

# **BUSINESS PLAN**

**For**

## **Expansion of Transportation Business**

**April, 2025**

### **Prepared by**

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## 1.0 EXECUTIVE SUMMARY

From 2005 Tanzania striving to become the regional port of choice on 2019, the country has managed to construct 8 new berths that make a total of 17 berths; the country has three main ports Dar es Salaam, Mtwara and Tanga port. Dar es Salaam port is the Tanzania principal port with a rated capacity of 14.1 million (MT) dry cargo and 6.0 million (MT) bulk liquid cargo. The Port has a total quay length of about 2,600 metres with eleven deep-water berths. Dar es Salaam port handles about 95% of the Tanzania international trade. The port serves the landlocked countries of Zambia, Democratic Republic of Congo, Burundi, Rwanda, Malawi, Uganda and Zimbabwe.

The port is strategically placed to serve as a convenient freight linkage not only to and from East and Central Africa countries but also to middle and Far East, Europe. Generally, the intrinsic capacity of the port of Dar es salaam is to handle more than 18 million tons of cargo as follows: General cargo 5.2 million tons, Container yard 6.8 million tons, Liquid bulk 6.0 million tons.

That creates as the opportunity for new players to join the market in logistics. GAAF TRANSPORT LIMITED is planning to increase their fleet from currently 50 units of FAW Trucks and Trailers with new 50 Trucks, 15 Tippers and 4 Pickups. Those vehicles are sourced from SINOTRUCK HUAWIN (HK) LIMITED found in China as manufacturing country and other suppliers from UK and Germany.

The Company is planning to their investment amounting to **Us \$ 5.870 million** to enhance the transportation business of carrying dry cargos from Dsm Port to neighbouring countries (Rwanda, Malawi, Zambia and Congo DRC) as to cope with increased demand.

The Management of the Company will use their internally cash generated funds to import the brand new vehicles to strengthen his investment motive. The imported fleet will enhance not only revenue generation but also the increase of employment levels from currently 100 to 200 staff.

## **2.0 INTRODUCTION OF THE BUSINESS PLAN.**

### **2.1 Overview of This Business Plan.**

This business plan has been written to GAAF TRANSPORT LIMITED with two main objectives;

**2.1.1** To be used as a guiding tool to support the expansion of transport business based on their financial and human resources they have.

**2.1.2** To serve as the basis to assess Company`s need of receiving tax incentive from **Tanzania Investment Centre (TIC)** based on their financial resources to support their expansion project which will eventually attract revenue generation and employment creation.

Research and market analysis have been conducted to assess the viability and applicability of the nature of this company, the outcome of the research provided concrete evidence to support this line of business. Furthermore, the preliminary financial and investment projections demonstrate the company will generate substantial income from this company because of having reliable markets to sell the products.

### **2.2 Purposes of the Proposal**

The specific purposes of this proposal are:

- Assess the viability of proposed line of business.
- Review general viability of the proposed business, the supply and demand situation in the market, and the amount of financing required as additional working capital.
- Discuss the technical, management, and operational options of the company.
- Analysis the operational and management aspects of the Management to determine its capability by considering the industry challenges and overall growth of the business.

## **3.0 COMPANY BACKGROUND**

### **3.1 Name of the Company**

GAAF TRANSPORT LIMITED is the private limited liability company with certificate of incorporation number 139856929 registered on 10<sup>th</sup> of October 2019. The Company is under supervision of YUSSUF ABDIRAHAMAN YUSSUF, a Tanzanian citizen with National Identification Number (NIDA) 19811030-23107-00002-24.

YUSSUF has been dealing with various businesses since then from trading to transportation over 10 years. The registered company is dealing with dry cargo transportation from Dar es Salaam Port to the landlocked countries such as Congo DRC, Rwanda, Burundi, Zambia and Malawi under the contractual agreements with the clients.

### **3.2 Mission.**

To invest and benefit from the various trading and logistics opportunities available in Tanzania and the neighbouring countries namely Burundi, Rwanda, DRC, Malawi and Uganda.

### **3.3 Vision.**

The Company's vision is to be a market leader in the transportation and logistics industry between 2024-2034 through offering only the highest quality of transportation services to the corporates along East and Central Africa.

