

**PROPOSED BUSINESS PLAN FOR CARGO TRANSPORT
PROJECT**

BY

21 NAUTICA TANZANIA LTD

Drawn by:

21 NAUTICA TANZANIA Ltd

P. O. Box 14258

Dar Es Salaam.

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The Company

M/S 21 NAUTICA TANZANIA LTD is a company registered in Tanzania under the Companies Act (No.12 of 2002) as a company limited by shares, on 17th of September 2024 and it holds a Certificate of Incorporation No. 178039229.

Ownership

It is founded by two shareholders who own 100% shares of the company namely.

1. Davindi Kumar Aggarwal	50%
2. Kaushik Somanathan	50%

Location

The project is in Dar as salaam, plot # 14258- block # "C", Manzese Area Area as its headquarters, and will establish terminals in Mbeya, Mwanza, Shinyanga, region and others at Kigali, Bujumbura, Kinshasa, Ndola, and Lilongwe. The Project's first direct contacts will be:

Davinder Kumar Aggarwal

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Cell: +255 (0) 785 103103

Project Highlight

In this project, the company intends to venture deeply in cargo transport operations in Tanzania and outside the country (neighbouring countries) of Uganda, Zaire, Rwanda, Burundi, Zambia, and Malawi. The intended investment is estimated at USD 5,000,000.00 when fully implemented, to be financed by the owners' equity. The project is viable as it is shown by an Internal Rate of Return on Investment (IRR) of 24%, the Net Present value of total equity capital invested of 3,310,100,854 at 54% and a short payback period of within 3 years of operation.

The project will create more than 200 jobs and several indirect employment opportunities to the residents of Tanzania. The project will require three years of implementation before it becomes optimally operational.

PROJECT DESCRIPTION

This business plan sets out results of the feasibility study made for cargo transport activities with haulage and storage facilities in Tanzania and countries around.

Objective

The objective of the report is therefore, to show the possibilities to operate haulage trucks and do truck services for all types of bulk cargo including liquid and non liquid goods. This is to be presented to the project directors, financiers and other stakeholders for the project support including Tanzania Investment Centre for acquiring the Certificate of Incentives.

Value and Rationality

Policy

Although the country has no national policy on cargo transport, but the national acknowledges the contribution made by this business segment to the national economy. In Tanzania, transport operation business is one of the leading economic activities in terms of value invested, employment offered, economic operation, economic performance, and untapped potentiality. It is also one of the leading link-making economic activities for Tanzania and all surrounding neighbouring countries especially the land-locked Uganda, Rwanda, Burundi, Zambia, and Malawi.

Its value therefore contains a multiplier effect to social economic attributes like creating wealth to its owner and users, helping to make goods available to immediate consumers, means of income generation and indirect force to road development requirements.

Evidence provided by investment statistics presented by the National (Tanzania) Economic Survey has shown success. For the past five years, the transportation industry in Tanzania has gained an upwards expansion momentum. The upwards trend reflected in the number of projects, value of projects and jobs created.

**Table I: Extract of Percentage share of selected activities to GDP at current prices-
Transport in Tanzania**

Year	Percentage
2018	6.2%
2019	5.4%
2020	5.2%
2021	5.3%
2022	5.3%

2023 5.3%

Source: Bank of Tanzania Annual Report 2022/2023

On the advance internationally, the industry has become one of the world's largest and most rapidly expanding economic sectors rendering service to business operators, foreign exchange earners and more importantly the good employer among other well doing economic players world-wide.

The significance of the transportation industry is invariable in the short, medium, and long economic terms, with a lot of attributes to make it is an inevitable service demanded. More intrinsic, the on-land transport segment is a core link between small, scattered entities and international giants. Among the attributes to that significance are individual national social economic viability, globalization of business activities, information and communication technology and entrepreneurship.

Tanzania is a strategically positioned country. It is surrounded by six land locked countries, through its ports; it offers these countries a “gateway” to the rest of the world. Note worthy are also: Tanzania's commendable growth of the economy which has been recorded since 1995; good local business climate; abundance of resources, and stable leadership, have made the country a focal point for businesspeople and cargo transit convergence, be it for Tanzania or for neighbouring countries in the light of social, business and/or economic development. These report findings mean good indicator of business viability and growth implying economic growth with more deployment of economic factors of production which in turn makes goods transit inevitable.

The company is encouraged to venture into this sector in view of all benefits at the national level and as one way of making our contribution to the national development. The sector of transport and communication has recorded an increasing contribution to the National GDP over time.

