

H. R. M. INVESTMENT

BUSINESS PLAN

FOR

ESTABLISHMENT OF CARGO

TRANSPORTATION BUSINESS

EXECUTIVE SUMMARY

1.0 Introduction

H. R. M. INVESTMENT is a privately owned company incorporated for purpose of carrying out cargo transportation business for domestic and transit cargo.

1.2 Project

Business plan report set out a proposal for the establishment of cargo transportation business. The total number of truck is estimated to be 30.

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 in view of this that, despite this poor infrastructure, **H. R. M. INVESTMENT** has resolved to assist to provide a solution to stimulate the said intraregional trade.

In summary, we can say that **H. R. M. INVESTMENT** 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 **60** employment to more people in the sector.

1.3 Location

The project will be located at Dar es Salaam Region

1.4 Project Sponsor

S/N	Name of shareholders	Percentage of ownership
1	Hemed Rajabu Mlacha	100

1.5 The Legal status of the Company

H. R. M. INVESTMENT is incorporated in Tanzania under companies Act and bears Certificate of Incorporation No. 36338 dated 21st May 2019.

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. 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 H. R. M. INVESTMENT 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 Investment Cost

H. R. M. INVESTMENT COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	200,000.00
Machinery & Equipment	140,000.00
Motor Vehicles	2,800,000.00
Furniture & Fittings	2,000.00
Pre expenses	25,000.00
Working Capital	150,000.00
TOTAL	3,317,000.00

2.1 Financing Pattern

The financing pattern being considered is that involving the purchasing of 70 trucks and their trailers. The project will be financed both by equity and loan. Equity

contribution will constitute US\$ 2,000,000 while the remaining 1,317,000 will be in the form of a loan, this loan The loan will be negotiated and acquired from one of domestic financial institutions. The project sponsors expect to procure this loan on the following terms and conditions:-

Loan Amount : US\$ 1,317,000
Interest Rate : 12% annually

3.0 Market Analysis

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 1,300 trips will be made. Each truck will transport a minimum of 28 tons per trip. Thus, a total of 36,400 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 \$ 3000 per trip,

3.1 Revenue Assumptions

30 trucks make 1,300 trips annually expecting to generate US\$ 3,900,000 annually.

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.

4.0 Financial Aspects for the Project

4.1 Projected Profit and Loss Statement

The schedule below shows the projected income for the 8years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. **US\$1,668,892** to **US\$ 12,787,308** in the 8th year, refer appendix III

4.2 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\$ 1,668,692** in the first year to **US\$ 10,103,910** at the end of 5th years, refer appendix IV

4.3 Projected Balance Sheet

The total equity and debts increases from **US\$ 1,317,000** in the first year to **US\$ 2,135,891** in eighth year, refer appendix VI

5.0 Payback Period

Total investment is US\$1,317,000; cash accumulation in year 4 is US\$ 1,427,168 which is more than the initial investment by US\$ 110,168. The project payback Period is within four years.

6.0 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.

6.1 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 H. R. M. INVESTMENT is going to provide additional employment to 60 people. This is a significant contribution coming from local investors.

6.2 Revenue to the Government

The Project is expected to pay a substantial annual amount in the form of corporation tax during the project's 8 years covered under our project review, estimated US\$3,337,418 to be paid as corporate tax for 8 years

6.3 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

6.0 Conclusion

6.1 Conclusion

- (i) The project is profitable and contributes to government revenue by way of taxes.
- (ii) The project provides employment to 80 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.

6.2 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.

COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	200,000.00
Machinery & Equipment	140,000.00
Motor Vehicles	2,800,000.00
Furniture & Fittings	2,000.00
Pre expenses	25,000.00
Working Capital	150,000.00
TOTAL	3,317,000.00

APPENDIX II

FIXED ASSETS SCHEDULE (US\$)

