



KONA YA BWIRU, ILEMELA DISTRICT
P.O.BOX 901, MWANZA
MOB: +255746044400
Email: hospitalsroyal@gmail.com

BUSINESS PLAN

FOR THE EXPANSION AND CONSTRUCTION OF ROYAL HOSPITALS

**TO BE LOCATED ON PLOT NO. 488 & 489 BLOCK KIRUMBA VALLEY IN
ILEMELA DISTRICT, MWANZA REGION**

ROLOCAHCOLTD, MWANZA

NOVEMBER, 2021

TABLE OF CONTENT

TABLE OF CONTENT	ii
1.0 EXECUTIVE SUMMARY	1
1.1 Company Background	1
1.2 Industry Overview	3
1.2.1 The Health policy frame work	3
1.3 Business Description/Project Description	4
1.4 Mission and Vision	6
1.4.1 Mission Statement	6
1.4.2 Vision	6
1.5 Guiding Principles.....	6
1.6 Goals.....	6
1.6.1 Short term goals.....	6
1.6.2 Long term goals.....	7
1.7 Critical Success Factors	7
1.8 Entry and growth strategy	7
1.9 SWOT Analysis.....	8
1.9.1 Strength	8
1.9.2 Weaknesses	8
1.9.3 Opportunities.....	8
1.9.4 Threats	9
1.9.5 Conclusion on SWOT Analysis.....	9
1.9.6 Exit strategy	9
2.0 PRODUCTS / SERVICES	10
2.1 Product/Service Description	10
2.2 Demand for health Services.....	10
3.0 THE MARKET	11
3.1 Market analysis	11
3.2 Market Overview	11
3.2.1 Services to be offered and the market	11

3.2.2 Demand for health Services	12
3.2.3 Supply.....	12
3.3 Competition	12
3.4.1 Competitive Advantages.....	13
3.4.2 Barriers to Expansion of hospital services and facilities	13
4.0 INDUSTRY ANALYSIS	14
4.1 The Health Industry	14
4.1.1 The Health policy frame work.....	14
4.2 Porters 5 Forces Model.....	16
4.2.1 Analysis of Porters 5 Competitive Forces.....	16
4.2.2 Threat of entry from potential entrants	16
4.2.3 Intensity of Rivalry among existing competitors.....	18
4.2.4 Bargaining power of buyers (Customers)	18
4.2.5 Bargaining power of suppliers	18
4.2.6 Exit barriers and Entry barriers	18
4.2.7 Pressure from substitute products	19
5.0 DEVELOPMENT AND EXPANSION STRATEGY	20
5.1 Development Strategy.....	20
5.2 Expansion Plan	24
6.0 ORGANIZATION PLAN	25
6.1 The Organization	25
6.2 The Board of Directors	25
6.3 THE MANAGEMENT TEAM.....	28
6.4 Organization Structure	29
6.5 Organization Culture	29
6.6 Company Management Structure.....	30
6.7 Company ownership structure	31
6.7.1 Managing Director	31
6.8 Recruitment and Training.....	31
6.9 Relevant regulations	32

7.0 INVESTMENT AND FINANCING	33
7.1 Financing Plan	33
7.2 Loan Terms and Conditions	34
7.3 Loan Security.....	34
8.0 RISKS ASSOCIATED WITH THE BUSINESS AND HOW THEY ARE MITIGATED.....	35
9.0 SOCIAL AND ECONOMIC ASPECTS OF THE BUSINESS	36
9.1 Value addition.....	36
9.2 Employment.....	36
9.3 Contribution to government revenue	36
9.4 Social Economic development	36
9.5 Health Development	36
9.6 Environmental Impact Assessment.....	36
10.0 CONCLUSION AND RECOMMENDTIONS.....	37
10.1 Conclusion.....	37
10.2 Recommendation	37

1.0 EXECUTIVE SUMMARY

1.1 Company Background

Royal Love and Care Hospitals Company Limited a dully registered private limited liability company incorporated under the Companies Act 2002 of Tanzania mainland and offered a certificate of incorporation No. 141293 on 19th February, 2018.

The Authorized Share capital of the company is Tshs 5,000,000 divided into 100 Shares of Tshs 50,000 Each, however the directors plan to increase the above authorized share capital to Tzs 2 Billion in the medium term. The hospital is fully registered with the Ministry of Health and community development and has been in operation for over 2 years now in rented premises at Kona Ya Bwiru, Ilemela District, Mwanza City.

Royal Love and Care Hospitals Company Limited has been in business for over 2 years, starting from a humble beginning to a renown specialist hospital in Mwanza, the hospital has managed to establish a network of business associates in this line of business and has managed to expand its market share in the region as a result of its wonderful health care services, this has helped in increasing sales revenue for increased profitability, growth and overall sustainability.

The hospital notwithstanding its growth within a very short time has experienced challenges of operations due to limited hospital space, this limits the number of patients we attend daily, thus limited income, limited numbers of employees, limited hospital services etc.

In order to address the challenges we currently experiencing we have decided to invest into constructions of new building that is expected to support the services efficiently and for expansions.

Why the directors have thought it fit to construct the new hospital

- ✓ Being currently registered at district level and moving to new building our status will be upgraded to regional referral hospital
- ✓ Expected to raise the number of patients,
- ✓ increases financial gain,
- ✓ sign more contracts with different insurance companies like that of GGM which that have timeless contracts

- ✓ Signing contracts with different institutions and government agencies that have shown huge interest in our hospital services
- ✓ To offer more employment opportunities to different professionals

The proposed new hospital location is very strategic and offers very good foot traffic and has easy accessibility by all means of transport and communication it's just a few metres off the Mwanza - Airport Road.

The directors plan through the establishment of the above hospital, to be one of the leading referral hospitals in and around the lake zone regions. The planned project will benefit the directors, employed personnel and the community as whole, some of the community member's shall benefit directly as some of them shall be employed by the hospital and others shall indirectly benefit through the operations of the said hospital.

Dr. Glory Simon Joseph is the managing director of the company and has been at the forefront of its day to day management and supervision of all its activities though the overall management and supervision of the company is vested in the Board of directors which is charged with the task of formulating from time to time its policies and providing general guidelines to top management and its related technical departments in ensuring the smooth centering of all realistic decisions relating to social, economic and manpower development. The overall objective of Royal Love and Care Hospitals Company Limited is to maximize returns through; offering unparalleled health services by using state of the art facilities to all her customers as well as to promoting both social and economic development of a Tanzanian community through constructing a modern hospital

Project Costs

The new hospital building project requires **Tzs 6,006,675,970.00** and its breakdown is as follows;

S/NO.	ACTIVITY	PROPOSED INVESTMENT COST	OWNERS EQUITY	LOAN
1.	Land	200,000,000	200,000,000	-
2.	Hospital Equipments	1,234,840,000	1,234,840,000	-
3.	Construction works	3,608,035,970	2,108,035,970	1,500,000,000
4.	Furniture and Fittings	388,800,000	388,800,000	-
5.	Motor Vehicles	425,000,000	425,000,000	-
6.	Working capital	150,000,000	150,000,000	-
	TOTAL PROJECT COSTS	<u>6,006,675,970</u>	<u>4,506,675,970</u>	<u>1,500,000,000</u>
	PERCENTAGE		75%	25%

The financial analysis projection shows that the project is viable and bankable, since it's able to repay the loan and interest and is able to remain with positive net cash flows that can be reinvested for business expansion and growth.

It is expected that with all the conditions that call for the success of the business being constant, then the business will be growing at a very high rate hence ensuring quality health services and at the same time ensuring profitability to the company, to business affiliates and other beneficiaries of the business.

1.2 Industry Overview

Since independence, the provision and establishment of medical facilities has been the preserve of the government as a way of fighting poverty, disease and ignorance.

The government has been spending at least 10 - 15% of its annual budget on the sector however the increase in population coupled with the current budgetary constraints have made it difficult for government to continue to be the only player in the sector.

The government has failed to construct more hospitals and let alone facilitate the existing ones and with the policy of having a government dispensary in every village and a major hospital in every district has not solved the situation as the infrastructure has remained poor notwithstanding the lack of drugs. The medical staff are under paid, less motivated and the little they work for some times comes late, the health facilities are overcrowded and understaffed. It's in recognition of this problem that the government is calling on the private sector players to supplement its efforts.

1.2.1 The Health policy frame work

According to the government development vision and the health policy, the health sector is one of the priority sectors of the Tanzania government as is reflected in the annual incremental increase in budgetary allocation to the sector. Presently the share of the budget for health is at 11% and which is set to rise to the target of 14%.

In addition, the Tanzania Development Vision 2025 also identifies Health as one of the priority sectors. Among its main objectives is achievement of high quality livelihood for all Tanzanians. This is expected to be attained through strategies, which will ensure realization of the following health service goals: -

- i. Access to quality primary health care for all;
- ii. Access to quality reproductive health service for all individuals of appropriate ages;
- iii. Reduction in infant and maternal mortality rates by three quarters of current levels;

- iv. Universal access to clean and safe water;
- v. Life expectancy comparable to the level attained by typical middle-income countries.
- vi. Food self sufficiency and food security;
- vii. Gender equality and empowerment of women in all health parameters.

In line with the Government Development Vision 2025 goals, the Ministry of Health shall strive to raise and improve the health status and life expectancy of the people of Tanzania by ensuring delivery of effective, efficient and quality curative, preventive, promotive and rehabilitative health services at all levels.

1.3 Business Description/Project Description

A royal hospital is expected to expand hospital services due to increased demand for hospital services in Mwanza city and Tanzania in general. Royal Love and Care Hospitals Company Limited Mwanza offers different hospital services such as medical consultations, Wards, Theatre, Delivery rooms and pharmacy.

The hospital is currently premised in rented buildings at Kona ya Bwiru area, Mwanza where all medical services are offered. The place is characterized with limited hospital space, limited number of patients, limited income, limited numbers of employees, limited hospital services etc. For example currently, we do have 5 consultation rooms per day, our bed capacity is 8 patients per day, 1 theatre with 1 operation per day, 1 delivery room with 1 delivery per day, 95 tests per day on laboratory services, and 190 in patients and out patients at our pharmacy.

