

GERWILL COMPANY LIMITED

**BUSINESS PLAN
FOR
A HOTEL PROJECT IN DODOMA
FIVE YEARS: 2022-2026**

Submitted By;

**GERWILL COMPANY LIMITED
P.O. BOX
DODOMA**

AUGUST, 2022

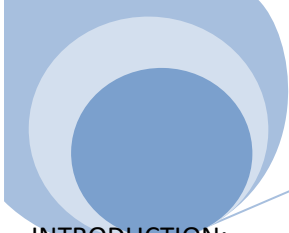


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1. INTRODUCTION:

GERWILL COMPANY LIMITED is a private company registered in Tanzania. The company's core activities include investments in real estates through provision of accommodation services in Dodoma and Dar es Salaam cities. Since its incorporation in the year 2009, the company has been providing various services, where currently the Company deals with accommodation services where the company owns various apartments in Dodoma and Dar es Salaam. The Company has been in operation since 2009.

1.1 OWNERSHIP STATUS OF THE COMPANY

GERWILL COMPANY LIMITED is a limited Company registered by Business Registration and Licensing Agency (BRELA) under Companies Act, 2002 in the year 2009 with a certificate of incorporation number **73416**. The following table shows number of shares contributed by each shareholder of the Company.

S/N	NAME OF SHAREHOLDER	NUMBER OF SHARES
1.	WILLIAM V. LUKUVI	1000
2.	GERMINA W. LUKUVI	600
3.	NORBERT W.LUKUVI	400
	TOTAL	2000

The Company is managed by the Board of Directors that includes the following Directors

1. William Lukuvi
2. Germina Lukuvi
3. Norbert Lukuvi
4. Brown Lukuvi
5. Anifisye Lukuvi

1.2 LOCATION OF THE BUSINESS

The Dodoma apartments are located at Area D near Mlimwa Hill and have got 12 full furnished apartments charged an average price of USD 110 per night per apartment. 70% of these apartments are occupied every day.

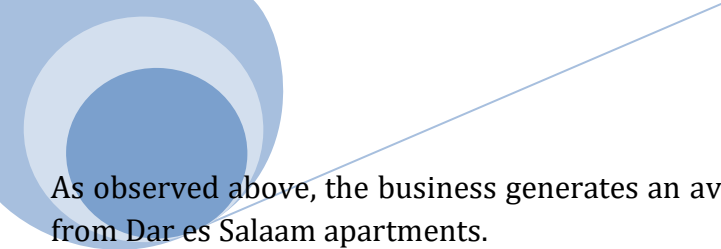
The following table shows expected income of the business from Dodoma apartments from different percentages (100%, and 70%).

DODOMA APARTMENTS INCOME PER 100% ROOM OCCUPANCY						
SN	APARTMENT TYPE	NO. OF APARTMENTS	PRICE PER NIGHT (USD)	PRICE IN TSHS (1\$ =TZS 2280)	DAILY INCOME AT 100% OCCUPANCY	MONTHLY INCOME AT 100% OCCUPANCY
1	STANDARD	12	110	250,800	3,009,600	90,288,000
	TOTAL	12	110	250,800	3,009,600	90,288,000
DODOMA APARTMENT INCOME PER 70% ROOM OCCUPANCY						
SN	APARTMENT TYPE	NO. OF APARTMENTS	PRICE PER NIGHT (USD)	PRICE IN TSHS (1\$ =TZS 2280)	DAILY INCOME AT 70% OCCUPANCY	MONTHLY INCOME AT 70% OCCUPANCY
1	STANDARD	12	110	250,800	2,106,720	63,201,600
	TOTAL	12	110	250,800	2,106,720	63,201,600

From the above analysis the applicant makes an approximate amount of Tshs. 63,201,600 per month making a total of Tshs. 758,419,200/= per annum.