Table II: Distribution of GDP at Constant Prices per Economic Activity, in percentage

Item	2018	2019	2020	2021	2022	2023
Whole Trading	10.6	10.4	10.2	10.5	10.7	10.7
Agriculture	29.4	31.1	31.25	28.8	29.0	29.1
Mining	5.1	4.9	4.2	4.3	4.3	4.3
Manufacturing	7.6	7.5	6.4	5.6	5.2	5.1
Construction	9.0	8.1	10.8	12.4	13.6	14.0
Trade Hotel & Restaurat	2.4	2.4	2.3	2.1	2.0	2.0
Transport & Commun.	6.2	5.4	5.2	5.3	5.3	5.3

Source (Extracts): Bank of Tanzania, Annual Report 2022/723

Markets, and Competition

a) Targeted Markets

The targeted market for this project is on all types of cargo for all intra-trans and inter-trans business operations in East, Central and Southern Africa countries.

b) Competition

There are many cargo transport operators in Tanzania; competition is one of our desired challenges as it is our base for quality and best services provision measurement. We are sure that to this project competition will be lessened by the uniqueness in quality and size of the services it will offer.

c) Capacity Utilization.

Capacity utilization of the trucks starts from 90% to 94-97% in the third year. The trend of capacity utilization has been set to enable project promoters to put more emphasis into marketing of the company services within and outside the country.

Project Evaluation

a. Strengths

- The project is banking on the development of the East Africa Community with its plan of interlinked road infrastructure and harmonised trade among partners
- The project has been provided with enough capital to start with
- The project operators know well the operational environment

b. Opportunities

- Other operating project in the same area, offer experience learning grounds.
- Government supports the growth of the cargo transportation industry

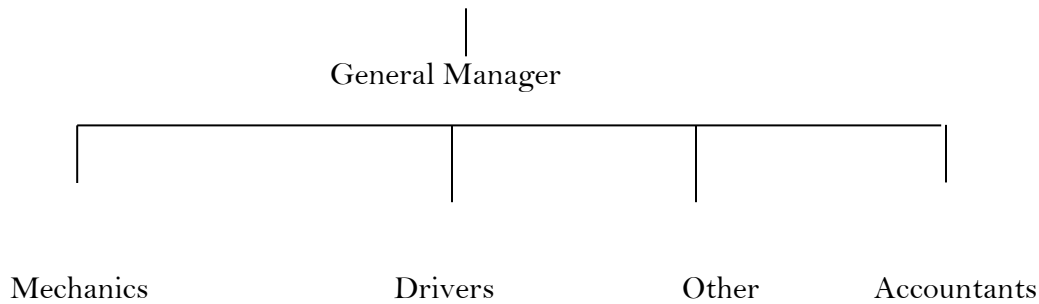
MANAGEMENT AND WORKING ENVIRONMENT

a) Management

By this plan, the company intends to employ more than 30 local people to manage and run the project.

The management team will comprise:

Board of Directors



b) Staff, Quality and Training

The project will recruit and employ qualified staff as per jobs requirements and descriptions. However, the project will do in-house training of its staff on transports operation, cargo handling and ethics, plus customer service.

c) Working Ethics

All dimensions of good working environment will be observed. This will include workers’ welfare and surrounding visible working area. Application of cleaner and safer production policy and environmental management will be paramount. It must be noted that many laws on occupational health and safety, injury and death at workplace still constitute a major problem. Poor work habits; pose other serious hazards in various workplaces. Our company measures will include being diligent in following local and international safety regulations.

INVESTMENT

Investment Structure:

The project cost is estimated to be USD 5,000,000.00 when fully implemented. Although the project is based in Dar es Salaam the investment especially for offices and stores will spread to a dry port of Isaka Shinyanga for the easy facilitation of neighbouring countries. A summary of investment costing is as follows:

Table iii: Investment structure,

	In US
	TOTAL
Land & Buildings	400,000
Equipment & Machinery	500,000
Motor Vehicles	3,400,000
Others	200,000

Initial Working Capital	500,000
Total Initial Investment	5,000,000

Elaboration on investments:

Haulage Trucks

Two Hundred Twenty (220) Pulling trucks with separate engines-chasses and trailers will be purchased by the company to expand the project to complement the existing ones currently forty (50). This will happen in phases as and when the promoters study the trend in the market and gather sufficient experience. Currently, the promoters have already placed an order for twenty (50) trucks from China, which are under shipment arrangement. Now, they are looking for commercial bank which can finance the tankers such that when the trucks arrive, they will be fitted and start working without wasting much time consequently loss of revenue due to lead time. The promoters are willing to contribute 20% of the total sum required for the tankers and the rest to be from the bank or any other financial institution.