In order to address the above challenges, the directors have decided to invest into constructions of new hospital building that will be a six storey modern building with the state of the art facilities; this among other benefits shall;

✓ Being currently registered at district level and moving to new building our status will be upgraded to regional referral hospital, where we expect increased services thus increased incomes as illustrated below;

Service Offered:	Current Situations:	Moving to New building
	A royal hospital is at district level. Consultation fees is TZS 10,000/= @ patient for NHIF patients	The hospital will be upgraded to regional referral hospital to where we fees from consultations to rises to TZS 15,000/= @ patient. For NHIF patient
Admission	4- patients per day	30- patients per day
Consultations	130- patients per day, of which 40- cash patients and 90-Insurance	250-patients per day, expected 75- cash patients and 175-credit insurance patients
Surgeries	1 patient per day	3 patients per day

Deliveries	2 per day	5 per day
Consultation rooms	5	25
Pharmacy	190-patients	350-patients
Bed capacity	8	60

Revenue schedule:

Increased and improved services will lead to increased revenues as illustrated

Sales revenue; the revenue streams are;

- a) Consultations Tzs 15,000 per patient
- b) Laboratory Investigations Tzs 20,000 per patient
- c) Imaging
 - i. Echocardiography Tzs 60,000
 - ii. ECG Tzs 30,000
 - iii. Obstetric Ultrasound Tzs 30,000
 - iv. Operations Tzs 800,000
 - v. Inpatients (Room services) Tzs 100,000
 - vi. Normal deliveries Tzs 400,000

Current status- Rented Premises			Moving to New Hospital building-		
Income per day (TZS)			Income per day (TZS)		
	Cash	Credit		Cash	Credit
Consultations	456,000	684,000	Consultations	937,500	2,812,500
Admissions	256,500	313,500	Admissions	750,000	2,250,000
Surgeries	256,500	313,500	Surgeries	600,000	1,800,000
Medicine	769,500	940,500	Medicine	1,212,000	2,020,000
Laboratory	513,000	627,000	Laboratory	808,000	2,212,000
Total	2,508,000	3,192,000		4,307,500	11,094,500
TOTAL DAILY INCOME:	<u>5,700,000</u>		PROJECTED DAILY INCOME:	<u>15,402,000</u>	

Being upgraded to regional referral hospital we shall enhance patient trusts, rise income, employments opportunities and attending different group and ranks of patients who others we do fail to attend due to hospital space as well as current status as district level hospital.

1.4 Mission and Vision

1.4.1 Mission Statement

The mission of Royal Love and Care Hospitals Company Limited is to promote the health and well-being of the local population by providing accessible, high-quality specialized medical care. Royal Love and Care Hospitals Company Limited is committed to providing services that will exceed the expectations of our patients, resulting in a successful and profitable business.

1.4.2 Vision

To become one of the leading referral hospitals in Mwanza and the entire lake zone region that applies technological innovation to address evolving challenges.

1.5 Guiding Principles

Royal hospital's corporate governance and operations are guided by the following strategic principles

- i. Belief in people.
- ii. Respecting the dignity and worth of all people.
- iii. Keeping it local but with a global perspective.
- iv. Keeping good business ethics.
- v. Search for trusted partners who share the company's vision and working together to build long-term relationships based on trust.
- vi. Keeping our promises.

We believe that we owe it to the communities we serve, our customers, staff and government to act with integrity and manage our resources effectively and efficiently.

1.6 Goals

1.6.1 Short term goals

- Registering our project with Tanzania Investment Centre (TIC) thus enjoying all the benefits that come with it
- Provide the state of the art medical facilities that meet the expectations of our customers.
- Provide quality products and services that meet the product and price needs of our potential and prospecting customers.

1.6.2 Long term goals

- Maintenance of high quality service standards and customer care to sustain customers and bring in new customers.
- Expand distribution network to cover more customers.
- Continuous expansion to provide further employment opportunities so as to improve living standards of the people within the business area and its environments.

1.7 Critical Success Factors

In order for Royal Love and Care Hospitals Company Limited to attain its goals,

- i. We will focus mainly on customers who are the core in our operations
- ii. Ensuring reliability in our service delivery.
- iii. Experience of the directors in the health industry that gives us credibility.
- iv. The directors and employees have enough knowledge and experience in the business.

1.8 Entry and growth strategy

However much competition in business isn't that stiff, Royal Love and Care Hospitals Company Limited employs competitive pricing strategy to be able to win new customers while emphasizing quality services and products. The business also emphasizes cost effectiveness in order to recover all incidental costs before charging the price.

In order to continue growing and become sustainable, the following will always be done.

- Providing quality products and services that will keep customers and ensure repeat business.
- Empowerment through education (Capacity Building)
The company offers regular training to its employees through daily training courses and staff meetings organized to help them appreciate new knowledge and exposures
- Prompt payments.
Also the company has established credibility with bankers for being able to guarantee prompt and regular payment for the monies borrowed.
- Currently registered at district level; through expansion to a new hospital building our status will be upgraded to regional referral hospital

1.9 SWOT Analysis

SWOT stands for strength, weaknesses, Opportunities and threats. SWOT analysis enables the company to do self examination and improve or react accordingly.

1.9.1 Strength

- i. The Hospital has strong directors who are fully committed to the success of the hospital and have been behind the current success
- ii. The directors are specialists in the medical field and shall and as always supervise the new hospital operations diligently
- iii. The Hospital has a clear vision and mission
- iv. The Hospital has capable administrators

1.9.2 Weaknesses

- i. limited operating hospital space
- ii. Lack of enough financial resources to support constructions of new hospital building with enough space to accommodate improved services.
- iii. Low income resulting from limited space and facilities

1.9.3 Opportunities

- i. **Government liberalization policy:** this has enabled private parties to establish hospitals under the PPP. The hospital shall continue to take advantage of this wave of opportunity and benefit from it by maximizing the wealth of the company.
- ii. **Growing Economy:** Demography, population growth rate is around 3.8% therefore we expect an increased number of patients requiring health services. The GDP growth at approximately 6.2% P.a depicts a growth in the standards of living with more patients affording to pay for medical services.
- iii. **Customers (patients);** There are many patients out there who would want better health services and since health service is a continuous exercise, then the hospital will always take advantage of the presence of patients to attend to.
- iv. **Learning from others through benchmarking;** a big market exists and therefore hospital startup, expansion and development is possible.

1.9.4 Threats

- a) **Government tax/policies:** if government raised the statutory corporation tax, licensing of private hospitals is a rigorous exercise
- b) Poverty levels, despite the 6.2% GDP growth rate, poverty levels are still high this may reduce the patient's ability to access better health since most of the patients come from poor families
- c) Entrance of a new competitor means loss of market share and slow market growth due to the limited number of patients

The hospital shall take advantage of the strength and opportunities and at the same time harness the weaknesses and threats to its advantage.

1.9.5 Conclusion on SWOT Analysis

Royal Love and Care Hospitals Company Limited will exploit the strength and take advantage of the opportunities to increase on its market share through patient growth and at the same time work on the weaknesses and match the Threats with appropriate strategies like concentration on efforts and measures that will keep the hospital abreast of competition, improvement in quality of the services being offered and image building. The hospital will network with the help of information technology with other private and government hospitals (local and international).

1.9.6 Exit strategy

In the case of unfavorable business environment in such a way that the business is required to be winded up, the following exit strategies will be applied:

- Customer and supplier placement strategy whereby, customers and suppliers will be smoothly handed over to another interested business as a going- concern to allow them to continue with their activities.
- Pay out any outstanding debts to creditors/suppliers.
- Collect any amounts outstanding from debtors.
- Sell all the inventory, machines and equipment to other firms in the same line of business.
- The organization can also be sold as a going concern to other firms or companies.

2.0 PRODUCTS / SERVICES

2.1 Product/Service Description

Royal Love and Care Hospitals Company Limited is in the business of offering specialized health services to its customers (patients) these are but not limited to;

- i. Paediatric
- ii. Cardiology
- iii. Pharmacy – In and out patients
- iv. Laboratory services
- v. Imaging
- vi. Laboratory Investigations

2.2 Demand for health Services

Demand for Health services is big and is expected to continue growing with the increase in population thus government left alone can't accommodate all the health cases from an ever increasing population, thus encourages private health practitioners to come in partnership with government to offer health services, thus demand for better health services is expected to grow every year that passes. And with better facilities and having professional medical staff, the private facilities are more demanded. With a population growth that is projected at 2% every year to the year 2020, the demand for better health services in Tanzania is expected to grow rapidly.

The health sector is growing particularly due to the following

- i. General social and economic development
- ii. The increasing population
- iii. The increased awareness of the benefits of having better health
- iv. The increase in the general economic well being in society.

The above sector that the proposed new hospital project is vying to expand into and if successfully implemented, the project at positioning to become one of the best referral hospitals in Tanzania.

3.0 THE MARKET

3.1 Market analysis

We carried out a market analysis and the characteristics, behavior of the market and services to be offered

3.2 Market Overview

The health problem in Mwanza region has its roots in poverty and ignorance owing to their prevalence in dietary imbalance, insufficient and unsanitary water supplies, low standards of communal hygiene, poor general lack of knowledge of basic personal health care. These conditions result in a predominance of respiratory, intestinal and skin infections.

The National Health Policy points out that the government is committed to a strategy of providing primary health care as the best way of improving people's health and promoting development. This will be achieved through the provision of promotive, preventive, curative and rehabilitation of health services and infrastructure. The main emphasis is upon prevention of diseases and the promotion of healthy living habits. Comprehensive health services are at present within reach of nearly over half the population. Our plans will continue to be concentrated on community participation in the provision of health services. Thus the market for health services and pharmaceuticals is big and always growing.

3.2.1 Services to be offered and the market

Royal Love and Care Hospitals Company Limited is in the business of offering specialized health services to its customers (patients) these are but not limited to;

- i. Paediatric
- ii. Cardiology
- iii. Pharmacy – In and out patients
- iv. Laboratory services
- v. Imaging
- vi. Laboratory Investigations

3.2.2 Demand for health Services

Demand for Health services is big and is expected to continue growing with the increase in population thus government left alone can't accommodate all the health cases from an ever increasing population, thus encourages private health practitioners to come in partnership with government to offer health services, thus demand for better health services is expected to grow every year that passes. And with better facilities and having professional medical staff, the private facilities are more demanded. With a population growth that is projected at 2% every year to the year 2020, the demand for better health services in Tanzania is expected to grow rapidly.

The health sector is growing particularly due to the following

- i. General social and economic development
- ii. The increasing population
- iii. The increased awareness of the benefits of having better health
- iv. The increase in the general economic well being in society.

The above sector that the proposed hospital project is vying to expand into and if successfully implemented, the project is positioning to become one of the best referral hospitals in the lake zone regions.

3.2.3 Supply

In Mwanza region and Mwanza city in particular there are a few referral hospitals, the Bugando Medical Centre and Sekoutore Hospital are among the few hospitals with the status of being the only referral hospitals in Mwanza region, this puts a lot of pressure on the facility from other local hospitals, minus bugando hospital all other private facilities offer general health services, Royal Love and Care Hospitals Company Limited is going to be the first private hospital of its kind in Mwanza city, Thus we shall bank on our modern facilities and state of the art medical equipment to attract more patients.

3.3 Competition

As discussed in prior sections there are few referral hospitals in Mwanza this makes the competition weak however we expect to bank on quality services and modern facilities. The hospital minus a rather weak competition shall be marketed through contacts with patients, the general public and the media.

3.4.1 Competitive Advantages.

The following are the competitive advantages of Royal Love and Care Hospitals Company Limited is;

- Experience of the directors, having enough business knowledge and zeal to do business.
- The Lake Zone and Mwanza in particular neighboring East African Countries (Kenya, Uganda, Burundi and Rwanda) makes the market huge
- Royal Love and Care Hospitals Company Limited is planning to strengthen its strategic marketing and promotional activities as a means of expanding its market
- Royal Love and Care Hospitals Company Limited is planning to have a state of the art medical equipments that will us a competitive edge over our competitors

3.4.2 Barriers to Expansion of hospital services and facilities

Major barrier that Royal Love and Care Hospitals Company Limited faces especially to expand its hospital services and facilities is high capital costs and adequate working capital. This plan requires more capital to be able to build a modern six storey building, purchase of modern hospital machinery and equipments, furniture and fittings and working capital however with clear and defined strategies, the directors shall influence the bankers to finance its plan.

