

**SINO EXPEDITION COMPANY LIMITED**

**BUSINESS PLAN**

**FOR**

**ESTABLISHMENT OF CARGO**

**TRANSPORTATION BUSINESS**

## EXECUTIVE SUMMARY

### 1.0 Introduction

SINO EXPEDITION COMPANY LIMITED 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 70.

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 pays 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, **SINO EXPEDITION COMPANY LIMITED** has resolved to assist to provide a solution to stimulate the said intraregional trade.

In summary, we can say that **SINO EXPEDITION COMPANY LIMITED** 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 80 employment to more people in the sector.

### 1.3 Location

The project will be located at Temeke, Dar es Salaam Region.

### 1.4 Project Sponsor

S/N	Name of shareholders	Percentage of ownership
1	YUHUA WANG	20
2	QIHONG ZHOU	80

### 1.5 The Legal status of the Company

**SINO EXPEDITION COMPANY LIMITED** is incorporated in Tanzania under companies Act and bears Certificate of Incorporation No. 158711621 dated 11<sup>th</sup> February, 2022.

## 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 **SINO EXPEDITION COMPANY 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.

## 2.0 Investment Cost

### SINO EXPEDITION COMPANY LIMITED COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	200,000.00
Machinery & Equipment	120,000.00
Motor Vehicles	1,500,000.00
Furniture & Fittings	10,000.00
Pre expenses	20,000.00
Working Capital	150,000.00
<b>TOTAL</b>	<b>2,000,000.00</b>

## 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. Equity contribution will constitute US\$ 2,000,000

## 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 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 \$ 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 8<sup>th</sup> 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 SINO EXPEDITION COMPANY LIMITED is going to provide additional employment to 70 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.

## FINANCIAL PROJECTIONS

**SINO EXPEDITION COMPANY LIMITED COST STRUCTURE**

<b>PARTICULAR</b>	<b>US\$</b>
Land and Buildings	200,000.00
Machinery & Equipment	120,000.00
Motor Vehicles	1,500,000.00
Furniture & Fittings	10,000.00
Pre expenses	20,000.00
Working Capital	150,000.00
<b>TOTAL</b>	<b>2,000,000.00</b>

**OTHER OPERATIONS COST**

<b>PARTICULAR</b>	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEAR 5</b>
Motor Vehicle running expense	60,000	60,400	60,800	61,200	61,600
Salaries and Wages	48,000	52,800	58,080	63,888	70,277
Administrative Overhead Costs	10,000	11,000	12,100	13,310	14,641
Utility Costs	22,000	24,200	26,620	29,282	32,210
Interest on Loan	0	0	0	0	0
Communication Expenses	10,000	11,000	12,100	13,310	14,641
<b>Total Costs</b>	<b>150,000</b>	<b>159,400</b>	<b>169,700</b>	<b>180,990</b>	<b>193,369</b>

**FIXED ASSETS SCHEDULE**

<b>NAME OF ASSETS</b>	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEAR 5</b>
Land and Buildings	200,000	190,000	180,000	170,000	160,000
Plant & Machines	120,000	96,000	72,000	48,000	24,000
Motor Vehicle	1,500,000	1,495,000	1,490,000	1,485,000	1,480,000
Furniture & Fixtures	10,000	8,750	40,000	35,000	30,000
<b>Total</b>	<b>1,830,000</b>	<b>1,789,750</b>	<b>1,782,000</b>	<b>1,738,000</b>	<b>1,694,000</b>
<b>Depreciation</b>	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEAR 5</b>
Land and Buildings	10,000	10,000	10,000	10,000	10,000
Plant & Machines	24,000	24,000	24,000	24,000	24,000
Motor Vehicles	5,000	5,000	5,000	5,000	5,000
Furniture & Fixtures	1,250	1,250	1,250	1,250	1,250
<b>ANNUAL DEPRECIATION</b>	<b>40,250</b>	<b>40,250</b>	<b>40,250</b>	<b>40,250</b>	<b>40,250</b>
<b>CLOSING FIXED ASSETS</b>	<b>1,789,750</b>	<b>1,749,500</b>	<b>1,741,750</b>	<b>1,697,750</b>	<b>1,653,750</b>

