

ALRAIS DEVELOPMENT COMPANY LIMITED

BUSINESS PLAN

FOR

DEVELOPMENT OF A RESIDENTIAL APARTMENTS FOR LEASE

1.0. EXECUTIVE SUMMARY

1.1 Project Concept

The report gives detail on a proposal to develop a high quality and modern commercial residential apartments consisting 8 storey on Plot No.13 and 15, Block 61, Kariakoo, Ilala District, Dar es Salaam.

The project proposes to set up housing estate of fully self-contained apartments together with all basic needs for modern apartment

The project will involves setting up site services/civil works, motor vehicles, general machinery and equipment, room equipment, general furniture and fittings, and room furniture and fittings.

On completion of this project, all apartments will be available for letting complete with all facilities such as, swimming pool, storm water drainage, waste water system, fire hydrant installations, landscaping DSTV, Stat times, etc

Project is being developed by **ALRAIS DEVELOPMENT COMPANY LIMITED** a locally registered company with Certificate of Registration **No.65223** Dated 23rd April 2008

The project promoters are confident of mobilizing financial resources through owners' equity 30% and loan from financial institutions 70%

1.2 Location

The project will be located at Plot No.13 and 15, Block 61, Kariakoo, Ilala District, Dar es Salaam.

1.3 The Sponsors

ALRAIS DEVELOPMENT COMPANY LIMITED is being sponsoring this project. The Company is jointly owned by two shareholders

Name of shareholders	% ownership	Nationality
Shazma Abdul Rahim Zakaria Dada	52.19	Tanzanians
Abdulnoor Asad Ali Alrais	26.07	United Arab Emirates
Imran Admani	8.8	United Kingdom

Mohamed Hussein Admani	8.8	United Kingdom
Ismail Admani	4.35	United Kingdom

1.4 The Company Objectives

The company main business objective is real estate development

1.5 The Legal Status

ALRAIS DEVELOPMENT COMPANY LIMITED was registered on 23rd April 2008 with certificate of Registration No. 65223

1.6 Objective of Study

The purpose of this study is to work out the project viability technically and financially of developing and operating a commercial residential apartments project.

2.0 Project Management and Manpower requirements

The project will under a competent real estate management company to be appointed by **ALRAIS DEVELOPMENT COMPANY LIMITED** the real estate company will be paid a

commission of 25% on gross revenue excluding service charge.

The estate management company will be answerable to the holding company's Board of Directors for operational and policy decisions.

Employment	Foreign Skilled	Local Skilled	Local Unskilled	Total
Women	1	2	10	13
Men	1	4	12	17
TOTAL	2	6	22	30

2.1 Project description

Significant measures have been taken to liberalize the Tanzania economy so that to encourage private sector to take a lead in Tanzania economic growth; The Government of Tanzania embarked on adjustment program to give the private sector the leading role.

It is in view of the above; **ALRAIS DEVELOPMENT COMPANY LIMITED** came up with a proposal to develop commercial residential apartments for lease

It is expected that the construction of a commercial & residential apartment will be completed within two years time

and the company will apply to be exempted from paying import duty and VAT on Capital good and deemed capital good.

2.2 Market and Demand.

Dar es Salaam is still biggest commercial city in Tanzania and East Africa in general, for that case the project is planning to set up best commercial and residential apartments in Dar es Salaam so that to try to alleviate, albeit modestly, present situation of the shortage of the quality commercial and residential houses. Well situated near to city centre.

Due to nationalization of private commercial buildings and residential houses in 1967, the country witnessed a sudden halt in the construction industry. The present resident houses available in the CITY are by the large as old as over thirty-five years now. Construction of private houses resumed in about fifteen years ago on a small scale brought about by the liberalization policy. This has been carried out by civil servants and parastatal organizations for their consumption, although some have been forced to rent out in

order to service mortgages and other personal financial obligation.

Construction of commercial residential houses started again about nine years ago but in small scale due to unavailability of suitable plots within the City and the well planned areas. Most of the constructed quality houses replacement of the old residential houses, which means in real terms there has been no increase in number of houses required. To alleviate this situation of severe shortage of quality houses within the City premium areas such as Oyster bay and Masaki, the investors have to fully utilize the big Plots by building 4 storeys building as proposed in this project.

It is therefore paramount that this project is implemented quickly in order to cash on the current trend created and the normal demand of quality accommodation.

This project aims at catering for the requirement of the upper income group, a major portion or about 90% of which would come from the foreign population working in embassies, United Nations Organizations, Multinational Corporation representatives, employees in externally financed development projects, chief executives and technical

advisors of the foreign companies investing in Tanzania, as well as tourists.

Most of the multinational organizations doing business in Tanzania are having their offices in Kenya due to lack of suitable and quality accommodation to house their executives and technical personnel

2.3 Market Strategy

According to expert, personal selling is the most effective method for marketing packaging accommodation services because the customers and institutions. The project will use marketing agents (Real estate agent) who will be paid commissions on successful deals. Marketing in all types of media and publicity will support and enhance personal selling

The project will use internet and print media for advertising.