4.0 INDUSTRY ANALYSIS

4.1 The Health Industry

Since independence, the provision and establishment of medical facilities has been the preserve of the government as a way of fighting poverty, disease and ignorance.

The government has been spending at least 10 - 15% of its annual budget on the sector however the increase in population coupled with the current budgetary constraints have made it difficult for government to continue to be the only player in the sector.

The government has failed to construct more hospitals and let alone facilitate the existing ones and with the policy of having a government dispensary in every village and a major hospital in every district has not solved the situation as the infrastructure has remained poor notwithstanding the lack of drugs. The medical staff are under paid, less motivated and the little they work for some times comes late, the health facilities are overcrowded and understaffed. It's in recognition of this problem that the government is calling on the private sector players to supplement its efforts.

4.1.1 The Health policy frame work

According to the government development vision and the health policy, the health sector is one of the priority sectors of the Tanzania government as is reflected in the annual incremental increase in budgetary allocation to the sector. Presently the share of the budget for health is at 11% and which is set to rise to the target of 14%.

In addition, the Tanzania Development Vision 2025 also identifies Health as one of the priority sectors. Among its main objectives is achievement of high quality livelihood for all Tanzanians. This is expected to be attained through strategies, which will ensure realization of the following health service goals: -

- i. Access to quality primary health care for all;
- ii. Access to quality reproductive health service for all individuals of appropriate ages;
- iii. Reduction in infant and maternal mortality rates by three quarters of current levels;
- iv. Universal access to clean and safe water;
- v. Life expectancy comparable to the level attained by typical middle-income countries.
- vi. Food self sufficiency and food security;
- vii. Gender equality and empowerment of women in all health parameters.

In line with the Government Development Vision 2025 goals, the Ministry of Health shall strive to raise and improve the health status and life expectancy of the people of Tanzania by ensuring delivery of effective, efficient and quality curative, preventive, promotive and rehabilitative health services at all levels.

Policy Vision

The vision of the Health Policy in Tanzania, is to improve the health and well being of all Tanzanians with a focus on those most at risk, and to encourage the health system to be more responsive to the needs of the people.

Policy Mission

To facilitate the provision of equitable, quality and affordable basic health services, which are gender sensitive and sustainable, delivered for the achievement of improved health status.

Policy Objectives

The objectives of the Policy are to:

- i. Reduce the burden of disease, maternal and infant mortality and increase life Expectancy through the provision of adequate and equitable maternal and child health services, facilitate the promotion of environmental health and sanitation, promotion of adequate nutrition, control of communicable diseases and treatment of common conditions.
- ii. Ensure the availability of drugs, reagents and medical supplies and infrastructures.
- iii. Ensure that the health services are available and accessible to all the people in the country (urban and rural areas).
- iv. Train and make available competent and adequate number of health staff to manage health services with gender perspective at all levels. Capacity building of human resource at all levels in management and health services provision will be addressed.
- v. Sensitize the community on common preventable health problems, and improve the capabilities at all levels of society to assess and analyze problems and design appropriate action through genuine community involvement.
- vi. Promote awareness among Government employees and the community at large that, health problems can only be adequately solved through multisectoral cooperation involving such sectors as Education, Agriculture, Water, Private Sector including Non Governmental Organization, Civil

Society and Central Ministries, as Regional Administration and Local Government, and Community Development, Gender and Children.

- vii. Create awareness through family health promotion that the responsibility for one's health rests in the individuals as an integral part of the family, community and nation.
- viii. Promote and sustain public-private partnership in the delivery of health services.
- ix. 2Promote traditional medicine and alternative healing system and regulate the practice.

4.2 Porters 5 Forces Model

The state of competition in an industry depends on the 5 basic competitive forces. The collective strength of these forces determine the ultimate profit potential in the industry, where profit potential is measured in terms of long run return on capital (**Porter, 1985**)

The goal of competitive strategy for Royal Love and Care Hospitals Company Limited shall be to find a position in the industry where the hospital can best defend itself against any competitive forces or how the hospital can influence them in its favor.

Knowing these sources of competitive pressure highlights the critical strength and weaknesses of the hospital, we have animated its possible position in the industry, clarified the areas where strategic changes can yield the greatest payoff, and highlighted areas where industry trends promise to hold the greatest significance as either opportunities or threats.

The five forces reflect the fact that competition in an industry goes well beyond the established players. The five forces Include; Threat from potential entrants, Rivalry within the industry, Buyers power, supplier's power and threat from new substitutes. All the 5 forces determine the intensity of the industry competition and profitability and the strongest forces governing and become crucial from the point of view of strategy formulation.

4.2.1 Analysis of Porters 5 Competitive Forces

We shall discuss the 5 forces in detail and how they affect the industry.

4.2.2 Threat of entry from potential entrants

The barriers to entry in the health industry especially the private ones are relatively high. This is because of the high sunk costs in terms of the physical infrastructure and other stringent procedures and standards laid down by the regulatory authority.

The slow pace in terms of entry is as a result of high entry barriers in terms of infrastructure requirements, man power requirements and the rigor that a hospital must fulfill in order to be registered.

Types of barriers to entry

a) Economies of Scale: this refers to a decline in the unit cost of a product as the absolute volume per period increases. Economies of scale deter entry by forcing the entrant that come in at large scale and risk strong reaction from existing firms or come in at a small scale and accept cost disadvantage.

Royal Love and Care Hospitals Company Limited shall have to continue building expertise and long experience of the team of medical staff and other support staff and this will create a formidable barrier to entry for the new comers into the industry.

b) Product Differentiation: Royal Love and Care Hospitals Company Limited being a going concern, finds it easy to be identified by a brand (brand identification) and customer loyalty which stems from its past two years dealings.

c) Capital Requirements: The need to invest financial resources in order to compete creates a barrier to entry particularly if the capital required for unrecoverable expenditures in infrastructure and up front research and development. However, in the health sector there isn't that heavy investment in terms of R & D

d) Cost advantages independent of Economies of scale: New private hospitals like Royal Super specialty Hospital have any experience and therefore have inherently higher costs than well established hospitals and thus must bear high start up losses from below or near cost pricing in order to gain experience and acceptance. That's why the earlier entrants are the market share leaders today, they have accumulated experience, higher cash flow and they have the capacity to invest in new equipments and techniques.

e) Expected Retaliation: Entrants expectation about the reaction of existing competitors will influence threat of entry. The early entrant may reduce Hospital charges if they have some excess capacity and or expand capacity to deny upcoming hospitals the needed intake. This alone could be a motivator for the early entrants to flex their muscle against the new comers this is so because the presence of new competitors depress sales and hence financial performance will go down with it.

4.2.3 Intensity of Rivalry among existing competitors

Rivalry normally takes the form of jockeying for position using tactics like low-balling to undercut competition through reduction in prices, advertising battles and product/service introductions.

The rivalry is expected to be low in this industry as the niche to which the hospital intends to operate has a few rivals.

4.2.4 Bargaining power of buyers (Customers)

Here the buyers (patients) do not pose any competition within the industry. They can't force prices down though they can bargain for higher quality of better services at the expense of industry (hospital) profitability. However, in the industry being analyzed, this force is not felt at all because;

- a. The buyers aren't concentrated because normally each patient would visit the facility at their own time and convenience.
- b. The Hospital will have its own cost structures
- c. There are hardly any switching costs say from royal hospital to any other private hospital.

4.2.5 Bargaining power of suppliers

Suppliers can exert bargaining power over participants in an industry by threatening to raise prices or reduce the quality of purchased goods/services. Powerful suppliers can squeeze profitability out of an industry unable to recover cost increases in its prices. However, suppliers in this industry do not pose a sharp influence on institutions for example drug suppliers are many. There are many suppliers that dominate this industry. The suppliers of hospital equipments, hospital reagents and drugs are too many to use the bargaining power chip in as far as supply is concerned.

4.2.6 Exit barriers and Entry barriers

Exit and entry barriers impact on profitability, where there are high entry barriers but associated with low exit barriers, the unsuccessful competitor will leave the industry. Conversely, where there are high entries but associated with high exit barriers the profit potential is accompanied by more risk.

On the other hand, where there are low entry barriers that and at the same time associated with low exit barriers the result is unpalatable. Conversely where there are low entry barriers but associated with high exit barriers, the outcome is very bad news. The industry in which the hospital is, associated with high entry barriers and high exit barriers. Therefore profit potential is accompanied by more risk.

4.2.7 Pressure from substitute products

All health facilities in the industry are competing in a broad sense with hospitals producing substitute products and services. The more attractive the price performance alternative offered by substitutes, the firmer the lid on the industry profits. Substitute products are those products that can perform the same function as the product and service of the industry. Therefore this kind of pressure has little relevancy to this industry.

5.0 DEVELOPMENT AND EXPANSION STRATEGY

5.1 Development Strategy

The company has already acquired land on Plot No. 488 and 489 Block Kirumba Valley on which to construct the new Hospital

- ✓ All permits and other compliance documents have been acquired
- ✓ The only work remaining in the development of Royal Hospitals includes;
 - a) **Construction Works- Six Storey Building**

The general summary of the BILL OF COSTS is as shown below;

S/NO.	DESCRIPTION	AMOUNT
GENERAL SUMMARY		
A	BILL NR 01 - PRELIMINARIES AND GENERAL CONDITIONS OF CONTRACT	39,350,000.00
B	BILL NR 02 - PREAMBLES	NIL
C	BILL NR 03 - STANDARD AGREEMENT	NIL
D	BILL NR 04 - MEASURED WORKS	3,071,860,970.00
E	BILL NR 05 - PRIME COSTS AND PROVISIONAL SUMS	<u>485,325,000.00</u>
	SUB TOTAL 01	3,596,535,970.00
INSURANCE CLAUSES		
	Insurance against injury to person	1,500,000.00
F	Allow for workman compensation insurance cover shall be as stated in contract data	
	Insurance against injury to property	
G	Allow for cost of insurance against damage to property cover shall be as stated in contract data	2,000,000.00
	Condition of contract clause	
H	Allow for cost of insurance against damage by fire etc	2,000,000.00
	Condition of contract clause	
J	Allow for cost of providing sureties for 10%of contract sum	6,000,000.00
	TOTAL FIXED PROJECT COST INCLUDING VAT	<u>3,608,035,970.00</u>

