The Road Freight Association

Business Plan Template

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BUSINESS PLAN OF V SOLIAR FREIGHT & LOGISTICS

Cover Letter

- Should be on a letterhead with company logo and address
- Write a cordial letter to the financial institution or company that is requested you to tender as a service provider
- Purpose of the business plan
- Thank them for the opportunity to review your business plan
- Make reference to the introduction of your company
- Include necessary contact information:
  - Name of the business
  - Month and Year the Plan is being completed
  - Name of the Chief Executive Officer
  - Exact Title of the Chief Executive Officer
  - Address of the company, including street, city, province & postal code
  - Company's web site address
  - Phone number with area code
  - Fax number with area code
  - E-mail address

BUSINESS PLAN OF V SOLIAR FREIGHT & LOGISTICS

Executive Summary

V SOLIAR FREIGHT & LOGISTICS recognizes the need for SMME development in the road freight industry….

- Executive summary must include a description of the strategic focus (niche, core business)
- Indicate objectives of the business which are clear and achievable
- Define the business concept
  - What exactly will the business do?
  - Will it optimize speed, quality & affordability or dependability?
  - What will the business NOT do?
- Summary of main parts/ brief synopsis
- Overview of the plan and highlights
- Should not exceed 2 pages
- Recommendation that the executive summary is done after completion of business plan

BUSINESS PLAN OF V SOLIAR FREIGHT & LOGISTICS

1. Introduction

V SOLIAR FREIGHT & LOGISTICS is a newly established small business …

Options:

- V SOLIAR FREIGHT & LOGISTICS is an emerging transport operator that was established to fill a niche in the market of road freight industry in South Africa
- Core business description
- Offering fast, efficient and affordable freight delivery etc…
- Type of product being transported
- Areas of Distribution…
- To (potential customers) …

2. Business Overview

2.1 Company History

V SOLIAR FREIGHT & LOGISTICS was begun when the directors of the company noticed a gap in the market that could be filled. With the combined skills and management and leadership experience of the directors they saw an opportunity to start a successful business in the transport industry. V SOLIAR FREIGHT &

LOGISTICS has to date been highly successful in securing new business / transport contracts/ tenders.

- How did the business begin?
- How did the idea come about?
- Background & History of the Business
- Is it new or taken over?
- What principles do you use to run the business?
- What obstacles have you overcome to succeed?
- If you plan to expand how will you use the funds?

2.2 Business Profile

- Description of business
- Type of business
- Vision
- Mission
- Business Principles

2.3 Form of Business

V SOLIAR FREIGHT & LOGISTICS is a sole proprietor and was established in Mar 2005 …

- Reason for sole proprietorship
- Significance of company name if any

3. The Market

3.1 Industry Trends

- **Current Trends and developments in the industry**

In support of the country's SMME growth and development strategy government departments are now promoting SMME interests and awarding tenders and transport contracts to emerging operators. With the introduction of the Transport Charter and BBBEE Codes to be finalized soon businesses will find it exceedingly difficult to trade in the country if they are nor BEE compliant. A corresponding urge in the need for BEE partners and SMME operators is expected shortly in the industry.

- **Road/ Rail Debate**

80% of all goods are transported by road. A conscious effort is being made by government to move goods transported by road to rail due to the damage caused to the roads and limited infrastructure e.g. Durban Harbour. Although this is seen as a threat and taking away of market share from the road transport operator, it is acknowledged that some goods should be transported by rail and not by road. Rail traffic via Spoornet is however not nearly as efficient as road transport and the growing road transport should be viewed as growth phase in a developing economy.

- **Extracts from the Second State of Logistics Survey for South Africa**

  It costs the South African economy R130 billion to transport 830 million tons In 2004 road transport accounted for 1037 metric tons worth 202 billion rands, while rail transported a mere 202 metric tons worth R127 billion.

Sectors	Tonnage		Ton/km	
	Road	**Rail**	**Road**	**Rail**
Corridor	+14.0%	-1.8%	+14.1%	0%
Metropolitan	+4.8%	0%	+4.7%	0%
Rural	+6.3%	+8.8%	+6.1%	+10%

Percentage change from 2003 to 2004

From the above it can clearly be seen that road transport is clearly on the increase and will continue to provide opportunities to the road freight operator.

- **Barriers to entry**

The Transport industry has historically been dominated by the larger, more established operators, which has prohibited the entry of SMME’s and emerging operators. Emerging operators and start up businesses are considered high risk and do not enjoy the same rates and discounts to the larger, more established operators. Economies of scale also form a large factor. Transport businesses are predominantly family businesses and are not open to BEE ownerships or shareholdings that offer decision making and true control.

