

BUSINESS PLAN

FOR

R.J. FREIGHT LINE

**(EXPANSION OF TRANSPORTATION
PROJECT)**

**PREPARED FOR
R.J. FREIGHT LINE.
Dar es Salaam**

1.0. EXECUTIVE SUMMARY.

M/S R.J. FREIGHT LINE. is a company registered in the country under the Companies Act, Cap 212 and bears Certificate of Incorporation No. 39751 issued on 1st August, 2000.

The project promoters are well established business in Dar es Salaam City carrying out various businesses but majoring in Transportation. Having been in the business for over 10 years the directors are now well prepared for transportation project and they see a very bright future in the transport sector.

This document has been preparing to serve as a business plan for K & M Transporter for their transport project. The implementation of this project will comprise of the following activities: -

- The purchase of 50 trucks,
- The purchase 10 land cruiser pick up for road patrol
- The purchase of 10 motor cycles for road patrol
- The purchase of 10 staff bus
- The purchase of communication sets radio
- Equipping the company with relevant facilities

The proposed project is estimated to cost about US\$. The 6,520,000 project sponsors will apply loan from financial institution amounting to US\$ 4,000,000 while the rest will be sought from banking institutions.

1.1 THE PROJECT PROMOTERS

The shareholders of this project are all entrepreneurs with a diverse professional and business backgrounds. The company is owned by 3 shareholders, namely: -

Name	Nationality	Shares %
Raynolds Joachim P.O. Box 70934 Dar es Salaam	Tanzania	33.34
Edward Joachim P.O. Box 70934 Dar es Salaam	Tanzania	33.33
Saimon Kunjumu P.O. Box 70934 Dar es Salaam	Tanzania	33.33

1.2 Location.

The project head office will be located at Plot No. 97, Coca Cola, Kinondoni, Dar es Salaam.

1.3 Targeted Markets.

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

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 **MS. R.J. FREIGHT LINE** 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.

2.0 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 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 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 in view

of this that, despite this poor infrastructure, **MS R.J. FREIGHT LINE.** has resolved to assist to provide a solution to stimulate the said intraregional trade.

En resume, we can say that **MS R.J. FREIGHT LINE,** has a major objective 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.

2.0 THE PROJECT

MS R.J. FREIGHT LINE is a company legally registered in Tanzania and it bears the Certificate of Incorporation No. 39751 issued on 1st August, 2000 issued the Company's registered share capital standard at **TShs. 10million.**

The project's objective is to purchase a total of 30 trucks each with a trailer. This study is based on the 50 trucks. It has been estimated that full scale operations the 50 trucks are expected to meet at least 1000 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

MS R.J. FREIGHT LINE is owned by two individuals, all of whom are Tanzanians. **MS R.J. FREIGHT LINE** shareholders have an adequate

experience in running the business of motor vehicles as such is well versed in transportation business.

Name	Nationality	Shares %
Raynolds Joachim P.O. Box 70934 Dar es Salaam	Tanzania	33.34
Edward Joachim P.O. Box 70934 Dar es Salaam	Tanzania	33.33
Saimon Kunjumu P.O. Box 70934 Dar es Salaam	Tanzania	33.33

3.0 INVESTMENT AND FINANCING US\$3

For the project to be a reality a total investment amounting to US\$3M is needed.

(i) Land and Building: US\$100,000

(ii) The project is going to lease a warehouse to be used as garage and

(iii) Machinery and Equipment: US\$ 400,000

US\$ 400,000 is anticipated to be spent on the purchase of various garage machinery and equipments. The equipment for the mechanical workshop will include things like a diesel pump, lathe and panel beating and spray facilities, tyre retreating plants.

