

# **ASB TANZANIA LIMITED**



## **Business Plan**

### **Development and Operating Tourist Lodge at Ngorongoro**

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## **1.0.EXECUTIVE SUMMARY**

### **1.1 Project Concept**

The envisaged project, investment in the Ngorongoro Wildlife Lodge, herein after the “Ngorongoro Project” or “Lodge” comprises the refurbishment and rebuilding of the Lodge on the crater rim of Ngorongoro, which is intended to reduce the shortage of good quality and affordable accommodation for tourists and domestic travelers at Ngorongoro, providing hospitality services and comfort that are currently lacking at the Lodge. The project will involve the followings:

- 52 spacious guest rooms, including 24 suites.
- Fully renovated rooms and public areas with contemporary décor East African inspired.
- Brand-new destination day spa with treatment rooms.

The project detailed designs and concepts have been carried out by reputable international consultants. The project will employ adequately trained and experienced management and employees, and create much needed employment from surrounding communities.

Once refurbished and reopened, the Lodge will serve as a gateway between our Arusha, Zanzibar and Serengeti properties.

This business study will be used as guiding tool and will be presented to TIC for obtaining certificate of incentives to facilitate smooth implementation of the project.

### **1.2 Location**

The project will be located at the crater of Ngorongoro, Arusha Region.

### **1.3 The Sponsors**

ASB TANXANIA LIMITED is a company incorporated in Tanzania owned by ASB Development Limited, (Albwardy Investment group) which owns and runs several high-end hotels and resorts in Tanzania and Zanzibar (Melia Zanzibar, Park Hyatt Zanzibar, Hyatt Regency Dar es Salaam, Melia Serengeti, Gran Melia Arusha, Four Seasons Serengeti.)

<b>Share Holders</b>	<b>% of Share</b>	<b>Nationality</b>
ASB Development Limited	99.98	BVI (UBO Emirati)
Mahmoud Gasim Sheikh	0.02	Sudanese

#### **1.4 Formation and Legal Status**

ASB TANZANIA LIMITED was registered 10<sup>th</sup> January 2003 under Tanzanian Laws, Company incorporation number 45153.

#### **1.5 Objective of Study**

The purpose of this Business Plan is to work out the technical and commercial details and financial viability of a Lodge project

#### **1.7 Tourism Overview**

Tanzania is among the few countries in the world endowed with such a vast range of tourist attractions, having 13 national parks, 29 game reserves, 40 controlled conservation areas and marine parks that are located in the Northern and Southern parts of the country. More than 25% of the Tanzania's land area of about one million square kilometers covered is with magnificent game reserves and national parks. Tanzania is also a home to Mt. Kilimanjaro. Hundreds of miles long silver sand beaches and the rich historical site of the spicy islands of Zanzibar are yet other attractions that Tanzania is blessed with.

The market survey carried out reveals that the current demand for high end hotel rooms within Ngorongoro is higher than the current supply. There is wide gap between supply and demand and therefore, business opportunities exist for setting up additional hotel and lodge facilities to satisfy the market requirements.

## 2.0 Project Management and Manpower Requirements

ASB TANZANIA LIMITED has over 15 years experience in managing various tourist lodges, hotels and resorts within East Africa. The overall charge regarding policy and business strategy and budgets rests with board of directors. ASB's success has partly been achieved by partnering with international hotel operators, who manage and market their properties on a daily basis. Each hotel General Manager will be assisted by properly trained executive hospitality managers in areas of Sales and Marketing, Finance, Administration, Food& Beverage and Operations, who will together comprise the management team. 80 staff will be directly employed by the Lodge (4 expat and the balance all Tanzanian). In addition, a further 50 – 100 people will be contracted to the site during the repair and refurbishment phase.

Summary of employees

	<b>Foreign Skilled</b>	<b>Local Skilled</b>	<b>Local Unskilled (including security)</b>	<b>TOTAL</b>
Women	1	18	26	45
Men	3	15	17	35
<b>TOTAL</b>	<b>4</b>	<b>33</b>	<b>43</b>	<b>80</b>

## 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 in the early 1990's embarked on adjustment program to give the private

sector a leading role. Against this back drop, ASB sought a long-term lease over the Lodge and has committed to invest in the refurbishment and modernization of the Lodge, in order to sign up with Melia International Hotels to operate, manage and market the Lodge.

## **2.2 Targeted Markets.**

The targeted markets of the Lodge are upper budget (high end) and middle market segment both foreigners and locals who are visiting Ngorongoro, it also targets to exploit the corporate market especially for conferences, package accommodation, weddings, etc.

The nationality mix will match the Serengeti, being approximately 50% American, 20% European, 10% local and 20% GCC and Far East source markets.

According to available statistics in 2020, the number of tourist arrivals in Tanzania declined dramatically to 621,000. The fall reflected the effects of the coronavirus (COVID-19) pandemic. Previous to the outbreak, the number of tourists arriving in the country followed an upward tendency and reached 1.53 million in 2019.

