

KOSTIV TANZANIA GROUP LIMITED

Business Plan

for

**Development and Operating Tourist Hotel at Plot No 7, Block A,
Kwasadala Area, Hai District, Kilimanjaro Region, Tanzania**

**Prepared by:
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1.0. EXECUTIVE SUMMARY

1.1 Project Concept

The envisaged project will involve construction of a modern tourist business hotel with journey operations services, proposed hotel is intended to reduce shortage of good and affordable accommodation of for tourists and business executive who are planning to visit tourist attractions available in Kilimanjaro, Arusha and Manyara regions Area, the proposed hotel will provide all basic services. One main building will be constructed with 25 beds The project detailed designs has been carried out by reputable international consultant.

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

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

Project document presents a proposal by KOSTIV TANZANIA GROUP LIMITED, a locally registered company with Certificate of Registration No. 152240228 Dated 9th June 2021. The project promoters are confident of mobilizing financial resources through loan and equity

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 **Plot No 7, Block A, Kwasadala Area, Hai District, Kilimanjaro Region, Tanzania**

1.3 The Sponsors

KOSTIV TANZANIA GROUP LIMITED will be sponsoring this project. The Company is currently jointly owned by two shareholders both of American citizen

Share Holders	% of Share	Nationality
Petro Richard Kostiv 3250 Wilshire Blvd, Suite 1600 Los Angeles, CA 90010, USA	 95	American
Volodymyr Zavada 3250 Wilshire Blvd, Suite 1600 Los Angeles, CA 90010, USA	 5	American

1.4 **KOSTIV TANZANIA GROUP LIMITED**

The company main business objectives include the following:

- To operate tourist hotel business
- To operate tour operations etc.

1.5 **Objective of Study**

The purpose of this study is to work out the technical and commercial details and financial viability of a hotel 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

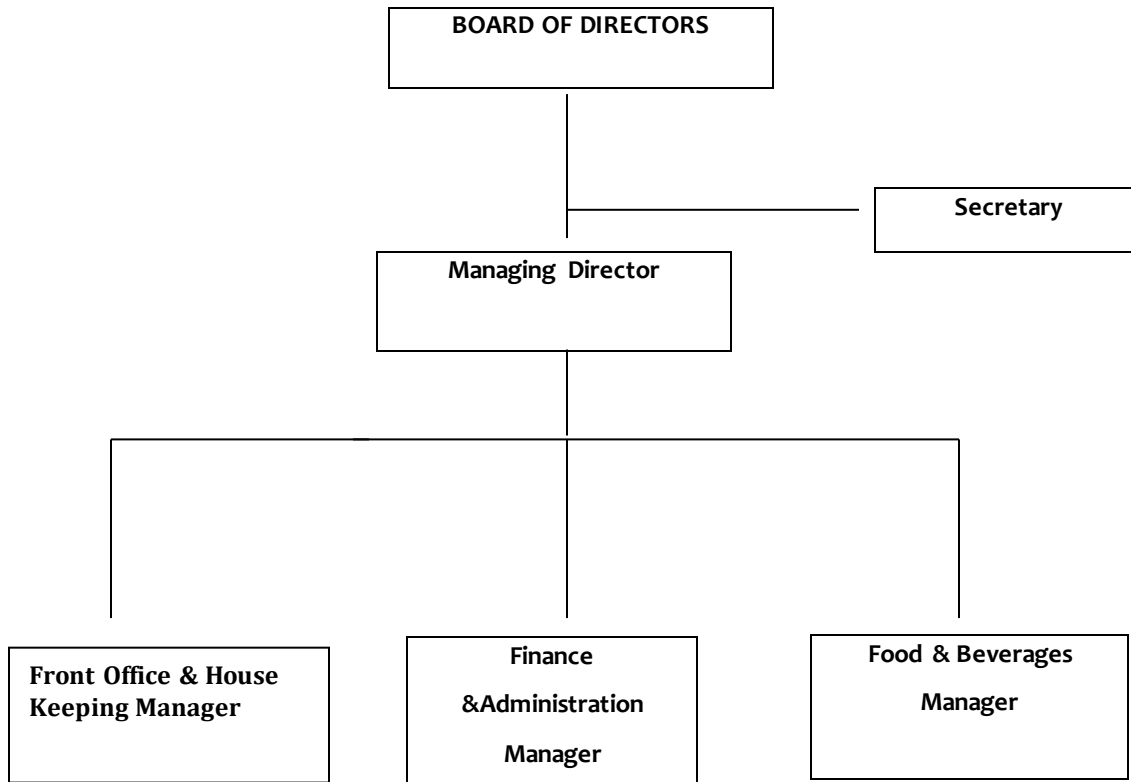
kilometers covered with magnificent game reserves and national parks. Tanzania is also a home to Mt. Kilimanjaro, The miles long silver sand beaches and the rich historical site of the spicy islands of Zanzibar are yet another attraction that Tanzania is blessed with.