Financial Analysis

The financial analysis show that sufficient cash will be generated to meet both short- and long-term financial obligations and the project can generate good profits. The review is given hereunder:

I. Fundamental assumptions

The assumptions used in the preparations of the financial accounts are:

- a) The operating period under which the viability of the project is being evaluated is 5 years
- b) The capital cost of the proposed project is USD 5,000,000.00 inclusive of the working capital
- c) The main sources of the project's capital for investment are owners' equity and Bank loan
- d) The main sources of the project revenue are revenues earned from cargo haulage and garaging workshop.
- e) Distance between Dar es Salaam (Tanzania) and other destination arrears such as Kigali (Rwanda), Democratic Republic of Congo (DRC), Bujumbura (Burundi) etc has been assumed average for calculation purposes.

II Capital and financing

The project is financed by owners' equity.

The capital cost summary of the project development stated in Tanzanian currency is given as follows:

Fixed capital:	4,500,000.00
Working Capital:	500,000.00
Total:	5,000,000.00

Financing Plan

Capital Source	Amount USD	Share
Owners' Equity	1,000,000.00	20.00%
Bank Loan	4,000,000	80.00%
Total	5,000,000	100%

II Depreciation

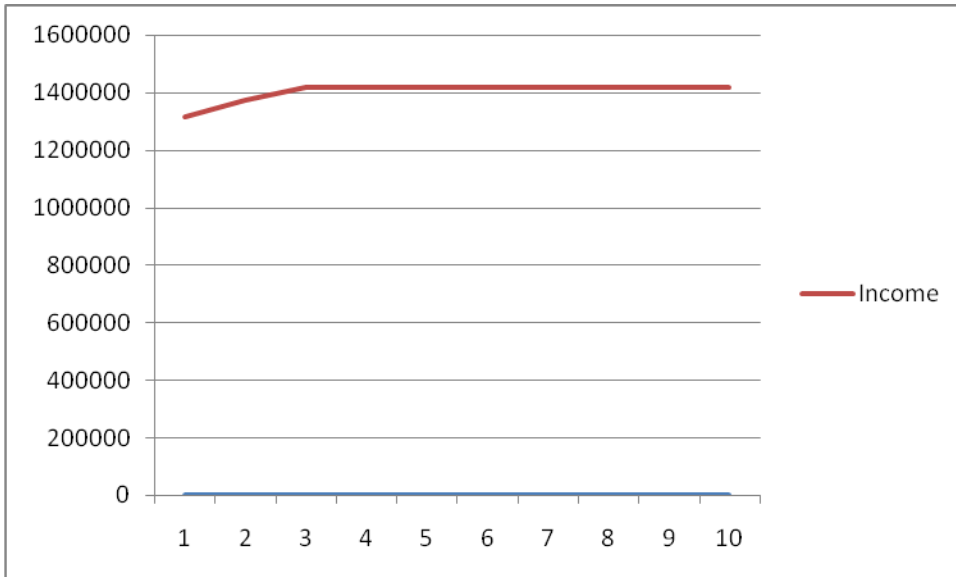
Economic depreciation rates based on 0 used for lifetime of the various capital items have been adopted and the following facts apply for the depreciation rates in this project:

Land & Buildings	4.00%
Equipment & Machinery	12.50%
Trucks & Trailers	25.00%
Computers & Software	33.30%

III Projected Revenue Schedule

In the income statement, the expected average total turnover from the project operation is expected to rise from USD 6,480,000 in the first year to USD 11,333,561 in the fifth year and continue to rise as more fleets of vehicle are added.

