



Eco Lodge Africa

SUSTAINABLE LODGES & CAMPS

FEASIBILITY STUDY

FOR

ECO LODGE AFRICA LIMITED

Prepared by:

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1.0 PROJECT SUMMARY

The Project

Eco Lodge Africa Limited has decided to start a tour operation project consisting of a fleet of 4WD long safari and luxury vehicles for tourism and business in Tanzania. The project entails the acquisition of 20 vehicles. This study has been carried out to determine viability of the tour operating project. The report will be used to obtain clearance and certification by the Tanzania Investment Centre (TIC) and other licensing Authorities. The study will also be used for mobilization of financial resources from other sources as the need may arise.

1.2 Ownership

The project is being sponsored by Eco Lodge Africa Limited, a private limited liability company incorporated and registered in Tanzania under Certificate of Incorporation No. 74090 dated 10/12/2009. Eco Lodge Africa Limited is owned by two renowned businessmen, Tanzanians. Both are well trained and have had long experiences in running and managing Tour operations. They are also well-versed in the motor vehicle industry both in selling and maintenance. The names of the shareholders are as follows:

Shareholder	Shares	Nationality
Manmohan Singh Bhamra	45	British
Varinder Singh Bhamra	45	British
Albemarle IP Holdings Limited	10	South African

1.3 The Market

The main market segments for Eco Lodge Africa Limited will comprise of tourists visiting Tanzania wildlife resorts, institutions and individuals opting for hiring vehicles for their operations. Another clientele base will be touring operators with limited vehicle capacity, travel agencies, the government and its departments, foreign missions and international organizations, private companies and individuals engaged in up country and remote area operations. Experience from existing operations shows that the number of tourists and visitors have increased while there is a shortage of tour operators. There is a surge of demand for hired vehicles to support the rapidly increasing traveling needs by government officials, dignitaries and other state visitors. The Land cruisers to be bought are renowned for long safaris hence should find a ready market within the government departments especially for shuttles between Dar es Salaam, Dodoma, Arusha and other areas.

1.1. Investment and Financing

Cost of the project currently estimated at USD 2.7 million. Initial working capital of USD 0.250 million will be required to enable sustained operation of the fleet during the early months of the first year. The amount will be required to cover stocks of spare parts, tires and to meet services rendered on credit. The whole programme cost will be financed through shareholders equity contributions. It is planned to finance working capital requirement through a bank overdraft to be raised from the company's bankers.

1.6 ESTIMATED INVESTMENT COST

US\$

	LOCAL	TOTAL
Land & Building	200,000	200,000
Workshop equipment's	50,000	50,000
Motor vehicle	2,000,000	2,000,000
Furniture and fixture	50,000	50,000
Pre-operational Expenses	100,000	100,000
Others	50,000	50,000
Working capital	250,000	250,000
Total	2,700,000	2,700,000

1.7 FINANCING

S/NO	SOURCE	FOREIGN	LOCAL	TOTAL
1.	Equity	200,000	700,000	900,000
2.	Loans	-	1,800,000	1,800,000
3.	Total	200,000	2,500,000	2,700,000

1.8 CONCLUSION AND RECOMMENDATION

The Eco Lodge Africa Limited tour operating and vehicle hire as analyzed in this study is technically feasible and financially viable. The study recommends full support to the company in order to realize the envisaged benefits.

2.0 THE PROJECT

2.1 Introduction

While transport and communication are key to the success of any business undertaking in the world, the ever-increasing cost of purchase and maintenance of transport facilities has progressively led to the use of hired facilities. In developed countries, it is a common phenomenon to run a major business operation without owning vehicles and other facilities. This merging trend has been facilitated by the growth of efficiently run tour operating companies of which are efficiently run in Tanzania. Local companies and individuals have realized the benefits associated with the use of tourist cars an aspect that has led to the growth of numerous tour operating companies. The few tours operating companies operating in the country are enjoying a lucrative business in view of the high demand against limited supply of vehicles.