### **3.4 Keys to Success.**

The Management team supervise a team of professionals who have 10 years of experience in the logistics industry. They have established a wide network of contacts and clientele in these countries over the years, which will be a major key to success.

- Focused and well-defined long-range goals for longevity. Their plans have been developed to allow flexibility and growth.

- Strong marketing goals with niche products and services; targeted services and products delivered with unique marketing approaches.
- Previous base of high-quality external support vendors available to build on, with over twenty years of industry contacts to work with, in both the purchasing of quality products, and also in the marketing of our own branded products.
- Previous successful business plans and experience so that the management will implement and perfect all aspects of the business plan, expecting that a great deal of its own creativity, positive attitude, and energy will be brought into all of the required projects.



## **4.0 PRODUCT DESCRIPTION AND BUSINESS OPERATIONS.**

### **4.1 Product Description.**

The Company have embarked on the transportation of cargo mainly dry cargoes from Dar es Salaam port to landlocked countries. The existence of Dar es Salaam port have made transportation business became one among the pillars of Tanzania economy due to the existence of landlocked countries. Statistics indicate that 70% of traffic in Dar ports are destined to these landlocked countries. The viability of transport business is also accompanied by the strong diplomatic relationship with our neighbouring countries which made them to opt for Dar es Salaam port to service their logistics needs.

The inefficiencies at the Dar es Salaam Port have been derailing its march towards becoming the regional powerhouse that could have contributed substantially to Tanzania's economic growth. From the strategic point of view, the Dar es Salaam Port is well positioned to serve more land-linked countries at cost-efficient services thus giving it a high comparative advantage over its peer ports.

Despite continued efforts to improve the port, there is still a long way to go for it to realize its massive economic potential. The port can hardly compete with other major ports due to its outdated cargo handling infrastructure and equipment, which causes unnecessary delay as it takes long to load and unload cargo from the ships. The situation has in turn caused a long dwell time of ships thus increasing freight costs which are transferred to the final consumers. For example, to boost efficiency in cargo handling, the port requires at least 12 cranes from the only two that exist now. Also, the ICT technology systems are outdated and do not support the quest for boosting efficiency in cargo handling.

To avert the situation, there is a need for introducing modern technology to shape the visibility, transparency and speed of transit cargo across Tanzania ports, dry ports and borders. The Dar es Salaam Port has 12 berths for handling a variety of cargo, vehicles, empty containers and two berths for handling oil vessels.

In its strategy aimed at boosting the capacities of its three ports namely the Dar es Salaam, Tanga and Mtwara, the Tanzania Ports Authority (TPA) targets 27.5 million tonnes of cargo by the 2024/2025 financial year but this is still below some rival ports in the region.

The TPA forecasts to reach a target of 30 million tonnes by 2030 or beyond. To make this dream a reality there is a need for a right and strategic partnership investment.

The Dar es Salaam Port provides a gateway for 90 per cent of Tanzanian trade but is also the access route to six land-linked countries namely Malawi, Zambia, Burundi, Rwanda, and Uganda, as well as the Democratic Republic of Congo (DRC).

The upgrading of the port's infrastructure, including the ongoing deepening of channels and expanding berths to attract larger vessels to dock, would not only increase cargo capacity but also reduce shipping costs. This would certainly attract more trade and investment, stimulating economic growth.

#### **4.2 Business Operations.**

Since Company's main activity is transportation, the company is enjoying a bilateral agreement with the aforementioned clients from the landlocked countries for more than three years consecutively.

The Company has invested in the computerized trucking systems which ensure the effective running of the trucks all the way to landlocked countries to ensure the performance (delivery) risk is minimized.

Also there are well experienced personnel who are in charge of supporting services and maintenance of the trucks which are on duties.

## **5.0 INDUSTRY AND MARKET ANALYSIS**

### **5.1 Economic Outlook**

Many prominent economic reviews on Tanzania's economy (The World Bank, African Development Bank, Deloitte and the like) rate Tanzania's economic condition as being gradual but stable. While observing that a slowdown in the economic system has greatly impacted individual liquidity squeeze, business attrition and slow private sector growth, the reviews, however this shows that the economy will continue to enjoy a prolonged, stable growth.