- **Large and Important Players in the industry**

Names of the bigger players in the industry and the number of wheels

Check profiles of these companies

The Imperial Group	>75000
The Super Group	4420
Unitrans	23532
Cross Roads Distribution	7942
Freight Dynamics	16776
Cargo Carriers	6000
Value Logistics	3654

How the industry is segmented

VARIETY OF SERVICE DIVISIONS	CATEGORIES OF BUYERS							
	Agriculture	**Industry**	**Commerce**	**Retail**	**Government**	**Private Sector**	**Vehicle Owners**	**Municipalities**
Truck Hire	•	•	•	•	•	•		•
Full Maintenance Lease	•	•	•	•	•			•
Furniture Removal		•	•	•	•	•		
Courier/ Express/ Delivery/ Parcels		•	•	•	•	•		•
Ancillary Operator	•	•	•	•	•	•		•
Owner- Driver	•	•	•	•				•

Break-down Service	•	•	•	•	•	•	•	•
Fire- Fighting Service								•
Machine Movers	•	•	•		•			
Haz. Chem Transport	•	•			•			•

(Extracted from Carrier Value by Neil Wright)

Vehicle Variety	Petroleumm – Liquid Chemicals	Dry Chemicals	Foods/ Beverages Rferigerated	Foods/ Beverages Non Rferigerated	Retail Distribution	Textiles & APparel	Paper, Packaging, Plastic	Lumber	Sugar Cane	Unprocessed/ Agricultural Products	Animal Feeds	Commercial Animals	Game Farmers	Auto's & Trucks	Auto Parts	Building Material, Paint & Bricks	Road Building Material	Fabricated Metal & Timber	Appliances, TV & Music Equipment	Furniture & Office Equip &	Pharmaceuticals	Machinery/ Agricultural Tractors	Rubber & Tyres	Electrical Equipment	Tobacco & Cigarettes	Cash in Transit	Coal & Metal ORE	Glass, Ceramics, Tiles	Solid Waste & Refuse	Liquid Waste
Road Tanker, Liquid	◊			◊						◊																				◊
Road Tanker, Dry Bulk		◊		◊						◊	◊					◊														
Road Tanker, Refrigeration			◊							◊																				
Refrigerated Artic, Longhauls			◊		◊					◊																				
Refrigerated, Shorthauls			◊		◊					◊																				
Volume Van, Artic, Longhauls	◊	◊		◊	◊	◊	◊			◊	◊			◊	◊			◊	◊	◊	◊		◊	◊	◊			◊		
Van, Shorthauls	◊	◊		◊	◊	◊	◊							◊	◊			◊	◊	◊	◊		◊	◊	◊			◊		
Flat Deck, Artic Longhauls	◊	◊		◊	◊		◊							◊	◊	◊	◊					◊	◊	◊				◊		
Flat Deck Rigid	◊	◊		◊	◊		◊			◊	◊			◊	◊	◊	◊					◊	◊	◊				◊	◊	
Logger								◊																						
Bulk Brick Carrier																◊														
Cane Carrier									◊																					
Car Carrier														◊																
Tipper															◊	◊											◊			
Tar Tanker																◊														
Cement Mix Trucks															◊															

Delivery Panel Van					◊	◊	◊								◊				◊	◊	◊		◊	◊	◊	◊		◊		
1 X Ton Bakkie					◊		◊								◊	◊				◊			◊					◊	◊	
Bike/ Scooter Delivery					◊																									
Abnormal Load Vehicle																						◊								
Containers : Liquid/ Dry Bulk	◊	◊		◊							◊								◊				◊		◊					
Containers : Refrigerated			◊		◊											◊														◊
Containers : Commodities	◊	◊		◊	◊	◊	◊				◊				◊	◊		◊	◊	◊	◊	◊	◊	◊	◊			◊		
Refuse Truck																													◊	
Crane Mounted Truck																◊						◊		◊						
Livestock Carrier												◊	◊																	
Lowbed Trailer														◊									◊		◊					
Cash Carrier Van																											◊			

- **Problems the industry might be experiencing**
  - Inflation
  - The rising fuel costs (diesel)
  - The recent industrial strike action that caused major companies to lose about R13 million
  - The threat of another industry strike
  - Loss of skilled drivers
  - HIV/AIDS pandemic
  - Syndicated theft & fraud
  - Hijacking

- **Key Success Factors of the Road Freight Industry**

Technology Related KSF's

Technical capability to make innovative improvements.