The Company also has 8 apartments located at Masaki Toyo Road Dar es Salaam, the apartments are fully furnished and are charged USD 1800 per month each. The following table shows expected income of the business from Dar es Salaam apartments from different percentages (100%, and 70%)

DAR APARTMENTS INCOME PER 100% ROOM OCCUPANCY						
SN	ROOM TYPE	NO. OF APARTMENT	PRICE PER APARTMENT USD	PRICE IN TSHS(1\$ =TZS2280)	TOTAL MONTHLY INCOME AT 100% OCCUPANCY	TOTAL ANNUAL INCOME AT 100% OCCUPANCY
1	STANDARD	8	1,800	4,104,000	32,832,000	393,984,000
	TOTAL	8	1,800	4,104,000	32,832,000	393,984,000
DAR APARTMENTS INCOME PER 70% ROOM OCCUPANCY						
SN	ROOM TYPE	NO. OF APARTMENT	PRICE PER APARTMENT USD	PRICE IN TSHS(1\$ =TZS2280)	TOTAL MONTHLY INCOME AT 70% OCCUPANCY	TOTAL MONTHLY INCOME AT 70% OCCUPANCY
1	STANDARD	8	1,800	4,104,000	22,982,400	275,788,800
	TOTAL	8	1,800	4,104,000	22,982,400	275,788,800



As observed above, the business generates an average of Tshs.275, 788,800/= per annum from Dar es Salaam apartments.

There has been an increase in demand for accommodation services offered by the applicant in Dodoma and Dar es Salaam. Dodoma being the Capital City of Tanzania has number of people coming in and out daily, these people need accommodation services provided by the applicant's apartments.

Gerwill Company Limited has seen this as an opportunity and he wants to expand this business, they have decided to build new Hotel at Plot number 25 and 26 Block J Mlimwa East Area D Dodoma City. They are requesting for the bank loan of Tshs. 4,000,000,000/= to finance construction of the Hotel.

1.3 LEGALITY OF THE BUSINESS:

GERWILL COMPANY LIMITED is a limited Company registered under Business Registration and Licensing Agency (BRELA) in the year 2009, and given a certificate of incorporation number **73416**. Also the Company is a registered business with Tax Identification Number and a valid Business License.

1.4 PURPOSE OF THE PROJECT

The project aims to meet the growing demand of hotel and accommodation services in Dodoma by construction of a modern hotel that is expected to be at Mlimwa East Area "D" in Dodoma. The project is expected to be financed through both owners' equity and debt financing. The total project investment plan is **Tanzania Shillings five billion seven hundred nine million five hundred eighty-three thousand two hundred twenty-one (TZS 5,709,583,221/=)**. The loan applied is Tanzania Shillings Four Billion Only (Tshs.4, 000,000,000/=) is expected to be obtained from the bank for such a purpose.

During the first year of operations, the project intends to employ at least 65 people, 60 being Tanzanians and 5 foreigners. The project is expected to accommodate an average of 600 persons per year; the number is expected to increase in the following years.

1.5 PROJECT COMPONENTS AND COSTS

The project is expected to commence its activities soon after all the preliminary arrangements and permits are obtained. The company has obtained a lease agreement that will be submitted along with this plan. The area requires further developments of buildings, facilities and office. During phase 1 of the project, the total investment requirement is described in Table 1.1.




Table 1.1: Project Requirements (Cost in TZS)

Descriptions	Quantity	Value per unit	Total value
Buildings			
Main Building with Restaurant and Office	1	1,000,000,000	1,000,000,000
Executive suites	5	200,000,000	1,000,000,000
Swimming pool	1	30,000,000	30,000,000
Sub-total buildings			2,030,000,000
Machinery & equipment			
Generator	2	20,000,000	40,000,000
Computers	10	1,000,000	10,000,000
Furniture & Fittings	1	250,000,000	250,000,000
Sub-total machinery & equipment			300,000,000
Motor vehicles			
Mini Buses	2	40,000,000	80,000,000
Directors Car	1	70,000,000	70,000,000
Sub-total Motor Vehicles			150,000,000
TOTAL ASSETS			2,480,000,000
Working Capital			
Labour	65		200,860,000
Consumable materials			556,000,000
Operational overheads			472,140,000
Administration Costs			471,000,000
Loan interest repayment			1,709,583,221
Sub-Total Working Capital			1,700,000,000
GLAND TOTAL			5,709,583,221

2 TECHNICAL APSECTS:

2.3 PROJECT LOCATION

The applicant's new Hotel will be located at Plot 25 and 26 Block J Mlimwa East Area D Dodoma City. The site is easily accessible because it is near the Prime Ministers house. Also the place is near other Hotels in Dodoma including African Dreams Hotel and Royal Village Hotel. Also the area is surrounded by all necessary infrastructural facilities like water, electricity and communication networks. It is busy place for business to take place.