The economy has continued to perform strongly, with current growth at around 7%. This is driven largely by communications, transport, financial intermediation, construction, agriculture and manufacturing. In the medium term, growth will be supported by the ongoing investments in infrastructure. Also, these medium-term growth projections are backed by continued investments in the recently industrial mine mining has been the booming sector in Tanzania and the expansion in public investments as well as the related investments aimed at stabilizing power generation in the country. The main development challenge is that Tanzania's growth is not sufficiently broad-based and poverty levels still remain high.

### **5.2 The Market Plan and the Target Market**

There is a wide market for domestic as well as transit cargoes. The business has never experienced marketing and operational issues since its inception due to the huge demand of transit cargoes to our neighbouring countries which mainly use Dar es Salaam port.

The port of Dar es Salaam has recently being undergone major rehabilitation, modernization and expansion not only to be able to compete with Mombasa port (Kenya) and Beira port (Mozambique) handling East and Central Africa's imports but also as a strategy for meeting the national demand for cargo handling. The increase in demand of transit cargo have grown steadily following expansion of agricultural, mining and industrial activities in Tanzania.

GAAF TRANSPORT LIMITED will endeavour to achieve the projected revenue from both domestic and transit cargo demand in the neighbouring countries including Rwanda, Burundi, Congo DRC, Uganda and Zambia through the use of Dar es Salaam Port.

### **5.3 Competitive Advantage**

The construction of a new roll-on, roll-off terminal at the port has boosted its capacity to handle much larger vessels with efficiency, and to improve on the turnaround time for ships coming through, Following the recently rehabilitation, modernization and expansion of Dar es Salaam Port the business of cargo transportation has attracted many entrants which created high competition in the transportation industry.

GAAF TRANSPORT LIMITED has planned to position itself as the service providers and support in terms of all issues regarding drivers to other plays and well as to venture in transporting by diversifying types of trucks the ones that can carry cargoes and the other type to carry fuel.

With volumes projected to grow to over 30 million tons by 2030, the Dar es Salaam Maritime Gateway Project is helping address operational and physical constraints at the port which will enable it to improve its overall performance and contribution toward jobs growth in the region.

GAAF TRANSPORT LIMITED will have an opportunity to create strong relationship with different vendors that we create a smooth entry in the market, this gives the chance for successful operations of transportation business across East and Central African countries.

## 6.0 SWOT ANALYSIS

The purpose of this analysis is to determine both internal and external factors surrounding the new project and its ability to be sustainable in generating a reasonable return to the Sole Proprietor.

### 6.1 Strengths

The strengths includes the following:

- The Management is well versed in transportation and trade industries.
- Experienced personnel ensuring daily smooth operations and profitability.
- Availability of proper infrastructures.

### 6.2 Weaknesses

Since the registered Company have not stayed long in the industry operations; however, the Management team have been doing this business for a long period of time under the normal business name with wide experience in the logistics industry and business in general.

### 6.3 Opportunities

Opportunities available to the company include the following:

- Tanzania is on the geographical and political map of the world due to its political stability and being in unique position where by serving 7 landlocked countries.
- Tanzania being strategically positioned and with Dar es Salaam port being extensively used by the neighbouring countries, the scope of transportation industry is tremendous. This also vis-à-vis increases the potential for the logistic industry.
- The current ongoing expansion of Dar es Salaam port will highly increase the volume of cargo receipt and handling and therefore more transportation services opportunities.
- Upcoming mining sectors that create a huge demand for transportation and logistics.

## 6.4 Threats

With the opening up of the industry and the niche it provides more and more players are bound to enter this business arena with a stronger capital base and create unprecedented competition that may impact our planned expansion.

- **Solutions to the threats**

As the industry is completely quality services oriented, the company pride it by offering the best at the most affordable prices. Though the company is bound to be affected by more competition coming in, our strategy of staying one step ahead of others will definitely bring results.