Capability to use the internet to disseminate information and take orders to plan deliveries

Distribution Related KSF's

Low distribution costs

Fast Delivery
Optimal payload utilization
Quick Turnaround Times
Proper Route Planning and Analysis
Fuel efficiencies

Marketing Related KSF's

Fast, accurate technical assistance
Courteous customer service
Accurate filling of orders
Customer guarantees
Clever Advertising

Skills Related KSF's

Superior workforce talent
Quality control
Trained Drivers
Skilled employees

Organisational Capability

Superior Information systems (Fleet management)
Ability to respond quickly to shifting marketing conditions
Managerial expertise & experience

Other KSF's

Favourable image/ reputation
Overall low cost
Convenient locations

- **National or global events influencing the industry**

- **How legislation affects the industry**
  - Overloading & impounding of vehicles
  - Dangerous Goods Act

- OSHAS
- Traffic Fines
- The NBC Collective agreement
  - NBC agreement is promulgated by the Minister of Labour
  - Transport operators are obliged to register with the NBC and pay the levies and contributions
  - Adherence to the maximum driver hours
  - Employees that fall under the auspice of the NBC have to be paid minimum wages

3.2 Market Analysis

Describe existing market

Size & maturity of market

Trends, seasonal, business cycle

Potential for growth

Resources and actions required to capture market share

Notes:

Need to know the cycles of the industry that you're working in eg. SAB cycle, Cadbury to match or cater for the loads required and build into cash flow projections

Refrigerated Transport

Businesses tend to stock up before month end so that they do not carry high stocks & tend to pick up again after month end.

Business tends to slow down in Winter.

- Courier company's peak season is over the Christmas period & holiday seasons.

According to the National Freight Logistics Strategy freight moved by road grew by about 200 million metric tones to 920 metric tones.

Registered Vehicles per NATIS - Dec 2004	
Trucks	242436
Heavy Trailers	110184
Light Trailers	564484
LDV's Bakkies	1464171

Recent stats indicate that there are over 4000 freight companies and over 250 000 trucks over 1 ton in South Africa indicating a massive growth in road freight industry.

3.3 Target Market

- Who is your target market?
- Who will be your customers?
- Industry sector?
- Inherent characteristics & risk of industry sector

3.4 Customer Profile

- List existing customers and potential customers
- Include letters of intent
- Orders on hand
- Contracts

3.5 Competition

- Analysis of competitors
- Who are your competitors?
- Substitute products
- What types of profit do they make?
- What are their sales volumes?
- What are their returns on investment?
- Where are they located?
- How many of them are profitable?
- How many and what type of employees do they have?
- How are they set up as a business?

- Price & quality of service
- Service Delivery offering
- Their expected reaction to your business if any
- What is your competitive advantage?

V SOLIAR FREIGHT & LOGISTICS faces some very stiff competition. An analysis of the road freight industry/ market shows that there are many professional & private companies/ operators as well as casual & part time companies/ owner drivers/ transport contractors that exist in this segment. We believe, however, that the transport service provide is good value for money & therefore will be capturing a significant sector of the local market….

3.6 Legal and Regulatory Environment

- Dangerous Goods Act
- National Road Safety Traffic Act
- Driver Permits
- TREM Cards
- Cross Border Permits
- Duties & Tariffs
- Compliance with tax & labour legislation (VAT, PAYE, UIF, COID, RSC, Employment Equity, SDL, NBC)
- Provide proof
- **Check others**
- Take note of Special rules/ compliance for dangerous goods (vehicle must be licensed as a dangerous goods vehicle & driver must have a professional driving permit), Cross Border Permits, Need an operator's card (licensing department – for operating a truck specific to Dangerous Goods), Abnormal loads need a permit (DOT, Provincial)

3.7 SWOT Analysis

Strengths

Knowledge & expertise of the transport industry

A powerful strategy

Strong financial position

Good reputation of customer service

BEE compliancy

Wide geographic coverage

Trained & educated drivers

Joint ventures with other companies

Good costing analysis

Strong advertising and promotion

Weaknesses

No clear strategic direction

A weak balance sheet with too much debt

High start up & overall costs

Lack of skills & management depth

Poor profitability

Poor image

Inability to deliver on time

Under utilized capacity

Untrained drivers

Un-roadworthy vehicles

Opportunities

Alliances or joint ventures

Ability to grow quickly because of increases in market demand

Taking away market share from rival firms

Ability to exploit emerging technologies

Acquisition of rival firms

Extending business to new geographic areas

Threats

Likely entry of potential new competitors

Costly new regulations

Business cycle recessions & inflation

Rising fuel costs

Takeovers by established transport businesses

DOT Support in favor of rail

Regulation of the Industry

3.8 Risk/ Reward Analysis

- Honest assessment of risk faced by the business, challenges that it will face.
- How will you overcome them?
- Potential for growth, profitability & growth appreciation
- What do you think will prevent you from achieving this? List things that will have a negative impact i.e. insufficient funds, insufficient capital, insufficient knowledge of the tender system etc.
- What can be done to address/ minimize the risk?
- What do you plan to do if you do not meet your projections?
- What if your competition tries to undermine your entry into the field?
- What operating problems might occur?
- What will you do?
- What do you think will contribute to your success? List what you will do to realize your goals.