2.4 FINANCING PLAN AND FINANCIAL PROJECTIONS

The financial plan and projections for the three years under review shows that the business is profitable and it able to repay the loan.

YEAR	PROFIT OBTAINED IN TSHS.	PERCENTAGE INCREASE
2019	70,427,105/=	-
2020	79,103,282/=	12%
2021	89,929,295/=	14%

2.5 COST OF BORROWING

The borrowed money will attract an interest of 20% as per CRDB BANK interest rate schedule. Thus, the total loan to be paid within Sixty months

• Term Loan Principal amount	Tshs.	4,000, 000,000/=
• Interest during the period 20%	Tshs.	<u>1,709,583,221/=</u>
TOTAL	Tshs.	<u>5,709,583,221/=</u>

3 MANAGEMENT

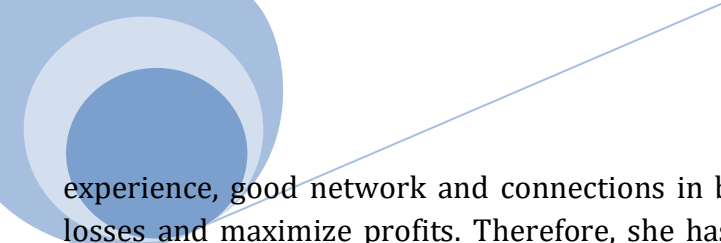
This business is the limited Company managed by the Board of Directors with the direction of the Managing Director. Also there are number of employees who work under contracts to assist the Directors in running the Company.

3.3 CVS OF KEY PERSONS

Germina Lukuvi- Director

Business Experience

Germina Lukuvi started business since the year 2009 when the Company was registered; this gives her a business experience of about more than 13 years. He has enough business



experience, good network and connections in business she knows what to do to avoid losses and maximize profits. Therefore, she has the necessary practical skills for doing business.

Education Level

A part from formal education, the applicant has also attended a number of entrepreneurship and Business management trainings from different Institutions which give her the required business education.

Management

The applicant has good business managerial skills which he obtained from the experience in business and the business education that he has obtained from different institutions. He is a good manager of his employees, stocks, customers and suppliers, at a minimal cost with maximum accuracy.

4 ECONOMIC BENEFIT

The business run by GERWILL COMPANY LIMITED has economic benefits to the owners, to the general public and to the government as follows:

- a) They provide accommodation services Dodoma and Dar es Salaam.
- b) The new Hotel will also provide accommodation services to the population of Dodoma and Tanzania in general.
- c) They provide employment to number of people.
- d) The venture will pay tax to the government through TRA thus increasing revenue to the government.
- e) It is a source of income for the owners and their family.

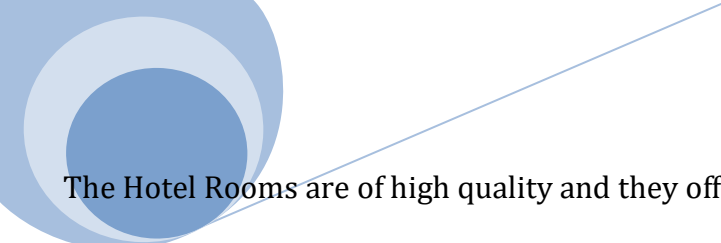
5 MARKETING

Among marketing strategies used in marketing the businesses are,

a. Networking;

The applicant markets the services it offers through the business network created by Directors and employees. This enables the business to have a good will to the society and therefore attract more customers to different kinds of services that the company offers.

b. Quality Services



The Hotel Rooms are of high quality and they offer high quality services to the customers.

5.3 COMPETITION

There are several other businesses located Mlimwa East Area D and Dodoma at large that deals with Hotel activities like the applicant. Among them includes Royal Village Hotel and African Dreams Hotel. These competitors will act as a challenge for the applicant and therefore influence the applicant to provide better and standard services to its customers.

5.2 MARKET SWOT ANALYSIS

5.3. Strength:

5.3.1. Good and competent Management from dedicated well educated and experienced owners who also have good network from the business.

5.3.2. There is always a great demand for hotel services in Dodoma there has been increase in population in town.

5.4. Weakness

5.4.1. Lack of enough investment Capital to be able to construct new business, this challenge can be overcome by acquiring a loan from CRDB BANK.