NAME OF ASSETS	1	2	3	4	5	6	7	8
Land And Buildings	200,000	190,000	180,000	170,000	160,000	150,000	140,000	130,000
Machinery, Tools & Equipment	100,000	90,000	80,000	70,000	60,000	50,000	40,000	30,000
Motor Vehicles	3,840,000	3,756,000	2,672,000	2,588,000	2,504,000	2,420,000	2,336,000	2,252,000
Furniture & Fixtures	2,000	1,800	1,600	1,400	1,200	1,000	800	600
Total	3,142,000	3,037,800	2,933,600	2,829,400	2,725,200	2,621,000	2,516,800	2,412,600
DEPRECIATION	2011 USD	2012 USD	2013 USD	2014 USD	2015USD	2013 USD	2014 USD	2015USD
Land and buildings	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Machinery tools & Equipment	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Motor Vehicles	84,000	84,000	84,000	84,000	84,000	84,000	84,000	84,000
Furniture & Fixtures	200	200	200	200	200	200	200	200
ANNUAL DEPRECIATION	104,200	104,200	104,200	104,200	104,200	104,200	104,200	104,200
CLOSING FIXED ASSETS	3,037,800	3,933,600	2,829,400	2,725,200	2,621,000	2,516,800	2,412,600	2,308,400

APPENDIX III

PROJECTED INCOME & EXPENDITURE STATEMENT

" US \$"

	1	2	3	4	5	6	7	8
Revenue	3,900,000.00	4,212,000.00	4,548,960.00	4,912,876.80	5,305,906.94	5,730,379.50	6,188,809.86	6,683,914.65
Fuel and Lubricants	2,535,000.00	2,737,800.00	2,956,824.00	3,193,369.92	3,448,839.51	3,724,746.67	4,022,726.41	4,344,544.52
Operating Expenses:								
Utility	12,000.00	12,600.00	13,230.00	13,891.50	14,586.08	15,315.38	16,081.15	16,885.21
Electricity	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00
Donation	8,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Salary and Wages	144,000.00	151,200.00	158,760.00	166,698.00	175,032.90	183,784.55	192,973.77	202,622.46
Insurance	25,200.00	25,200.00	25,200.00	25,200.00	25,200.00	25,200.00	25,200.00	25,200.00
Maintenance	20,000.00	22,000.00	24,200.00	26,620.00	29,282.00	32,210.20	35,431.22	38,974.34
Communication	10,000.00	10,500.00	11,025.00	11,576.25	12,155.06	12,762.82	13,400.96	14,071.00
Total Expenses	243,200.00	250,500.00	261,415.00	272,985.75	285,256.04	298,272.94	312,087.10	326,753.01
Profit before Interest and Depre	1,121,800.00	1,223,700.00	1,330,721.00	1,446,521.13	1,571,811.39	1,707,359.89	1,853,996.35	2,012,617.11
Interest	62,040.00	62,040.00	62,040.00	62,040.00	62,040.00			
Depreciation	104,200.00	104,200.00	104,200.00	104,200.00	104,200.00	104,200.00	104,200.00	104,200.00
Profit before Tax	955,560.00	1,057,460.00	1,164,481.00	1,280,281.13	1,405,571.39	1,603,159.89	1,749,796.35	1,908,417.11
Tax (30%)	286,668.00	317,238.00	349,344.30	384,084.34	421,671.42	480,947.97	524,938.91	572,525.13
Profit After Tax	668,892.00	740,222.00	815,136.70	896,196.79	983,899.98	1,122,211.92	1,224,857.45	1,335,891.98
Accumulated Profit	668,892.00	1,409,114.00	2,224,250.70	3,120,447.49	4,104,347.47	5,226,559.39	6,451,416.83	7,787,308.81