b) Purchasing more furniture, Other office equipments and Accessories

S/NO.	ITEM	QTY	UNIT PRICE	AMOUNT (Tzs)
1.	Table (Standard)	60	200,000.00	12,000,000.00
2.	Table (Reception)	10	500,000.00	5,000,000.00
3.	Directors Table	4	500,000.00	2,000,000.00
4.	Board Room Table	1	1,500,000.00	1,500,000.00
5.	E-Claim Table-6 Partition	1	700,000.00	700,000.00
6.	Restaurant Table	20	200,000.00	4,000,000.00
7.	Over bed Table	80	100,000.00	8,000,000.00
8.	Waiting Chairs (4 Seats)	120	150,000.00	18,000,000.00
9.	Board Room Chairs	100	150,000.00	15,000,000.00
10.	Restaurant Chairs	80	100,000.00	8,000,000.00
11.	Doctors Chair	60	100,000.00	6,000,000.00
12.	Patients Chair	120	100,000.00	12,000,000.00
13.	VIP Sofa (3 Seater)	12	700,000.00	8,400,000.00
14.	Patients bed	80	1,000,000.00	80,000,000.00
15.	Staff Bed double Decker	6	500,000.00	3,000,000.00
16.	Bedside Cupboard	60	200,000.00	12,000,000.00
17.	Bed Side Cabinet	80	100,000.00	8,000,000.00
18.	Staff storage cabinet locker	4	1,500,000.00	6,000,000.00
19.	Weighing Scale	10	500,000.00	5,000,000.00
20.	Drip stand	30	100,000.00	3,000,000.00
21.	Computers	60	1,000,000.00	60,000,000.00
22.	UPS	60	100,000.00	6,000,000.00
23.	Central AC System	1	5,000,000.00	5,000,000.00
24.	AC Fan	30	500,000.00	15,000,000.00
25.	TV Sets	30	400,000.00	12,000,000.00
26.	Camera (128 Channels)	1	5,000,000.00	5,000,000.00
27.	Printer	20	300,000.00	6,000,000.00
28.	Power Extension Cables	100	10,000.00	1,000,000.00
29.	Intercom phone System	1	4,000,000.00	4,000,000.00
30.	Fridge (Small)	10	400,000.00	4,000,000.00
31.	Fridge (Big)	6	800,000.00	4,800,000.00
32.	Washing Machine (Commercial)	1	6,000,000.00	6,000,000.00
33.	Generator	1	40,000,000.00	40,000,000.00
34.	Cooking Stove	1	600,000.00	600,000.00

35.	Dustbin –Big	50	30,000.00	1,500,000.00
36.	Dustbin - Small	30	10,000.00	300,000.00
	TOTAL			<u>388,800,000.00</u>

c) Purchasing hospital and Laboratory equipments

S/N	ITEM	QUANTITY	PRICE FOR EACH ITEM	TOTAL AMOUNT
1	CT SCAN	1	500,000,000	500,000,000
2	X - Ray	1	100,000,000	100,000,000
3	Mortuary Fridge	5	2,000,000	10,000,000
4	Autoclave	2	2,500,000	5,000,000
5	Theatre table	3	1,200,000	3,600,000
6	Theatre lump	3	2,400,000	7,200,000
7	Anaesthesia machine	3	25,000,000	75,000,000
8	Patients Monitor	20	2,000,000	40,000,000
9	Incinerator	1	6,000,000	6,000,000
10	Examination bed	30	300,000	9,000,000
11	Ultrasound	2	20,000,000	40,000,000
12	ECG	2	3,000,000	6,000,000
13	Treddmil ECG	1	1,500,000	1,500,000
14	Neonate bed / Warmer	10	2,500,000	25,000,000
15	Phototherapy	3	2,500,000	7,500,000
16	Emergency trolley	20	150,000	3,000,000
17	Normal trolley	20	100,000	2,000,000
18	Theatre sets			
	a) Laparatomy set	2	100,000	200,000
	b) Caessarian section set	3	100,000	300,000
	c) Hysterectomy	2	100,000	200,000
	d) ENT set	1	100,000	100,000

	e) Orthopedic set	1	100,000	100,000
	f) Fine set	2	100,000	200,000
	g) Evacuation set	3	100,000	300,000
19	Operating theatre lamp	2	2,500,000	5,000,000
20	Operating table	2	1,500,000	3,000,000
21	Diathermy	3	4,000,000	12,000,000
22	Hysteroscopy set/tower	1	18,000,000	18,000,000
23	Laparoscopy set/tower	1	18,000,000	18,000,000
24	Anaesthesia machine	2	25,000,000	50,000,000
25	Suction Machines	3	300,000	900,000
26	Incubator	2	5,000,000	10,000,000
27	White boards	4	100,000	400,000
28	Theatre boots	12	20,000	240,000
29	Delivery bed	6	600,000	3,600,000
30	Stratcher	10	400,000	4,000,000
31	Neobuzer Machine	10	100,000	1,000,000
32	Patient Screen	20	100,000	2,000,000
33	Defibrillator Machine	2	4,000,000	8,000,000
34	Ventilator machine	4	8,000,000	32,000,000
35	CTG Machine	3	2,000,000	6,000,000
36	Wheel Chair	10	100,000	1,000,000
37	Drums set	10	100,000	1,000,000
41	Laboratory Equipments			216,500,000
			TOTAL	<u>1,234,840,000</u>

d) Purchasing of Motor vehicles

S/NO	ITEM	QTY	UNIT PRICE	AMOUNT (TZS)
1.	Ambulance	2	40,000,000	80,000,000
2.	Directors Cars	3	100,000,000	300,000,000
3.	Staff Bus	1	45,000,000	45,000,000
	TOTAL			<u>425,000,000</u>

TOTAL INVESTMENT COST

Tzs 6,006,675,970.00

Owners Equity

Tzs 4,506,675,970.00

Loan- CRDB Bank

Tzs 1,500,000,000.00

e) Recruiting more staff

Employment	Foreign Skilled	Local Skilled and Semi skilled (Professionals)	Support Staff	Total
Women	NIL	15	5	20
Men	NIL	20	15	30
TOTAL	NIL	35	20	55

5.2 Expansion Plan

Royal Love and Care Hospitals Company Limited will continue to expand through;

- i. Seeking for additional funds from financial institutions with the aim of executing the above plan
- ii. Re-investing in after tax cash flows of the business.

6.0 ORGANIZATION PLAN

6.1 The Organization

The overall management of the Company is vested in the Board of directors which is charged with the task of formulating from time to time its policies and providing general guidelines to top management and its related technical departments in ensuring the smooth centering of all realistic decisions relating to social, economic and manpower development.

In order to ensure efficiency of staff, management continuously motivates staff and always tries to build capacity in areas of customer care and quality. Bonus and other incentives are means of boosting employee's morale.

6.2 The Board of Directors

The Board of Directors of Royal Love and Care Hospitals Company Limited is comprised of the following persons;

1.	Dr. LUSAKO PASKALI MWAIKASU	MD, MMED OBSTETRICS AND GYNECOLOGY	CHAIRPERSON/DIRECTOR
2.	Dr. GLORY SIMON JOSEPH	MD, MMED PED, PEDIATRIC CARDIOLOGIST	DIRECTOR/MD

Their CV's are as shown below;

1. Dr. Lusako P. Mwaikasu

Shareholder and Director

Royal Love and Care Hospitals Company Limited Mwanza

+255 686 044 700

Email: mwalusako@gmail.com

Professional Experience

BUGANDO MEDICAL CENTRE 2013 TO 2020

DESIGNATION: Obstetrician and Gynecologist/Lecturer CUHAS

- Carrying out specialized medical care in obstetrics and gynecology

- Doing advanced ultrasound in obstetrics and gynecology.
- Teaching and supervising medical students and postgraduate students
- Attended outpatient, inpatient and emergency duties in obstetrics and gynecology department
- Conducting surgical duties and outreach services

MOROGORO REFERRAL HOSPITAL 2012 TO 2013

DESIGNATION: OBSTETRICIAN AND GYNECOLOGIST

MOROGORO REFERRAL HOSPITAL 2006 TO 2008

DESIGNATION: MEDICAL OFFICER

MBEYA REFERRAL HOSPITAL 2005 TO 2006

DESIGNATION: INTERN DOCTOR

Education

MEDISCAN INSTITUTE OF MEDICAL EDUCATION-INDIA 2015 TO 2016

- Fellowship training in advanced obstetrics and gynecology ultrasound.

INSTITUTE OF REPRODUCTIVE MEDICINE AT MMM HOSPITAL - INDIA 2014 TO 2015

- Fellowship in Super specialty training in Reproductive medicine and Infertility.

UNIVERSITY OF MINNESOTA HOSPITALS – USA 2011 TO 2012

- Externship program

KURSK STATE MEDICAL UNIVERSITY –RUSSIA 2008 TO 2011

Masters of Medicine in Obstetrics and Gynecology

KURSK STATE MEDICAL UNIVERSITY -RUSSIA 2001 TO 2004

Doctor of Medicine

MEMBERSHIP /ACTIVITIES/LICENCE

Registered by Medical Council of Tanganyika permanent registration

Medical Association of Tanzania: Member

ECFMG certified.

2. DR. GLORY SIMON JOSEPH

MD, MMED PED, PEDIATRIC CARDIOLOGIST,
SHAREHOLDER AND MANAGING DIRECTOR

ROYAL LOVE AND CARE HOSPITALS COMPANY LIMITED MWANZA

P.O BOX 901, MWANZA

+255 686 044 400

Email: mankaglory@gmail.com

CITIZENSHIP: TANZANIAN

EDUCATION

09/2002-06/2008 – Doctor of Medicine (MD), Kursk State Medical University, Kursk, Russia.

POSTGRADUATE TRAINING

09/2008 - 08/2011 – Master of Medicine in Pediatrics (MMED Ped), Kursk State Medical University, Kursk, Russia.

INTERNSHIP PROGRAM

10/2011 - 09/2012- Bugando Medical Centre, Mwanza, Tanzania.

SUPERSPECIALITY TRAINING

03/2014 - 01/2017 – Super specialty fellowship training in Pediatric Cardiology, Madras Medical Mission Hospital, Chennai, India.

PROFESSIONAL EXPERIENCE

10/2012 – 12/2013- Pediatrician, Bugando Medical Centre

01/2017 to 2020 – Consultant Pediatric Cardiologist, Bugando Medical Centre

PROFESSIONAL LICENSE

10/2012 - Registered by Medical council of Tanganyika with permanent registration no. 4112.

MEMBERSHIP/ PROFESSIONAL SOCIETIES

Member: Pediatric Association of Tanzania.

Member: Medical Association of Tanzania.