2.2 THE PROJECT

Eco Lodge Africa Limited is tour operating Company in Tanzania with the main base in Arusha. The company intends to start operations with a fleet of **20** new vehicles. The main objective of the Company is to provide tour operating activities in Tanzania at reasonably low and competitive hiring rates. Many tours companies and individuals expected to use the Eco Lodge Africa Limited services as it will reduce investment costs appreciably by not having to invest in their own fleets of vehicles. Eco Lodge Africa Limited intends to emerge as one of leading tour operating companies in Tanzania. This study has been carried out to determine viability of the tour operating project. The report will be used to obtain clearance and certification by the Tanzania Investment Centre (TIC) and other licensing Authorities. . The main fleet of vehicles to be bought are fleet of Land cruisers Safari Station Wagons

2.2.1 Land cruisers Safari Station Wagons

The Land cruiser is a well-known vehicle in Tanzania for rough terrain and off highway operations. It is an ideal vehicle for tour operation, project sites and connection between towns and remote locations. The full loaded Land cruisers under consideration will be fitted with amenities commensurate with Nissan, Discovery and other popular models and will be offered for safaris of all types as chauffeur driven vehicles. The Land cruiser is widely used by tour operators in Tanzania and it is for this consideration that half of the Land cruisers will be stationed at Arusha to cater for the Northern Circuit tourism.

2.2.2 Hard Top Station Wagon

Equally popular for long-distance safaris and transfers are the well-known vehicles. The Wagons will be used mainly for highway shuttles between entry points, hotels and game parks. The same Wagons will be stationed at Arusha.

2.2.3 Maintenance and Back up Service:

One of the major drawbacks to efficient operation of tour is the general lack of own maintenance and back-up service facilities. While most of the vehicles will be fitted with HF or VHF Radio communication system for direct communication with head offices, the company intends to establish maintenance Workshop in Arusha. These workshops will be manned by qualified and well experienced personnel. All the vehicles will be linked with HF Radios connected to the Eco Lodge Africa Limited maintenance departments in Arusha and also equipped with special maintenance equipment and mobile workshops stationed in Arusha. The mobile workshops will offer extensive maintenance, rescue and repair services on

site. Similarly, special breakdown services where towing to workshops may be necessary.

2.3 Implementation Schedule

It is planned to implement the project over a maximum of five years period commencing by mid December 2023. Since the vehicles are not obtainable in the local dealer's bonded warehouses, a three-to-four-month lead time has been provided for ordering the vehicles. The alternative would be to obtain similar vehicles from dealers in South Africa and Kenya subject to acceptance of warranty by local dealers. The other critical and determining factors for timely completion of the project are fund mobilization and granting of TIC certificate for the project and completion of tax exemption procedures, activities which are now expected to take a short time in the spirit to facilitate timely execution of development projects in Tanzania.

3.0 COMPANY PROFILE

3.0 Location

Eco Lodge Africa Limited, a private limited liability company incorporated and registered in Tanzania under Certificate of Incorporation No. 74090 dated 10/12/2009. The registered offices of the company are in Arusha. Eco Lodge Africa Limited is owned by two business Entrepreneurs, Tanzanians who have long experiences in various business management including Tour operation and car hire. Eco Lodge Africa Limited has an authorized share capital of T. Shs. 500,000,000 divided into 500,000 ordinary shares of T. Shs.1,000 each.

3.2. Management and Organization Structure

Being a private Company, Eco Lodge Africa Limited is being managed through a Board of Directors representing the shareholders. The Board appoints reputable and experienced Managing Director and technical personnel who are responsible for the day-to-day operations. The Chairman of the company is appointed by the Shareholders to chair board meetings and to ensure that the top management implement the Company policies as directed by the Board. The company will be managed by a professional management team headed by an experienced Managing Director with adequate experience in tour operation industry and with adequate track record in senior level management. Eco Lodge Africa Limited will employ about 20 people most of the being drivers and tour guides.