3.9 Marketing Strategy

3.9.1 Overall Strategy

- What is your business model?
- How will your business work?
- What are the goals of the business?
- Where do you see your business in 5 years time?
- How large will your business be in terms of trucking operations and other assets?

- What are your priorities?
- What is your planned sales, marketing strategies & promotional activities?

3.9.2 Description of Service

V SOLIAR FREIGHT & LOGISTICS provides transport to …. Explain details of service offering

Detail the type of business that V SOLIAR FREIGHT & LOGISTICS is in or going into. A (type of vehicle – make & model) will be used to transport the commodity (type), state company that will be providing the contract (details & duration) & include a letter of intent. Include the basis of motivation, number of loads, how may ton truck & payment per km.

- What do you plan to transport
- Which industry sector will you service?
- Where will you offer transport services
- Vehicle types and combinations
- Number of vehicles

Categories of road freight:

- Cross Border
- Local Distribution
- Long Distance
- Specialized Freight – flatdeck, pantechnican
- Long haul (coal)
- Fuel/ Bulk Liquids
- Refrigerated
- Furniture
- Local (coal, cement)

3.9.3 Pricing Policy

- What is your pricing strategy?
- % markup on costs
- Negotiate price increases based on RFA VCS assumptions
- If you reduce your price can you sustain your business?
- What do you anticipate your gross profit to be?
- What aspect of your business will make it unique?
- Is pricing going to make your business special?
- How price sensitive is your market?
  - Hauliers usually negotiate increases with their customers on a 3 monthly basis. Transport is a cut throat business. SMME's will have to compete with the larger operators that can afford to undercut prices and still sustain their businesses.
- Comparison to Competitor's Products

V SOLIAR FREIGHT & LOGISTICS believes that they offer a very competitive service in terms of value for money and ….

(This must be verified if true)

V SOLIAR FREIGHT & LOGISTICS is aiming for the mid range segment of the market but not the cheapest…. We offer value for money without compromising on service excellence, payment of minimum driver wages per NBC rates etc …

3.9.4 Placement/ Positioning

Market leader

Low cost?

Bottom of the market/ medium range

3.9.5 Service Delivery

What are you going to offer that is different to your competitors?

Speed, efficiency, affordability – How?

How will you reduce your turnaround times for effcience?

Can you sustain your business if it's "cheap"

Trained staff that will look after client's product…

3.9.6 Promotional strategy

- Advertising
- Exhibitions
- Promotions
- Public Relations
- Web site, Truck & Trailer, sign boards, adverts, signage, logos on trucks, DTI grants

- V SOLIAR FREIGHT & LOGISTICS relies heavily on word of mouth/ referrals from satisfied customers, steady contract work ….. Plan to target (how will you obtain future business) Plan to advertise in …
- Staff will wear overalls and caps in company colours/ may have to wear corporate colours of company issuing the contract
- Maintain image of company
- Display logo on vehicles & premises
- Owner Driver & sub contractors are allowed to add their names on the door of the truck tractor

4 Operations Plan

4.1 Details of Operation

- What type of commodity goods will you be transporting?
- Bulk Tankers – fuel, cement, refrigerated?
- General cargo – tautliners, volume vans, flat decks?
- Containers?
- Will you be in local distribution or long hauls?
- Will you be operating cross border? If so do you have a cross border permit?
- Do you know what type of vehicle combination you will use?

4.2 Location and premises

- Where do you intend operating your business from?
- Is the location practical for operating?
- Have you considered zoning requirements?

4.3 **Infrastructure**

- Operational Infrastructure
- Will you need any special equipment / cranes to offload?
- Specialised equipment/ knowledge/ expertise?

Rationale to be used

- Schedules & Routes
- Timetables
- No of trips vs. distance e.g. Witbank – loading times are important – Fixed costs important unlike long distance where loading times are not so critical
- For local distribution the time per day ie. trips per day is important rather than the distance (km)

The above are options that need to be considered. Describe also the commodity that you plan to carry, loading???, dangerous goods ???, packaging ???, insurance???, hijacking??? Etc.

Different operations & problems associated (costs), type of industry/commodity will influence the pricing of the operation that an SMME needs to be aware of & understand e.g. Cement bags are cheap (commodity) but may be expensive to transport.

