

## **PROSPECTUS**

For the issue of 6,000 ordinary share of SELAM BUS LINE SHARE COMPANY of par value Birr 5,000 each plus subscription cost of 1% of the value of shares purchased payable in full on application at par for each value.

SELAM BUS LINE SHARE COMPANY gladly announces that the Sell of 6,000 shares each share valued at Birr 5,000 through the Branch network of Wegagen bank.

Subscription Registration Starts on October 2 2006 & ends on December 31, 2006

## **SELAM BUS LINE SHARE COMPANY**

Registered On February-1996

Registration No መቀ/ንግ- 1.አ.0014/87

Registered at Tigray Region

Bureau of Trade - Mekelle

### **Head Office**

Woreda 1, Kebele 07 H.No.469

Tel 0344 40 89 16

Fax 0344 41 08 68

P.o. box 60

Email: [selam.bus@ethionet.et](mailto:selam.bus@ethionet.et)

Mekelle, Tigray, Ethiopia

## **1. INTRODUCTION**

Ethiopia's transport infrastructure primarily consisting of roads is one of the least developed in the world. With a total land area of over 1.1 million square kilometer and a population of 77 million, the country has the lowest road network density in Africa.

About 80% of the population depends on traditional means of transport such as walking, head loading, back loading, and use of back animals. Consequently, transport competes with the time and energy of the rural population. In a country where 85% of the population earns its livelihood from agriculture, the very backward state of rural roads impinges on agricultural productivity and growth and in the final analysis, constraints the developments of the national economy.

The Ethiopian government has recognized that the improvement of the country's road network is one of the prerequisite for the growth and development of the national economy. To this end, it has issued a ten year Road Sector Development Program (RSDP) with an outlay of 19.3 billion birr to improve transport operating efficiency and to reduce road transport costs so as to encourage production, distribution and export.

The total number of operational maxi-buses in the country is around 1,000 for more than 77 million people, an average of one seat for more than 1,283 people.

In line with this, more than 90% of these buses are obsolescent and are not reliable & conducive for passengers traveling to long route lines.

It is with the positive intention of resolving and improving the above cited shortcoming of the transport sector, which constrain the development of the country, that the formation of **SELAM BUS LINE SHARE COMPANY** has become imperative.

Management of public transport is one of the most important instruments for the development of urban and rural areas; a good, efficient and economic public transport system is crucial for the urban & regional economic development and contributes to expanding working opportunities by assuring better access between residential areas & places of work & learning.

## **2. ESTABLISHMENT OF SELAM BUS LINE SH CO**

It was known from the outset that the establishment of an efficient public transport company in Ethiopia along side with the improvement of the road infrastructure will, among other things, give rise to the following benefits:-

- Improve the movement of people and the flow of goods and services
  - Stabilize price of public transport in the country;
- ◆ It will facilitate the social & economic interlinkage among nations & nationalities by creating public transport network among national states.
  - ◆ Help distribute economic activity throughout the country;
  - ◆ Increase competition and rationalize prices of goods & services both in the rural and the urban part of the region.
  - ◆ Give increased access to the rural population to urban markets, etc.
  - ◆ Create job opportunity

## **2.1 MARKET SURVEY**

A market survey conducted on the demand-supply of the transport sector in the country has given indication that there is a gap of unmet demand which is known to be even more pronounced above 400 km routes and around market towns and that enough attention is not being given to these market segments.

The company operates its buses through out the country. The origin of dispatch is from Addis Abeba to Metema, Humera, Endaselasie, Assosa, Gambela, Metu, Moyale, Jijiga, Harrer, Dredawa & so on. The luxury buses are going to operate on asphalt roads like Addis Abeba- Mekelle, Bahir dar, Gondor, Dredawa, Harar, Dessie & Awassa.

## **3 REVENUE ESTIMATES**

A high level survey conducted after 10 years of the establishment of **SELAM BUS LINE SHARE COMPNAY** has yielded the following as salient assumptions to compute the profitability of the company.