6.3 THE MANAGEMENT TEAM

Royal Love and Care Hospitals Company Limited employs 55 people currently, these include medical and non medical staffs

S/NO.	POSITION	MEN	WOMEN	TOTAL
1.	Medical Doctors	5	0	5
2.	Nurse Officers	1	0	1
3.	Midwifery Officer	1	0	1
4.	Assistant Nurse Officer	2	1	3
5.	Registered Nurse	4	4	8
6.	Enrolled Nurse	1	1	2
7.	Anesthetist	2	0	2
8.	Laboratory Technician	3	2	5
9.	Laboratory Scientist	1	0	1
10.	Pharmaceutical Technician	6	2	8
11.	Medical Attendants	1	5	6
12.	Receptionist	1	4	5
13.	Cleaner	1	0	1
14.	Drivers	2	0	2
15.	Cashiers	0	3	3
16.	Assistant Accountant	0	1	1
17.	Accountant	0	1	1
	TOTAL	31	24	55

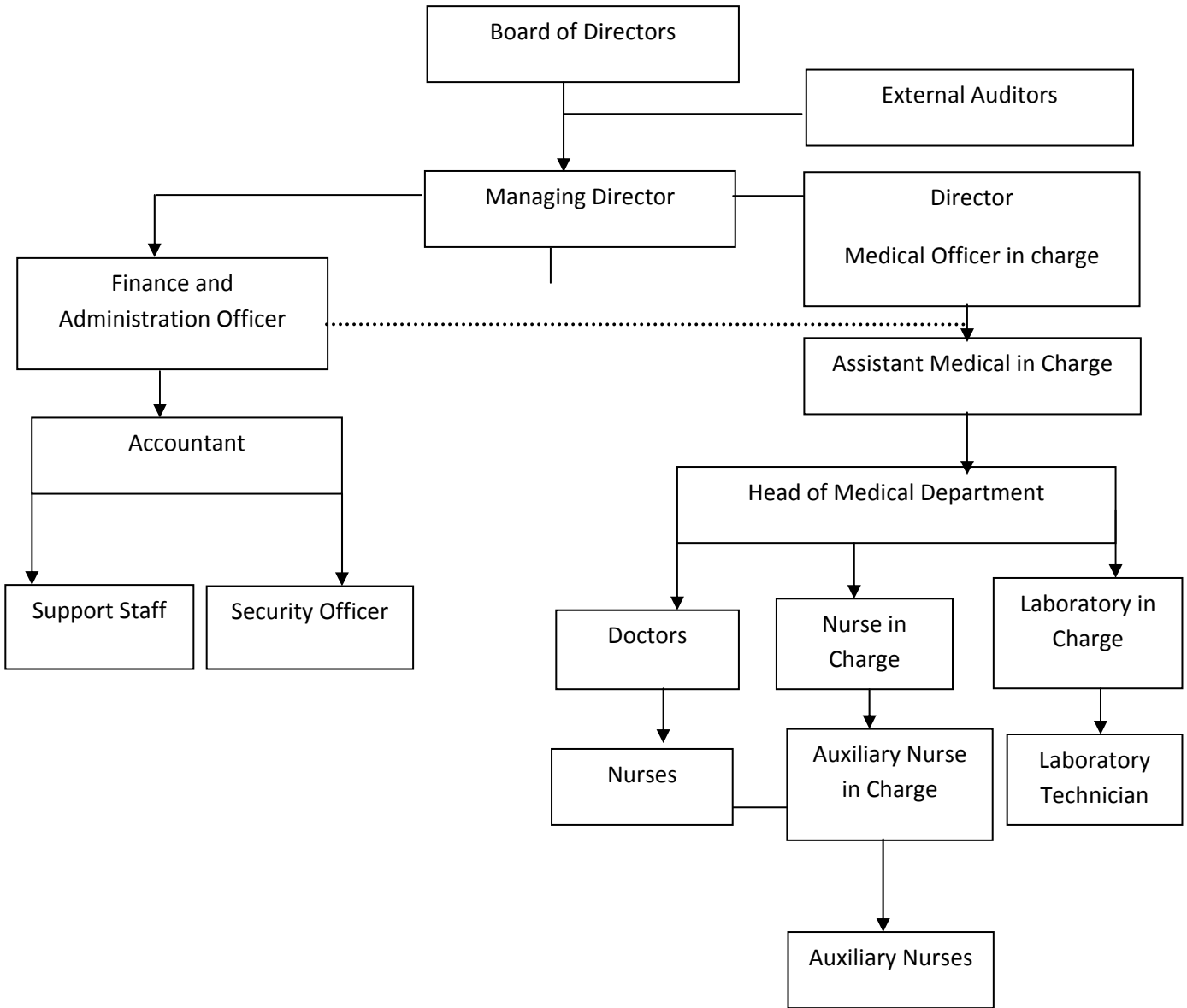
6.4 Organization Structure

A good organization structure that allows for and promotes all stakeholder interests, speedy communication and with it the hospital should be able to achieve success based on the key success factors. The structure shall help the hospital eliminate the non value added activities (Organization Chart below)

6.5 Organization Culture

Organization culture is the philosophy, beliefs and shared values of a given organization. The Hospital shall make known to all and within its confines, our objectives, goals and strategies. Both the directors and the staff shall live and transact hospital business in ambience and zeal. Here the strategies shall include but not limited to openness and awareness. If implemented the above shall enable the hospital achieve the administrative fit, play hospital politics that assist it in achieving its objectives.

6.6 Company Management Structure



6.7 Company ownership structure ▼

Royal Love and Care Hospitals Company Limited is owned by 2 shareholders. Their details are as shown below;

	Names	Shares Held	Nationality
1.	Lusako Paskali Mwaikasu	50	Tanzanian
2.	Glory Simon Joseph	50	Tanzanian

6.7.1 Managing Director

Dr. Glory Simon Joseph works in the capacity of managing director of Royal Love and Care Hospitals Company Limited, she heads the management team with other departmental heads as shown above, her roles and responsibilities are but not limited to;

- Being accountable for the overall performance of the Business and for the day-to-day running and management of the business.
- Supervision and monitoring of Business strategies
- Manage the day-to-day operations of the Business
- Manage, motivate, develop and lead employees.
- Manage resources efficiently and effectively to achieve the business's objectives

6.8 Recruitment and Training

Recruitment is done competitively through advertisement and interviewing the potential candidates. The recruited staffs have the minimum training requirement for the job. However, regular updating is done through sending of staff to relevant short courses offered by various training institutions

The recruitment exercise is and shall be conducted in the competitive environment to ensure the right person to have the right position. This also enables our business to achieve its desired goals and objectives by creating value to our customers and become one of the leading referral hospital in the Lake Zone and Tanzania in general. The following are the summary of jobs to be created by the company:

Employment	Foreign Skilled	Local Skilled and Semi skilled (Professionals)	Support Staff	Total
Women	NIL	15	5	20
Men	NIL	20	15	30
TOTAL	NIL	<u>35</u>	<u>20</u>	<u>55</u>

N.B

The Company shall create 55 new employment plus existing employment making it 110 employees; these will be employed directly whereas many shall be employed indirectly through the operations of the company.

6.9 Relevant regulations

Royal Love and Care Hospitals Company Limited is fully registered with;

- i. The workers compensation fund (WCF)
- ii. Ministry of Health and Community development
- iii. NSSF
- iv. OSHA

7.0 INVESTMENT AND FINANCING

Royal Love and Care Hospitals Company Limited has already invested **Tzs 399,360,000.00** in equity towards current and non-current assets; however the current plan is to expand its operations by building its own new hospital to carry on as a going concern the operations of Royal Love and Care Hospitals Company Limited Kona ya Bwiru, Ilemela district, Mwanza.

In line with this vision the company directors plan to inject Tzs 6,006,675,970.00 and its breakdown is as follows;

S/NO.	ACTIVITY	PROPOSED INVESTMENT COST	OWNERS EQUITY	LOAN
1.	Land	200,000,000	200,000,000	-
2.	Hospital Equipments	1,234,840,000	1,234,840,000	-
3.	Construction works	3,608,035,970	2,108,035,970	1,500,000,000
4.	Furniture and Fittings	388,800,000	388,800,000	-
5.	Motor Vehicles	425,000,000	425,000,000	-
6.	Working capital	150,000,000	150,000,000	-
	TOTAL PROJECT COSTS	<u>6,006,675,970</u>	<u>4,506,675,970</u>	<u>1,500,000,000</u>
	PERCENTAGE		75%	25%

7.1 Financing Plan

The above business plan shall be financed by both Equity and Long term debt from CRDB Bank Plc; the financing plan is as follows.

i. Equity –Owners contribution	4,506,675,970.00
ii. Bank Loan-CRDB Bank Plc (5 year loan)	<u>1,500,000,000.00</u>
TOTAL	<u>6,006,675,970.00</u>

7.2 Loan Terms and Conditions

- Loan amount: 1,500,000,000.00
- Loan Period: 60 months
- Loan Interest: 13%
- Loan repayment method: Reducing balance method
- Grace Period: 12 months to cover construction and pre inauguration period
- ✓ During the grace period the company shall pay only interest at a fixed rate of 13% however on inauguration of the new hospital the company shall revert to normal repayments of Principal and Interest

7.3 Loan Security

The new hospital under construction shall form security for the loan in application thus ownership shall fully transfer to the company on fully liquidating the bank loan.

8.0 RISKS ASSOCIATED WITH THE BUSINESS AND HOW THEY ARE MITIGATED

The health sector like other sectors has risks that can be controlled not to happen if properly mitigated. The identified risks and their mitigating factors;

a. Competition

Private medical provision is still expanding, expected increase in competition from other existing and new competitors that are likely to affect the hospital's ability to attract and retain patients and therefore reduce the Hospital share of the market. This may force Royal Love and Care Hospitals Company Limited to reduce medical fees. We will go after a differentiation strategy that focuses on giving buyers a wider range of goods and services possibly through quality, technology, support services and more value for money.

b. Operational Losses

The Hospital is still growing in acceptance to the community it serves thus hasn't achieved the desired operating capacity which in turn can lead to operational losses. These losses are anticipated but the anticipated synergies should bolster the Hospital's operational existence as a going concern. We have embarked on minimizing operating costs to cater for the anticipated losses.

c. Failure to comply with laws and regulations

Hospital activities could be affected by failure to abide by laws, regulations and government policies for example maintenance of inadequate health and safety standards and regulations. We shall register with OSHA and comply with all other regulatory authorities.

9.0 SOCIAL AND ECONOMIC ASPECTS OF THE BUSINESS

An indicative economic analysis has been carried out to obtain a measure of economic impact of the project; the following are indicated below.

9.1 Value addition

There is value addition by implementing the above project, this is therefore a value creation venture which is in line with the principle that the project must be beneficial to the economy through value creation.

9.2 Employment

Once the project is fully implemented it's expected to employ a total of **110** people directly and many more indirectly. This will directly boost the incomes of those who will be employed by the hospital. Indirectly the hospital will offer employment to those who will be dealing with the hospital as suppliers of inputs, equipments, security and cleaners.

9.3 Contribution to government revenue

The project doesn't possess any tax exemption. Therefore the hospital shall be liable to pay all government taxes incidental like corporation tax, PAYE, SDL, WCF, Service levy and other withholding taxes.

9.4 Social Economic development

The hospital shall contribute to social economic mobilization for economic development.

9.5 Health Development

The hospital shall increase people's health and well being in society.

9.6 Environmental Impact Assessment

The activities of the hospital aren't harmful to the environment, she will however abide by the councils and ministry regulations on waste matter disposal and litter in order to observe National Environmental Management concerns and requirements.

10.0 CONCLUSION AND RECOMMENDATIONS

10.1 Conclusion

- a. The business is profitable and contributes to government revenue by way of taxes
- b. The business shall create employment opportunities to people all of whom are Tanzanian nationals
- c. The business is a clear manifestation of the country's efforts to encourage local investors like Royal Love and Care Hospitals Company Limited and the readiness of the people to seize such opportunities.

