

FJ DAYWELL SERVICES LTD

**PROPOSAL TO PURCHASE 5 TRUCKS FOR EXPANSION OF
TRANSPORTATION SERVICES (THE PROJECT)**

EXECUTIVE SUMMARY

FJ Ltd is company whose business is all about logistics: freight forwarding, shipping, and clearance of goods at custom points such as ports, borders, airports. We then work in transportation in the delivery to the final destination. We are involved in advising the customers on the most appropriate mode of transport and designing the transportation module for the clients. We advise how to ship and in the most cost-effective manner.

- Export & Import
- Transportation
- Insurance
- Air Ticketing
- Clearing & Forwarding

The company's commitment to integrity is a cornerstone of our past, present and future success. This drives our dedication to uphold ourselves to the highest standards of business conduct. We have a mission to satisfy our customers with total logistic solutions that are times, innovate, effective and efficient led by a workforce dedicated to quality and delivery.

The aim of this proposal is to raise funds to purchases transport five trucks for the total of TZS 900M for the expansion of FJ Ltd transportation services, in order to carter the increase of demand of the transportation services to our customers.

When the trucks are in place income to be generated for the project is expected be USD 9,000 per month for each truck in worst case scenario. This leads to approximately TZS 21,060,000.00 per month for every truck which turns to TZS 105,300,000.00 per month for the five trucks and this accumulates to TZS 1,263,600,000.00 per annum while total annual expenditure for the project is expected to be TZS 716,500,000 per year.

From the investment of TZS 900,000,000 there is expected to be a return of TZS 7.5M per month each truck which leads to total of TZS 37.5M per month and annual repayment of TZS TZS 450M. This is equal to TZS 1.8B for four years of expected repayment equivalent to two times the invested capital or full recover of funds in two years' time.

Following the set up provided for the project, capital budgeting result show the Net Present Value to be positive of TZS 1,574,013,952 for ten years period while the Pay Back Period is expected to three years out ten years of life time of the project. For this matter, the project is viable and should be considered for funding.

1.0 INTRODUCTION

1.1 FJ DAYWELL SERVICES LTD

Our business is all about logistics: freight forwarding, shipping, and clearance of goods at custom points such as ports, borders, airports. We then work in transportation in the delivery to the final destination. We are involved in advising the customers on the most appropriate mode of transport and designing the transportation module for the clients. We advise how to ship and in the most cost-effective manner.

- Export & Import
- Transportation
- Insurance
- Air Ticketing
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Our Commitments

Our commitment to integrity is a cornerstone of our past, present and future success. This drives our dedication to uphold ourselves to the highest standards of business conduct. We are committed to upholding our Code of Ethics in every transaction. Through its important guidelines, the code helps us understand how to do business responsibly - how to put integrity first. Nothing ever should compromise our unyielding commitment to performance with integrity.

Our customers

Focused on our customer's needs we provide integrated logistics solutions of outstanding quality and operational excellence. To become the extension of your business supported by our committed and dedicated professional team with 24/7 To grow and be considered as one of the most reliable & flexible freight & logistics company that serves freight forwarding plus transportation and logistics segments in an exceptionally professional, short-times, and quality consciousness manner. The flexibility to best meet our customers, requirements grow out of the stable structures that are a key feature of FJ Daywell Services LTD as a company.

Our Mission

To satisfy our customers with total logistic solutions that are times, innovate, effective and efficient led by a workforce dedicated to quality and delivery.

Transportation

Depending on your trucking requirements we can provide you either a be spoke solution for your requirements or an integrated solution covering from point o

f loading to the point of delivery. We transport products throughout the region. Our focus markets include:

- Liquid-bulk Tankers - Fuel, various solvents, various acids, edible oils, explosives etc.
- Dry-bulk tankers - Cement, Ash, Soda Ash, Carbon etc.