Also to be included is the purchase of a welding and grinding machine, compressors, both mobile and stationery, iron sheet folding machine and other general tools and equipment

(iv) Motor Vehicles: US\$ 5,500,000

The project will need 50 trucks at the estimated cost of US\$1.8m. 10 land cruiser pick up, 10 motor cycles and 10 buses. These trucks will be used in overhauling various types of goods and products on behalf of several customers located in the land locked neighboring countries of Malawi, Zambia, Burundi, Rwanda, Democratic Republic of Congo and even Uganda.

Internally the project anticipates making trips to several regional centers spread throughout the country. However, when required to do so.

(v) Office Furniture and Equipment: US\$ 5,000

This investment cost item has been estimated to cost US\$5,000. It will consist of office tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

(vi) Pre-Operational Expenses: US\$ 10,000

These will cover things like company registration, expenses spent by **MS R.J. FREIGHT LINE** 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 the warehouse and yard and other engineering services. Also included under this item are issues like consultancy fees, legal fees and recruitment and training costs of personnel.

(vii) Initial Working Capital: US\$ 500,000

Calculations as well as assumptions for working capital requirements

5.0 FINANCING PATTERN

The financing pattern being considered here is that involving the purchase of 50 trucks and their trailers. The project will be financed both by equity and loan. Equity contribution will constitute US\$ 2,520,000, while the remaining amount will be in the form of a loan. This loan amount is expected to be the equivalent of US\$4,000,000

The loan will be negotiated and acquired from one of banks operating in the country. The project sponsors expect to procure this loan on the following terms and conditions: -

Loan Amount : US\$4,000,000

Interest Rate: 8% annually

6.0 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 word from the project promoters.

7.0 MANPOWER AND ORGANIZATION STRUCTURE

The project will be managed by a Board of Directors of **M/S R.J. FREIGHT LINE**. 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 Managing Director

The project's employee requirement is estimated to be 65 people, the Company handsomely remunerates its workers. In order to ensure timely delivery of consignments, provision of goods service to customers, Management will provide on the job training in the field of motor vehicle

maintenance and will provide bonus and other incentives as a means of instilling and boosting employee work morale.

8.0 PROJECT OPERATING COSTS

In order to realize its intended objective, the project will have to meet operating costs that has been estimated to be 45% of total revenue.

9.0 MARKET AND MARKETING

The project's earmarked clientele is in the land locked 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 trip are determined by both the trip's destination and nature of road involved. All in all, a total of 1000 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 \$ 5,000 per trip, while all internal destinations will each cost US \$ 2,000.

10.0 REVENUE ASSUMPTIONS

50 trucks each makes two return trips per month. Each trip will cost US \$ 5,000.

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.

11.0 FINANCIAL ASPECTS FOR THE PROJECT

(i) Projected Profit and Loss Statement

The attached Appendix I 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. 2,018,100 to US\$ 8,085,742 in the 6th year.

(ii) Projected Cash Flows

The project's cash flows are shown in Appendix II. They depict a good liquid position right from the first year. Cash accumulation builds up from US\$ 2,540,100 in the first year to US\$ 11,322,742 at the end of 6years of the project's operations based on the 30 trucks obtained.

(iii) PAYBACK PERIOD: TSHS. '000'

Total investment is US\$ 6,520,000 cash accumulation in year 5 is US\$ 7,972,413 which is more than the initial investment.

The project has a relatively short payback period. It is remarkably impressing for a project whose investment is as big as US\$ 6,520,000 being recovered within 6 years.

12.0 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 concern of the Central and the Local Government authorities. It is gratifying to note that **M/S R.J. FREIGHT LINE**, is going to provide additional employment to 56 people all of whom will be nationals. 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\$3,360,318 during the project's 6 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. In this study we have assumed that one trip will cost US \$ 5,000

13.0 CONCLUSION AND RECOMMENDATION

13.1 Conclusion

- (i) The project is profitable and contributes to government revenue by way of taxes.
- (ii) The project provides employment to 65 people all of whom are national Tanzanians.