10.2 Recommendation

The company's plan to construct its own new hospital building is viable as it will expand service delivery, increase employment opportunities and thus meet with the demands of its potential and prospecting customers thus any support in favour of implementing this plan is more than welcome.

ATTACHMENTS:

- **CASHFLOW PROJECTIONS**
- **PROJECTED INCOME STATEMENT**
- **PROJECTED STATEMENT OF FINANCIAL POSITION**
- **PROJECTED FIXED ASSETS SCHEDULE**
- **LOAN REPAYMENT SCHEDULE**
- **CAPITAL BUDGETING INCLUDING;**
 - ✓ **NPV**
 - ✓ **PAY BACK PERIOD**
 - ✓ **INTERNAL RATE OF RETURN**
 - ✓ **PROFITABILITY INDEX**
 - ✓ **ARR**

APPENDIX 2:

ROYAL LOVE AND CARE COMPANY LIMITED
ROYAL NEW HOSPITALS PROJECT
P.O BOX 901, MWANZA, TANZANIA
PROJECTED CASH FLOW STATEMENT

	YR0	YR1	YR2	YR3	YR4	YR5
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
CASH INFLOWS						
Other Revenue/Incomes	1,253,410	3,331,538	3,553,640	3,997,845	4,442,050	4,442,050
Pharmacy Receipts	589,840	884,760	943,744	1,061,712	1,179,680	1,179,680
Accounts Receivables	36,865	84,326	89,948	101,191	112,435	112,435
Equity	4,506,678	-	-	-	-	-
Loan Facility-CRDB Bank Plc	1,500,000	-	-	-	-	-
TOTAL CASH INFLOWS	7,886,793	4,300,623	4,587,332	5,160,748	5,734,165	5,734,165
CASH OUTFLOWS						
COS of Medicine	471,872	707,808	754,995	849,370	943,744	943,744
Construction of Buildings	3,608,036	-	-	-	-	-
Motor Vehicles	425,000	-	-	-	-	-
Furniture & Fittings and other equipments and Accessories	388,800	-	-	-	-	-
Hospital Machinery and Equipment	1,234,840	-	-	-	-	-
Insurance (3%)	330,000	161,012	149,348	137,710	126,445	117,414
Registration/Government Licenses	24,000	24,000	24,000	24,000	24,000	24,000
Salaries and Wages	694,800	1,389,600	1,389,600	1,389,600	1,389,600	1,389,600
Statutory payments						
NSSF	69,480	138,960	138,960	138,960	138,960	138,960
SDL	25,013	50,026	50,026	50,026	50,026	50,026
WCF	6,948	13,896	13,896	13,896	13,896	13,896
Staff Welfare and Allowances	13,896	69,480	69,480	69,480	69,480	69,480
Staff Training and Development	45,000	22,500	22,500	22,500	22,500	22,500
Utilities (water and Electricity)	10,800	21,600	21,600	21,600	21,600	21,600
Security Costs	12,000	24,000	24,000	24,000	24,000	24,000
Printing and Stationeries	1,750	3,500	3,500	3,500	3,500	3,500
Catering Services	72,000	144,000	144,000	144,000	144,000	144,000
Cleaning Services	21,000	42,000	42,000	42,000	42,000	42,000
Generator Expenses	-	18,000	18,000	18,000	18,000	18,000
Software Installation and Maintenance	5,000	2,000	2,000	2,000	2,000	2,000
Repairs and Maintenance	22,350	107,341	99,565	91,807	84,297	78,276
Professional & Legal Fees	5,000	2,000	4,500	4,500	4,500	4,500
Motor Vehicle Running Expenses	15,000	30,000	30,000	30,000	30,000	30,000
Advertising and Publicity	3,000	6,000	6,000	6,000	6,000	6,000
Loan repayment -Interest only	195,000	177,125	138,125	99,125	60,125	21,125
Loan Repayment -Principal	-	300,000	300,000	300,000	300,000	300,000
Accounts Payables	9,437	14,156	15,100	16,987	18,875	18,875
Depreciation	-	489,607	388,811	387,928	375,489	301,058
Tax	8,756	479,845	611,296	798,777	989,613	1,026,352
TOTAL CASH OUTFLOWS	7,246,906	3,730,648	3,706,306	3,836,395	3,958,905	3,867,161
NET CASH FLOWS	639,887	569,975	881,025	1,324,353	1,775,259	1,867,004
Balance b/f	132,500	772,387	1,342,362	2,223,387	3,547,740	5,322,999
Balance c/f	772,387	1,342,362	2,223,387	3,547,740	5,322,999	7,190,003
					<i>Note: All Figures in Tzs</i>	

APPENDIX 3:

ROYAL LOVE AND CARE COMPANY LIMITED
ROYAL NEW HOSPITALS PROJECT
P.O BOX 901, MWANZA, TANZANIA
PROJECTED PROFIT AND LOSS STATEMENT

	YR1	YR2	YR3	YR4	YR5
	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000
Gross Incomes	4,300,623	4,587,332	5,160,748	5,734,165	5,734,165
TOTAL INCOME	4,300,623	4,587,332	5,160,748	5,734,165	5,734,165
LESS:					
OPERATING EXPENSES					
COS Medicine	707,808	754,995	849,370	943,744	943,744
Government Licenses	24,000	24,000	24,000	24,000	24,000
Salaries and Wages	1,389,600	1,389,600	1,389,600	1,389,600	1,389,600
Statutory payments					
NSSF	138,960	138,960	138,960	138,960	138,960
SDL	50,026	50,026	50,026	50,026	50,026
WCF	13,896	13,896	13,896	13,896	13,896
Staff Welfare and Allowances	69,480	69,480	69,480	69,480	69,480
Utilities (water and Electricity)	10,800	10,800	10,800	10,800	10,800
Security Costs	24,000	24,000	24,000	24,000	24,000
Printing and Stationeries	3,500	3,500	3,500	3,500	3,500
Generator Expenses	18,000	18,000	18,000	18,000	18,000
Repairs and Maintenance	117,134	117,134	117,134	117,134	117,134
Insurance	161,012	149,348	137,710	126,445	117,414
Professional & Legal Fees	2,000	2,000	2,000	2,000	2,000
Motor Vehicle Running Expenses	30,000	30,000	30,000	30,000	30,000
Advertising and Publicity	6,000	6,000	6,000	6,000	6,000
Loan Interest Repayment	177,125	138,125	99,125	60,125	21,125
Depreciation	489,607	388,811	387,928	375,489	301,058
Total Operating Expenses	2,701,139	2,549,679	2,498,158	2,435,454	2,312,992
Net Profit/(Loss) before tax	1,599,484	2,037,653	2,662,590	3,298,711	3,421,173
Tax	479,845	611,296	798,777	989,613	1,026,352
Net Profit after Tax	1,119,639	1,426,357	1,863,813	2,309,097	2,394,821
Depreciation	489,607	388,811	387,928	375,489	301,058
Net cash flows	1,609,246	1,815,168	2,251,741	2,684,586	2,695,879
				<i>Note: All figures are in Tzs</i>	

CASH INFLOWS	YR1	YR2	YR3	YR4	YR5
Net Profit after Tax	1,119,639.12	1,426,356.93	1,863,813.31	2,309,097.37	2,394,820.85
Depreciation	489,606.80	388,811.09	387,927.61	375,488.70	301,058.33
Net cash inflows	1,609,245.92	1,815,168.02	2,251,740.91	2,684,586.07	2,695,879.17
				<i>Note: All figures are in Tzs</i>	

APPENDIX 4:

ROYAL LOVE AND CARE COMPANY LIMITED
ROYAL NEW HOSPITALS PROJECT
P.O BOX 901, MWANZA, TANZANIA
PROJECTED BALANCE SHEET

	YR1	YR2	YR3	YR4	YR5
	Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000
Non Current Assets -Refer to Asset Schedule	5,367,069	4,978,257	4,590,333	4,214,842	3,913,783
TOTAL NON CURRENT ASSETS	5,367,069	4,978,257	4,590,333	4,214,842	3,913,783
CURRENT ASSETS					
Cash & Bank	257,469	908,410	664,301	2,637,712	4,986,915
Inventories	33,245	39,894	51,862	77,793	124,469
Accounts Receivables	84,326	89,948	101,191	112,435	112,435
TOTAL CURRENT ASSETS	375,040	1,038,252	817,354	2,827,940	5,223,819
TOTAL ASSETS	5,742,110	6,016,509	5,407,687	7,042,782	9,137,602
FINANCED BY					
EQUITY AND LIABILITIES					
EQUITY					
Issued and Fully paid share Capital	5,000	5,000	5,000	5,000	5,000
Directors Advance towards Capital	3,403,315	2,550,413	375,890	-	-
Retained Earnings	-	1,119,639	2,545,996	4,409,809	6,718,907
Add: Net Profit after tax	1,119,639	1,426,357	1,863,813	2,309,097	2,394,821
TOTAL EQUITY	4,527,954	5,101,409	4,790,699	6,723,907	9,118,728
LIABILITIES					
Long term Debt/Loan Facility	1,200,000	900,000	600,000	300,000	-
Accounts Payables	14,156	15,100	16,987	18,875	18,875
TOTAL LIABILITIES	1,214,156	915,100	616,987	318,875	18,875
NET WORTH	5,742,110	6,016,509	5,407,687	7,042,782	9,137,602
				<i>Note: All figures in Tzs</i>	

APPENDIX 7:

ROYAL LOVE AND CARE COMPANY LIMITED	
ROYAL NEW HOSPITALS PROJECT	
P.O BOX 901, MWANZA, TANZANIA	
CAPITAL STRUCTURE	AMOUNT (TZS'000)
EQUITY	4,506,675.97
DEBT/LOAN	1,500,000.00
TOTAL CAPITAL	6,006,675.97
<i>NB: The business is run as a limited liability company by shares</i>	
Share Capital	5,000.00
Number of shares	100.00
Share price	50
Assumption	
Dividends	10,000.00
Par Value	50
Market Value of Shares say	100
DPS	100
Cost of Equity Capital KeWe	
Ke	1%
Weight of equity capital (We)	0.75
KeWe	0.75%
Cost of Debt KdWd	
Wd	0.25
Interest rate (i)	13%
Tax rate as per TRA (t)	30%
Kd	9%
KdWd	2.28%
WACC (Ko)= KeWe + KdWd	3.03%
	~3%

We	$=$	$\frac{\text{Equity}}{\text{Total Capital}}$	$=$	$\frac{4,506,676}{6,006,676}$	$= 0.750278$
Ke	$=$	$\frac{\text{DPS}}{\text{Market Share Price}}$	$=$	$\frac{100}{100}$	$= 1.00$
WeKe	=	0.75028 x 1.00	=	0.75%	

Wd	$=$	$\frac{\text{Debt}}{\text{Total Capital}}$	$=$	$\frac{1,500,000}{6,006,676}$	$= 0.25$
Kd	$=$	$i(1-t)$	$=$	$13\%*(1-30\%)$	$= 9.10\%$
WdKd	=	0.25*9.1%	=	2.28%	