- Packed cargo - General cargo, Dangerous goods, explosives, FMCG products
- Tippers - All minerals, mining commodities, grains etc.
- Project cargo
- Abnormal loads

Insurance

OUR PRODUCTS:

Our key to a successful outcome is to ensure that our clients are fully insured right from the start and within the accurate cover for the situation against all adverse possibilities; we are registered to write all classes namely:

1. Health (Medical) Insurance (Corporate and Individuals).
2. Motor Vehicle Insurance (Private and Commercial).
3. Group Personal Accident and Personal Accident Cover
4. Domestic Package,
5. Fire Insurance.
6. Burglary (Theft) Insurance
7. Professional Indemnity Insurance
8. Fidelity Guarantee Insurance
9. Employers Liability,
10. Money Insurance,
11. Public Liability,
12. Life Assurance (Credit Life Assurance and Group Life Policy)
13. Contractors All Risks.
14. Goods In Transit Cover,
15. Electronic Equipment Cover

Air Ticketing

We believe that keeping our clients informed, is critical to sales growth. Most travel is planned but spontaneous travel is often triggered by good communication.

We are a strong user of electronic communication for its speed and simplicity. Our extensive database allows us to talk to thousands of travellers on regular basis through e-shots, special offers and various other means of digital media. We have dedicated personnel just for this function. We have regular advertising in local newspapers, trade magazines both locally and internationally. We also advertise on roadside billboards. Travels hope encourages interaction with its clients by hosting them at training sessions, cocktails, lunches and other social activities. We also partner with our suppliers to jointly host special events and advertising. We have a dedicated team of staff who take care of the bidding for Tenders for various companies. Having successfully qualified for a lot of these tenders, we have grown our customer base to a considerable size in the past years.

Lastly our customer feedback forms have proven to be a key source of sustaining our clients and growing our strengths in terms of service within this very competitive environment. Being in the service industry it is natural to have disappointments on certain services rendered by Agents, we make it of prime importance to get client feedback and immediately work on resolving the

matter and try to better ourselves for the future. We encourage our clients to give us candid feedback.

Travel – Corporate and Leisure

- Domestic and International ticketing
- Trip planning which encompasses visa processing at a nominal fee and advice on other Immigration requirements.
- Meet and Assist services provided upon request at reasonable charges
- Hotel bookings, both local and international
- Ground transportation including airport transfers on request

Clearing & Forwarding

1. As a leading logistic service provider, we hold expertise in offering transportation and relocation of any kind of cargo across Tanzania and outside our borders. Our well-established global network as well as services of professionals provide us a strong & secure base for all the logistical needs of our clients. All our consignments are covered by insurance therefore assuring complete safety of goods. We undertake all customs formalities for imports, transit shipments and export goods in the port of Dar Es salaam and all border points in Tanzania, at the port of Dar es salaam we intervene on your behalf for customs clearance and other importation formalities in various authorities like Government chemists, Tanzania Bureau of Standards, Tanzania Food and Drugs Authority to ensure your cargo is cleared under all formalities set by the government. At border points like Tunduma, Namanga, Horohoro we also intervene to ensure our clients cargo is evacuated within the shortest time possible.
2. We have a global presence in over 50 countries through our professional logistics networks, this means we are able to offer logistics services from origin overseas to customer's door at destination. Our partners and members are all vetted agents who are committed to the business, through collaboration and team work, we are able to offer a seamless service to customers with comfort because they don't need to worry, after booking our client's rest easy until cargo is delivered at their door step.
3. Special cargo services
We have been in the business for more than 7 years now, the experience garnered over the years has given us an edge over competition, knowledge and skills gained has taught us best ways to handle special cargo, be it oversized project cargo, special equipment, fragile or dangerous goods, we can do it for you. We know due processes to follow, equipment to use when handling such and our rates are pocket friendly to ensure your cargo reaches destination without you breaking the bank.
4. Airfreight services
We offer quick and efficient airfreight clearance service, whether you have an urgent export by air or an import we guarantee to finalize documentation and onforwarding within 2 business days. We are able to

achieve this through expertise and experience. Our strong rapport with stakeholders in the airfreight industry is an advantage too, we are supporters of great airlines like Oman Air, Etihad Airways, Emirates, Qatar Air and Rwanda air, this enables us to get express services for those very urgent shipments.