4.0 MARKET

4.1. Background

Tour companies are the forerunners of the Tanzania tourism sector which is one of the thriving industries in Tanzania as well as a major contributor to the country's economy. This is because Tanzania welcomes huge visitors and tourists annually. There are more than 100 in a number of tour operating companies established in Tanzania.

While the private sector is participating in the expansion of accommodation and tourism transport facilities, the government is improving tourism infrastructure in the key destinations roads to the national parks and game reserves are being improved regularly through constant maintenance and repair programs. Irrespective of these developments, there is still a severe shortage of tour facilities to transport a significant number of tourists. The Tanzania's tourism industry is served by a handful of local tour operators leaving the bulk of business to Kenyan operators.

4.2 MARKET SEGMENT

The main market segment for Eco Lodge Africa Limited will comprise of tourists, travel agencies, government departments, diplomatic and foreign missions accredited to Tanzania, companies' individuals as well as project promoters engaged in up country and remote area for operations. Modernization and addition of tourist support projects in general attract potential demand and in particular, tour operations, hunting and other tourist support services.

4.3 Market Opportunity

The probability for Eco Lodge Africa Limited to grow in this most popular and the most beautiful game viewing area is very high and because of this opportunity it has prompted the investors to invest in tour operation activities. The facts that attracted the investor mostly are.

- Tanzania as a tourist destination is among the best in the world. The country is blessed with the wildlife resources that are considered among the finest attractions. The wildlife areas offer spectacular game viewing including the annual wildebeest migration in the Serengeti. With its 12 national parks, 17 game reserves, 50 game-controlled areas, a conservation area and marine park, the area stretches through the vast Serengeti plains to the Mt Kilimanjaro in the north, the Selous Game Reserve to the south and the exotic Island of Zanzibar, Mafia and Pemba.
- Tourism is a growing Sector and at a fast pace hence becoming a leading contributor to the Tanzania economy.
- number of international tourist arrivals in Tanzania is estimated to have grown by 44.4 % in 2022 compared to the same months of the previous year 2021.
- The existing peaceful environment and political stability in Tanzania offers a great opportunity for international tourist to visit the country, which has now become the major tourist destination. In 2022 the number of tourist arrival reached 1,454,920 equivalent to increase of from a 922,692 in 2021.
- The Company will provide excellent photographic opportunities, with a rare excitement of game viewing for tourist who have come a long way to see the prodigious variety of wildlife in its natural habitat.

It is evident that there is need for expanding tour operation capacity if the country is to send the bulk of the expected 1,454,920 visitors and more to the prime wildlife destinations. It is for this emerging business opportunity that Eco Lodge Africa Limited is introducing a new fleet of vehicles ideal for tourism safaris. From the foregoing, it is evident that Eco Lodge Africa Limited will find a wide market potential to engage the fleet of 20 vehicles mainly due to the fact that the fleet will consist of new, reliable vehicles charging competitive rates. A conclusion can therefore be drawn that the company will not face any market problems to threaten the investment.

5.0 CAPITAL INVESTMENT AND FINANCING

The cost outlay for completion of the project is currently estimated at **US\$ 2,700,000** as below:

US\$

	LOCAL	TOTAL
Land & Building	200,000	200,000
Workshop equipment's	50,000	50,000
Motor vehicle	2,000,000	2,000,000
Furniture and fixture	50,000	50,000
Pre-operational Expenses	100,000	100,000
Others	50,000	50,000
Working capital	250,000	250,000
Total	2,700,000	2,700,000

The bulk of the cost outlay is towards purchase of vehicles, workshop equipment followed by office equipment and furniture. The selected vehicles are generally regarded as the most ideal for long safaris, rough roads, crater tours and car hire.