- (iii) The project is an encouraging sign to prove that we have local investors who have confidence in their country. Tanzania so much so that they are ready to invest such large sums of investment despite the odds of the sector in question.

14.0 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 technical feasible, economically viable and socially acceptable.

APPENDIX I

M/S R.J. FREIGHT LINE PROJECTED PROFIT AND LOSS STATEMENT US\$

	1	2	3	4	5	6	7	8
Revenue	6,000,000	6,300,000	6,615,000	6,945,750	7,293,038	7,657,689	8,040,574	8,442,603
Operating Expenses:	2,700,000	4,725,000	4,961,250	5,209,313	5,469,778	3,063,076	3,216,230	3,377,041
Profit before Depreciation & Interest	3,300,000	1,575,000	1,653,750	1,736,438	1,823,259	4,594,614	4,824,344	5,065,562
Interest	320,000	240,000	160,000	80,000	-	0	0	0
Depreciation	447,000	447,000	447,000	447,000	447,000	447,000	447,000	447,000
Gross Profit	2,533,000	888,000	1,046,750	1,209,438	1,376,259	4,147,614	4,377,344	4,618,562
Tax (30%)	759,900	266,400	314,025	362,831	412,878	1,244,284	1,313,203	1,385,568
Profit After Tax	1,773,100	621,600	732,725	846,606	963,382	2,903,330	3,064,141	3,232,993
Accumulated Profit	2,018,100	2,639,700	3,372,425	4,219,031	5,182,413	8,085,742	11,149,883	14,382,876

APPENDIX II

M/S R.J. FREIGHT LINE PROJECTED CASH FLOWS US\$

SOURCES:		1	2	3	4	5	6	7	8
Profit before interest and depreciation		3,300,000	1,575,000	1,653,750	1,736,438	1,823,259	4,594,614	4,824,344	5,065,562
Equity	2,520,000								
Loan	4,000,000								
Total Sources	6,520,000	3,300,000	1,575,000	1,653,750	1,736,438	1,823,259	4,594,614	4,824,344	5,065,562
Applications:									
Capital expenditure	6,010,000	-	-	-	-	-			
working Capital &Others	510,000								
Cash	-2,540,100	1,308,600	1,339,725	1,373,606	1,410,382	3,350,330	3,511,141	3,679,993	
Tax	-759,900	266,400	314,025	362,831	412,878	1244284.088	1313203.292	1385568.456	
Sub total	6,520,000	3,300,000	1,575,000	1,653,750	1,736,438	1,823,259	4,594,614	4,824,344	5,065,562
Total applications	6,520,000	3,300,000	1,575,000	1,653,750	1,736,438	1,823,259	4,594,614	4,824,344	5,065,562
Accumulated cash		2,540,100	3,848,700	5,188,425	6,562,031	7,972,413	11,322,742	14,833,883	18,513,876

APPENDIX III

M/S R.J. FREIGHT LINE PROJECTED BALANCE SHEET US\$

Fixed Assets	-	1	2	3	4	5	6	7	8
Opening balance	-	6,010,000	5,563,000	5,116,000	4,669,000	4,222,000	3,748,956	3,266,911	2,784,867
Total Long-term Assets	-	6,010,000	5,563,000	5,116,000	4,669,000	4,222,000	3,748,956	3,266,911	2,784,867
Less depreciation	-	447,000	447,000	447,000	447,000	447,000	447000	447000	447000
Closing balance	-	5,563,000	5,116,000	4,669,000	4,222,000	3,775,000	3,301,956	2,819,911	2,337,867
Working capital	510,000	510,000	510,000	510,000	510,000	510,000	510,000	510,000	510,000
Accumulated cash	-	2,540,100	3,848,700	5,188,425	6,562,031	7,972,413	11,322,742	14,833,883	18,513,876
Total assets	510,000	8,613,100	9,474,700	10,367,425	11,294,031	12,257,413	15,134,698	18,163,794	21,361,743
Financed by									
Equity	2,520,000	2,520,000	2,520,000	2,520,000	2,520,000	2,520,000	2,520,000	2,520,000	2,520,000
Accumulated profit	-	2,018,100	2,639,700	3,372,425	4,219,031	5,182,413	8,085,742	11,149,883	14,382,876
Total equity	2,520,000	4,538,100	5,159,700	5,892,425	6,739,031	7,702,413	10,605,742	13,669,883	16,902,876
Long term loan	4,000,000	3,000,000	2,000,000	1,000,000	-	-	-	0	0
Total debts	4,000,000	3,000,000	2,000,000	1,000,000	-	-	-	-	-
Total equity and debts	6,520,000	7,538,100	7,159,700	6,892,425	6,739,031	7,702,413	10,605,742	13,669,883	16,902,876