Detail the operation – what is going to be moved? From where? What commodity? Type of insurance? Turnaround times? Loading/ offloading times - 24 hours? Backloads? Hijackable products?

Information required:

- Offloading times?
- How many loads?
- How to offload?
- Is there specific equipment needed to offload?
- Will there have to be a crane on the truck?

- What are the routes (where to?)
- Loading times?
- Type of vehicle combination?
- How many vehicles will you need?
- Turnaround times of each trip?
- Do you have return loads for each trip?
- Have you optimized your payload?
- Does it comply with the bridge formula and National Traffic Act legislation?
- Will you need a maintenance plan?
- Working Time:
    - Working Days per week/ per annum
    - Days for shutdown per annum
    - Days for downtime per annum
    - Total Working Days per annum
    - Shifts per Day
    - Working Hours per Shift
        - Hours per Day/ Week/ annum
        - Km per Day/ week/ annum
        - Units per Day/ week/ annum
    - Route Distance:
        - Outbound distance per trip
        - Return distance per trip
        - Dead Distance per trip
        - Round Trip distance
    - Loads
        - Payload Outbound
        - Payload Return
    - Trip Times
        - Average speed outbound km/hr
        - Average speed return km/hr
        - Travel time outbound

- Travel time return
- Loading time per trip
- Offload time per trip
- Delays per trip
- Total round time per trip

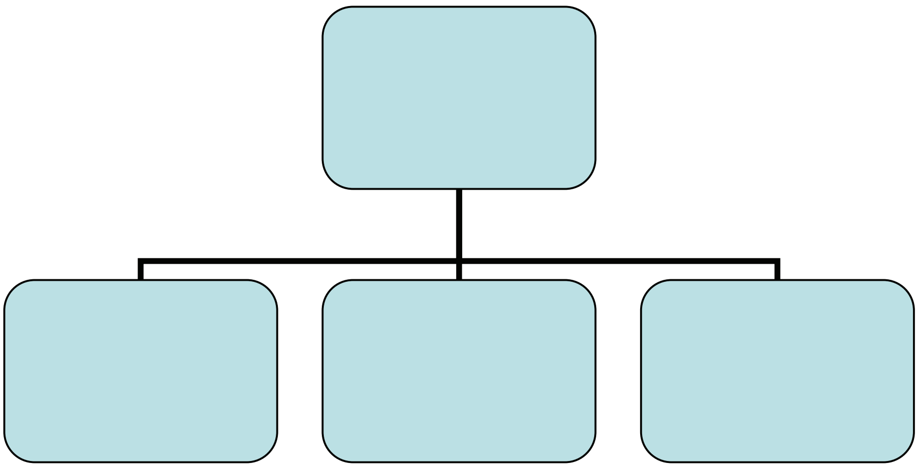
5 Organization/Management

5.1 Ownership Structure

5.2 Directors Profile

- Names of directors
- Background information of directors
- Remuneration & incentives
- Conditions of Employment

5.3 Organization Chart



5.4 Management Team

- Investors want to know if management are capable of running the company
- Include experience & capabilities/ expertise of management & why qualified to implement business plan

- Credentials
- Business Acumen
- Descriptions of each manager
- Will you use consultants ie. Accountants, lawyers, personnel specialists, advertising firms, others?
- Details of auditors/accountants

5.5 Management Responsibilities

- Who will be responsible for operations, marketing, admin & finance functions?
- Duties of functional managers
- Logistics manager
- Fleet manager
- Site manager

5.6 Staffing Plan

V SOLIAR FREIGHT & LOGISTICS will make use of casual, hourly paid labour as & when required, trained & experienced drivers. We will provide training & try to use support staff where possible.

- How many staff will be employed
- How many drivers?
- Cost of staff – salaries & cost
- Minimum wages
- Research agencies for personnel costs
- Look at RFA VCS for min costs
- Skills, experience & personal qualities
- Drivers experience
- Training & Development Plan

5.7 Trade Union Affiliation/ NBC Agreement

- Drivers and general workers will be affiliated to SATAWU

- Transport companies are obliged to register with the council and pay levies and employee benefits over to the NBC
- The RFEA negotiates increases on behalf of you as an operator if you belong to the RFA.

6 Financial Plan

V SOLIAR FREIGHT & LOGISTICS needs to first secure a loan upfront to make sure that we are able to buy & hire what we need to function. We plan to operate out of … premises using ….. We will be doing …. (Nature of business)

- Have you done a feasibility assessment?
- What are your finance strategies?
- What are your financial requirements?
- Do you require start up capital as well as asset finance?
- How do you plan to finance your business?
- How do you intend honoring your debt?
  - Contracts with local suppliers must be set up & discounts must be negotiated in return for steady or exclusive business.
  - A contract has been negotiated/ secured with …..
  - Will you make use of discounts?

