

7/14/2023

**MUHUNDA
AND CO.
LIMITED**

**BUSINESS PLAN FOR TIC REGISTRATION OF A
GIRLS' HOSTEL PROJECT**



**A Project of Hostel for Students in Dar es Salaam,
Mwanza, Singida Simiyu and Mara with Prospects for
Extension to more Regions of Tanzania**

A. EXECUTIVE SUMMARY

Muhunda and Co. Limited is a company registered under the Laws of the United Republic of Tanzania with effect from 2nd July 2014. It is a local company that is wholly and exclusively owned by Tanzanians. TShs. 10,000,000 divided into 1,000 shares of TShs. 10,000 each. The value of the share capital is equivalent to about USD 4,091.

The company has resolved to establish a project that will provide hostel services to students within Tanzania. Currently operations are underway in Dar es Salaam, Mwanza, Mara, Simiyu and Singida. Planned investment capital for this project is **USD 1,010,000**. The investment capital is from local equity (50.50%) and a local loan (49.50%). At full capacity this project will employ a total of **100** people, all locals.

Through analyses conducted the promoters (shareholders) of the project have realized feasibility of this project. The market analysis conducted has revealed that the services will penetrate the markets and the company can establish its niche. The financial analysis has shown that the investment will pay-off as it has been predicted to make profits.

The objective of this business plan is to present the business idea so that the TIC can provide incentives and immunities to the project presented. The incentives will help this gender-sensitive and environment-friendly project to develop and since this is a financially, socially and fiscally rational project the management believes that it deserves the incentives. Socio-economically this project will contribute easing of accommodation challenges to students, besides creating employment; it will also develop locals' skills in the sector.

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1.0 PREAMBLE

1.1 Company Details

MUHUNDA AND CO. LIMITED is a company registered under the Laws of the United Republic of Tanzania on 16th March 2012 and granted Certificate of Incorporation No. 90009. For tax purposes the company is also registered and its TIN is 124-265-983. The company has a wide range of activities that it can carry out but for this specific plan its focus is on construction and operation of hostels within Tanzania.

Muhunda and Co. Limited is a local company owned by Tanzanians by 100%. The shareholding structure of the company is detailed under **Table 1** where key details are given. The company's authorized share capital is TShs. 10,000,000 divided into 1,000 shares of TShs. 10,000 each. The value of the share capital is equivalent to about USD 4,091.

Table 1: Company Shareholding Details

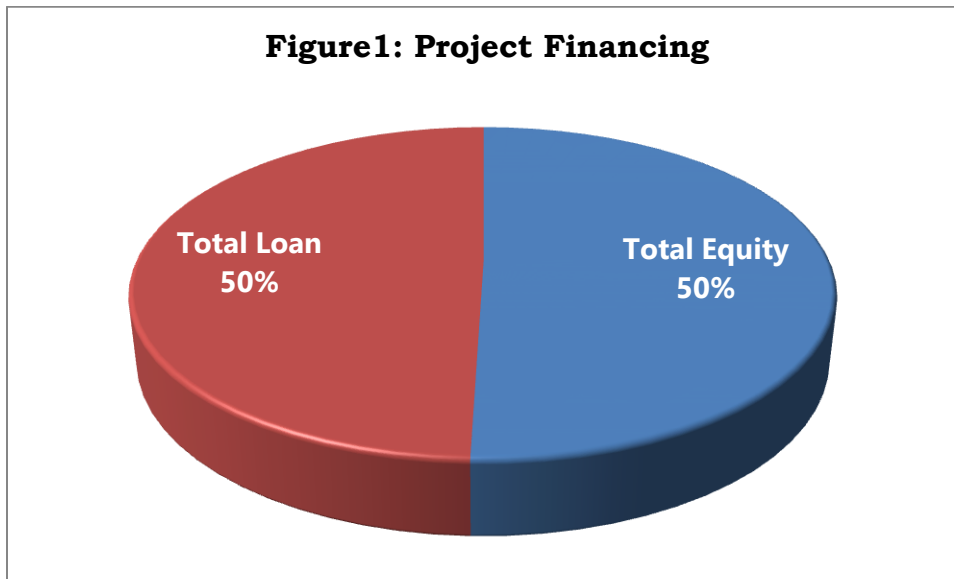
Shareholder	Nationality	Shares Taken	Shareholding
Domnyamari Marwa Muhunda	Tanzanian	750	75.00%
Enah Bujo Mwakatambula	Tanzanian	250	25.00%
TOTALS		1,000	100.00%

The company's Headquarters are located on plot no 1596 block A in Kinyerezi, Ilala and postal address is 21155 Dar es Salaam. The branch office is located in Bumangi Village, Butiama District – Mara Region.

