

Synergy Concepts Limited

FEASIBILITY STUDY FOR ESTABLISHMENT OF A TOURIST COCKTAIL LOUNGE PROJECT



Prepared For:

Synergy Concepts Limited

1.0. EXECUTIVE SUMMARY

1.1 Project Concept

The envisaged project will involve leasing and rehabilitation of premises which to be used for tourist restaurant specializing providing in cocktail and other specialized services to targeted segment. Proposed modern tourist restaurant is one of its kind in Tanzania, the service provided will be unique that intended to reduce shortage of specialized services to tourists and other clients who need to be attended and enjoy various food, drinks, services of high quality, spacious place, affordable price for tourists and business executive, the proposed lounge will provide all basic services.

The project will involves leasing premises, procuring equipments, in house trainings, general furniture etc

The project will employ adequately trained and experienced management and employees.

Project document presents a proposal by SYNERGY CONCEPTS LIMITED, a locally registered company with Certificate of Registration No. 152459610 Dated 29th day of June 2021. The project promoters are confident of mobilizing financial resources through equity contribution by 100%

This 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 **22 Chole Rad, Kinondoni District Dar es Salaam region**

1.3 The Sponsors

SYNERGY CONCEPTS LIMITED will be sponsoring this project. The Company is currently jointly owned by two shareholders. The authorized capital of the Company is Tanzanian Shillings Ten Million (Tsh. 10,000,000/=) divided into 1000 shares of Tanzanian Shillings Ten Thousand Shillings (10,000/=) each

Subscribers	% of Share subscribed	Nationality
Olumuyiwa Adedotun Aladejana P. O. Box 32776 Dar Es Salaam, Email: aladejana@yahoo.com	50	
Omary Aboud Amour P. O. Box 32776 Dar Es Salaam, Email: omaryaboud@gmail.com	50	

1.4 SYNERGY CONCEPTS LIMITED

The company main business objectives include the following:

- To carry on all or any of the business of cocktail lounge, desert bar tourist hotel, lodge, camp site, restaurant, bar rest house or any related business.
- To carry on the business of real estate, apartments, or commercial buildings etc

1.5 SYNERGY CONCEPTS LIMITED Formation and Legal Status

SYNERGY CONCEPTS LIMITED was registered No. 152459610 Dated 29th day of June 2021

1.6 OBJECTIVE OF THE STUDY

The purpose of this study is to work out the technical and commercial viability of the project

1.7 TOURISM OVER VIEW

Tanzania is among the few countries in the world endowed with such a vast range of tourist attractions, Tanzania has 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 with magnificent game reserves and national parks. Tanzania is also a home to Mt.

Kilimanjaro, The miles long silver sand beaches and the rich historical site of the spicy islands of Zanzibar are yet another attraction that Tanzania is blessed with.

The market survey carried out reveals that the current demand for a modern tourist specialized restaurant providing customized services like the one provided by SYNERGY CONCEPTS LIMITED is higher than current supply. There is wide gap between supply and demand and therefore, in summary there no such service in Tanzania market to date, business opportunities exist for establishing business of cocktail lounge, desert bar etc facilities to satisfy the market requirements.

2.0 PROJECT MANAGEMENT AND MANPOWER REQUIREMENTS

SYNERGY CONCEPTS LIMITED will be under the Management with vast experience in managing various international businesses the owners of the project are operating the business in London; the project will be directly managed by **OLUMUYIWA ADEDOTUN ALADEJANA**. The Managing Director will be assisted by **OMARY ABOUD AMOUR** and properly; all 2 together comprise the management team. 19 staff will be directly employed.

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

It is in view of the above; **SYNERGY CONCEPTS LIMITED** came up with a proposal to establish such project in Tanzania.

It is expected that the establishment and commercial operation will be starting within 2 months from now and the company will apply to be exempted from paying import duty and VAT on Capital good and deemed capital good, the project will contribute significantly toward tourism sector.