6.1 Planned Capital Expenditure

A purchase of a / prime mover & trailer (truck) will require X V SOLIAR FREIGHT & LOGISTICS to invest a substantial amount of capital due to the highly capital intensive nature of the trucking business. We will take out a loan which we plan to repay over 5 – 7 years which has been factored into the costing. State the amount that you want to be financed & the deposit that you are prepared to make. Provide information on surety or co principals or guarantors if any.

- Include start up costs
- How much you are going to borrow?
- How quickly will you pay it off?

- How many vehicles will you need?
- Make, model of vehicle
- Additional Quotes
- Purchase price
- Deposit/ trade in
- Repayment instalments
- Interest rate
- Residual %
- Number of months

6.2 Vehicle Costing Analysis

Identify the type of truck to be purchased to the VCS and analyze the appropriate costs for that vehicle. The type and size of the vehicle that is used will be determined by the customer requirements (operator that is offering the contract). The RFA VCS model is very conservative (15 -18% > actual costs) so if an operator is able to cover the costs based on the model he will be able to run a viable operation

Using the assumptions of the RFA VCS Concept 18 Flat, average running costs can be calculated for your revenue projections.

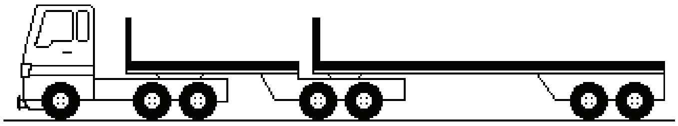
- Changes can be made to suit your actual costs

See below example of RFA vehicle costs & how it can be used in financial projections:

ANNUAL FIXED (STANDING) COSTS	R	cpk	%	%
Cost of Capital (Finance)	39,375	19.7	0.1	0.0
Depreciation	155,961	78.0	0.2	0.1
Insurance	52,500	26.3	0.1	0.0
On Vehicle Staff	156,000	78.0	0.2	0.1
Overheads - Administration	62,296	31.1	0.1	0.0
Overheads - Operational	41,531	20.8	0.1	0.0
License	11,838	5.9	0.0	0.0
Other	180,000	90.0	0.3	0.1
TOTAL ANNUAL FIXED COSTS	**699,501**	**349.8**	**1.0**	**0.4**

VARIABLE (RUNNING) COSTS	R	cpk	%	%
Fuel	589,600	294.8	0.6	0.4
Lubricants	14,740	7.4	0.0	0.0
Maintenance	193,436	96.7	0.2	0.1
Tyres	102,751	51.4	0.1	0.1
Other	30,000	15.0	0.0	0.0
TOTAL VARIABLE COSTS	930,527	465.3	1.0	0.6
TOTAL ANNUAL COSTS	**1,630,028**	**815.0**		**1.0**

COST		From Total Annual		
SUMMARY		**Fixed Cost**	**Variable Cost**	**Total Cost**
Cost per Day	**R**	2,639.63	3,511.42	6,151.05
Cost per Hour	**R**	219.97	292.62	512.59
Cent / Ton. km **At 70.0% Payload Utilisation** **and 75.0% Annual Laden km**		18.94	25.19	44.13