5. Logistic Supply Chain Solutions

Effective supply chain management means delivering seamless and integrated solutions that bring tangible results to cost-efficiency, customer satisfaction and bottom-line results. Building on our global expertise, we offer tailor-made supply chain solutions to meet the unique requirements of each and every customer.

6. Projects Logistics.

We deal with all types of project cargo, containerized shipments, loose cargo (breakbulk), out of gauge shipments etc.... We have the zeal and drive to work even under the tightest schedules to ensure we beat deadlines and deliver the cargo just in time for the project.

7. Exhibition Clearance Service

We assist our clients' attending exhibitions and seminars abroad, we customs clear for export and arrange shipping of their goods, liaise with our teams abroad to receive and clear the cargo on temporary importation then store it until our exhibitors arrive. We also ensure the goods are returned back into the country stress free for the exhibitors.

8. Packing and Removal Services

We have experienced and professional packers with a unique way of packing and crating your cargo. You can be assured of the safety of your goods even for the most fragile and delicate items. Diplomats and individuals relocating can have a peace of mind with us.

Value Added Services.

- Insurance
- Warehousing
- Packaging
- Palletization Service
- Consultation on Import - Export
- Pre financing on all clearance and logistics service.

Quality

Our operational excellence provides the foundation for the integrated logistics solutions that we offer to our customers. The team of skilled professionals constantly monitor operational performance by maintaining a PDCA (Plan / Do / Check / Action) cycle for continuous improvements. We focus on the development of highly advanced logistics technology and the global training of personnel.

By providing in-depth analyses of the transportation environment and of various other technical services, our mission is to add critical value to our logistics solutions. We are licensed by the Tanzania Customs Service providing Clearing and

Forwarding services in Tanzania. We can assist in the clearing and consolidation of shipping, road, rail and air cargo with speed and efficiency.

We maintain strong professional relations with the concerned cargo service regulatory agencies and ground handling companies.

- (a) Receiving the goods from the factories or premises of the principal or his agents;
- (b) Warehousing these goods;
- (c) Receiving dispatch orders from the principal;
- (d) Arranging dispatch of goods as per the directions of the principal by engaging transport on his own or through the authorized transporters of the principal;
- (e) Maintaining records of the receipt and dispatch of goods and the stock available at the warehouse C&A Tanzania Limited performs clearing and forwarding operations by use of stock of academic knowledge of laws acquired from Tanzania Institute of Tax Administration and various Universities/Institutions.

2.0 PROPOSAL GOAL AND PROJECT OBJECTIVES

The aim of this proposal is to raise funds to purchase transport trucks for the expansion of FJ Ltd transportation services, and cater the increase of demand of the transportation services to our customers.

The economic growth forecast of 7 percent for Tanzania and more than 5 percent on average per year for its neighbouring landlocked countries—Burundi, Democratic Republic of the Congo (DRC), Malawi, Rwanda, Zambia—presents an opportunity, as favourable regional GDP growth rate will translate into more trade. Worldwide, the elasticity of trade to Gross Domestic Product (GDP) has been estimated to be above 3. Following this FJ Ltd has noted the increase in transportation needs especially for on transit goods. It is the company wish to meet the customer needs and fulfil the process from clearing to transport goods to their doors in the country and to the neighbouring countries.

2.1 Specific Objectives of the project

Specific objectives include the following: -

- To increase transportation of our customers goods without delays
- To raise income for the repayment of funds used to finance the project.
- To strengthen relationship between our company and our clients for quality and reliable services.