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

2.0 Project Management and Manpower requirements

KOSTIV TANZANIA GROUP LIMITED will be under the Management with vast experience in managing various tourist hotel, the overall in charge regarding policy and business strategy will be responsible with board of directors. Managing Director will be assisted by properly trained managers in areas of Sales and Marketing, Finance, Administration and Operations, who will together comprise the management team. 36 staff will be directly employed.

ORGANIZATION CHART



The summary of employees is as following

Employment	Foreign Skilled	Local Skilled	Local Unskilled	Total
Women	4	8	7	19
Men	5	8	4	17
TOTAL	9	16	11	36

2.1 Project description

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

It is in view of the above; **KOSTIV TANZANIA GROUP LIMITED** came up with a proposal to construct and operate a hotel.

It is expected that the construction of a hotel will be completed within one year time 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 and construction sector.

2.2 Targeted Markets.

The targeted markets of the project are upper budget and middle market segment both foreigners and locals who are visiting Kilimanjaro National parks, and who are travelling to Arusha and Manyara to visit various tourist attractions, It also targets to exploit the corporate market especially for conferences, package accommodation, parties, shops space, holiday markers, business travelers etc.

According to available statistics, Tourism is Tanzania's leading foreign currency earner and a key economic sector accounting for 25 per cent of its revenues. The country earned \$2.2 billion from 1.3 million tourists who visited in 2017. 15 Top-Rated Tourist Attractions in Tanzania:

- Mount Kilimanjaro. Mount Kilimanjaro
- Serengeti National Park. Serengeti National Park
- Zanzibar Beaches. Zanzibar Beaches
- Ngorongoro Conservation Area
- Ngorongoro Conservation Area
- Lake Manyara National Park
- Lake Manyara National Park
- Mafia Island. Mafia Island
- Tarangire National Park.
- Pemba Island.

Here are five reasons why Tanzania is your destination for an Africa getaway next year:

- **Density of Wildlife**

For experiencing a ton of wildlife in a little time, Tanzania wins. Here you will see the Great Wildebeest Migration and the single largest concentration of large predators on Earth (Serengeti National Park). There are reports of 430 different species and four million wild animals in Tanzania. Four million! Life-changing encounters at every turn? Guaranteed



Access and Infrastructure

Tanzania has long benefitted from commitments to infrastructure and transportation. The international airports, highways, and ferries are all well positioned to shuttle you right into the action. When every minute counts on safari, Tanzania's highlights are all within a day or two's drive (or flight).



Political Stability

A recent Pew Research poll stated that nearly 80% of the Tanzanian population is satisfied with the way democracy is working in their country. Tanzania's new president John Pombe Magufuli has promised to fight corruption, along with massive investments in infrastructure

and public services. These promises seem to be working, making Tanzania a leader in regional stability

Reasonable Prices

Because the safari economy is a major economic driver in Tanzania, you will find many tour operators and experiences at all levels of quality, amenities, and price. Because of this, Tanzania might be your best choice for maximizing quality of experience at reasonable costs.

Variety of Experience

Committing to Tanzania means you've got options (and pssst... they're all world-class.) From scraping the ceiling of Africa with a climb up Mount Kilimanjaro, to wildlife watching in Serengeti or a week of island life in Zanzibar, let's call 2019 the Year of Unparalleled Adventure. And let's name Tanzania for what it is: the single best destination on Earth to make next year exceptional.

2.3 Supply and Competition

The proposed hotel will compete with all hotels and hotels in Kilimanjaro and Arusha regions currently classified to include; town hotels, hotels, vocation hotels, restaurants, motels and tented camps, within 8km radius from proposed hotel no hotel of high quality is available, According to National Bureau of Statics, the occupancy rates fluctuate around 50%

2.4 Market Strategy

According to expert, personal selling is the most effective method for marketing packaging accommodation, training and conference services because the customers and institutions. In order to reduce sunk costs, the project will use marketing agents who will be paid commissions on

successful deals. Marketing in all types of media and publicity will support and enhance personal selling

The project will use internet for advertising to potential customers in the world.