Earnings with travel services in Tanzania were measured at slightly more than one billion U.S. dollars. In the correspondent period in 2020, tourism receipts totaled approximately 1.4 billion U.S. dollars, while it reached 2.5 billion U.S. dollars in 2019.

## **2.3 Supply and Competition**

The Lodge will compete with all hotels, lodges and camps within in NCAA and surrounding perimeter properties, within 30 km radius from the Ngorongoro Project. Very few hotels of high quality are available and given the low supply of comfortable, modern hotels in the area, according to National Bureau of Statics, the occupancy rates fluctuate around 50%.

## **2.4 Market Strategy**

ASB will rely upon Melia vast global network of loyal customers, plus well entrenched relationships with the trade and tour operators. The Lodge will also benefit from existing Melia hotels, lodges and resorts in Arusha, Serengeti and Zanzibar as feeder properties to those guests doing the Bush and Beach safari circuit.

In addition to riding on the back of Melia's international marketing strength, our research reflects that the local DMC's will support new, comfortable, well priced properties within the NCAA.

## **2.5 Pricing**

The pricing policy for the Lodge will be based on competing surrounding properties as well as rates determined by Melia's yielding models. In addition, properties on the Ngorongoro crater rim have always demanded and achieved premium prices, therefore the Lodge is budgeted to achieve rates of between US \$350 - \$500 per room per night, with suites fetching three times these rates.

## **2.6 Monitoring and Evaluation**

Management has full commitment to ensuring sound and sustainable use of the resourced and environment, as well as the well-being of the community with which they do business. The philosophy and principles through the business process, ASB and Melia will strive to ensure compliance to standards and safety of products and customers they serve as governed by the requirements of the Lease Agreement signed with NCAA, NEMC and other regulatory and hospitality bodies.

## **3.0 Project Investment Cost**

The estimated capital investment cost of the project is US \$20 million (twenty million United States Dollars).

ASB Tanzania Limited Investment US \$

<b>Detail</b>	<b>US\$</b>
Land and Buildings (repair & refurbishment)	10,000,000
Machinery & Equipment (electrical & plumbing)	5,000,000
Motor Vehicles	500,000
Furniture & Fixtures	2,500,000
Projects Expenses & Fees	400,000
Other (Contingency)	100,000
Working Capital (Lodge reopening)	1,500,000
<b>TOTAL</b>	<b>20,000,000</b>

#### **4.0 Financing Pattern**

The Ngorongoro Project will be financed by equity of 50%; constituting US \$10,000,000 and shareholders loan 50% being US \$10,000,000

#### **5.0 Project operating costs**

In order to realize its intended objective of generating profits, the Lodge will have to meet the operating costs which is 45% of the total revenue.

#### **6.0 Aspect of Project Sustainability**

The Project sponsors having studied market conditions and the infrastructure in Tanzania, done a detailed due diligence of the Lodge, and are convinced that the project will be able to operate profitably, thus enhancing taxes to Government and concession fees to NCAA. The growing tourism sector gives assurance of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability and investor confidence.

#### **7.0 Monitoring and Evaluation**

The monitoring and evaluation tools and principles applied in running this Project will be based on past experience building and refurbishing hotels and lodges in Tanzania and Zanzibar. The Project Sponsors, and their appointed local architects, are determined and committed to cooperate fully with the government and other stakeholders for smooth business running and regulatory compliance.

## **8.0 Financial Analysis**

### **8.1 Considerations and Assumptions:**

- The corporate tax charged is 30% of assessed profits.
- Capital investment allowance is 50%.
- Capital assets are exempted from custom duty and Value Added Tax.
- The straight-line method to depreciate the Project's assets has been applied.

It is further assumed that the major building raw material will be procured from local market and specialized equipment and furnishings will be imported.

Revenues have been conservatively estimated based on experience of ASB in Tanzania and trends in the hospitality industry.

### **8.2 Financial Statements:**

#### **8.3 Projected Profit and Loss Statement**

The Income and Expenditure Statement shows the projected income for the 5 years period. The budget as presented by Melia shows that the Project earns profit throughout its life. Accumulated after tax profits grow from. \$ 4,630 first year to \$3,281,195 in the 5th year.

#### **8.5 Projected Cash Flows**

As shown in the financial statements (profit and loss projections and cashflow statement), the Project has a positive cash flow from year one operation and from year two onwards is able to service the shareholders loan plus accrued interest.

### **8.7 Projected Loan Repayments**

The shareholders loan borrowed from the group is expected to be fully paid within 7 years of Projected operation, with a bullet payment of US \$2,500,000 in year 7 as reflected below.

### **8.8 Projected Risks**

No major risks have been identified for the Project so far. Unless a negative change in the regions political and economic stability occurs, or another global pandemic impacts trade and travel, ASB is confident that the Project is likely to prosper very fast for a very long period.