Figure I. Graph on Project Revenues



VI. Working Capital

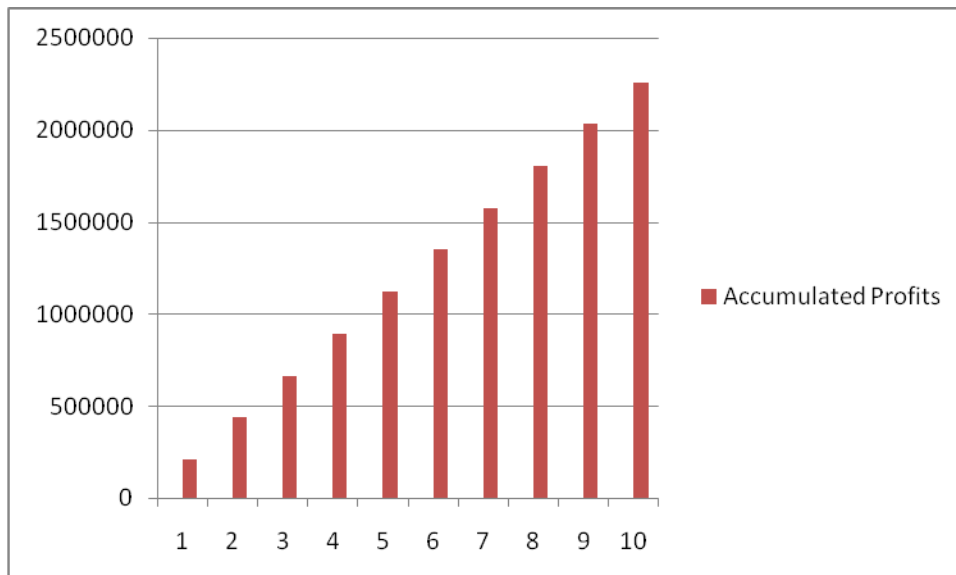
The computation of working capital is a combination of the salaries to be paid by the initial capital throughout the year and the office administrative of one month. The social securities are not included in this category. It shows that the initial working capital will be USD 500,000

VII. Taxation

The corporate tax charged is 30% of the profits.

VIII. Project Profitability

On the Profit and Loss Account, the accumulated Net Profit for the project annually will be:



IX. Project Ratios and Return (IRR)

The liquidity position of the project shows that if the proposed sales structure will not be a deterrent, the liquidity position of the project will be able to sustain the operations of the project.

The project is profitable as shown by an **Internal Rate of Return (IRR)** on Investment will be:

$$\frac{\text{Net Present Value}}{\text{Investment}} = \frac{17,444,138}{5,000,000} = 66\%$$

which confirms the project's economic viability and profitability especially when compared to the adopted rate of borrowing of 8%.

Recommendations

Financial reviews of the proposed project indicate:

- The project is profitable
- The operations are financially viable
- The key ratios are acceptable
- The liquidity position is sound since the project can meet its financial commitments without any undue difficulties

Conclusion

Based on the issues analysed in this report, it is recommended that the project be approved and facilitated for implementation as planned by the investors.

Annex III
21 NAUTICA TANZANIA LIMITED
Projected Balance Sheet
In (Usd)

	Year I	Year II	Year III	Year IV	Year V
Fixed assets (Net)	2,125,372	2,121,833	3,447,145	5,378,062	8,119,421
Current Assets					
Stocks of loose tools	26,201	26,201	26,201	26,201	26,201
Debtors	648,000	1,490,400	1,713,960	1,971,054	2,168,159
Cash and Bank	37,186	34,972	71,826	80,446	90,099
Creditors	(13,100)	(13,231)	(13,364)	(14,700)	(16,170)
Loan term Loan	(1,520,794)	(1,022,802)	(483,478)	0	
Net assets	<u>1,302,865</u>	<u>2,637,373</u>	<u>4,762,291</u>	<u>7,441,063</u>	<u>10,387,711</u>
Capital Employed					
Share Capital	131,004	131,004	131,004	131,004	131,004
Accumulated profit	1,171,861	2,506,369	4,631,287	7,310,058	10,256,706
Total capital employed	<u>1,302,865</u>	<u>2,637,373</u>	<u>4,762,291</u>	<u>7,441,062</u>	<u>10,387,710</u>

21 NAUTICA TANZANIA Limited							
Basic Assumptions							
Income	Number of trucks & Trailers	Route	Price Per Trip	Number of Trips per month	Total Income Per Month	Total Income Per Annum	
	120	Dar-DRC/Rwanda/Burundi	6,000	1	720,000	8,640,000	
	120	DRC/Kigali/Burundi-Dar	3,000	1	360,000	4,320,000	
Total						12,960,000	
Expenses			Quantity of Litres per trip		Price per Litre	Total Per Month	Total Cost per annum
1 Diesel	120	Dar-DRC/Rwanda/Burundi	2,500	1	0.96069869	288,210	3,458,515
	120	DRC/Kigali/Burundi-Dar	2,500	1	0.96069869	288,210	3,458,515
Total							6,917,031
		Salary per month				Total Per Month	
2 Drivers' Salaries	240	109				26,201	314,410
3 Drivers' Allowance	240	175				41,921	503,057
4 Car Service	240	66				15,721	188,646
5 Insurance	240					1,528	366,812
6 Road License	240					131	31,441
7 Office Expenses						90	1,074
8 Purchase of Tyres	240	3,843				922,271	1,844,541
Note:							
Drivers' Allowance is paid only when they are duty. It has been assumed that they only come to the office or on safari for a maximum of 20days per month							
Each unit (Truck & Trailer) carry 22 pieces of tyre and they are replaced twice yearly							
Car Service is done once in every month, and involves replacement of small items like filter, oil change etc							
Depreciation is calculated on straight line method using the following rates: 25% for trucks and 20% for trailers							