- The total fleet number is assumed to be 34 buses; out of which 14 of them are 60 seaters & the rest 47 seaters are tourist type buses with refrigerator, Monitor, Air conditioner & safety belt so that passengers are rejuvenated by DVD/VCD music/film, local bread, 'kolo' & soft drink or plastic packed spring water while they are traveling.
- ◆ An average of 345 k.m & 390 km will be covered per bus per day for 60 seater & 47 setaer buses consecutevely ;

- Cost oil & lubricants is assumed to be 8% of fuel consumption.
- The average tyre life span is assumed to be 35,000 km
- An average operational day per month per bus is 24 days
- Fuel consumption is assumed to be 3 kilometer per litter & price of diesel oil is assumed to be 5.85 birr.
- Spare parts cost per kilometer is assumed to be 0.35 birr
- Tariff for ordinary buses per person per kilometer on rough road is 0.138 birr & on asphalt road is 0.11245 birr. Where as tariff for luxury tourist type bus is 0.20434 per person per km;
- load factor is assumed to be 85%;

Considering the above factor and other revenue indicators:-

Total revenue can be estimated as follows;

For 60 seaters  $(345 \times 14 \times 12 \times 24 \times 0.3 \times 0.11245 \times 60 \times 0.85) +$   
 $(345 \times 14 \times 12 \times 24 \times 0.7 \times 0.138 \times 60 \times 0.85)$  &

For 47 seaters  $(390 \times 20 \times 12 \times 25 \times 0.20434 \times 47 \times 0.85)$

Which is  $2,393,263 + 6,853,097 + 19,102,316 = 28,348,676$

an average annul cost of Birr 713,407 per bus and depreciation

period of five years is considered. The deprecation rate is obviously conservative. Thus annual gross profit is 4,092,812 birr.

#### **4 START UP INVESTMENT**

The Start up investment for the company is estimated to be Birr 55,268,755 out of which 48,107,694 for the buses & 7,161,061 for other fixed assets shall all be initially covered from TDA funding & Bank loan.

#### **5. FINANCIAL ANALYSIS**

Based on 5 year depreciation rate and service value of ten years, the net present value of the project is found to be positive even at a conservative discount rate of 15%. Only the median revenue was used for the net present value calculation thus giving more credence that the positivity is still attainable at a higher discount rate. As the company also envisages rendering fuel station service & maintenance services, in its garage, for similar companies and individuals for a fee, it is expected that this will positively influence the net present value.

#### **6. ORGANIZATION AND LOGISTICS**

- Construct, equip and stock the bus line maintenance garage;
- Hire staff and establish planning, operating and monitoring system with the bus line; and
- Monitor and evaluate implementation and ongoing performance.

To execute these tasks the company will have, as indicated earlier a General Manager, Equipment and Supplies, Operations, Finance and Administration, Legal Services and Internal Audit organs, Planning & marketing services. The company shall be governed by 5 Board of Directors.

A General Manager who is responsible for the day to day operations and Management of the company shall also be appointed.

## **7. PRESENT STATUS OF THE COMPANY**

In accordance with the project plan, **Selam Bus Line Share Company** was legally constituted on Tir 29, 1987 E.C with its headquarter at Mekelle in accordance with the Ministry of Trade and Commerce Registration No. **መቀ/ንግግ-1.አ.0014/87**

The registered and paid up capital is Birr 1,000,000.00 (one million only). According to the memorandum of association, the founding members of the Company and the number of shares subscribed by each are as follows:-

<b><u>Share Holders</u></b>	<b><u>No. of Shares</u></b>	<b><u>Nominal</u></b>
1. Tigray Development Ass.	996	996,000.00
2. Ato Araya Zerihun	1	1,000.00
3. Ato Bekelle Berhane	1	1,000.00
4. Ato Gebremichael Paulos	1	1,000.00
5. Ato Tadesse Teferra	1	1,000.00
<b>T O T A L</b>	<b>1,000</b>	<b>1,000,000.00</b>

At present, Selam Bus Line has 14 buses with 60 seater & 5 luxury buses with 46 seater operating from Addis Abeba to various regional centers. It has also created for 130 employment opportunities.

During the last three years the company has earned a gross profit of 197,033; 1,342,289; 769,813 consecutively not only with obsolescent & poor quality of buses and bad road condition but also operating on short distance & unfeasible lines aiming to serve the people as confirmed by external Auditors.

The company has been established with 13,762,626 birr capital. Nowadays, after 10 years of service, its capital has reached 22,662,425 birr excluding buildings as confirmed by external consultants. From this data one can easily deduce that the average annual growth of capital by 889,980 birr is incredible considering all the problems mentioned above.