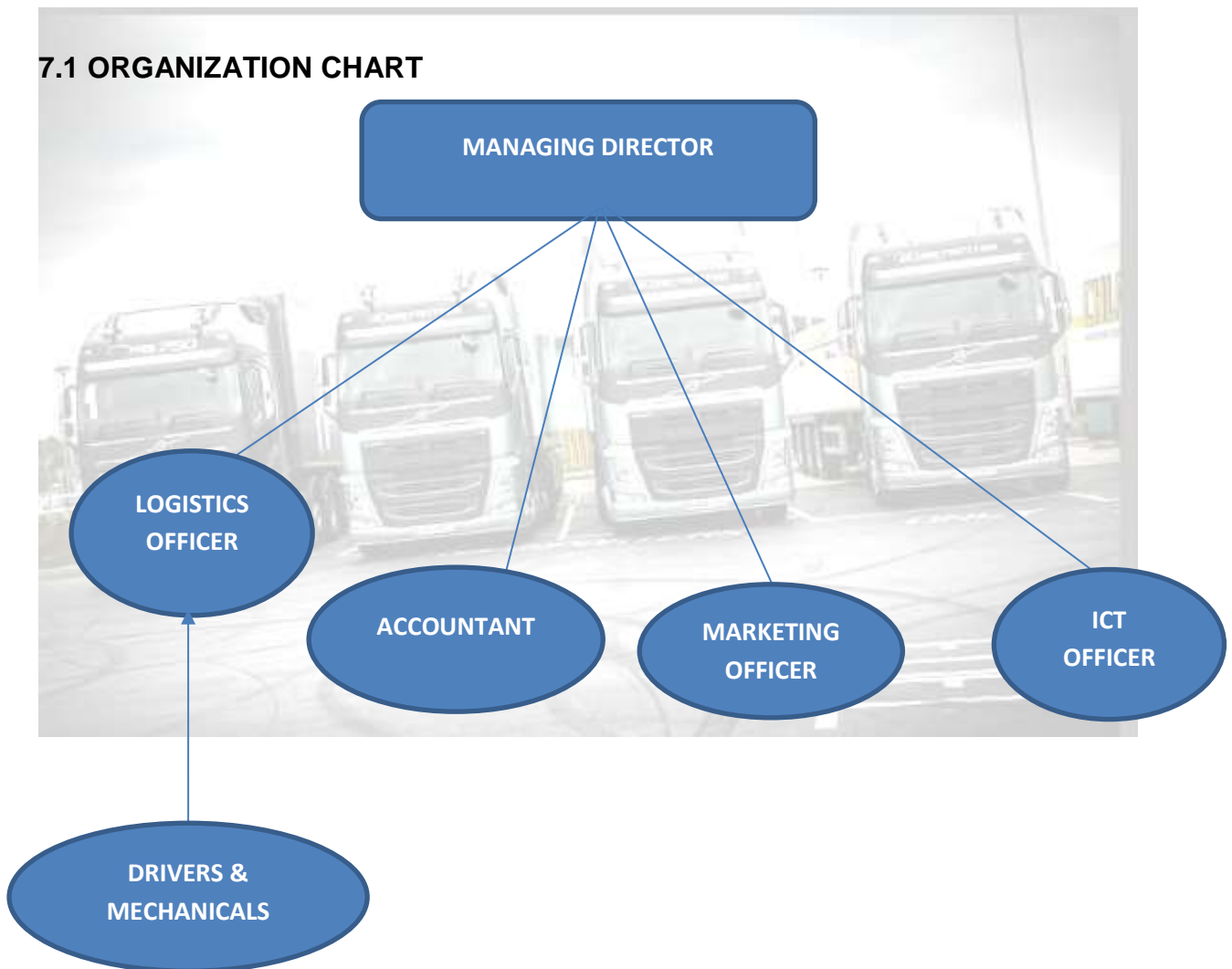


## 7.0 ORGANIZATION AND MANPOWER MANAGEMENT

The Company's policy is to have adequate manpower to its operations efficiently. The Company believe in keeping on board only the very essential manpower strength, to develop them into highly motivated and sincere company team for the best and efficient operations of the business.

The Company have a team of qualified and experienced functional managers in the areas of operations, marketing, workshop, finance and administration. Other senior and middle level staff are available for the continued and subsequent operations of the business.

### 7.1 ORGANIZATION CHART



## 8.0 FINANCIAL STATEMENT AND PROJECTIONS

### ASSUMPTIONS BEHIND THE FINANCIAL STATEMENT PROJECTIONS

1. The projected revenue break-down from transportation business as per market research;
  - Cross Boarder Trips – Revenue projected as an average of \$ 5,000 from Dsm Port to Zambia, \$ 4,300 from Dsm Port to Malawi and \$ 3,200 from Dsm Port to Rwanda.
  - Returning with cargo especially Copper from Zambia at an average price of \$ (3,500 – 4,000).
  - Local Trip – Revenue projected as average of TZS (3 – 4) million
  - Shunting Services (Carriage of Containers from Dsm Port to ICD) is averaged at \$ 150 per Container.