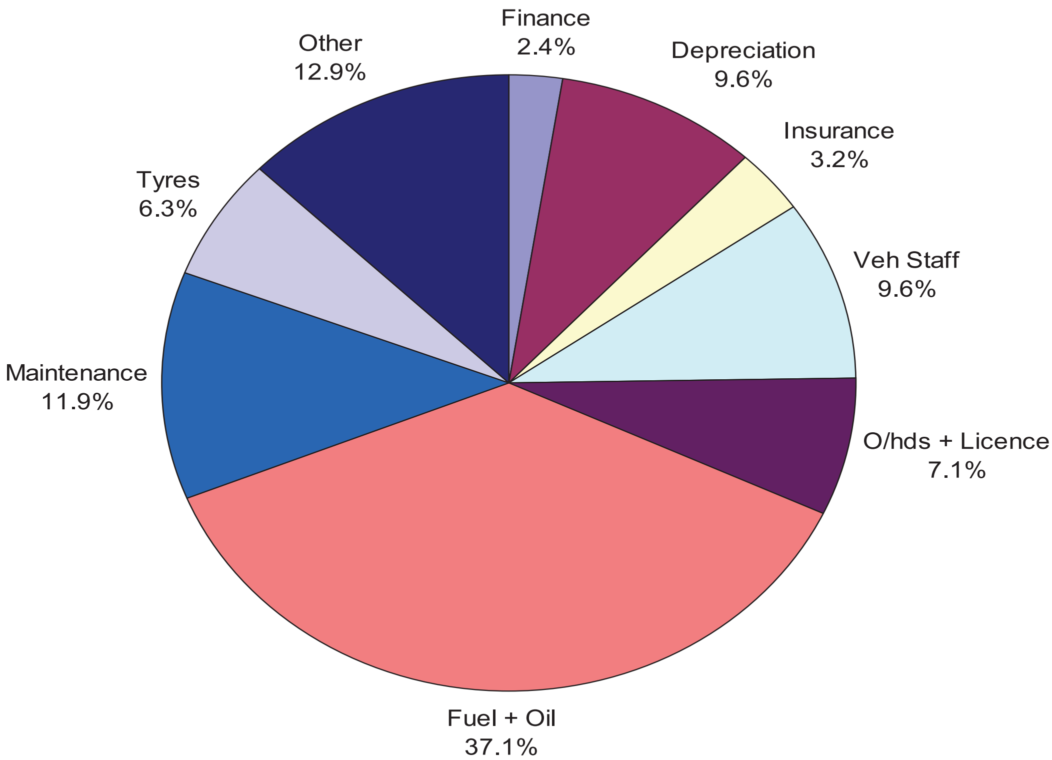


RFA VCS Concept 18 FLAT

Flat Deck – Seven Axle Interlink

6X4 Tandem/ Tandem ST

Flat Platform Body



6.3 Loan Amortization Schedules

Example: Freightliner Argosy 90 Cummins 530

Freightliner Argosy 90 Cummins 530	
Price (Excl Vat) :	R893 600
Discount :	Nil
Net Price	R893 600
Vat (14%)	R125 104
Less : Deposit	R100 000
Total :	R918 704
Interest Rate:	10.50%
Period:	60 months
Monthly in Arrears:	**R17321.52 ((excl Vat)**
	R19746.52 (incl Vat)
Monthly in Advance:	**R17171.27 (excl Vat)**
	R19575.27 (incl Vat)

- Need to use this in your financial projections
- Include how you are going to pay back

6.4 Route Planning Analysis

- Have you done a route planning feasibility exercise?
- Use simulated models to calculate costs

6.5 Financial Projections

V SOLIAR FREIGHT & LOGISTICS needs to work out how many jobs/ trips that will need to perform to be able to cover their costs. We estimate that we will need to ….. be able to break even & pay back our loan.

Include a set of financial statements based on projected income from estimated number of trips & predetermined rate per km paid (per the contract). Profit margin to be determined by rate of return that is required, operation must be above break even point.

Based on Assumptions:

Example of an Income Statement based on sub contract information:

<u>Projected Monthly Income & Expenditure for One Super Link Truck Combination</u>

Income +- 18500 – 19000 Kilos = +- R195000 (Turnover)

Expenses :

Diesel :	R45000
Installment:	R20000 (incl first year's insurance)
Driver:	R9400
Load Insurance + Toll:	R9200
5% Admin Fee:	R9750
Tyres, Maintenance:	R28000
Total :	R121350
PBIT :	R73650

6.5.1 Income Statement

	Ass%	Year 1	Year 2	Year 3	Year 4	Year 5
No of trips per month		15				
Km per month		18,000				
Annual Km		216,000				
Rate/Km		10				
Turnover	7%	2,216,160	2,371,291	2,537,282	2,714,891	2,904,934
		184,680	**197,608**	**211,440**	**226,241**	**242,078**
Expenses						
Fixed Costs						
Installment	0%	240,000	240,000	240,000	240,000	240,000
Depreciation	0%	150,000	150,000	150,000	150,000	0
Labour	6%	156,000	165,360	175,282	185,798	196,946
Insurance	0%	36,000	36,000	36,000	36,000	36,000
License Fees	5%	12,000	12,600	13,230	13,892	14,586
Other Vehicle Expenses	5%	120,000	126,000	132,300	138,915	145,861
Overheads	7%	103,000	110,210	117,925	126,179	135,012
		817,000	**840,170**	**864,736**	**890,784**	**768,405**
Variable Costs						
Fuel & Lubricants	30%	604,340	785,642	1,021,335	1,327,735	1,726,055
Tyres	5%	102,751	107,889	113,283	118,947	124,894
Maintenance	8%	193,436	208,911	225,624	243,674	263,168
Toll fees & Permits	5%	144,000	151,200	158,760	166,698	175,033
Other Vehicle Expenses	5%	30,000	31,500	33,075	34,729	36,465
		1,074,527	**1,285,141**	**1,552,076**	**1,891,783**	**2,325,616**
Total Income		**1,891,527**	**2,125,311**	**2,416,813**	**2,782,567**	**3,094,021**
		157,627	**177,109**	**201,401**	**231,881**	**257,835**
Profit Before Tax		**324,633**	**245,980**	**120,469**	**-67,676**	**-189,087**
		27,053	**20,498**	**10,039**	**-5,640**	**-15,757**