APPENDIX IV**M/S R.J. FREIGHT LINE PROJECT CAPITAL INVESTMENT US\$**

PARTICULAR	
Land and Buildings	100,000.00
Machinery & Equipment	400,000.00
Motor Vehicles	5,500,000.00
Furniture & Fixtures	5,000.00
Pre exp	10,000.00
Others	5,000.00
Working Capital	500,000.00
TOTAL	6,520,000.00

APPENDIX V**M/S R.J. FREIGHT LINE PROPOSED FINANCING PATTERN US\$**

SOURCE OF FUNDS	FOREIGN	LOCAL	TOTAL
Equity	NIL	2,520,000	2,520,000
Loan	NIL	4,000,000	1,056,000,000
TOTAL		4,000,000	2,653,000,000

APPENDIX VI
M/S R.J. FREIGHT LINE LOAN AND INTERESTS REPAYMENT SCHEDULE US\$

Year	Principle	Loan Interest (8%)	Total Amount Paid	Loan Balance
1	1,000,000.00	320,000.00	1,320,000.00	4,000,000.00
2	1,000,000.00	240,000.00	1,240,000.00	3,000,000.00
3	1,000,000.00	160,000.00	1,160,000.00	2,000,000.00
4	1,000,000.00	80,000.00	1,080,000.00	1,000,000.00

M/S R.J. FREIGHT LINE PROJECTED DEPRECIATION SCHEDULE US\$

NAME OF ASSETS	1	2	3	4	5	6	7	8
Land And Buildings	100,000	98,000	96,000	94,000	92,000	63,956	35,911	7,867
Machinery, Tools & Equipment	400,000	396,000	392,000	388,000	384,000	380,000	376,000	372,000
Motor Vehicles	5,500,000	5,060,000	4,620,000	4,180,000	3,740,000	3,300,000	2,860,000	2,420,000
Furniture & Fixtures	10,000	9,000	8,000	7,000	6,000	5,000	-5,000	-15,000
Total	6,010,000	5,563,000	5,116,000	4,669,000	4,222,000	3,748,956	3,266,911	2,784,867
DEPRECIATION	1	2	3	4	5			
Land and buildings	2,000	2,000	2,000	2,000	2,000	28,044	28,044	28,044
Machinery tools & Equipment	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Motor Vehicles	440,000	440,000	440,000	440,000	440,000	440,000	440,000	440,000
Furniture & Fixtures	1,000	1,000	1,000	1,000	1,000	10,000	10,000	10,000
ANNUAL DEPRECIATION	447,000	447,000	447,000	447,000	447,000	482,044	482,044	482,044

PROJECT IMPLEMENTATION SCHEDULE

It is expected that the Project will be take 15 months to implement as shown below:

	ACTIVITY	PERIOD
1.	Processing TIC Certificate of Incentive	October – 2024
2.	Funds Mobilization	December 2024 – February 2025
3.	Ordering of Vehicles	January – March 2019
4.	Arrival of Vehicles	April – September 2029
5.	Trial Operations	January 2025
6.	Commercial Operations	March 2035