The new acquired buses are running at full capacity and in all directions indicating the potential of the company. Hence, the viability of the project is proved beyond doubt.

## **8. FIVE YEAR FINANCIAL PLAN**

In the next five years (2006/07 – 2010/11) the company has a target of increasing its fleet number to 75 buses & its asset base from Birr 55 million to Birr 80 million or 46% increment through profit earning & sales of share. The net income target for the first year & five year cumulative profit is forecasted to be 4,092,812 birr & 11.56 million birr consecutively.

## **9. ON TRANSFERRING OWNERSHIP OF SELAM BUS**

### **LINE SHARES TO THE PUBLIC**

To satisfy the increasing demand of public transport, to transfer the ownership & to expand the capital of the company, the founding members of the company on Feb 16, 2006 have decided;

- a) To reduce TDA's holding to 40% & gradually transfers the remaining share holding to the public.
- b) Give the public an opportunity to participate in the ownership of the company and share the profit margin;
- c) Company's asset to be valued by independent legally registered consultants

## **10. DIVIDEND PAYMENT**

Dividends shall be distributed in proportion to the number of shares held by each share holder.

The general meeting of the share holders may decide on the payment of interim dividends to the share holders during any financial year.

## **11. GENERAL BENEFITS DERIVABLE FROM THE COMPANY**

- 11.1 Dividend payments shall be made annually to share holders;
- 11.2 Helps to increase transport services availability;
- 11.3 By improving movement of goods and creating good conditions for trade, it helps to stabilize price;
- 11.4 Helps the farmers to have access to market, market information and make rational decision on pricing.
- 11.5 Improves the bus transport system in the country .

## **12. SUMMARY OF ARTICLES OF ASSOCIATION**

12.1 Each share holder has the right to vote at all general meetings of the share holders, both regular & extraordinary according to the number of shares owned.

12.2 Transfer of shares is not restricted. Shares can be owned by any person or entity recognized at law as having the authority to own shares. Shares may be publicly traded.

12.3 Shares are registered in the name of share holders only. There shall be no bearer shares.

12.4 share holders who hold shares jointly shall appoint a representative & shall register his name & address in the register of share holders. The company shall send notice only to this representative.

## **13 CERTIFICATION**

African Business and development consultants /ABD – consult/ p.l.c Consultants has been delegated to estimate the value of the **Selam Bus Line Share Company's** vehicles and other fixed assets.

African Business and development consultants /ABD – consult/ p.l.c Consultants asserts that as of the date of June 20, 2006 the value of the fixed asset, excluding cash, physically counted, assessed and valued is Birr 32,077,555.00"

## **14. DOCUMENTS AVAILABLE FOR INSPECTION**

The documents listed below which prove the legality of Selam Bus Line Share Company along with other documents are available for inspection by any interested party at the Head Office of the company.

1. Memorandum & Articles of Association
2. Decision of the shareholders to dispose of 60% of the shares to the public
3. Registration Certificate
4. License
5. External Auditors Report
6. Consultant's Valuation Report

## **CONCLUSION**

We are glad to announce the issuance of 6,000 shares, each share having par value of Birr 5,000.00 through the branches of the Wegagen bank all over the country. Sales of shares will start on October 02, 2006 and ends on December 31, 2006.

According to the consultant, the total value of the buses, workshop fixed assets, machines and equipment, office furniture and equipment and Nissan patrol single cabin vehicles & the newly acquired station wagon Ford Everest vehicle are evaluated.

The following is the result of the valuation

### **Value of:-**

a) Vehicles	Br. 24,916,494.00
b) Workshop equipment	Br. 286,060.00
c) Office furniture	Br. 221,800.00
d) Buildings	Br. 3,442,655.00
e) Stock & Inventories	Br 1,666,971.00
f) Good will	Br 1,378,575.00
g) Other facilities	<u>Br 165,000.00</u>
TOTAL	Br. <u>32,077,555.00</u>

Payment will be in full for the purchase value of shares plus Birr 50.00 per share representing capital handling cost. Interested buyers will have to fill in application forms by going to the nearest Wegagen Bank branches. Applications are required to bear the full name and address of applicant, P.O. Box or the permanent address of applicant's agent or representative.

After the final registration date we will send allotment letter to each registrant. Proper share certificate will be issued to registrants in due course up on presentation of the Allotment Letter. Shares will in the meantime be kept in the names of the registrants until the proper certificates are issued.