## **9.0 Economic Aspects**

Implementation of this Project will have the following social and economic values:

- Upgrade and utilization of a property that has been run down and no longer meets international standards (as it is)
- Increase share value of shareholders and complete ASB's circuit of properties in prime locations and tourist hubs in Tanzania
- Create employment for 80 people on permanent contract basis as well as on seasonal basis.
- It will create more business opportunities to local suppliers, which will also have a trickledown effect in the economy.
- It will generate substantial revenue to the Government in the form of corporate tax, value added tax and pay as you earn, as well as enhanced concession and entrance fees for the NCAA
- The project will have transfer of knowledge and skills to Tanzanians

## 10.0 Implementation

Project implementation is expected to be relatively very short once the Lodge development plan has been approved, it is estimated that refurbishment of the Lodge will be completed within one year: -

S/N	Activity	Period
1	Processing TIC Certificate of Incentive and Tax Exemptions on deemed capital goods	Nov - Dec 2021
2	Lodge refurbishment	Jan - Nov 2022
3	Procurement Lodge furniture, MEP equipment and other facilities	March – June 2022
3	Recruitment	June 2022
4	Testing business and in-house training	July - August 2022
6	Soft opening and commercial operations	December 2022

## 11.0 Conclusion and Recommendations

The Project is technically feasible, financially viable, and economically sound.

It is therefore 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.

## APPENDICIES

Refurbishment concepts, plans and design – AS ATTACHED

Detailed Project Investment Cost (full breakdown) – AS ATTACHED

Project Profit & Loss and Cashflow Statement – AS BELOW

Loan Repayment Schedule – AS BELOW

ASB Tanzania Limited Projected Profit & Loss (US\$)

US Dollars	2023	2024	2025	2026	2027
Project: NGORONGORO LODGE : Profit & Loss Statement					
Occupancy	23.0%	32.4%	42.1%	50.6%	56.6%
ARR	345.00	421.00	473.60	511.50	532.00
<b>REVENUES</b>					
Rooms	1,506,063	2,588,948	3,784,339	4,912,385	5,715,106
Food	454,002	639,550	934,849	1,213,511	1,411,808
Beverage	61,116	86,093	125,845	163,357	190,051
Other Operated Departments	261,924	368,971	539,336	700,102	814,504
Miscellaneous Income	17,462	24,598	35,956	46,673	54,300
<b>TOTAL OPERATING REVENUE</b>	<b>2,300,566</b>	<b>3,708,161</b>	<b>5,420,324</b>	<b>7,036,028</b>	<b>8,185,769</b>
<b>TOTAL COST OF SALES</b>					
	158,813	223,720	327,017	424,495	493,861

TOTAL PERSONNEL EXPENSES	489,247	589,224	684,200	760,803	813,969
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TOTAL OTHER EXPENSES	291,783	444,998	641,836	811,535	944,146
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DEPARTMENTAL PROFIT					
Rooms	1,181,304	2,139,690	3,211,879	4,239,151	4,962,666
F&B	61,249	141,629	304,191	470,862	586,421
Other Operated Departments	100,708	144,302	215,245	282,508	330,406
Miscellaneous Income	17,462	24,598	35,956	46,673	54,300
TOTAL DEPARTMENT PROFIT	1,360,722	2,450,219	3,767,270	5,039,195	5,933,793
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TOTAL UNDISTRIBUTED EXPENSES	1,356,092	1,844,848	2,248,278	2,497,288	2,652,598
<b>GROSS OPERATING PROFIT ( GOP)</b>	<b>4,630</b>	<b>605,372</b>	<b>1,518,993</b>	<b>2,541,907</b>	<b>3,281,195</b>

ASB Tanzania Limited Projected Cashflow (US\$)

US Dollars	2022	2023	2024	2025	2026
Project: NGORONGORO LODGE : Cashflow Statement					
Opening Bank Balance	0	4,630	610,002	128,993	545,902
Shareholders Loan	10,000,000	0	(1,250,000)	(1,250,000)	(1,250,000)
Equity	10,000,000	0	0	0	0
Project Investment (per 3.0)	(20,000,000)	0	0	0	(300,000)
Operating Profit	4,630	605,372	1,518,993	2,541,907	3,281,195
Interest	0	0	(600,000)	(525,000)	(450,000)
Taxation	0	0	(150,000)	(350,000)	(500,000)
Closing Bank Balance	4,630	610,002	128,995	545,902	1,327,097

ASB Tanzania Limited Projected Long Term Loan Repayment (US\$)

<b>Year</b>	<b>Principle</b>	<b>Loan Interest (6%)</b>	<b>Total Amount Paid</b>	<b>Loan Balance</b>
0				
1	1,250,000	600,000	1,850,000	10,000,000
2	1,250,000	525,000	1,775,000	8,750,000
3	1,250,000	450,000	1,700,000	7,500,000
4	1,250,000	375,000	1,625,000	6,250,000
5	1,250,000	300,000	1,550,000	5,000,000
6	1,250,000	225,000	1,475,000	3,750,000
7	1,250,000	150,000	1,400,000	2,500,000