2.4 Pricing

The pricing policy for the project will be based on the service cost and competition levels considering various variables namely:

- Service positioning
- Gain market share from competitors
- Achieving profitability and liquidity financial performance goals
- Price of two rooms apartment US\$ 1500per month

2.5 Monitoring and Evaluation

The Management has full commitment to ensuring good use of the resources and sustainable environment. Thus, the management philosophy is through business process, the company will strive to ensure compliance to standards and safety.

3.0 Project Investment Cost

The estimated capital investment cost of the project is US \$ 2,850,000 as shown in the schedule below:

ALRAIS DEVELOPMENT COMPANY LIMITED COST STRUCTURE

Land and Buildings	2,500,000.00
Machinery & Equipment	80,000.00
Motor Vehicles	70,000.00
Furniture & Fixtures	100,000.00
Pre exp	0.00
Others	15,000.00
Working Capital	85,000.00
TOTAL	2,850,000.00

4.0 Financing Pattern

The project will be financed by equity US\$ 855,000 and loan US\$ 1,995,000

4.1 Projected Project Operating Costs

In order to realize its intended objective, the project will have to meet the operating costs which will be 30% of total revenue.

5.0 Aspect of Project Sustainability

The project sponsors having studied market conditions and the infrastructure in Tanzania are convinced that the project will be able to operate undisturbed. The growing income level of Tanzanians, increase of people who are visiting Kariakoo every day and economic activities in Dar es Salaam City gives them assurance of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

6.0 Monitoring and Evaluation

The monitoring and evaluation tools will be applied in running this project as well, the project sponsors are determined to cooperate fully with the government and other stakeholders for smooth business running.

7.0 Financial Analysis

7.1 Considerations and Assumptions:

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are

exempted from custom duty and Value Added Tax. The straight-line method to depreciate the project's capital items has been applied, it is assumed to be 10% annual depreciation.

It is assumed that the major building raw material will be procured from local market and other will be imported. Revenues have been conservatively estimated based on experience of the promoters and trends in the real estate industry.

7 years financial projections have been worked out

7.2 Financial Statements:

7.3 Projected Rental Revenue

For projection purposes, it is assumed that the economic life of the project is five years, and that revenue from serviced furnished apartment business commence from the first year of operation. Refer appendix VII

7.4 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 7 years period. The position depicted is that the project earns profit throughout its life. refer appendix V

7.5 Projected Cash Flows

This is shown in the Projected Cash Flows Statement in appendix VI. They indicate that the project will meet its entire financial, refer appendix VI

7.5 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under **appendix III**, total assets of the project increases, refer appendix VII

7.6 Projected pay back period

The project payback Period is within 6 years, refer appendix V

7.7 Projected Risks

This is a real estate investment; no major risks have been identified for this kind of project so far. Unless a change in the country's political and economic stability occurs, the project is more likely to prosper very fast for a very long period.

8.0. Economic Aspects

Implementation of this project will have the following social and economic values

- The project is an ideal option for utilization of the recently acquired prime site
- The project will significantly contribute in increase of properties available for lease in Dar Es Salaam, Tanzania
- The project will create direct employment for 20 people on permanent contract basis leave alone temporary employees.
- It will create more business opportunities to local suppliers, which will also have a trickledown effect in the Tanzania economy as whole.

- It will generate substantial revenue to the government in the form of corporate tax paid for 7 years, value added tax and pay as you earn etc.
- The project will have transfer of knowledge and skills as far as managing of real estate

9.0 Implementation Schedule

Project implementation is expected to be relatively very short once project has been approved it is estimated that construction of serviced furnished apartment will be completed within two years: –

Project Implementation

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	March 2021
2	Construction	September 2021 August 2023
3	Procurement furniture and other facilities	September–June2023
4	Recruitment	July 2023
5	Testing business and in house training	August – November 2023
6	Commercial operations	January 2023

10.0 Conclusion and Recommendations

The project is technically feasible, financially viable, and economically sound, provided the sponsors will manage it efficiently.

It is recommended that the project be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 1997.

ALRAIS DEVELOPMENT COMPANY LIMITED COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	2,500,000.00
Machinery & Equipment	80,000.00
Motor Vehicles	70,000.00
Furniture & Fixtures	100,000.00
Pre exp	0.00
Others	15,000.00
Working Capital	85,000.00
TOTAL	2,850,000.00

ALRAIS DEVELOPMENT COMPANY LIMITED PROJECTED LONG TERM LOAN REPAYMENT

Year	principle	Loan Interest (8%)	Total Amount Paid	Loan Balance
0				
1	399,000	119700	518,700	1,995,000
2	399,000	95760	494,760	1,596,000
3	399,000	71820	470,820	1,197,000
4	399,000	47880	446,880	798,000
5	399,000	23940	422,940	399,000

ALRAIS DEVELOPMENT COMPANY LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