- **Notes**
  - If the repayment term is over 5 years the bank will be interested in the revenue projections over the 5 years.
  - Based on the above projections and assumed increases you will run into problems in Year 4 & 5
  - It is essential that you are able to cover costs over the years and assume inflationary increases that you would have to negotiate

- Contracts that last for a year would have to be renewable over the period.
- Projections will also indicate if you should accept the contract or rates offered
- Your motivation must make sense and tie up to the financial projections

6.5.2 Balance Sheet

Assets	
Non - Current Assets	
Property, Plant & Equipment	Xx
Current Assets	
Trade & Other Receivables	Xx
Cash & cash equivalents	Xx
Total Assets	**xxxxxx**
Equity & Liabilities	
Share Capital	Xxx
Retained Income	Xxx
Current Liabilities	
Trade & other payables	Xxxx
Provisions	Xxxx
Total Equity & Liability	**xxxxxx**

6.5.3 Cash Flow Statement

Include cash flows for a period of 5 years based on costing and income projections.

V SOLIAR FREIGHT & LOGISTICS is a new company & it is so difficult to give an accurate projection of our cash flow. We can, however, expect that business will be fairly steady throughout the year with a slump over the festive season in December.

(not so for Pick ‘N Pay stores as business will pick up over Christmas)

Therefore we can expect a slight slump in January with a gradual increase over February and March ….

Note banks will be interested in a 5 year period if the vehicle is to be financed over a 5 year term.

CASH FLOW STATEMENT		
	NOTES	**RANDS**
Cash flow from operating activities		
Cash generated by operations	(1)	xxxx
Interest Received		xxxx
Interest Paid		Xxxx
Net cash from operating activties		Xxxx
Cash flow from investing activities		Xxxx
Property, plant & equipment acquired		Xxxx
Cash flow from financing actvities		Xxxx
Repayment of short term borrowings		Xxxxx
Increase in cash & cash equivalents		Xxxx
Cash & equivalents at beginning of the year		Xxxx
Cash & equivalents at end of the year	**(2)**	**Xxxxx**

6.6 Financial Ratios

Solvency Ratio

$$\frac{\text{Total Assets}}{\text{Total Liabilities}}$$

Liquidity Ratio

Current Ratio

$$\frac{\text{Total Assets}}{\text{Total Liabilities}}$$

Profitability Ratios

Gross Margin

Gross Profit

Turnover

Net Profit Margin

Profit before Interest & Tax

Total Assets

Return on Equity (PAT)

Profit After Tax

Equity

Debt/ Leverage Ratios

Debt/Equity Ratio

Debt

Equity

Interest Cover

Profit before Interest & Tax

Interest Paid

Cash Cycle

Accounts Receivable

Add: Stock Turnover Period(if applicable)

Less: Accounts Receivable

= Number of Days

Activity/ Efficiency Ratios

Asset Turnover

Turnover

Total Assets

Fixed Asset Turnover

<u>Turnover</u>

Fixed Assets

Current Asset Turnover

<u>Turnover</u>

Current Assets

Debtors Collection Period

<u>Debtors x 365</u>

Sales

Stock Turnover Period

<u>Cost of Sales</u>

Inventory (Stock)

Appendices

Appendix 1 - Company Registration/ CK Documents

Appendix 2 - Certificate of incorporation (CC/ Sole Proprietor)

Appendix 3 - Tax Clearance Certificate

Appendix 4 - VAT/ SDL, UIF registration

Appendix 5 - Memorandum of Association

Appendix 6 - Register of Directors

Appendix 7 - Share Certificate

Appendix 8 - Relevant Statutory Board Registration

Appendix 9 - Trade Association Membership Certificate/ NBC Registration

Appendix 10 - Copy of COID (WCA) Registration

Appendix 11 - Credit Rating/ ITC Check

Appendix 12 - ID Documents of Members/ Shareholders

Appendix 13 - Personal Balance Sheet of Shareholders

Appendix 14 - Employment Equity Plan/ Worksplace Skills plan

Appendix 15 - BEE Rating Certificate

Appendix 16 - Auditors Report/ Financial Statements

Appendix 17 - Letters of Intent

Appendix 18 - Contract Agreement