2.5 Pricing

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

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

The recommended market entry tariffs for rooms are US\$180, per room.

2.6 Monitoring and Evaluation

The Management has full commitment to ensuring good use of the resourced and sustainable environment and wellbeing 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 \$ 1,500,000.

KOSTIV TANZANIA GROUP LIMITED COST STRUCTURE US \$

PARTICULAR	US\$
Land and Buildings	500,000.00
Machinery & Equipment	60,000.00
Motor Vehicles	175,000.00
Furniture & Fixtures	100,000.00
Pre exp	5,000.00
Others	60,000.00
Working Capital	600,000.00
TOTAL	1,500,000.00

For the project to be a reality a total investment amounting to US \$1,530,000 is needed

(i) Land and Building: Us \$500,000

The project has opted for construction of hotel estimated to cost US \$500,000.00.

(ii) Machinery and Equipment: US\$ 60,000

Some US \$60,000 is anticipated to be spent on the purchase of various equipment which will accommodate new technology

(iii) Motor Vehicles:US\$175,000

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

(iv) Hotel Furniture and Equipment: US \$100,000

This investment cost item has been estimated to cost US \$100,000. It will consist of beds, tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

(v) Pre-Operational Expenses: US\$ 20,000

They cover things like company registration, expenses spent in exploring the viability of the project, especially the market/client identification exercise. This Pre-operational cost item also covers the architectural designs of project buildings and other engineering services. Also included under this item are issues like consultancy fees, legal fees and recruitment and training costs of personnel.

(vi) Other Expenses: US\$ 60,000

The company is expecting to incur other general expenses which have been budgeted as above.

(vii) Initial Working Capital: US\$300,000

Calculations as well as assumptions for working capital requirements, it is estimated that it will cost US \$ 600,000.

4.0 Financing pattern

The project will be financed by loan 50% and the remaining owner's contribution and cash generated from business

5.0 Project operating costs

In order to realize its intended objective the project will have to meet the operating costs which have been budgeted to be 60% of total revenue to cover expenses such as Salaries and Wages, Utilities Motor vehicle running Expenses, Insurance Marketing cost, Depreciation cost, Pension, Communication, Administrative cost, Maintenance cost, Donation etc.

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 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.

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

8.2 **Financial Statements:**

8.3 **Projected Hotel 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.

Summary Of Revenue “ Us\$”

-	1	2	3	4	5	6	7.00
Revenue	900,000	915,000	916,500	916,650	916,665	916,666	916,666

8.4 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 8 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. US \$ **199,955** in first year to US **1,553,166** in the 7 years

KOSTIV TANZANIA GROUP LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

-	1	2	3	4	5	6	7.00
Revenue	900,000.00	915,000.00	916,500.00	916,650.00	916,665.00	916,666.50	916,666
Operating Expenses:	540,000.00	549,000.00	549,900.00	549,990.00	549,999.00	549,999.90	549,999
Profit before Depreciation & Interest	360,000.00	366,000.00	366,600.00	366,660.00	366,666.00	366,666.60	366,666
Interest	45000	36000	27000	18000	9000	-	-
Depreciation	29,350.00	29,350.00	29,350.00	29,350.00	29,350.00	29,350.00	29,350
Gross Profit	285,650.00	300,650.00	310,250.00	319,310.00	328,316.00	337,316.60	337,316
Tax (30%)	85,695.00	90,195.00	93,075.00	95,793.00	98,494.80	101,194.98	101,195
Profit After Tax	199,955.00	210,455.00	217,175.00	223,517.00	229,821.20	236,121.62	236,121
Accumulated Profit	199,955.00	410,410.00	627,585.00	851,102.00	1,080,923.20	1,317,044.82	1,553,166

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\$274,305 of operation to the 5th year i.e., US \$1,893,615 in the 7th year

KOSTIV TANZANIA GROUP LIMITED PROJECTED CASH FLOW US\$

SOURCES:		1	2	3	4	5	6	7
Profit before interest and depreciation	0	360,000.00	366,000.00	366,600.00	366,660.00	366,666.00	366,666.60	366,666
Equity	750,000.00							
Loan	750,000.00							
Total Sources	1,500,000.00	360,000.00	366,000.00	366,600.00	366,660.00	366,666.00	366,666.60	366,666.00
Applications:								
Capital expenditure	835,000.00	-	-	-	-	-	-	-
working Capital & Others	665,000.00							
Cash	0	274,305.00	275,805.00	273,525.00	270,867.00	268,171.20	265,471.62	265,471.00
Tax	-	85,695.00	90,195.00	93,075.00	95,793.00	98,494.80	101,194.98	101,195
Sub total	1,500,000.00	360,000.00	366,000.00	366,600.00	366,660.00	366,666.00	366,666.60	366,666.00
Accumulated cash		274,305.00	550,110.00	823,635.00	1,094,502.00	1,362,673.20	1,628,144.82	1,893,615.82