5.1 Projecting Financing

It is intended that the project will be financed by the equity and loans as follows:

S/NO	SOURCE	FOREIGN	LOCAL	TOTAL
1.	Equity	200,000	700,000	900,000
2.	Loans	-	1,800,000	1,800,000
3.	Total	200,000	2,500,000	2,700,000

6.0 FINANCIAL ANALYSIS

6.1 REVENUE ASSUMPTIONS

The basic assumption underlying the projected tour operating income and related motor vehicles management and expenses are explained below:

6.2 BASIC ASSUMPTIONS

The Company will have a total fleet of 20 vehicles.

6.4 INCOME CALCULATION START

It is assumed that each vehicle will operate for 25 days a month or 300 days per annum. Income is therefore calculated as follows:

4 WHEEL DRIVE STATION WAGON MEDIUM SIZE

YEAR	1 YEAR 80%	2- YEAR 85%	2-YEAR 95%	4 –10 YEAR 100%
Number of Vehicles Available	16	17	19	20
Working Days /Annum	300	300	300	300
Number of Vehicles/Annum	4,800	5,100	5,700	6,000
Rate Per day (US\$)	300	300	300	300
INCOME (US\$)	1,440,000	1,530,000	1,710,000	1,800,000

6.5 DEPRECIATION AND AMORTIZATION

The Capital cost, depreciation, and depreciation charges have been calculated as follows:

ITEM	COST	RATE%
Land & Building	200,000	5
Motor vehicles	2,000,000	25
Workshop Equipment	50,000	12.5
Office Equipment & Furniture	50,000	12.5
Pre-operational Expenses	100,000	20
Total	2,400,000	

6.6 Projected Profit and Loss Accounts

Based on the capacity utilization level as outlined above, the company should realize a total turnover of about US\$1,440,000 during the first year of operation rising to US\$1,800,000 during the fourth year of operation and onward .The Profits generated by the tour operation business should enable the company to declare maximum dividends of 100% during the second year of operation and onwards.

6.7 Cash-flow Projects

Cash flow projections indicate that Eco Lodge Africa Limited should be able meet its other obligations and future replacement of its fleet without reverting to the shareholders for further financing. Cash flow projections confirm further that the proposed project is highly commercially attractive.

6.8 Social Economic analysis

From a national point of view, the timely implementation of the project will lead to the following economic benefits: -

- The tour operating business will contribute towards the expansion of the country's ground tour service capacity;
- Efficient operation of the company will increase foreign exchange earning capacity of the nation;
- The company will provide direct employment to more than 20 people in the country; and
- The government will earn substantial revenue from the operation of the tour company in the form of corporation tax and also in the form of park fees and other levies.

7.0 CONCLUSION AND RECOMMENDATIONS

Analysis of the viability of the Project proposal to establish a modern tour operating company in Arusha proves that the proposal is financially viable and highly economically attractive. The project is promoted by a strong sponsor with the ability to manage the vehicles and other activities of the company efficiently. The short implementation period combined with the fact that the proposed vehicles can be delivered over a short period of time makes the **Eco Lodge Africa Limited** proposal highly attractive and ideal for supporting. Conclusively, it is recommended to offer a certificate of Incentives to the company to enable timely implementation of the tour project. It is also recommended to assist Eco Lodge Africa Limited in obtaining all other statutory requirements for the Project.

ANNEXTURES

ECO LODGE AFRICA LIMITED

Investment Cost

USD

	LOCAL	TOTAL
Land & Building	200,000	200,000
Workshop equipment's	50,000	50,000
Motor vehicle	2,000,000	2,000,000
Furniture and fixture	50,000	50,000
Pre-operational Expenses	100,000	100,000
Others	50,000	50,000
Working capital	250,000	250,000
Total	2,700,000	2,700,000

ECO LODGE AFRICA LIMITED

Financing Plan

USD

S/NO	SOURCE	FOREIGN	LOCAL	TOTAL
1.	Equity	200,000	700,000	900,000
2.	Loans	-	1,800,000	1,800,000
3.	Total	200,000	2,500,000	2,700,000