	1	2	3	4	5	6	7
Revenue	612,000.00	660,960.00	713,836.80	770,943.74	832,619.24	899,228.78	971,167.09
Operating Expenses	30,600.00	33,048.00	35,691.84	38,547.19	41,630.96	44,961.44	48,558.35
Profit before Depreciation & Interest	581,400.00	627,912.00	678,144.96	732,396.56	790,988.28	854,267.34	922,608.73
Interest	119,700.00	95,760.00	71,820.00	47,880.00	23,940.00	23,940.00	23,940.00
Depreciation	67,500.00	67,500.00	67,500.00	67,500.00	67,500.00	67,500.00	67,500
Gross Profit	394,200.00	464,652.00	538,824.96	617,016.56	699,548.28	762,827.34	831,168.73
Tax (30%)	118,260.00	139,395.60	161,647.49	185,104.97	209,864.48	228,848.20	249,350.62
Profit After Tax Accumulated Profit	275,940.00	325,256.40	377,177.47	431,911.59	489,683.80	533,979.14	581,818.11
	275,940.00	601,196.40	978,373.87	1,410,285.46	1,899,969.26	2,433,948.40	3,015,766.51

ALRAIS DEVELOPMENT COMPANY LIMITED PROJECTED PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	275,940.00	67,500.00	343,440.00	343,440.00
2	325,256.40	67,500.00	392,756.40	736,196.40
3	377,177.47	67,500.00	444,677.47	1,180,873.87
4	431,911.59	67,500.00	499,411.59	1,680,285.46
5	489,683.80	67,500.00	557,183.80	2,237,469.26
6	533,979.14	67,500.00	601,479.14	2,838,948.40
7	581,818.11	67,500.00	649,318.11	3,488,266.51

ALRAIS DEVELOPMENT COMPANY LIMITED PROJECTED CASH FLOW US\$

SOURCES:	0	1	2	3	4	5	6	7
Profit before Interest and depreciation	-	581,400.00	627,912.00	678,144.96	732,396.56	790,988.28	854,267.34	922,608.73
Equity	855,000							
Loan	1,995,000.00							
Total Sources	2,850,000.00	581,400.00	627,912.00	678,144.96	732,396.56	790,988.28	854,267.34	922,608.73
Applications:								
Capital expenditure	2,750,000		-	-	-	-	-	0
working Capital &Others	100,000.00	-	-	-	-	-		
Cash	-	463,140.00	480,517.00	516,497.00	547,202.00	581,124.00	625,419.00	673,258.00
Tax	-	118,260.00	139,395.60	161,647.49	185,104.97	209,864.48	228,848.20	249,350.62
Sub total	2,850,000.00	581,400.00	619,912.60	678,144.49	732,306.97	790,988.48	854,267.20	922,608.62
Total applications	2,850,000.00	581,400.00	619,912.60	678,144.49	732,306.97	790,988.48	854,267.20	922,608.62
Accumulated cash		463,140.00	943,657.00	1,460,154.00	2,007,356.00	2,588,480.00	3,213,899.00	3,887,157.00

ALRAIS DEVELOPMENT COMPANY LIMITED PROJECTED BALANCE SHEET US\$

	1	2	3	4	5	6	7
Fixed Assets							
Opening balance	2,750,000	2,682,500	2,615,000	2,547,500	2,480,000	2,412,500	2,345,000
Less depreciation	-	-	-	-	-	-	-
Total Long-term Assets	2,750,000.00	2,682,500.00	2,615,000.00	2,547,500.00	2,480,000.00	2,412,500.00	2,345,000.00
Less depreciation	-	67,500.00	67,500.00	67,500.00	67,500.00	67,500.00	67,500.00
Closing balance	-	2,682,500.00	2,547,500.00	2,480,000.00	2,412,500.00	2,345,000.00	2,277,500.00
Working capital	100,000.00	180,000.00	180,000.00	180,000.00	180,000.00	180,000.00	180,000.00
Accumulated cash	-	463,140.00	1,460,154.00	2,007,356.00	2,588,480.00	3,213,899.00	3,887,157.00
Total assets	100,000.00	3,325,640.00	4,187,654.00	4,667,356.00	5,180,980.00	5,738,899.00	6,344,657.00
Financed by							
Equity	855,000.00	855,000.00	855,000.00	855,000.00	855,000.00	855,000.00	855,000.00
Net profit	-	275,940.00	377,177.47	431,911.59	489,683.80	533,979.14	581,818.11
Total equity	855,000.00	1,130,940.00	1,232,177.47	1,286,911.59	1,344,683.80	1,388,979.14	1,436,818.11
Long term loan	1,995,000	1,596,000	798,000	399,000	0	0	0
Bank overdraft	0	0	0	0	0	0	0
Total debts	1,995,000.00	1,596,000.00	798,000.00	399,000.00	-	-	-
Total equity and debts	2,850,000.00	2,726,940.00	2,030,177.47	1,685,911.59	1,344,683.80	1,388,979.14	1,436,818.11