Salaam in the field of Transport and Haulage. IRHL will strive to offer excellent services by providing high quality of services and using the latest available technology for the industry.

Our Mission

To become a complete logistics management Company servicing the East and Central Africa sub-region in the areas of Logistics, Storage and Haulage.

Our Values

Strength

We are a solid partner for our customers and all other stakeholders based on the integrity and competence of our people, our experience and our track record for delivering results and the backing of a global industry leader

Performance

We demand excellence, deliver on our promises and continuously search for new and better ways to provide the best solutions for our customers and our stakeholders.

Passion

We care about and are personally committed to everything we do, especially our people, their safety and development, our customers and their success, and the world we inhabit, in particular the people and environment in the communities where we live and work.

1.6 STATEMENT OF THE INVESTMANET OBJECTIVE, SECTOR AND PRODUCTS

This project's main objective is to carry on the business of Transport and Logistics of cargo by Land Up-countries (eastern and Central Africa). With this objective the Company envisages expanding its transport fleet system. It will also modernize its supporting facilities in order to be more competitive in the current market. The Company's competitive advantage is the experience gained over the years through their fast and efficient delivery, cost effective, reliable service, and professionalism in their business approach and also the standing arrangements it has with various companies and agencies for providing bulk of cargo destined to their desired destination. Besides, this transport business is that it has all the necessary facilities needed of Transportation of cargo. Our aim is to serve our customer with quality and speed by having quality and reliable trucks, Cargo Managements system and qualified staff.

Generally, the IMPERIAL ROAD HAULAGE LTD has the following major objectives:

- To promote trade between Tanzania and her neighbor landlocked countries
- To procure foreign currency for the country in the course of its business transactions.

- To provide extra employment to more people in the sector.

In conjunction with the aforementioned objectives, the activities of the Company are:

- Construction, import trucks and associated equipment used for transportation
- Transport of raw materials, containerized and loose cargo and abnormal/wide loads to up-countries
- Storage and distribution.
- Import of merchandised goods

2.0 INVESTMENT COSTS AND SOURCES OF FINANCES

The invested capital will fund various items in the project. The project cost is estimated at US\$ 37,500,000 as indicated in Table 2. The Company will use equity in order to make their project successful.

3.0 ECONOMIC DEVELOPMENT CONSIDERATIONS

3.1 Job/Employment Creation

The project has created approximately 600 jobs with capacity to expand the employment levels in the later years upon expansion to 400 jobs making a total of at least 1000 jobs to be created. The jobs offered are in the following categories drivers, conductors, accounts

and finances, Tracking officers (Operations, liaisons, operation managers etc.) and agents.

3.2 Foreign exchange Earnings

Due to the nature transit cargo business, the payments are made in local and foreign currency. This is a great contribution to the country in foreign exchange earnings.

3.3 Economies of Scale

Profitability is greatly affected by economies of scale. The project will be profitable with 500 heavy trucks. Improved communication, and infrastructure facilities will increase transport logistics significantly, which will eventually increase profits dramatically hence guaranteeing higher returns in the long run.

3.4 Government revenue

The government and other agencies will benefit from various taxes, fees and commissions that will be paid to the Treasury.

4.0 INVESTMENT FUNDS EXPENDITURE BREAKDOWN

The breakdown of investment costs is as follows:

Table 2: Company's expected initial expenditure of fund

Particular	Expenditure breakdown (US\$)
Land and Building	500,000
Plant/workshop facilities	500,000
Vehicles/trucks	35,195,000
Furniture and fittings	50,000
Pre-expenses	100,000
Others	155,000
Working capitals	1,000,000
Total	37,500,000

5.0 SOURCE OF SUPPLY OF INPUTS

The project's objective is to have a fleet of vehicles in a total of 500 trucks in the year 2028. The trucks and other related equipment and

spare parts will be sourced directly from China and will be procured in phases of 50 trucks (Sinotruck Howo) every six months.

This project is based on more than 500 trucks to be purchased within 5 years of project implementation period from 2024-2028. The first phase will start with 50 trucks. It has been estimate that full-scale operations the 500 trucks are expected to meet at least 12,000 trips annually, their destinations being Tanzania's landlocked neighboring countries of DRC Congo and Zambia.

6.0 MARKET PLAN

Over 90 percent of the country's freight movement is by road transport where road transport is the most widely used form of transport in Tanzania to the landlocked countries. Tanzania's transport sector has contributed 14.2% to the country's real GDP with a growth rate of 9.4% in the year 2022, which has been driven by the increase in cargo tonnage and passengers transported by road (www.tanzaniainvest.com). The government of Tanzania under the president Samia Suluhu Hassan has put much effort to improve the services of the port of Dar es Salaam, which has led to raising the number of ship calls involving mainly deep-sea ships. A rise in the number of ship calls is bound to push up the volume of cargo handled, which in turn requires more transshipment, which in turn requires

more transship facilities inclusive of trucking facilities. Road transport accounts for 90% of total freight volume and 80% of passenger transport. It is further estimated that 80% to 90% of the bulk of agricultural crops and industrial goods are handled through road transport system.