ECO LODGE AFRICA LIMITED Depreciation Schedule

US\$

	Rate	Value	1	2	3	4	5	6	7	8	9	10
Land & buildings	5.0	200,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Equipment & Fittings	12.5	50,000	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	-	-
Motor Vehicles	25.0	2,000,000	500,000	500,000	500,000	500,000	-	-	-	-	-	-
Furniture/Fixtures	12.5	50,000	6,250	6,250	6,250	6,250	6,250	6,250	6,250	6,250	-	-
Preoperational Expenses	20	100,000	20,000	20,000	20,000	20,000	20,000	-	-	-	-	-
Total			542,500	542,500	542,500	542,500	42,500	22,500	22,500	22,500	10,000	10,000

ECO LODGE AFRICA LIMITED

Projected Revenue Schedule

USD

YEAR	1 80%	2 85%	3 95%	4 – 10 YEAR 100%
Number of Vehicles Available	16	17	19	20
Working Days /Annum	300	300	300	300
Number of Vehicles Annum	4,800	5,100	5,700	6000
Rate Per day (US\$)	300	300	300	300
INCOME (US\$)	1,440,000	1,530,000	1,710,000	1,800,000

ECO LODGE AFRICA LIMITED

Projected Profit & Loss Account

USD

	1	2	3	4	5	6	7	8	9	10
Revenue	1,440,000	1,530,000	1,710,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Cost of Sales	864,000	918,000	1,026,000	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000
Gross Profit	576,000	612,000	684,000	720,000	720,000	720,000	720,000	720,000	720,000	720,000
Operating Profit	576,000	612,000	684,000	720,000	720,000	720,000	720,000	720,000	720,000	720,000
Less: Depreciation	542,500	542,500	542,500	542,500	42,500	22,500	22,500	22,500	10,000	10,000
Profit Before tax	33,500	69,500	141,500	177,500	677,500	697,500	697,500	697,500	710,000	710,000
Profit for taxation	33,500	69,500	141,500	177,500	677,500	697,500	697,500	697,500	710,000	710,000
Corporation Tax	10,050	20,850	42,450	53,250	203,250	209,250	209,250	209,250	213,000	213,000
Profit After Tax	23,450	48,650	99,050	124,250	474,250	488,250	488,250	488,250	497,000	497,000
Profit Brought forward	-	23,450	72,100	171,150	295,400	769,650	1,257,900	1,746,150	2,234,400	2,731,400
Profit Carried forward	23,450	72,100	171,150	295,400	769,650	1,257,900	1,746,150	2,234,400	2,731,400	3,228,400

ECO LODGE AFRICA LIMITED

Projected Cash Flow USD

	0	1	2	3	4	5	6	7	8	9	10
Cash Inflow											
Owners' equity	2,700,000	-	-	-	-	-	-	-	-	-	-
Sub Total	2,700,000	-	-	-	-	-	-	-	-	-	-
Revenue Inflows											
Profit Before Tax	-	33,500	69,500	141,500	177,500	677,500	697,500	697,500	697,500	710,000	710,000
Depreciation	-	542,500	542,500	542,500	542,500	42,500	22,500	22,500	22,500	10,000	10,000
Sub Total	-	576,000	612,000	684,000	720,000	720,000	720,000	720,000	720,000	720,000	720,000
Cash Outflow											
Investment & Re-investment	-	-	-	-	-	-	-	-	-	-	-
Sub Total	2,700,000	-	-	-	-	-	-	-	-	-	-
Revenue Outflows											
Corporation	-	10,425	21,225	42,825	53,625	53,625	206,625	206,625	206,625	208,500	208,500
Sub Total	-	10,425	21,225	42,825	53,625	53,625	206,625	206,625	206,625	208,500	208,500
Net Cash Flows	-	565,575	590,775	641,175	666,375	666,375	513,375	513,375	513,375	511,500	511,500