2.0 PROJECT SYNOPSIS

This is a project aimed at building and operating hostels for girls within Tanzania mainland. The Project is located in Dar es Salaam, Mara,

Mwanza, Singida and Simiyu. This project, as shown in **figure 1** will be financed by equity (50.5%) and loan (49.5%).



The project, being focused on student girls, will be operated by women mainly. It is set to be environmental sensitive involving planting of trees, gardening, vegetables farming and fruit trees planting. Cooking system will use environmental friendly cookers that utilize biogas from human excreta and other sources.

2.1 Investment Plan

The total investment for this hybrid project is USD 1,010,000 as detailed under **table 2** below. Of this amount, as shown by columns under investment breakdown, fixed capital is projected to be USD 443,000 while working capital is USD 80,000. As per the columns under investment schedule most of the investment will be done during the first two years of operation and the figures will gradually go down as completion of the investment process keeps pace.

Table 2: Projected Investment Plan

INVESTMENT BREAKDOWN		INVESTMENT PLAN				
ITEMS	FINANCING (USD)	Y1	Y2	Y3	Y4	Y5
Land & Buildings	725,000	350,000	250,000	125,000		
Plant	-					
Vehicles	50,000	30,000	20,000			
Furniture & Fittings	160,000	50,000	50,000	50,000	10,000	
Pre Expenses	15,000	15,000				
Others	15,000	15,000				
Working Capital	45,000	45,000				
TOTAL	1,010,000	505,000	320,000	175,000	10,000	-
FIXED CAPITAL	965,000					
WORKING CAPITAL	45,000					
CAPITAL ADDITIONS		505,000	320,000	175,000	10,000	-

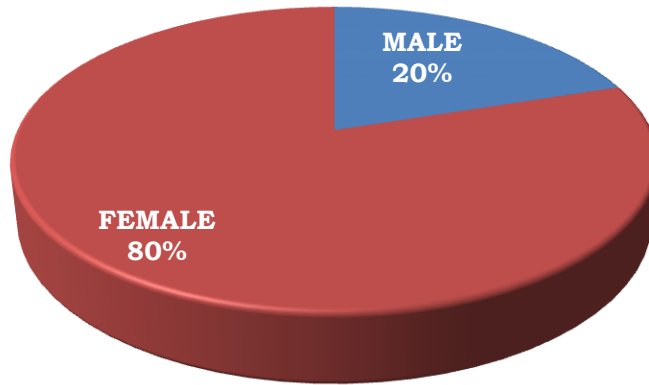
2.2 Manning Plan

At full capacity the project will directly employ a minimum of 100 people all of whom are locals. **Table 3** provides summarized details on the number of direct employees to be engaged in this project. **Annex 4**, on the other hand, gives a detailed distribution of the direct jobs. For direct jobs, at full capacity, the project will employ women and men at the respective ratio of 80:20 (**figure 2**). Besides the direct employment the project is expecting to produce at least 600 indirect jobs when at full capacity

Table 3: Employment Plan

CATEGORY	MALE	FEMALE	TOTAL
Local	20	80	100
Foreign	0	0	0
TOTAL	20	80	100

Figure 2: Gender Distribution of Jobs



2.3 Supplies Plan

The company will source its supplies from within Tanzania. Even vehicles will be sourced from companies operating within the country. Importation will be done for only those things which cannot be bought from Tanzania. Clients of the project are Tanzanians.



3.0 MARKET SCRUTINY

This section reviews the market status for the envisaged service. It covers the status-quo of the market, SWOC analysis, market worthiness and market strategy for the planned product.

3.1 Status-Quo of the Market

As of the year 2021 Tanzania had a minimum total of 5,280 public and private secondary schools. These schools need hostels for students, be them boarding or day schools. There is a lucrative market for beds in this regard.

3.2 SWOC Analysis

This sub-section covers the analysis of the overall hostel business in the country, and tries to place the project in the arena.

3.2.1 Strengths

The promoters of the company owning the project have enough muscle to fund the project as their equity amounts to 50.50% of the financing. The company also can be lent funds from a local commercial bank to the tune of USD 500,000. As such the company's liquidity in respect of the provision of the service is assured.

The company also has got staffs that are experienced in the service sector offering hostel services. The management engaged for the project is well acquainted with the general Tanzanian market and has developed insight into these specific services.

3.2.2 Weaknesses

The company is not a giant in the industry. As such it might be lacking some levels of experience in the market. However, through consulting

experts in the business arena it is expected to take off and pick its niche in the market.

3.2.3 Opportunities

There is assurance of availability of consumers of the service. Even day school students do need accommodation near their schools and as such assurance of market is there. With a minimum total of schools amounting to 5,280 Tanzania provides assurance of a large market.