2.2 **TARGEED MARKETS.**

The targeted markets of the project are upper budget and middle market segment both foreigners and locals who are visiting Tanzania, It also targets to exploit the individuals, holiday markers, business travelers who need such specialized serviced

2.3 **SUPPLY ASSESSMENT**

An assessment of the facilities supply matrix shows that these facilities are not available in Tanzania market. It is due to this shortfall that the Tanzania Government is emphasizing expansion of provision of various services to tourists' and locals in general

- Tourist hotel
- Tourist restaurant
- Lodges and Camping site

- Tour Operators
- Travel Agent
- Boat Safari
- Hunting and Photographic safaris
- Mountain Climbing and
- Handling Agents

2.4 **DEMAND ASSESSMENT**

Demand for modern specialized tourist restaurant facilities for visitors who make safaris to national parks, game reserves, coastal beach resorts, historical ruins and cultural activity centre. These safaris do vary in number and frequency depending on seasons.

There are three main tourist seasons in Tanzania:

- Low Season: February-May
- Average Season: October-January
- High Season: June-September

The tourists' safaris are centered along the two main tourist circuits including Zanzibar.

Demand for tourists' hotel services arises from the demand to visit these tourist attraction centers.

Apart from tourists and the project target domestic market

2.5 **MARTKET STRATEGY**

According to expert, personal selling is the most effective method for marketing packaging for services industry. In order to reduce sunk costs, the project will use various marketing strategies such as:

- Internet
- Specialized magazine, news paper
- Radio
- Television
- Posters
- Sponsorship etc

The project services will be aggressively promoted to domestic market and skilled personnel will be recruited

2.6 **PRICING**

The pricing policy for the project will be based on the service cost and competition levels from substitute services available in Tanzania market considering various variables namely:

- Service positioning
- Gain market share from competitors
- Stimulating and increasing demand and
- Achieving profitability and liquidity financial performance goals

2.6 **MONITORING AND EVALUATION**

The Management has full commitment to ensuring good use of the resourced and sustainable environment and well being of the community with which they do business. Thus, the management philosophy is through business process, managers will strive to ensure compliance to standards and safety of products and customers they serve.

3.0 **PROJECT INVESTMENT COST**

The estimated capital investment cost of the project is US \$ 500,000 out of which US \$ 355,000 will be fixed investment costs. Pre-production expenditures have been budgeted at US \$70,000; other cost will be \$20,000, while working capital is put at \$55,000.

SYNERGY CONCEPTS LIMITED COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	15,000.00
Machinery & Equipment	250,000.00
Motor Vehicles	80,000.00
Furniture & Fixtures	10,000.00
Pre exp	70,000.00
Others	20,000.00
Working Capital	55,000.00
TOTAL	500,000.00

For the project to be a reality a total investment amounting to US \$500,000 is needed

(i) Land and Building: Us \$15,000

The Company is planning to renovate the leased building, cost for renovation estimated to be US \$15,000.

(ii) Machinery and Restaurant Equipment: US\$ 250,000

Some US \$250,000 is anticipated to be spent on the purchase of various hotel equipments and tools which will accommodate new technology

(iii) Motor Vehicles:US\$80,000

The project will need 1 min bus, 1 Land Cruiser, and 1double cabin pick. These vehicles will be used to facilitate project business and double cabin pick up for administrative purposes.

(iv) Restaurant Furniture: US \$10,000

This investment cost item has been estimated to cost US \$10,000. It will consist of, tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

(v) Pre-Operational Expenses: US\$ 70,000

They cover things like company registration, expenses spent in exploring the viability of the project, especially the market/client identification exercise. Also included under this item are issues like consultancy fees, legal fees and recruitment and training costs of personnel.

(vi) Initial Working Capital: US\$55,000

Calculations as well as assumptions for working capital requirements, it is estimated that it will cost US \$ 55,000.

4.0 Financing pattern

The project will be financed by equity by 100%; constituting US\$ 500,000

5.0 Project operating costs

In order to realize its intended objective the project will have to meet the following operating costs.

(i) Salaries and Wages US \$24,000

The project will engage 10 employees.

(ii) Utilities US \$15,000

Considered here are water and electricity annually.

(iii) Motor vehicle running Expenses\$6,000

Petrol/diesel and lubricant requirement for the project's motor vehicles, this cost element will amount to US\$6,000 annually.