**Note:** The mentioned prices are assumed to grow @10% every year

2. The Company is planning to new 50 brand new Trucks and Trailers and continue with the existing 50 Trucks to make total fleet size of 100 Trucks as to cope with the increased demand.
3. There will additional of fleet after every 5 years of company to strengthen revenue generation and operational efficiency.
4. The company assumed to experience high and low volume for sometimes from the past experience.
5. The projected revenue are treated as weighted average for all months however there is huge possibility for revenue to be increased after 24 months as a result of investment of new Trucks made and personnel management in the business.
6. The incoming from transportation are 100% in US Dollars for cross-border trips.

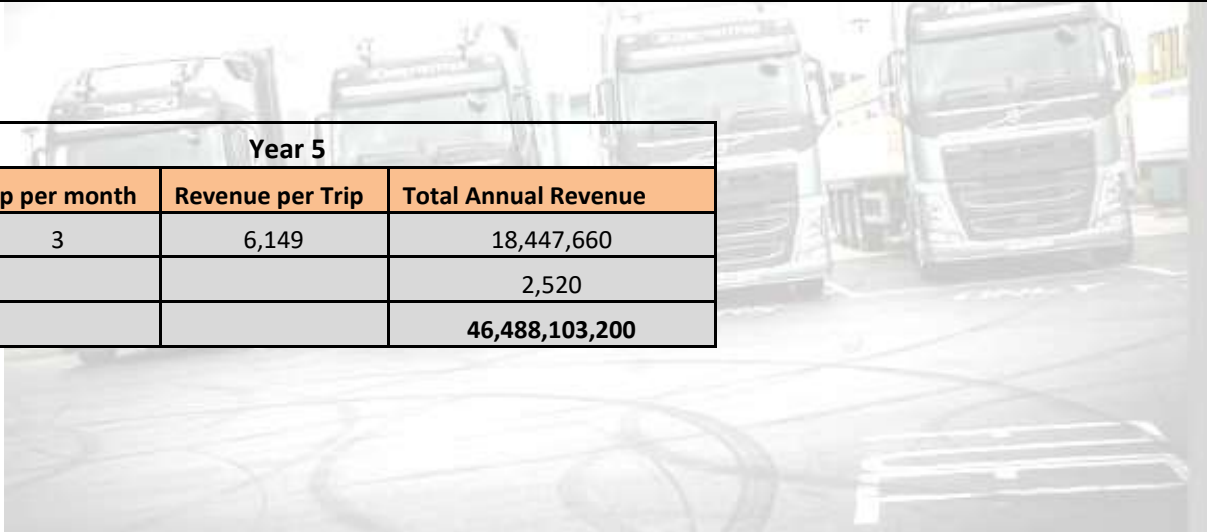
## 9.1 FINANCIAL STATEMENTS PROJECTIONS

### 9.1.1 REVENUE PROJECTIONS

Revenue Projections								
"USD"	Year 1				Year 2			
	Unit	Trip per month	Revenue per Trip	Total Annual Revenue	Unit	Trip per month	Revenue per Trip	Total Annual Revenue
Trucks	100	2.5	4,200	12,600,000	100	2.5	4,620	13,860,000
Rate of Change				2,520				2,520
<b>Net Revenue(TZS)</b>				<b>31,752,000,000</b>				<b>34,927,200,000</b>

Year 3				Year 4			
Unit	Trip per month	Revenue per Trip	Total Annual Revenue	Unit	Trip per month	Revenue per Trip	Total Annual Revenue
100	2.5	5,082	15,246,000	100	3	5,590	16,770,600
			2,520				2,520
			<b>38,419,920,000</b>				<b>42,261,912,000</b>

Year 5			
Unit	Trip per month	Revenue per Trip	Total Annual Revenue
100	3	6,149	18,447,660
			2,520
			<b>46,488,103,200</b>