In terms of power utilities Tanzania has got relatively lower tariffs and has less power cuts. Tanzania is expecting to be exporting electricity which will be generated from the Julius Nyerere Hydro Electric Power plant. So electricity is not an issue in running of the project

In governance Tanzania is characterized by peace and tranquility for there has been no havoc in the country. This is strength as it provides our business with assurance that we will operate smoothly resting assured that the promoters' property is secured. With good investment act Promoters of the company are guaranteed of freedom from nationalization of their stake in the company.

3.2.4 Challenges

The procedures in the country are many and relatively complex. The company engages experienced business consultants to overcome this impediment.

There is some competition in the sector as Tanzania has some operators there. The company has taken this into account via the marketing strategy.

From the SWOC analysis conducted of the company and of the operating environment the promoters are confident that the project will be a

success. Following the analysis we have developed a market strategy for our service.

3.3 Marketing Strategy

As part of our marketing strategy, we will engage both penetrative (entry) and persistence strategies. The penetrative strategy will employ digital technology in conducting a social awareness teaser campaign. This will be done using social media and an excellent website. It will push the way for our products into the market.

As for the persistence strategy, we look forward to develop a niche by expanding to many regions. Currently we start with Dar es Salaam, Mara, Mwanza, Simiyu and Singida.

4.0 FINANCIAL ANALYSIS

This section covers project financing and financial projections. Project financing includes source of funding and financing of items in the project. Financial projections, on the other hand, cover sales projections, income projections, projected retained earnings and projected cash flow.

4.1 Project Financing

4.1.1 Sources of Funding

The project will be financed by local equity (50.5%) amounting to **USD 510,000** and by a local loan (49.5%) which will total to **USD 500,000** as shown on **Table 5**.

Table 5: Project Financing

Details	Amount	Percentage
Local		
Equity	510,000	50.50%

Loan	500,000	49.50%
Sub-total	1,010,000	100.00%
Foreign		
Equity		30.00%
Loan		0.00%
Sub-total	-	0.00%
GRAND TOTAL	1,010,000	
Total Equity	510,000	50.50%
Total Loan	500,000	49.50%

4.1.2 Financing of Project Items

The invested capital of USD 1,010,000 will fund various items in the project. These include land and buildings, vehicles and other items as shown on **Table 6** below.

Table 6: Financing of Items

INVESTMENT BREAKDOWN	
ITEMS	FINANCING IN USD
Land & Buildings	725,000
Plant	-
Vehicles	50,000
Furniture & Fittings	160,000
Pre Expenses	15,000
Others	15,000
Working Capital	45,000
TOTAL	1,010,000
FIXED CAPITAL	965,000
WORKING CAPITAL	45,000

4.2 Financial Projections

4.2.1 Sales Projections

The company has projections of steadily growing sales over the first five years of operation of the project. From year 1 to year 5 the company expects to sell sales amounting to USD 600,000; 665,600; 692,224; 809,902 and 842,298 respectively. The costs of sale are projected to be

USD 60,000; 61,500; 63,150; 64,965 and 66,962 for the first respective five years of operation of the project. **Table 7** below gives the details, including those of projected gross profit for the first five years.

Table 7: Gross Profit Projections

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Sales	600,000	665,600	692,224	809,902	842,298
Cost of Sales	60,000	61,500	63,150	64,965	66,962
Gross Profit/ (Loss)	540,000	604,100	629,074	744,937	775,337

The project promises to yield gross profit throughout the first five years of operation. In Year 1 the profit is expected to be the lowest as it is the year of investment – even in promotion campaigns - which implies much spending while the brand is relatively new in the market and thus sales are picking up the pace.

4.2.2 Income Projections

Through the first five years of operation the project is expected to be making profits. In year 1 the profits will be the lowest because of the heavy spending in investment in this year of operation. The projected profits are as shown on **Table 8** for the first respective five years.