(iv) Insurance: US\$6000

Insurance cover has been budgeted to cost US\$ 6000 annually

(v) Marketing cost US \$9320

A portion of US\$9320 is to be used in advertising the project

(vi) Depreciation cost US\$ 24,000

For the day to day depreciation of fixed asset of the project US\$ 24,000 will be required annually for depreciation cost.

(vii) Pension contribution US \$ 2,400

The company has set a side US \$ 2,400 as pension contribution

(vii) Communication cost US\$ 5,400

(viii) Administrative cost US\$1,400

(ix) Maintenance cost US\$7,000

(x) Donation US\$5000

6.0 Aspect of Project Sustainability

The project sponsors having studied market conditions and the infrastructure in Tanzania are convinced that the project will be able to operate undisturbed. The growing of tourism sector and rises of middle-income earners gives them assurance of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

7.0 Monitoring and Evaluation

The monitoring and evaluation tools will be applied in running this project as well, the project sponsors are determined to cooperate

fully with the government and other stakeholders for smooth business running.

8.0 Financial Analysis

8.1 Considerations and Assumptions:

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

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

8.2 Financial Statements:

8.3 Projected lodge Revenue

For projection purposes, it is assumed that the economic life of the project is five years, and that revenue from Hotel business commence from the first year of operation.

SYNERGY CONCEPTS LIMITED PROJECTED REVENUE LTD

	1	2	3	4	5
Sales Revenue	630,700	640,780	649,800	655,820	700,860

8.4 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 5 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. US\$**222,002** in first year to US \$**251,612** in the 5 year

**SYNERGY CONCEPTS LIMITED PROJECTED INCOME &
EXPENDITURE STATEMENT (US\$)**

	1	2	3	4	5
Sales Revenue	630,700.00	640,780.00	649,800.00	655,820.00	700,860.00
Cost of Sales	210,233.00	213,593.00	216,600.00	218,606.00	233,620.00
Gross Profit	420,467.00	427,187.00	433,200.00	437,214.00	467,240.00
Operating Expenses:					
Administrative Expenses	1,400.00	4,205.00	5,000.00	5,200.00	5,800.00
Motor vehicle running expenses	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00
Salaries and Wages	22,000.00	22,000.00	22,000.00	22,000.00	22,000.00
Donation	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Depreciation	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00
Marketing Costs	9,320.00	9,345.00	9,358.00	9,365.00	9,375.00
Maintenance & Repair	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00
Utility costs	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Insurance	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00
Communication	5,400.00	5,406.00	5,410.00	5,415.00	5,418.00
Pension Contribution	2,200.00	2,200.00	2,200.00	2,200.00	2,200.00
Total Expenses	103,320.00	106,156.00	106,968.00	107,180.00	107,793.00
Profit before tax	317,147.00	321,031.00	326,232.00	330,034.00	359,447.00
Tax (30%)	95,144.10	96,309.30	97,869.60	99,010.20	107,834.10
Profit After Tax	222,002.90	224,721.70	228,362.40	231,023.80	251,612.90

8.5 Projected Cash Flows

This is shown in the financial statements. The project has a positive end of year cash flow from year 1st, i.e. US\$ **403,292** of operation to the 5th year i.e. US\$ 2,014,479

SYNERGY CONCEPTS LIMITED PROJECTED CASH FLOW " US\$"

	1	2	3	4	5
CASH FLOW FROM OPERATIONS:					
Cash Sales	490,000.00	492,000.00	493,500.00	500,250.00	500,350.00
VAT Receipt	113,526.00	115,340.00	116,964.00	118,047.60	126,154.80
Subtotal cash Received	603,526.00	607,340.00	610,464.00	618,297.60	626,504.80
Expenditures from Operations:					
Cash spent	162,391.94	165,146.26	167,612.00	178,256.92	181,568.40
VAT Payments	37,841.94	38,446.74	38,988.00	39,349.08	42,051.16
Subtotal Cash Payment	200,233.88	203,593.00	206,600.00	217,606.00	223,619.56
CASH FLOW FROM OPERATIONS:	403,292.12	403,747.00	403,864.00	400,691.60	402,885.24
CASH FLOW FROM INVESTMENTS:					
Purchase of Assets	(355,000.00)				
Working Capital ,pre-expenses and Others	(145,000.00)				
CASH FLOW FROM INVESTMENTS:	(500,000.00)				
CASH FLOW FROM FINANCING:					
Loan					