5.5. Opportunities

Dodoma is a growing Region and the Capital city of the Country, a lot of investors, businessmen and other travelers are coming to the region and will still be coming, therefore this gives an opportunity to the applicant to get new customers.

5.6. Threats

5.6.1. There may be higher taxes in the future than expected.

5.6.2. Tight credit terms, higher interest rate and higher inflation rate than predicted.

6 ENVIRONMENT ASSESSMENT

- There is a sewage system in the hotel to avoid sewage from contaminating the environment.
- There are dustbins in all hotel rooms that avoid scattering of dirty.

7 COLLATERAL FOR THE LOAN

Security for the applied loan is proposed to be the landed property whose legal documents have been submitted to the bank.

8 BUSINESS RISKS:

- i. Another risk facing the Hotel is the risk of losing customers due to poor customer care from incompetent workers. The hotel management will invest much in quality customer service.
- ii. Theft of customers' properties and hotels properties enhance security will mitigate the risks.

9. REVENUE PROJECTIONS

Revenue collections will be done on cash basis and bank transfers. Where there is a written agreement the company will also provide services on credit basis to institutional customers. For the first year of the project, the average revenue is estimated to be **TZS 2,250,000,000/=** description of revenue projections are shown in the Table below.

Table 9.1: Revenue Collections

S/N	Revenue Source	Amount per month (TZS)	Amount per year (TZS)
1	Accommodation services	90,000,000	1,080,000,000
2	Restaurant services	61,000,000	732,000,000
3	Conference	36,500,000	438,000,000
	Total	499,009,800	2,250,000,000

9.2 Projected Income Statement

The Projected income statements for five years indicate that the project shall be able to generate substantial amounts of profits as detailed in Table 9.2.

Table 9.2: Projected Income Statement for Five Years

Description	YEAR 1 (TZS 000)	YEAR 2 (TZS 000)	YEAR 3 (TZS 000)	YEAR 4 (TZS 000)	YEAR 5 (TZS 000)
Revenue	2,250,000	2,362,500	2,480,625	2,604,656	2,734,889
Less: Cost of sales	1,203,883	1,434,730	1,634,184	1,726,489	1,962,139
Operating Profit	1,046,117	927,770	846,441	878,167	772,750
<i>Less: Op. expenses</i>	<i>186,708</i>	<i>196,044</i>	<i>205,846</i>	<i>216,138</i>	<i>226,945</i>
Earnings Before Interest and Tax	859,409	731,726	640,595	662,029	545,805
Less :Charges					
Interest	800,000	640,000	512,000	491,493	327,680
Earnings Before Tax	59,409	91,727	128,595	170,536	218,125
<i>Corporate Tax (30%)</i>	<i>17,823</i>	<i>27,518</i>	<i>38,579</i>	<i>51,161</i>	<i>65,437</i>
Earnings After Tax	41,586	64,209	90,017	119,375	152,687
<i>Dividends (30%)</i>	<i>12,476</i>	<i>19,263</i>	<i>27,005</i>	<i>35,812</i>	<i>45,806</i>
Retained Earnings	29,110	44,946	63,012	83,562	106,881

The project shall be able to make substantial amounts of profits throughout its circle of five years. In the first year earnings after tax shall be TZS 41,586,000; followed by TZS 64,209,000 in the following year; then TZS 90,017,000 in the third year. In the fourth year the project expects to generate TZS 119,375,000 as net profit after tax; and TZS 152,687,000 in the fifth year.