Interest on Bank loan is calculated at 8% on USD borrowing and no grace period provided							
Expenses are expected to grow in line with inflation projected at 10% p.a							
Corporation Tax rate is 30% of net profit							
1USD = TZS 2290							

21 NAUTICA TANZANIA LIMITED						
NPV & IRR ANALYSIS						
Basic Assumptions						
Initial outlay	5,000,000					
Corporate Tax Rate	30%					
Bank Loan	4,000,000					
Bank Interest Rate	8%					
Term of loan in months	36					
Summary of Projected cash flow (In USD)						
for Five years						
		Year I	Year II	Year III	Year IV	Year V
INFLOWS						
Transport Income		12,960,000	14,904,000	17,139,600	19,710,540	22,667,121
Total Inflows		12,960,000	14,904,000	17,139,600	19,710,540	22,667,121
OUTFLOWS						
Salaries & Wages		314,410	345,852	380,437	418,480	460,328
Allowances		503,057	553,362	608,699	669,569	736,525
Fuel & Lubricant		6,917,031	7,608,734	8,369,607	9,206,568	10,127,224
Car Services		188,646	207,511	228,262	251,088	276,197
Car Insurance		366,812	403,493	443,843	488,227	537,050
Road License		31,441	34,585	38,044	41,848	46,033
Office Expenses		1,074	1,182	1,300	1,430	1,573
Purchase of tyres		320,000	352,000	387,200	425,920	468,512
Loan Repayment-Principle		491,417	532,205	576,046	-	-
Total Outflows		9,133,889	10,038,924	11,033,436	11,503,130	12,653,443
Taxation		235,715	571,932	910,679	1,148,045	1,262,849
Opening Balance		1,048	37,186	34,972	71,826	79,009
Movement during the period		36,138	(2,214)	36,854	6,694	7,363
Closing balance		37,186	34,972	71,826	78,521	86,373
New Calculations						

Earnings before interest and tax		3,826,111	4,865,076	6,106,164	8,207,410	10,013,678
Interest expense		110,241	69,453	25,281	-	-
Earnings after interest		3,715,870	4,795,623	6,080,883	8,207,410	10,013,678
Corporate Tax		1,114,761	1,438,687	1,824,265	2,462,223	3,004,103
	Outlay					
Profit After Tax	(5,000,000)	2,601,109	3,356,936	4,256,618	5,745,187	7,009,575
Net Present Value		17,444,138				
Internal Rate of Return		66%				

Annex I							
21 NAUTICA TANZANIA LIMITED							
Projected Profit & Loss							
In (USD)							
Profit & Loss		Year I	Year II	Year III	Year IV	Year V	
Income							
Transport Income		12,960,000	14,256,000	15,681,600	17,249,760	18,974,736	
Operating expenses							
Salaries & Wages		314,410	317,555	320,730	352,803	388,083	
Allowances		503,057	508,087	513,168	564,485	620,934	
Fuel & Lubricant		6,917,031	6,986,201	7,056,063	7,761,669	8,537,836	
Car Services		188,646	190,533	192,438	211,682	232,850	
Car Insurance		366,812	370,480	374,185	411,604	452,764	
Road License		31,441	31,755	32,073	35,280	38,808	
Office Expenses		1,074	1,085	1,096	1,205	1,326	
Purchase of tyres		1,844,541	1,862,987	1,881,617	2,069,778	2,276,756	
Interest Expenses		110,241	69,453	8,334	0	0	
Depreciation		320,000	320,000	320,000	320,000	320,000	
		10,597,254	10,340,582	10,378,974	11,375,704	12,481,274	
Profit before tax		2,362,746	3,915,418	5,302,626	5,874,056	6,493,462	
Taxation		708,824	1,174,625	1,590,788	1,762,217	1,948,039	
Profit for the year		1,653,922	2,740,793	3,711,838	4,111,839	4,545,423	