**PROJECTED INCOME STATEMENT**

	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEAR5</b>
Sales Revenue	4,630,000	5,556,000	6,667,200	8,000,640	9,600,768
Cost of Sales	926,000	926,000	926,000	926,000	926,000
<b>Gross Profit</b>	<b>3,704,000</b>	<b>4,630,000</b>	<b>5,741,200</b>	<b>7,074,640</b>	<b>8,674,768</b>
<b>Operating Expenses</b>					
Administrative Overhead					
Costs	105,000	106,050	107,111	108,182	109,263
Motor Vehicle running Expenses	5000	5,050	5,101	5,152	5,203
Salaries and Wages	8,000	8,080	8,161	8,242	8,325
Depreciation	78,000	78,780	79,568	80,363	81,167
Marketing Costs	81,000	81,810	82,628	83,454	84,289
Utility Costs	6,500	6,565	6,631	6,697	6,764
Insurance	10,500	10,605	10,711	10,818	10,926
Interest on Loan	10,000	10,100	10,201	10,303	10,406
Communication	12,200	12,322	12,445	12,570	12,695
	1,750	1,768	1,785	1,803	1,821
<b>Total Expenses</b>	<b>207,950</b>	<b>210,030</b>	<b>212,130</b>	<b>214,251</b>	<b>216,394</b>
<b>Profit before Tax</b>	<b>3,496,050</b>	<b>4,419,971</b>	<b>5,529,070</b>	<b>6,860,389</b>	<b>8,458,374</b>
Tax (30%)	2,447,235	3,093,979	3,870,349	4,802,272	5,920,862
<b>Profit After Tax</b>	<b>1,048,815</b>	<b>1,325,991</b>	<b>1,658,721</b>	<b>2,058,117</b>	<b>2,537,512</b>

**PROJECT BALANCE SHEET**

	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>	<b>YEAR 4</b>	<b>YEAR 5</b>
Fixed Assets	1,830,000	1,789,750	1,782,000	1,738,000	1,694,000
Long term Assets					
Depreciation	40,250	40,250	40,250	40,250	40,250
<b>Total long term assets</b>	<b>1,789,750</b>	<b>1,749,500</b>	<b>1,741,750</b>	<b>1,697,750</b>	<b>1,653,750</b>
Current Assets					
Cash	406,100	684,700	979,050	1,292,735	1,625,723
Account Receivable	105,000	110,250	216,535	421,763	527,628
Inventory	214,710	376,383	438,469	402,292	467,493
<b>Total Current Assets</b>	<b>170,000</b>	<b>170,000</b>	<b>170,000</b>	<b>170,000</b>	<b>170,000</b>
<b>Total Assets</b>	<b>1,959,750</b>	<b>1,919,500</b>	<b>1,911,750</b>	<b>1,867,750</b>	<b>1,823,750</b>
<b>Current Liabilities</b>					
Accounts Payable	84,000	88,200	92,610	97,241	102,103
Other Current Liablit	70,000	73,500	77,175	81,034	85,085
<b>Subtotal Current Liabi</b>	<b>154,000</b>	<b>1,616,700</b>	<b>169,785</b>	<b>178,274</b>	<b>187,188</b>
<b>Long term Liabilities</b>					
Long term Liabilitie	1,820,000	1,820,000	1,820,000	1,820,000	1,820.00
<b>Total Liabiities</b>	<b>1,789,750</b>	<b>1,749,500</b>	<b>1,741,750</b>	<b>1,697,750</b>	<b>1,653,750</b>
<b>Net Assets</b>	<b>820,810</b>	<b>877,633</b>	<b>951,268</b>	<b>1,044,516</b>	<b>1,157,656</b>
<b>Captil and Reserves</b>					
Owners Contribution	780,000	780,000	780,000	780,000	780,000
<b>Retained Earning</b>	<b>40,810</b>	<b>97,633</b>	<b>171,268</b>	<b>264,516</b>	<b>377,656</b>
<b>Total Capital</b>	<b>1,959,750</b>	<b>1,919,500</b>	<b>1,911,750</b>	<b>1,867,750</b>	<b>1,823,750</b>