Table 9.3 Projected Balance Sheet for Five Years

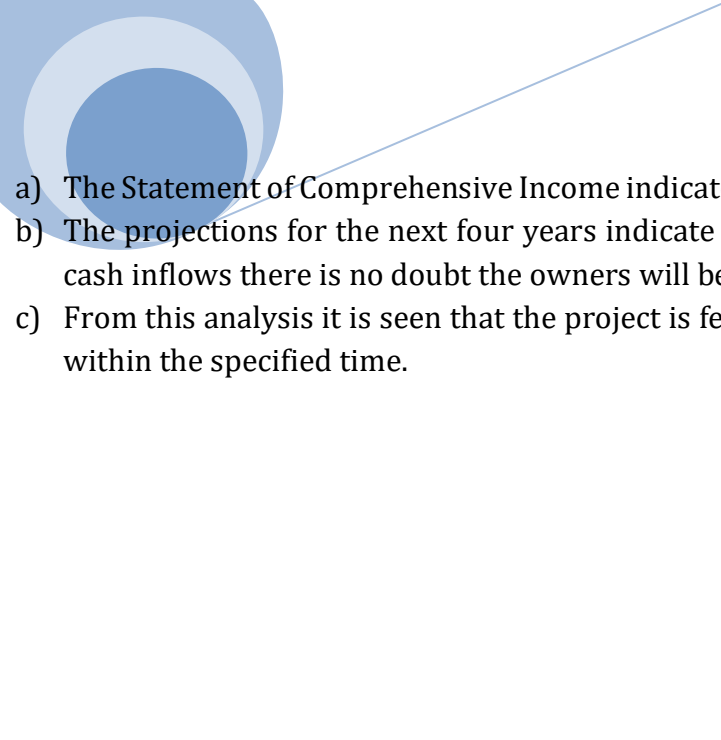
DESCRIPTIONS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000
NON-CURRENT ASSETS					
Buildings	1,827,000	1,624,000	1,421,000	1,218,000	1,015,000
Machinery & Equipment	300,000	125,000	140,000	155,000	165,000
Motor vehicles	150,000	215,000	200,000	195,000	173,000
Total Non-Current Assets	2,277,000	1,964,000	1,761,000	1,568,000	1,353,000
Stocks	407,472	18,440	19,284	22,500	33,100
Debtors & Prepayments	9,100	10,950	11,500	15,400	16,700
Cash and Bank balance	519,179	120,096	114,500	250,000	265,000
Total Current Assets	135,751	149,486	145,284	287,900	314,800
TOTAL ASSETS	3,348,502	2,262,972	2,051,568	2,143,800	1,982,600
Authorized Share Capital	21,739	21,739	21,739	21,739	21,739
Trust Capital Account	81,636	108,916	258,144	522,742	584,406
Retained Earnings	29,110	44,946	63,012	83,563	106,881
Total Equity	132,485	175,601	342,895	628,044	713,026
Bank loan	3,200,000	2,075,986	2,000,000	1,332,256	1,147,474
Total Non-Current Liability	3,200,000	2,075,986	1,690,909	1,332,256	1,147,474
Trade Creditors and Accruals	7,142	1,622	7,025	175,000	114,000
Taxation	8,875	9,763	10,739	8,500	8,100
Total Current Liabilities	16,017	11,385	17,764	183,500	122,100
TOTAL EQUITY & LIABILITIES	3,348,502	2,262,972	2,051,568	2,143,800	1,982,600

Table 8.3 Cash Flow Projections for Five Years

DESCRIPTIONS	Year 1	Year 2	Year 3	Year 4	Year 5
	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000
Cash from operations:					
Profits before tax	59,409	91,727	128,596	170,536	218,124
Adjustments for non-cash items:					
Depreciations	104,450	112,350	115,320	129,922	132,400
Change in Working Capital:					
Receivables	-9,100	-10,950	-11,500	-11,400	-16,700
Trade payables & Accruals	8,875	9,763	10,739	7,500	12,450
Total	163,634	202,890	243,155	296,558	346,274
Tax payments	-17,823	-27,518	-38,579	-51,161	-65,437
Total Cash Inflow from Operating Activities	145,811	175,372	204,576	245,397	280,837
Cash from investing activities:					
Purchase of assets	-440,000	-155,192	-183,167	-74,085	-220,031
Net Cash Outflow From Investing Activities	-294,189	20,180	21,409	171,312	60,806
Cash from financing activities:					
Dividends	-12,476	-19,263	-27,005	-35,812	-45,806
Change in cash & cash equivalent	-306,665	917	-5,596	135,500	15,000
<i>Beginning Cash Balance</i>	<i>425,844</i>	<i>119,179</i>	<i>120,096</i>	<i>114,500</i>	<i>250,000</i>
<i>Ending Cash Balance</i>	119,179	120,096	114,500	250,000	265,000

10. CONCLUSION AND RECOMMENDATION

From the analysis above the entity is fundable;

- 
- a) The Statement of Comprehensive Income indicates profits throughout the past three years.
 - b) The projections for the next four years indicate that the business will be making positive cash inflows there is no doubt the owners will be able to meet their obligations.
 - c) From this analysis it is seen that the project is feasible and the loan amount can be repaid within the specified time.