APPENDIX IV

PROJECTED CASH FLOW US\$

	0	1	2	3	4	5	6	7	8
SOURCES:									
Profit before interest and depreciation	0	1,121,800.00	1,223,700.00	1,330,721.00	1,446,521.00	1,571,811.00	1,707,359.00	1,853,996.00	2,012,617.00
Loan	517,000.00								
Equity	800,000.00	-	-	-	-	-	-	-	-
Total Sources	1,317,000.00	1,121,800.00	1,223,700.00	1,330,721.00	1,446,521.00	1,571,811.00	1,707,359.00	1,853,996.00	2,012,617.00
Applications:									
Capital expenditure	1,142,000.00	-	-	-	-	-	-	-	-
working Capital and others	175,000.00	-	-	-	-	-	-	-	-
Cash	0	669,692.00	741,022.00	815,937.00	896,997.00	984,700.00	1,226,412.00	1,329,058.00	1,440,092.00
Tax	-	286,668.00	317,238.00	349,344.00	384,084.00	421,671.00	480,947.00	524,938.00	572,525.00
Sub total	1,317,000.00	956,360.00	1,058,260.00	1,165,281.00	1,281,081.00	1,406,371.00	1,707,359.00	1,853,996.00	2,012,617.00
Debt service									
Interest	-	62,040.00	62,040.00	62,040.00	62,040.00	62,040.00	-	-	-
Principal	-	103,400.00	103,400.00	103,400.00	103,400.00	103,400.00	-	-	-
Total debt service	-	165,440.00	165,440.00	165,440.00	165,440.00	165,440.00	-	-	-
Total applications	1,317,000.00	1,121,800.00	1,223,700.00	1,330,721.00	1,446,521.00	1,571,811.00	1,707,359.00	1,853,996.00	2,012,617.00
Accumulated cash		669,692.00	1,410,714.00	2,226,651.00	3,123,648.00	4,108,348.00	5,334,760.00	6,663,818.00	8,103,910.00
Necessary working capital	175,000.00	175,000.00	175,000.00	175,000.00	175,000.00	175,000.00	175,000.00	175,000.00	175,000.00

PROJECTED BALANCE SHEET US \$

Fixed Assets	0	1	2	3	6	7	8
Opening balance	-	1,142,000.00	1,037,800.00	933,600.00	621,000.00	516,800.00	412,600.00
Additions	1,142,000.00	0	0	0	0	0	0
Total Long-term Assets	1,142,000.00	1,142,000.00	1,037,800.00	933,600.00	621,000.00	516,800.00	412,600.00
Less depreciation	-	104,200.00	104,200.00	104,200.00	104,200.00	104,200.00	104,200.00
Closing balance	1,142,000.00	1,037,800.00	933,600.00	829,400.00	516,800.00	412,600.00	308,400.00
Debtors	-	-	-	-	-	-	-
Working capital	175,000.00	175,000.00	175,000.00	175,000.00	175,000.00	175,000.00	175,000.00
Accumulated cash	-	669,692.00	1,410,714.00	2,226,651.00	5,334,760.00	6,663,318.00	8,103,910.00
Total assets	1,317,000.00	1,882,492.00	2,519,314.00	3,231,051.00	6,026,560.00	7,250,918.00	8,587,310.00
Financed by							
Equity	800,000.00	800,000.00	800,000.00	800,000.00	800,000.00	800,000.00	800,000.00
Profit	-	668,892.00	740,222.00	815,136.00	1,122,211.00	1,224,857.00	1,335,891.00
Total equity	800,000.00	1,468,892.00	1,540,222.00	1,615,136.00	1,922,211.00	2,024,857.00	2,135,891.00
Long term loan	-	517,000.00	413,600.00	310,200.00	-	-	-
Creditors	-	-	-	-	-	-	-
Total debts	-	517,000.00	413,600.00	310,200.00			
Total equity and debts	800,000.00	1,985,892.00	1,953,822.00	1,925,336.00	1,922,211.00	2,024,857.00	2,135,891.00

PROJECTED LONG TERM LOAN REPAYMENT

Repayments US\$					
Year	principle	Loan (12%)	Interest	Total Amount Paid	Loan Balance
0					517,000
1	103,400	62,040		165,440	413,600
2	103,400	62,040		165,440	310,200
3	103,400	62,040		165,440	206,800
4	103,400	62,040		165,440	103,400
5	103,400	62,040		165,440	0
TOTAL	517,000	310,200		827,200	

PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	90,020.00	89,200.00	179,220.00	179,220.00
2	293,202.00	89,200.00	382,402.00	561,622.00
3	325,871.00	89,200.00	415,071.00	976,693.00
4	361,275.00	89,200.00	450,475.00	1,427,168.00
5	399,637.00	89,200.00	488,837.00	1,916,005.00
6	441,098.00	89,200.00	530,298.00	2,446,303.00
7	486,220.00	89,200.00	575,420.00	3,021,723.00
8	534,985.00	89,200.00	624,185.00	3,645,908.00