8.6 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under same heading. Owner equity of the project increases from US\$ 750,000 in the first year of operation to US \$ 2,303,166 in the 7th year

KOSTIV TANZANIA GROUP LIMITED PROJECTED BALANCE SHEET US \$

	0	1	2	3	4	5	6	7.00
Fixed Assets	-							
Opening balance	-	835,000.00	805,650.00	776,300.00	746,950.00	717,600.00	688,250.00	658,900.00
Total Long-term Assets	-	835,000.00	805,650.00	776,300.00	746,950.00	717,600.00	688,250.00	658,900.00
Less depreciation	-	29,350.00	29,350.00	29,350.00	29,350.00	29,350.00	29,350.00	29,350.00
Closing balance	-	805,650.00	776,300.00	746,950.00	717,600.00	688,250.00	658,900.00	629,550.00
Working capital	610,000	610,000	610,000	610,000	610,000	610,000	610,000	610,000
Accumulated cash	-	274,305	550,110	823,635	1,094,502	1,362,673	1,628,145	1893615.82
Total assets	610,000.00	1,689,955.00	1,936,410.00	2,180,585.00	2,422,102.00	2,660,923.20	2,897,044.82	3,133,165.82
Financed by					4,251,000.00			
Equity	750,000.00	750000	750,000.00	750,000.00	750,000.00	750,000.00	750,000.00	750,000.00
Accumulated profit	-	199,955	410,410.00	627,585	851,102	1,080,923	1,317,045	1,553,166
Total equity	750,000.00	949,955.00	1,160,410.00	1,377,585.00	1,601,102.00	1,830,923.20	2,067,044.82	
Bank overdraft	750000	600,000.00	450,000.00	300,000.00	150,000.00	-	-	-
Total equity and debts	1,500,000.00	1,399,955.00	1,610,410.00	1,677,585.00	1,751,102.00	1,830,923.20	2,067,044.82	2,303,166.48

8.7 Projected pay back period

Total investment is US \$1,500,000, cash accumulation in year 7th is US\$. 1,758,615 Which is more than the initial investment by US\$ US\$258,615, the project payback Period is exactly 7 years, only.

KOSTIV TANZANIA GROUP LIMITED PROJECTED PAY BACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1.00	199,955.00	29,350.00	229,305.00	229,305.00
2.00	210,455.00	29,350.00	239,805.00	469,110.00
3.00	217,175.00	29,350.00	246,525.00	715,635.00
4.00	223,517.00	29,350.00	252,867.00	968,502.00
5.00	229,821.20	29,350.00	259,171.20	1,227,673.20
6.00	236,121.62	29,350.00	265,471.62	1,493,144.82
7.00	236,121.00	29,350.00	265,471.00	1,758,615.82

8.8 Projected loan repayments

The loan borrowed from financial institution is expected to be fully paid within 7 years of projection operation

PROJECTED LONG TERM LOAN REPAYMENT

Year	Principle	Loan Interest (6%)	Total Amount Paid	Loan Balance
0				
1	150,000.00	45,000.00	195,000.00	750,000.00
2	150,000.00	36,000.00	186,000.00	600,000.00
3	150,000.00	27,000.00	177,000.00	450,000.00
4	150,000.00	18,000.00	168,000.00	300,000.00
5	150,000.00	9,000.00	159,000.00	150,000.00

8.9 Projected Risks

This is a tourism investment; the major risks have been identified for this kind of project so far are outbreak of pandemic disease and economic fall down.

9.0 Economic Aspects

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

- The project is an ideal option for utilization of the recently acquired prime site
- The project will increase number of accommodation available for tourists in the country
- The project will create employment for 36 people on permanent contract basis as well as on temporary basis.
- It will create more business opportunities to local suppliers and transporters, which will also have economic trickledown effect in.
- 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 in tourism industry

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	April 2022
2	Hotel construction	Dec 2022-Nov 2024
3	Procurement Hotel furniture and other facilities	Dec-June2024
3	Recruitment	July 2024
4	Testing business and in house training	Aug -Nov 2024
6	Commercial operations	Sept 2024

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.