ROYAL LOVE AND CARE COMPANY LIMITED
ROYAL NEW HOSPITALS PROJECT
P.O BOX 901, MWANZA, TANZANIA

APPENDIX 5:
ASSET DEPRECIATION SCHEDULE

Depreciation is calculated to write off the cost of the fixed assets over the expected useful lives of the assets concerned on a reducing balance basis. The principal rates used for the purpose were:-

Land	0%
Buildings	5%
Motor vehicles	25%
Generator	12.50%
Hospital Machines and Equipments	12.50%
Furniture and Fittings	12.50%
Computers and Accessories	37.50%
Software	5.00%

NON CURRENT ASSETS AND DEPRECIATION FOR THE FIRST YEAR:

DESCRIPTION	COST / VALUATION			DEPRECIATION			BOOK VALUE	
	As at	Additions/	As at	As at	Charges/	As at	As at	As at
	START	(Disposal)	END	START	(Disposal)	END	END	END
	Tshs	Tshs	Tshs	Tshs	Tshs	Tshs	Tshs	Tshs
Land	-	200,000	200,000	-	-	-	200,000	-
Buildings	-	3,608,036	3,608,036	-	180,402	180,402	3,427,634	-
Motorvehicle	-	425,000	425,000	-	106,250	106,250	318,750	-
Machines and Equipments	-	1,234,840	1,234,840	-	154,355	154,355	1,080,485	-
Furniture and Fittings	-	388,800	388,800	-	48,600	48,600	340,200	-
TOTAL	-	5,856,676	5,856,676	-	489,607	489,607	5,367,069	-

N.b: The building construction shall be completed in 12 months thus capitalization of WIP shall be done in the same year

NON CURRENT ASSETS AND DEPRECIATION FOR THE SECOND YEAR:

DESCRIPTION	COST / VALUATION			DEPRECIATION			BOOK VALUE	
	As at	Additions/	As at	As at	Charges/	As at	As at	As at
	START	(Disposal)	END	START	(Disposal)	END	END	END
	Tshs	Tshs	Tshs	Tshs	Tshs	Tshs	Tshs	Tshs
Land	200,000	-	200,000	-	-	-	200,000	200,000
Buildings	3,427,634	-	3,427,634	180,402	171,382	351,784	3,256,252	3,427,634
Motorvehicle	318,750	-	318,750	106,250	39,844	146,094	278,906	318,750
Machines and Equipments	1,080,485	-	1,080,485	154,355	135,061	289,416	945,425	1,080,485
Furniture and Fittings	340,200	-	340,200	48,600	42,525	91,125	297,674	340,200
TOTAL	5,367,069	-	5,367,069	489,607	388,811	878,418	4,978,257	5,367,069

NON CURRENT ASSETS AND DEPRECIATION FOR THE THIRD YEAR:

DESCRIPTION	COST / VALUATION			DEPRECIATION			BOOK VALUE	
	As at	Additions/	As at	As at	Charges/	As at	As at	As at
	START	(Disposal)	END	START	(Disposal)	END	END	END
	Tshs	Tshs	Tshs	Tshs	Tshs	Tshs	Tshs	Tshs
Land	200,000	-	200,000	-	-	-	200,000	200,000
Buildings	3,256,252	-	3,256,252	351,784	162,813	514,596	3,093,439	3,256,252
Motorvehicle	278,906	-	278,906	146,094	69,727	215,820	209,179	278,906
Machines and Equipments	945,425	-	945,425	289,416	118,178	407,594	827,247	945,425
Furniture and Fittings	297,674	-	297,674	91,125	37,209	128,334	260,465	297,674
TOTAL	4,978,257	-	4,978,257	878,418	387,928	1,266,344	4,590,333	4,978,257

NON CURRENT ASSETS AND DEPRECIATION FOR THE FOURTH YEAR:

DESCRIPTION	COST / VALUATION			DEPRECIATION			BOOK VALUE	
	As at	Additions/	As at	As at	Charges/	As at	As at	As at
	1.1.2023	(Disposal)	31.12.2023	1.1.2023	(Disposal)	31.12.2023	31.12.2023	31.12.2022
	Tshs	Tshs	Tshs	Tshs	Tshs	Tshs	Tshs	Tshs
Land	200,000	-	200,000	-	-	-	200,000	200,000
Buildings	3,093,439	-	3,093,439	514,596	154,672	669,268	2,938,767	3,093,439
Motorvehicle	209,179	-	209,179	215,820	52,295	268,116	156,885	209,179
Machines and Equipments	827,247	-	827,247	407,594	103,406	511,000	723,841	827,247
Furniture and Fittings	260,465	-	260,465	128,334	65,116	193,450	195,349	260,465
TOTAL	4,590,331	-	4,590,331	1,266,344	375,489	1,641,834	4,214,842	4,590,333

NON CURRENT ASSETS AND DEPRECIATION FOR THE FIFTH YEAR:

DESCRIPTION	COST / VALUATION			DEPRECIATION			BOOK VALUE	
	As at	Additions/	As at	As at	Charges/	As at	As at	As at
	START	(Disposal)	END	START	(Disposal)	END	END	END
	Tshs	Tshs	Tshs	Tshs	Tshs	Tshs	Tshs	Tshs
Land	200,000	-	200,000	-	-	-	200,000	200,000
Buildings	2,938,767	-	2,938,767	669,268	146,938	816,206	2,791,829	2,938,767
Motorvehicle	156,885	-	156,885	268,116	39,221	307,337	117,664	156,885
Machines and Equipments	723,841	-	723,841	511,000	90,480	601,480	633,361	723,841
Furniture and Fittings	195,349	-	195,349	193,450	24,419	217,869	170,930	195,349
TOTAL	4,214,842	-	4,214,842	1,641,834	301,058	1,942,893	3,913,783	4,214,842

ROYAL LOVE AND CARE COMPANY LIMITED
ROYAL NEW HOSPITALS PROJECT
P.O BOX 901, MWANZA, TANZANIA
IMPORTANT ASSUMPTIONS:

Products and services to be offered

- a) Consultations
- b) Admissions
- c) Surgeries
- d) Deliveries
- e) Laboratory

Revenue streams

- a) Consultations -250 Patients per day (75 Cash and 175 Credit through Insurance)-Tzs 15,000 per head
- b) Admission 30 Per day Tzs 100,000
- c) Surgeries 5 patients per day Tzs 800,000 on average
- d) Deliveries 5 per day Tzs 400,000 for normal deliveries and for operations charges -as shown in surgeries
- e) Pharmacy 350 Patients per day
- f) Laboratory 200 Patients per day Tzs 20,000 on average

Expected Income Per Day

- a) Consultations Tzs 3,750,000
- b) Admissions Tzs 3,000,000
- c) Surgeries Tzs 2,400,000
- d) Laboratory Tzs 3,020,000
- e) Pharmacy 3,232,000 with profit margin of 20% assumed

TOTAL INCOME PER DAY Tzs 15,402,000.00

HOSPITAL UTILIZATION CAPACITY							
Description	Full Capacity/year	Time (Years)					
		1	2	3	4	5	
Utilization Capacity		75%	80%	90%	100%	100%	
Total Income Earned (Tzs '000)	4,442,050.00	3,331,538	3,553,640	3,997,845	4,442,050	4,442,050	

Expected Income from Pharmacy		1	2	3	4	5
Total Income Earned (Tzs '000)	1,179,680	884,760.00	943,744.00	1,061,712.00	1,179,680.00	1,179,680.00
		884,760.00	943,744.00	1,061,712.00	1,179,680.00	1,179,680.00
Less: Cost of Salea (80% Of Sales)		707,808.00	754,995.20	849,369.60	943,744.00	943,744.00
GROSS INCOME		176,952.00	188,748.80	212,342.40	235,936.00	235,936.00

Nb: We assume the prices won't change for the entire period of 5 years

General Assumptions

- i. Financial Year ends; 31st December
- ii. No. of working days are 7 in a week

Fixed Costs

Indirect Costs Assumptions:

- i. Repair & Maintenance; 2% Building and Infrastructure
2% Equipments
- ii. Insurance
3% of the asset value
- iii. Security Costs
Tzs 2,000,000 per month
- iv. Government Licenses
Tzs 24,000,000 per annum

N.B: security services shall be outsourced

Position	Salaries and Wages		
	No.s	Rate in Tzs'000	Amount/Month
i. Medical Doctors	10	3,000	30,000.00
ii. Nurse Officer	2	1,500	3,000.00
iii. Mid wifery Officer	2	1,500	3,000.00
iv. Assistant Nurse Officer	6	1,000	6,000.00
v. Registered Nurse	16	1,500	24,000.00
vi. Enrolled Nurse	4	1,500	6,000.00
vii. Anaesthetist	4	1,200	4,800.00
viii. Laboratory Technician	10	800	8,000.00
ix. Laboratory Scientist	2	1,000	2,000.00
x. Pharmaceutical Technician	16	800	12,800.00
xi. Medical Attendant	12	600	7,200.00
xii. Cleaners	2	200	400.00
xiii. Drivers	4	300	1,200.00
xiv. Receptionist	10	300	3,000.00
xv. Cashiers	6	300	1,800.00
xvi. Assistant Accountant	2	500	1,000.00
xvii. Accountant	2	800	1,600.00
Total/Month	110		115,800.00

Statutory Contributions/Deductions:

- Social Security Contributions - 10%
- SDL -4% of total Salaries and Wages
- WCF -1% of the Total Salaries and Wages

Loan amount and use

Loan/Debt	1.5 Billion
loan period	60 Months
Grace period	12 months
Interest	13% per annum
Repayment	interest in grace period and P + I after inauguration

Other variable costs

Electricity	Tzs 1,000,000 per Month
Water	Tzs 800,000 per Month

a standby gnerator shall be used to subsidize electric power

Services to be outsourced

Security Services	Tzs 2,000,000 per Month
Catering Services	Tzs 12,000,000 Per month
Cleaning Services	Tzs 3,500,000 per Month