3.0 FINANCIAL ANALYSIS OF THE PROJECT

3.1 INVESTMENT REQUIRED

The main investment require for the project will be purchase of the trucks. For this project it is anticipated the purchase of five truck. This will cost TZS 900,000,000.00.

It is also expected such investment will be totally covered in two years' time while the repayment is expected to continue at fixed amount of TZS 7.5M annually until the fourth year to double the investment acquired.

3.2 INCOME PROJECTIONS

When the trucks are in place income to be generated shall be USD 9,000 per month for each truck. This leads to approximately TZS 21,060,000.00 per month for every truck which turns to TZS 105,300,000.00 per month for the five trucks and this accumulates to TZS 1,263,600,000.00 per annum.

This is anticipated worst case scenario income and there does not take into account the return cargo par truck per trip due to there unpredictability nature even though highly likely to be consistent income.

Table1: Income and Expenditures Projections

ITEM	AMOUNT (TZS)				
	Y0	Y1	Y2	Y3	Y4
Truck purchase	900,000,000				
Income		1,263,600,000	1,263,600,000	1,263,600,000	1,263,600,000
Expenditures					
Truck maintenance and repair		93,000,000	93,000,000	93,000,000	93,000,000
Fuel expenses		378,000,000	378,000,000	378,000,000	378,000,000
Roadtoll, Cargo insurance and city council		35,100,000	35,100,000	35,100,000	35,100,000
Insurance expenses		20,000,000	20,000,000	20,000,000	20,000,000
Drivers salaries		30,000,000	30,000,000	30,000,000	30,000,000
Food and drink expenses (Mileage)		60,000,000	60,000,000	60,000,000	60,000,000
Professional services (Consultations)		2,400,000	2,400,000	2,400,000	2,400,000
Broker fees		7,050,000	7,050,000	7,050,000	7,050,000
Transportation management system (TMS) subscription		1,000,000	1,000,000	1,000,000	1,000,000
Depreciations (10% pa)		90,000,000	90,000,000	90,000,000	90,000,000
Total Expenses		716,550,000	716,550,000	716,550,000	716,550,000
Profit before Interest and Tax		547,050,000	547,050,000	547,050,000	547,050,000
Interests on Financing (Gain on repayment)		225,000,000	225,000,000	225,000,000	225,000,000
Profit before Tax		322,050,000	322,050,000	322,050,000	322,050,000
Corporate tax (30%)		96,615,000	96,615,000	96,615,000	96,615,000
Profit After Tax		225,435,000	225,435,000	225,435,000	225,435,000

3.3 EXPENDITURES

Total annual expenditure per year will be TZS 716,500,000. The total annual expenditure shall include repairs and maintenance, fuel, road toll, insurances, salaries, milage, consultations, broker fees, TMS, depreciations and taxes. More details on expenditures are shown in Annex 1.

Repayment of Capital Funds

From the investment of TZS 900,000,000 there is expected to be a return of TZS 7.5M per month each truck which leads to total of TZS 37.5M per month and annual repayment of TZS TZS 450M. This is equal to TZS 1.8B for four years of expected repayment equivalent to two times the invested capital or full recover of funds in two years' time.

3.4 CAPITAL BUDGETING

Capital budgeting is the process a business undertakes to evaluate potential projects or investments.

For this project the main estimates include: -

- Required rate of return is estimated as the Tanzania five years average inflation rate of 5% from 2017 to 2022.
- Trucks last for 10 years.