## 9.1.2 PERSONNEL COSTS ANALYS

"TZS"		Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
<b>Net Revenues</b>		<b>31,752,000,000</b>	<b>34,927,200,000</b>	<b>38,419,920,000</b>	<b>42,261,912,000</b>	<b>46,488,103,200</b>
<b>Staff Salaries</b>	<b>Monthly Income</b>					
Managing Director	1	3,000,000	36,000,000	39,600,000	43,560,000	47,916,000
Logistics	15	800,000	144,000,000	158,400,000	174,240,000	191,664,000
Accountants	5	800,000	48,000,000	52,800,000	58,080,000	63,888,000
Marketing Officers	10	700,000	84,000,000	92,400,000	101,640,000	111,804,000
ICT Officers (Tracking System Operator)	5	650,000	39,000,000	42,900,000	47,190,000	51,909,000
Drivers	215	400,000	1,032,000,000	1,135,200,000	1,248,720,000	1,373,592,000
Mechanical Staff	20	400,000	96,000,000	105,600,000	116,160,000	127,776,000
<b>Total Salary</b>		<b>1,479,000,000</b>	<b>1,626,900,000</b>	<b>1,789,590,000</b>	<b>1,968,549,000</b>	<b>2,165,403,900</b>
<b>Benefits</b>						
Percent (%)		10%	10%	10%	10%	10%
Total benefit costs		147,900,000	162,690,000	178,959,000	196,854,900	216,540,390
<b>Total S &amp; M Compensation</b>		<b>1,626,900,000</b>	<b>1,789,590,000</b>	<b>1,968,549,000</b>	<b>2,165,403,900</b>	<b>2,381,944,290</b>
% of Revenue		5.1%	5.1%	5.1%	5.1%	5.1%
<b>Hourly Personnel</b>						
Number of employees		0	0	0	0	0
Average wages per employee		0	0	0	0	0
Total wages		0	0	0	0	0
<b>Benefits</b>						
Percent (%)		10%	10%	10%	10%	10%
Total benefit costs		0	0	0	0	0
Total Wage Costs		0	0	0	0	0
<b>Total Salary &amp; Wages</b>		<b>1,479,000,000</b>	<b>1,626,900,000</b>	<b>1,789,590,000</b>	<b>1,968,549,000</b>	<b>2,165,403,900</b>
<b>Total Benefits</b>		<b>147,900,000</b>	<b>162,690,000</b>	<b>178,959,000</b>	<b>196,854,900</b>	<b>216,540,390</b>
<b>Total S &amp; M Compensation</b>		<b>1,626,900,000</b>	<b>1,789,590,000</b>	<b>1,968,549,000</b>	<b>2,165,403,900</b>	<b>2,381,944,290</b>
% of Revenue		5.1%	5.1%	5.1%	5.1%	5.1%

### 9.1.3 DIRECT COSTS ANALYSIS

"TZS"	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
<b>Revenue</b>	<b>31,752,000,000</b>	<b>34,927,200,000</b>	<b>38,419,920,000</b>	<b>42,261,912,000</b>	<b>46,488,103,200</b>
<b>Cost of Revenue</b>					
Fuel costs	18,416,160,000	20,257,776,000	22,283,553,600	24,511,908,960	26,963,099,856
Mileage	1,080,000,000	1,242,000,000	1,428,300,000	1,642,545,000	1,888,926,750
Road Toll	205,600,000	236,440,000	271,906,000	312,691,900	359,595,685
Other overhead costs	155,000,000	173,600,000	194,432,000	217,763,840	243,895,501
<b>Total Direct Costs at 100% capacity</b>	<b>19,856,760,000</b>	<b>21,909,816,000</b>	<b>24,178,191,600</b>	<b>26,684,909,700</b>	<b>29,455,517,792</b>
<b>Gross Profit</b>	<b>11,895,240,000</b>	<b>13,017,384,000</b>	<b>14,241,728,400</b>	<b>15,577,002,300</b>	<b>17,032,585,408</b>
% of Revenue	<b>37%</b>	<b>37%</b>	<b>37%</b>	<b>37%</b>	<b>37%</b>
Salaries and wages	1,479,000,000	1,626,900,000	1,789,590,000	1,968,549,000	2,165,403,900
Insurance	190,712,323	171,641,091	154,476,982	139,029,283	125,126,355
Utilities	20,000,000	22,000,000	24,200,000	26,620,000	29,282,000
Miscellaneous expenses	50,000,000	55,000,000	60,500,000	66,550,000	73,205,000
<b>Total Administrative and Operating costs</b>	<b>1,739,712,323</b>	<b>1,875,541,091</b>	<b>2,028,766,982</b>	<b>2,200,748,283</b>	<b>2,393,017,255</b>
<b>Other Expenses</b>					
Loan repayments	563,011,106.00	563,011,106.00	563,011,106.00	563,011,106.00	563,011,106.00
Depreciation	1,234,234,000	1,419,369,100	1,632,274,465	1,877,115,635	2,158,682,980
<b>Total Cost of Revenues</b>	<b>3,536,957,429</b>	<b>3,857,921,297</b>	<b>4,224,052,553</b>	<b>4,640,875,024</b>	<b>5,114,711,341</b>
% of Revenue	<b>11.1%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>11.0%</b>
<b>Allocation of Cost of Revenue between:</b>					
Variable	19,856,760,000	21,909,816,000	24,178,191,600	26,684,909,700	29,455,517,792
Fixed	1,739,712,323	1,875,541,091	2,028,766,982	2,200,748,283	2,393,017,255
<b>Total</b>	<b>21,596,472,323</b>	<b>23,785,357,091</b>	<b>26,206,958,582</b>	<b>28,885,657,983</b>	<b>31,848,535,047</b>