ROYAL LOVE AND CARE COMPANY LIMITED
ROYAL NEW HOSPITALS PROJECT
P.O BOX 901, MWANZA, TANZANIA

	Loan Amount (Tshs)					1,500,000.00
	Annual Interest Rate Declining Balance					65%
	Repayment period in months					60
	Amount of Interest (Tshs)					
	Monthly Equal Instalments (Tshs)					33,260.42
Payment Number	Date	Principal Opening Balance	Monthly Instalment	Principal	Interest	Loan Bal End of Qtr
		Tzs'000	Tzs'000	Tzs'000	Tzs'000	Tzs'000
		-				1,500,000.00
1		1,500,000.00	41,250.00	25,000.00	16,250.00	1,475,000.00
2		1,475,000.00	40,979.17	25,000.00	15,979.17	1,450,000.00
3		1,450,000.00	40,708.33	25,000.00	15,708.33	1,425,000.00
4		1,425,000.00	40,437.50	25,000.00	15,437.50	1,400,000.00
5		1,400,000.00	40,166.67	25,000.00	15,166.67	1,375,000.00
6		1,375,000.00	39,895.83	25,000.00	14,895.83	1,350,000.00
7		1,350,000.00	39,625.00	25,000.00	14,625.00	1,325,000.00
8		1,325,000.00	39,354.17	25,000.00	14,354.17	1,300,000.00
9		1,300,000.00	39,083.33	25,000.00	14,083.33	1,275,000.00
10		1,275,000.00	38,812.50	25,000.00	13,812.50	1,250,000.00
11		1,250,000.00	38,541.67	25,000.00	13,541.67	1,225,000.00
12		1,225,000.00	38,270.83	25,000.00	13,270.83	1,200,000.00
13		1,200,000.00	38,000.00	25,000.00	13,000.00	1,175,000.00
14		1,175,000.00	37,729.17	25,000.00	12,729.17	1,150,000.00
15		1,150,000.00	37,458.33	25,000.00	12,458.33	1,125,000.00
16		1,125,000.00	37,187.50	25,000.00	12,187.50	1,100,000.00
17		1,100,000.00	36,916.67	25,000.00	11,916.67	1,075,000.00
18		1,075,000.00	36,645.83	25,000.00	11,645.83	1,050,000.00
19		1,050,000.00	36,375.00	25,000.00	11,375.00	1,025,000.00
20		1,025,000.00	36,104.17	25,000.00	11,104.17	1,000,000.00
21		1,000,000.00	35,833.33	25,000.00	10,833.33	975,000.00
22		975,000.00	35,562.50	25,000.00	10,562.50	950,000.00
23		950,000.00	35,291.67	25,000.00	10,291.67	925,000.00
24		925,000.00	35,020.83	25,000.00	10,020.83	900,000.00
25		900,000.00	34,750.00	25,000.00	9,750.00	875,000.00
26		875,000.00	34,479.17	25,000.00	9,479.17	850,000.00
27		850,000.00	34,208.33	25,000.00	9,208.33	825,000.00
28		825,000.00	33,937.50	25,000.00	8,937.50	800,000.00
29		800,000.00	33,666.67	25,000.00	8,666.67	775,000.00
30		775,000.00	33,395.83	25,000.00	8,395.83	750,000.00
31		750,000.00	33,125.00	25,000.00	8,125.00	725,000.00
32		725,000.00	32,854.17	25,000.00	7,854.17	700,000.00
33		700,000.00	32,583.33	25,000.00	7,583.33	675,000.00
34		675,000.00	32,312.50	25,000.00	7,312.50	650,000.00
35		650,000.00	32,041.67	25,000.00	7,041.67	625,000.00
36		625,000.00	31,770.83	25,000.00	6,770.83	600,000.00
37		600,000.00	31,500.00	25,000.00	6,500.00	575,000.00
38		575,000.00	31,229.17	25,000.00	6,229.17	550,000.00
39		550,000.00	30,958.33	25,000.00	5,958.33	525,000.00
40		525,000.00	30,687.50	25,000.00	5,687.50	500,000.00
41		500,000.00	30,416.67	25,000.00	5,416.67	475,000.00
42		475,000.00	30,145.83	25,000.00	5,145.83	450,000.00
43		450,000.00	29,875.00	25,000.00	4,875.00	425,000.00
44		425,000.00	29,604.17	25,000.00	4,604.17	400,000.00
45		400,000.00	29,333.33	25,000.00	4,333.33	375,000.00
46		375,000.00	29,062.50	25,000.00	4,062.50	350,000.00
47		350,000.00	28,791.67	25,000.00	3,791.67	325,000.00
48		325,000.00	28,520.83	25,000.00	3,520.83	300,000.00
49		300,000.00	28,250.00	25,000.00	3,250.00	275,000.00
50		275,000.00	27,979.17	25,000.00	2,979.17	250,000.00
51		250,000.00	27,708.33	25,000.00	2,708.33	225,000.00
52		225,000.00	27,437.50	25,000.00	2,437.50	200,000.00
53		200,000.00	27,166.67	25,000.00	2,166.67	175,000.00
54		175,000.00	26,895.83	25,000.00	1,895.83	150,000.00
55		150,000.00	26,625.00	25,000.00	1,625.00	125,000.00
56		125,000.00	26,354.17	25,000.00	1,354.17	100,000.00
57		100,000.00	26,083.33	25,000.00	1,083.33	75,000.00
58		75,000.00	25,812.50	25,000.00	812.50	50,000.00
59		50,000.00	25,541.67	25,000.00	541.67	25,000.00
60		25,000.00	25,270.83	25,000.00	270.83	-
			1,995,625.00	1,500,000.00	495,625.00	

ROYAL LOVE AND CARE COMPANY LIMITED
ROYAL NEW HOSPITALS PROJECT
P.O BOX 901, MWANZA, TANZANIA

APPENDIX 8

NET PRESENT VALUE (NPV)			
		PVIF (3%)	
Year	Cash flow (US \$)	3%	PVS (TZS)
YR1	1,609,245.92	0.971	1,562,374.68
YR2	1,815,168.02	0.943	1,710,969.95
YR3	2,251,740.91	0.915	2,060,661.92
YR4	2,684,586.07	0.888	2,385,219.95
YR5	2,695,879.17	0.863	2,325,489.06
	Sum of PVs		10,044,715.55
Less	Capital Investment		6,006,675.97
NPV			4,038,039.58

Since NPV is Positive or > 0 then project is acceptable

APPENDIX 9

ROYAL LOVE AND CARE COMPANY LIMITED ROYAL NEW HOSPITALS PROJECT INTERNAL RATE OF RETURN (IRR)																																																																																									
Calculating an IRR for the new hospital Project by assuming the PVIFs of 21% and 23%																																																																																									
		Assumed PVIF 21%		Assumed PVIF 23%																																																																																					
Year	Cash flow (TZS)	21%	PVS(TZS)	23%	PVS(TZS)																																																																																				
YR1	1,609,245.92	0.826	1,329,955	0.813	1,308,330																																																																																				
YR2	1,815,168.02	0.683	1,239,784	0.661	1,199,794																																																																																				
YR3	2,251,740.91	0.564	1,271,049	0.537	1,210,049																																																																																				
YR4	2,684,586.07	0.467	1,252,379	0.437	1,172,889																																																																																				
YR5	2,695,879.17	0.386	1,039,378	0.355	957,580																																																																																				
		Sum of PVs	6,132,545		5,848,642																																																																																				
	Less	Initial investment	6,006,676		6,006,676																																																																																				
	A	NPV (Positive)	125,869	NPV (Negative)	(158,034)																																																																																				
				B Absolute value	158,034																																																																																				
Calculations for IRR																																																																																									
C	Sum the NPVs		A+B	283,903.35																																																																																					
D	Proportion of each NPV to the sum C		A/C and B/C	0.44	0.56																																																																																				
E	Difference of the assumed PVIF		12%-4%	2%	2%																																																																																				
F	Difference of each PVIF from the NPV=0		D*E	0.89%	1.11%																																																																																				
	Internal rate of return (IRR)		PVIF +/- F	21.89%	21.89%																																																																																				
<table border="1"> <tr> <td colspan="6"><i>Check</i></td> </tr> <tr> <td colspan="6">Calculated PVIF</td> </tr> <tr> <td>21.89%</td> <td></td> <td>PVS (Tzs)</td> <td colspan="3"></td> </tr> <tr> <td>0.820</td> <td></td> <td>1,320,244.42</td> <td colspan="3"></td> </tr> <tr> <td>0.673</td> <td></td> <td>1,221,745.30</td> <td colspan="3"></td> </tr> <tr> <td>0.552</td> <td></td> <td>1,243,409.52</td> <td colspan="3"></td> </tr> <tr> <td>0.453</td> <td></td> <td>1,216,200.07</td> <td colspan="3"></td> </tr> <tr> <td>0.372</td> <td></td> <td>1,001,982.27</td> <td colspan="3"></td> </tr> <tr> <td></td> <td></td> <td><hr/></td> <td colspan="3"></td> </tr> <tr> <td></td> <td></td> <td>6,003,581.58</td> <td colspan="3"></td> </tr> <tr> <td></td> <td></td> <td><hr/></td> <td colspan="3"></td> </tr> <tr> <td></td> <td></td> <td>6,006,675.97</td> <td colspan="3"></td> </tr> <tr> <td></td> <td></td> <td>(3,094.39)</td> <td colspan="3"></td> </tr> <tr> <td colspan="3"> <i>The remnant of 3,094.39 is due to approximations in the initial calculations</i> </td> <td colspan="3"> IRR is 22% </td> </tr> </table>						<i>Check</i>						Calculated PVIF						21.89%		PVS (Tzs)				0.820		1,320,244.42				0.673		1,221,745.30				0.552		1,243,409.52				0.453		1,216,200.07				0.372		1,001,982.27						<hr/>						6,003,581.58						<hr/>						6,006,675.97						(3,094.39)				<i>The remnant of 3,094.39 is due to approximations in the initial calculations</i>			IRR is 22%		
<i>Check</i>																																																																																									
Calculated PVIF																																																																																									
21.89%		PVS (Tzs)																																																																																							
0.820		1,320,244.42																																																																																							
0.673		1,221,745.30																																																																																							
0.552		1,243,409.52																																																																																							
0.453		1,216,200.07																																																																																							
0.372		1,001,982.27																																																																																							
		<hr/>																																																																																							
		6,003,581.58																																																																																							
		<hr/>																																																																																							
		6,006,675.97																																																																																							
		(3,094.39)																																																																																							
<i>The remnant of 3,094.39 is due to approximations in the initial calculations</i>			IRR is 22%																																																																																						

APPENDIX 10:

ROYAL LOVE AND CARE COMPANY LIMITED

ROYAL NEW HOSPITALS PROJECT

PAY BACK PERIOD (PBP)

<u>Year</u>	<u>Cash Flow (Tzs)</u>	<u>Cumulative Cash Flow (Tzs)</u>
YR0	(6,006,675.97)	(6,006,675.97)
YR1	1,609,245.92	(4,397,430.05)
YR2	1,815,168.02	(2,582,262.03)
YR3	2,251,740.91	(330,521.12)
YR4	2,684,586.07	2,354,064.95
YR5	2,695,879.17	5,049,944.12

Pay Back Period = 3 Years + 12months*proportion of the remainder in the 4th year of the amount in the 3rd year

Proportion = $\frac{330,521.12}{2,684,586.07} = 0.12$

PAY BACK PERIOD = 3 yrs + 12month*0.12 = 3 yrs, 1 Month and 3 weeks

PAY BACK PERIOD will be 3 years, 1 month and 3 weeks

APPENDIX 11:

ROYAL LOVE AND CARE COMPANY LIMITED

ROYAL NEW HOSPITALS PROJECT

PROFITABILITY INDEX (PI)

PVIF (3%)			
Year	Cash flow (Tzs)	3%	PVS (Tzs)
YR1	1,609,245.92	0.971	1,562,374.68
YR2	1,815,168.02	0.943	1,710,969.95
YR3	2,251,740.91	0.915	2,060,661.92
YR4	2,684,586.07	0.888	2,385,219.95
YR5	2,695,879.17	0.863	2,325,489.06
	Sum of PVs		10,044,715.55
	Initial investment (Co)		6,006,675.97
Profitability Index	=	$\frac{\text{Sums Of PVs}}{\text{Co}}$	= $\frac{10,044,716}{6,006,676}$ = 1.67

Since PI is > 1 the project is acceptable