IMPERIAL ROAD HAULAGE LTD has established a chain of clients who are regular customers for transportation services. The Company expects to receive enquiries for the services from all over the Whole Eastern and Southern Africa as we base on transport of all kinds of Goods, including loose cargo, containerized cargo and dangerous cargo thus covering the whole aspect of logistics

The targeted markets of the project have been the neighboring landlocked countries of Tanzania. The neighboring countries that have been served and are the target of this project are specifically DRC, Zambia, Burundi, Rwanda and Malawi.

It is in view of this that, despite some minor challenges facing, IMPERIAL ROAD HAULAGE LTD 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.

Competition

The leading clearing and forwarding companies prefer to offer business to transporters with a sizeable fleet of reliable trucks/trailers. IRHL already has well-established market and also has a fleet of 280 heavy trucks including trailers and is also expecting to have expansion of up to 500 in 2028 year to come. Therefore the Company is poised to emerge as one of the major transporters of transit cargo in Tanzania with no serious competition since demand on road transport is already higher than supply of trucks for transit cargo.

7.0 IMPLEMENTATION SCHEDULE

Project implementation is expected to be relatively very short once TIC approval is received. The expansion project is expected to be implemented within five years. The critical activities are to purchase or acquiring 50-70 transport trucks (Sinotruck Howo) every six months. Currently, the supplier of the trucks has already been identified and supply is awaiting instructions from the project directors. In this respect, delivery can be done in less than 12 months once we finalize financing sources.

The implementation of this project will comprise of the following activities:

- The purchase of 50 trucks to be done in phases of every six months
- Equipping the Company with relevant facilities

The project also intends to establish a modern international standard transport and logistics, to continue serve DRC and Zambia and in the future expand to accommodate the whole of eastern and southern Africa. In addition the Company will continue to improve good flow of cargo from port of Dar es Salaam to the land locked neighboring Countries through fast and efficient delivery, cost effective, providing reliable service, and professionalism.

The project, due to increasing more trucks, also intends to acquire new communication equipment such as modern GRPR & GPS tracking systems, modern garage equipment and truck diagnostics systems.

8.0 FINANCIAL PROJECTION FOR AT LEAST 5 YEARS

8.1 FINANCIAL ANALYSIS

8.1.1 Basic Revenue Assumptions

- (i) The project will operate extra total fleet of 500 trucks in 5 years by purchasing 50 trucks and their trailers every six months

- (ii) The entire fleet is deployed to haul mainly cargo only with 59% return cargo.
- (iii) Due to the long distances involved and condition of roads, the load factor is assumed at 70% only.
- (iv) Freight rates have been conservatively estimated at US\$ 5000 per trip.
- (v) The revenue and operating cost assumptions have been projected at constant prices; being assumed that any increase in costs will be offset by a corresponding increase in freight rate.

8.1.2 Operating Costs and Assumptions

(i) Fuel and Lubricants

All the running trucks are diesel propelled and the addition ones will also use diesel.

(ii) Tyres and Tubes

Periodic replacements of worn-out tyres will be necessary because of the long distances to be covered. We estimate a replacement at the rate of 2 sets of tyres per annum.

(iii) Other Direct Cost:

Other direct costs the company incurs include drivers/turn boys' allowances, road toll or borders fees, PTA Insurance, loading and offloading costs.

(iv) Repairs and Maintenance

The costs of normal repairs and maintenance of the assets has been estimated on the basis of the costs of assets.

v) Administrative Overheads

There will be also administrative costs to include roads and fine, wages Printing, stationery and postage, Auditors & Accountants' Fees, Travelling Expenses, Wages and Salaries, Office repair and other office expenses.

8.1.3 Freight Revenue

Based on the above revenue assumptions, the trucks will realize earnings for the company of about US\$ 12,000,000 million in the first year after acquiring the additional trucks/trailers. This is expected to increase to US\$ 60,000,000 million at the end of the fifth year as shown in the Table 3.