Table 2: Capital Budget Projections

CAPITAL BUDGETING FOR THE PROJECT						
ITEM	Y0	Y1	Y2	Y3	Y4	Y5
Profit After Tax		225,435,000	225,435,000	225,435,000	225,435,000	225,435,000
Cashflow with						
Depreciation		225,435,000	225,435,000	225,435,000	225,435,000	225,435,000
Add: Depreciations		90,000,000	90,000,000	90,000,000	90,000,000	90,000,000
Net Cashflow	(900,000,000)	315,435,000	315,435,000	315,435,000	315,435,000	315,435,000
Discounting factor (r=5%)	1.0000	0.9524	0.9070	0.8638	0.8638	0.8638
Present Values	(900,000,000)	300,414,286	286,108,844	272,484,613	272,484,613	272,484,613
ITEM	Y6	Y7	Y8	Y8	Y9	Y10
Profit After Tax	225,435,000	225,435,000	225,435,000	225,435,000	225,435,000	225,435,000
Cashflow with						
Depreciation	225,435,000	225,435,000	225,435,000	225,435,000	225,435,000	225,435,000
Add: Depreciations	90,000,000	90,000,000	90,000,000	90,000,000	90,000,000	90,000,000
Net Cashflow	315,435,000	315,435,000	315,435,000	315,435,000	315,435,000	315,435,000
Discounting factor (r=5%)	0.7462	0.7107	0.6768	0.6768	0.6446	0.6139
Present Values	235,382,454	224,173,765	213,498,824	213,498,824	203,332,213	193,649,727
Net Present Value	1,892,610,000					

Net Present Value (NPV)

Net present value is the present value of the cash flows at the required rate of return of your project compared to your initial investment.

For this project the NPV is estimated at TZS 1,892,610,000 for 10 years the trucks are expected to last. For this matter the project is viable and can be considered for funding.

Pay Back Period (PBP)

The payback period is the length of time it takes to recover the cost of an investment or the length of time an investor needs to reach a breakeven point.

For this project PBP is expected to be approximately three years where the Net cashflows cover the initial investment of TZS 900M.

4.0 CONCLUSION

Following the set up provided for the project, the Net Present Value is showing positive result of TZS 1,574,013,952 while the Pay Back Period is expected to three years out ten years of life time of the project. For this matter, the project is viable and should be considered for funding.

ANNEX 1

WORKINGS ON COSTS AND INCOME OF THE PROJECT					
ITEM	DETAILS	WEEKLY	MONTHLY	ANNUALY	ANNUAL TOTAL
Income	Each USD 9,000 @ Month @ truck		105,300,000.00	1,263,600,000.00	1,263,600,000.00
Expenditures					
Truck purchase	Five trucks @ TZS 180M Once			900,000,000.00	900,000,000.00
Truck maintenance and repair	Oil change @TZS 800k @ 4 trips (app 3months)			16,000,000.00	
	Tyres replacement 22 each truck @tyre TZS 700k @ 1 year			77,000,000.00	93,000,000.00
Fuel expenses	Monthly trip up to 2,000litres@TZS3,150 @ Truck		31,500,000.00	378,000,000.00	378,000,000.00
Roadtoll, Cargo insurance and city council	250USD each crossing @Truck		2,925,000.00	35,100,000.00	
Cargo insurance at the boarders					
Renewal fees					
Transport permits					
Vehicle inspections					
Registration fees					35,100,000.00
Insurance expenses	TZS 4M @ truck @ year			20,000,000.00	20,000,000.00
Drivers salaries	Each driver TZS 500k @ truck		2,500,000.00	30,000,000.00	30,000,000.00
Food and drink expenses (Mileage)	Each driver TZS 1M@ Trip@ truck		5,000,000.00	60,000,000.00	60,000,000.00
Professional services (Consultations)			200,000.00	2,400,000.00	2,400,000.00
Broker fees	Each trip @ USD 50		587,500.00	7,050,000.00	7,050,000.00
Transportation management system (TMS) subscription	Annually TZS 200k @ year			1,000,000.00	1,000,000.00
Repayment of Financing (Principal)	900M for four years		18,750,000.00	225,000,000.00	225,000,000.00
Interests on Financing (Gain on repayment)	Every truck @ mnth is 7.5M for 4 years		18,750,000.00	225,000,000.00	225,000,000.00