### 9.1.4 COMPREHENSIVE INCOME STATEMENTS ANALYSIS

"TZS"	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
<b>NET REVENUES</b>	31,752,000,000	34,927,200,000	38,419,920,000	42,261,912,000	46,488,103,200
<b>DIRECT COSTS</b>	19,856,760,000	21,909,816,000	24,178,191,600	26,684,909,700	29,455,517,792
% of Revenues	63%	63%	63%	63%	63%
<b>EARNINGS FROM OPERATION</b>	11,895,240,000	13,017,384,000	14,241,728,400	15,577,002,300	17,032,585,408
% of Revenues	37%	37%	37%	37%	37%
<b>ADMINISTRATIVE AND OPERATING COSTS</b>	3,536,957,429	3,857,921,297	4,224,052,553	4,640,875,024	5,114,711,341
% of Revenues	11%	11%	11%	11%	11%
<b>PROFIT BEFORE TAX</b>	8,358,282,571	9,159,462,703	10,017,675,847	10,936,127,276	11,917,874,067
% of Revenues	0%	0%	0%	0%	0%
<b>TAXES</b>	2,507,484,771	2,747,838,811	3,005,302,754	3,280,838,183	3,575,362,220
<b>NET EARNINGS</b>	5,850,797,800	6,411,623,892	7,012,373,093	7,655,289,093	8,342,511,847
% of Revenues	18%	18%	18%	18%	18%
<b>Cumulative Earnings</b>	<b>5,850,797,800</b>	<b>12,262,421,692</b>	<b>19,274,794,785</b>	<b>26,930,083,878</b>	<b>35,272,595,725</b>



## **10.0 CONCLUSION AND RECOMMENDATIONS**

### **10.1 Viability of the Business**

The analysis of the company demonstrates that the business is financially viable and technically attainable, economically feasible, and it is providing a good opportunity for other entrepreneurs to participate in meaningfully vital sector of the country's economy.

### **10.2 Social and Economic Benefits of the Business**

Apart from job creation, company's earning, and taxes, there are other possible social and economic impacts associated with the company. Just to a name few, possible gains include; building relationships and employment opportunities.

### **10.3 Poverty Alleviation**

Part of poverty alleviation is tackling unemployment because of access to employment have been created. By the time the company was started the operation, a total of 48 staff were employed as full time employees since then and by the way we are going to employ more than 124 employees for permanent basis. This is one step further towards eliminating poverty and taking people away from the streets.

### **10.4 Building Relationships**

Majority of employees to be employed by the company are Tanzanians. In this aspect, the owners of the project have definitely built good relationships and strengthen the local community through hiring these local individuals on permanent or temporary basis.

Hence, this proposal sought for **seeking tax incentive from Tanzania Investment Center (TIC)** to allow the importation of new fleet with total financing worth **Us \$ 5.87 million** based on what the proposal depicted the company viability in the operations, sales and marketing and financial aspects of the company.