	-				
Owners Equity Contribution	500,000.00				
CASH FLOW FROM FINANCING:	500,000.00				
NET CASH FLOW FOR PERIOD	403,292.12	403,747.00	403,864.00	400,691.60	402,885.24
CASH FLOW START OF YEAR	-	403,292.12	807,039.12	1,210,903.12	1,611,594.72
CASH FLOW AT THE END OF YEAR	403,292.12	807,039.12	1,210,903.12	1,611,594.72	2,014,479.96

8.6 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under same heading. Net worth of the project increases from US\$ **722,002** in the first year of operation to US \$ **751.612** in the 5th year.

SYNERGY CONCEPTS LIMITED PROJECTED BALANCE SHEET " US \$"

	1	2	3	4	5
<u>Fixed Assets</u>					
Long-term Assets	355,000	319,500	284,000	248,500	213,000
Depreciation	35,500	35,500	35,500	35,500	35,500
Total Long-term Assets	319,500	284,000	248,500	213,000	177,500
<u>Current Assets</u>					
Cash	603,526	607,340	610,464	618,297	62,504
Accounts Receivable	27,174	33,440	39,336	37,523	74,350
Total Current Assets	630,700	640,780	649,800	655,820	136,854
Total Assets	950,200	924,780	898,300	868,820	314,354
<u>Current Liabilities</u>					
Accounts Payable	9,999	10,000	10,000	10,000	10,000
Other Current Liabilities	0	0	0	0	0
Subtotal Current Liabilities	9,999	10,000	10,000	10,000	10,000
<u>Long-term Liabilities</u>					

Long-term Liabilities	0	0	0	0	0
Total Liabilities	9,999	10,000	10,000	10,000	10,000
Net Assets	940,201	914,780	888,300	858,820	304,354
Capital and Reserves					
Owners Contribution	500,000	500,000	500,000	500,000	500,000
Retained Earnings	222,002	224,721	228,362	231,023	251,612
Total Capital	722,002	724,721	728,362	731,023	751,612

8.7 Projected pay back period

Total investment is US \$ 500,000 cash accumulation second year is 517,723 which is more than the initial investment by US\$ US\$ 17,723 the project payback Period is within 2 years,

The project has a relatively short payback period. It is remarkably impressing for a project whose investment is as big as US\$ 500,000 being recovered within 2 years.

SYNERGY CONCEPTS LIMITED PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulative Cash Flow
1	222,002.00	35,500.00	257,502.00	257,502.00
2	224,721.00	35,500.00	260,221.00	517,723.00
3	228,362.00	35,500.00	263,862.00	781,585.00
4	231,023.00	35,500.00	266,523.00	1,048,108.00
5	251,612.00	35,500.00	287,112.00	1,335,220.00
Initial Fixed Investment and Working capital for Expansion= USD			500,000.00	
From above table, payback period is within 2years				

9.0 Economic Aspects

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

- The project is an ideal option for utilization business opportunity available in Tanzania market
- The project will create employment for 10 people on permanent contract basis as well as on temporary basis.
- It will create more business opportunities to local suppliers which will also have a trickledown effect in the environmental issues.
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.
- The project will have transfer of knowledge and skills to other tourist restaurant as far as managing of a lodge project
- The project will generate foreign earnings

10.0 Implementation

Project implementation is expected to be relatively very short once project has been approved it is estimated that construction of hotel will be completed within one year:-

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	February 2022
2	Restaurant renovation	Jan -April 2022
3	Procurement furniture and other equipment facilities	April-June 2022
3	Recruitment	July- 2011
4	Testing business and in house training	Aug -Oct 2022
6	Commercial operations	Nov 2022

11.0 Conclusion and recommendations

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

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