Table 3. Projected Cargo handling and freight revenue in US\$

Item/year	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
PERCENTAGES	20	40	60	80	100
ACHIEVEABLE CAPACITY Number of Trucks	100	200	300	400	500
Freight Revenue Various average cargo haulage trip per month per truck =USD 10000	12,000,000	24,000,000	36,000,000	48,000,000	60,000,000
GRAND TOTAL FREIGHT REVENUE	12,000,000	24,000,000	36,000,000	48,000,000	60,000,000

8.2 FINANCIAL ASPECTS FOR THE PROJECT

8.2.1 PROJECTED PROFIT AND LOSS STATEMENT

Tables below show the Depreciations and the projected income for the 5 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from US\$ 820,225 to US\$ 16,723,875 in the 5th year.

Table 4. Projected Depreciation for the five years

Item/year		Amount	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Land and Buildings	4%	500,000	20000	20000	20000	20000	20000
Motor Vehicles	10-25%	35,195,000	3,519,500	5,279,250	7,039,000	8,798,750	-
Machinery & Equipment	12.5%	500,000	62,500	62,500	62,500	62,500	62,500
Furniture & Fixtures	12.5%	50,000	6,250	6,250	6,250	6,250	6,250
Pre Operational Expenses	20%	100,000	20,000	20000	20000	20000	20000
TOTAL			3,628,250	5,388,000	7,147,750	8,907,500	108,750

Table 5. Projected Income and Expenditure Statement

Item/year	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Sales Revenue	12,000,000	24,000,000	36,000,000	48,000,000	60,000,000
COST OF SALES	7,200,000	14,400,000	21,600,000	28,800,000	36,000,000
Sub Total Cost of Sales	7,200,000	14,400,000	21,600,000	28,800,000	36,000,000
GROSS PROFIT	4,800,000	9,600,000	14,400,000	19,200,000	24,000,000
Gross Operating Profit	4,800,000	9,600,000	14,400,000	19,200,000	24,000,000
Capital & Finance Charges					
Depreciation	3,628,250	5,388,000	7,147,750	8,907,500	108,750
Sub Total	3,628,250	5,388,000	7,147,750	8,907,500	108,750
PROFIT BEFORE TAX	1,171,750	4,212,000	7,252,250	10,292,500	23,891,250
Taxable Income					
Corporation Tax at 30%	351,525	1,263,600	2,175,675	3,087,750	7,167,375
PROFIT AFTER TAX	820,225	2,948,400	5,076,575	7,204,750	16,723,875
Profit Brought Forward	820,225	3,768,625	8,845,200	16,049,950	32,773,825

8.2.2 PROJECTED CASH FLOWS

The project's cash flows are shown in last row of Table 6. The flows depict a good liquid position right from the first year. Cash accumulation builds up from US\$ 4,800,261 in the first year to US\$ 24,001,306 at the end of 5th year of the project's operations based on the 50 trucks purchased every six months, which is equivalent to 100 tracks per year.

Table 6. Projected Cash Flows

Item/year		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
CAPITAL INFLOW						
Present Equity Capital	37,500,000	-	-	-	-	-
Sub Total Capital Inflow	37,500,000	-	-	-	-	-
OPERATING INFLOW						
Profit before tax		1,171,750	4,212,000	7,252,250	10,292,500	23,891,250
Depreciation		3,628,250	5,388,000	7,147,750	8,907,500	108,750
Sub Total Operating Inflow		4,800,000	9,600,000	14,400,000	19,200,000	24,000,000
TOTAL INFLOW		4,800,000	9,600,000	14,400,000	19,200,000	24,000,000
CAPITAL OUTFLOW						
Investment	37,500,000	-	-	-	-	-
Sub Total Capital Outflow	37,500,000	-	-	-	-	-
OPERATING OUTFLOW						
Taxation		351,525	1,263,600	2,175,675	3,087,750	7,167,375
Sub Total Operating Outflow		351,525	1,263,600	2,175,675	3,087,750	7,167,375
TOTAL OUTFLOW	37,500,000	351,525	1,263,600	2,175,675	3,087,750	7,167,375
NET CASHFLOW	-	4,800,261	9,600,522	14,400,783	19,201,044	24,001,306

9.0 CAPACITY OF THE PROJECT

The Company currently has a fleet of 280 trucks and expects to start its expansion with addition of 50 trucks every six months and having a fleet of 500 trucks by the year 2028. The Company is currently operating the cargo transportation to Zambia and DRC and later on it is expecting to expand the transportation service to other landlocked countries whenever the service is needed. From the planned capacity

of the project and its expansion will create at least 1000 job opportunities.

10.0 Conclusion and Recommendations

The brief financial analysis indicates that the proposed project will be financially and economic viable. The project will generate significantly to the social and economic progress by purchasing 50 heavy trucks including trailers. Therefore, it is strongly recommended that the project directors be availed with the required institutional assistance so as to enable them to implement the intended expansion of the proposed project. The project deserves this support because of its viability, since it is technical feasible, economically viable and socially acceptable.