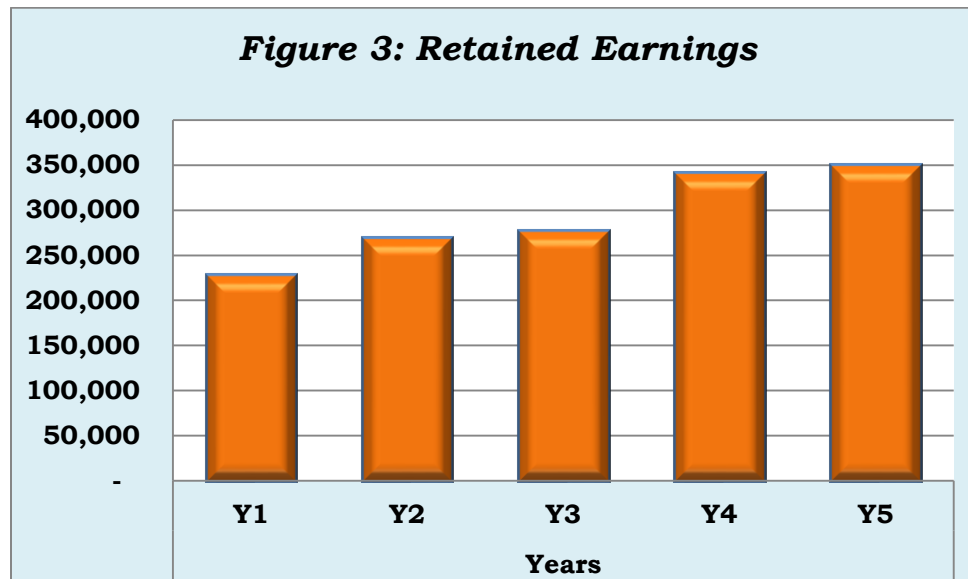
Table 8: Projected Income Statement

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Total Sales	600,000	665,600	692,224	809,902	842,298
Less: Cost of Sales	60,000	61,500	63,150	64,965	66,962
Gross Profit	540,000	604,100	629,074	744,937	775,337
Less: Operating Expenses	67,550	58,062	68,594	71,148	84,996
EBIT	472,450	546,038	560,480	673,789	690,341
Less: Loan Interest	65,000	65,000	65,000	65,000	65,000

EBT	407,450	481,038	495,480	608,789	625,341
Less :Taxes (30%)	122,235	144,311	148,644	182,637	187,602
Net Profit/(Loss)	285,215	336,727	346,836	426,152	437,738
Dividend (20%)	57,043	67,345	69,367	85,230	87,548
Retained Earnings	228,172	269,381	277,469	340,922	350,191

4.2.3 Projected Retained Earnings

Retained earnings projections show a positive trend for the project. This will give the company an edge in the market as it can re-adjust the price mix in order to keep more competitive. **Figure 3** gives the picture.



4.2.4 Projected Cash Flows

The project is a promising venture as projections show a positive cash flow as shown on **Table 9**. This is a muscle giving the company an edge in the market as cash flow implies liquidity which helps the project operate smoothly.

Table 9: Projected Cash Flow

Details	Years				
	Y1	Y2	Y3	Y4	Y5

Cash from Operations					
Profit Before Tax	200	481,038	495,480	608,789	625,341
Adjustment for Non-cash Items:					
Change in Working Capital:					
Receivables (-ve)	-	-	-	-	-
	45,000	45,000	43,000	38,000	17,000
Trade Payables and Accruals					
	10,000	13,000	15,000	19,000	23,000
Capital Additions					
	505,000	320,000	175,000	10,000	-
Total					
	470,000	288,000	147,000	9,000	6,000
	470,000	288,000	147,000	9,000	6,000
Tax Payments					
	122,235	144,311	148,644	182,637	187,602
Total Cash Inflow from Operating Activities					
	592,235	432,311	295,644	173,637	193,602
Cash from Investing Activities:					
	230,000	230,000	230,000	230,000	230,000
Net Cash Outflow from Investing Activities					
	362,235	202,311	65,644	56,363	36,398
Cash from Financing Activities:					
Dividends					
	57,043	67,345	69,367	85,230	87,548
Change in Cash and Cash Equivalents					
	305,192	134,966	3,723	141,594	123,945
Opening Cash Balance					
	10,000	5,800	6,700	8,000	15,000
Closing Cash Balance					
	5,800	6,700	8,000	15,000	12,000

5.0 PROJECT RATIONALE

This project's rationale can be viewed in monetary, fiscal and socio-environmental aspects. From the financial analysis conducted this project is worth a green light in the Tanzanian economy. Monetarily it will create income for supplier SMEs, fiscally it will pay taxes (both Income Tax and VAT on sales), and socially it will contribute to social development as detailed under subsequent items.

5.1 Monetary Rationale

The project is expected to incur a total of **USD 666,927** on production and operating expenses through its first five years of operation. This money will go to supplier SMEs and other companies that will be supplying raw materials to the project. **Annex 1** gives the details.

5.2 Fiscal Rationale

Fiscally, should everything go as planned, the project projects to pay a total of **USD 1,507,434** as taxes to the government in its first five years of operation. Of this amount income tax is projected to be **USD 785,429** while VAT is projected to total to **USD 722,005**. The VAT projections are for the sales at the company's level only. The same applies for the income tax. **Annex 1** gives the details.

5.3 Socio-environmental Rationale

Socially the project will participate in various engagements as part of its CSR program. Over the first five years it is expected to incur a total amount of **USD 2,932** on CSR as shown on **Annex 1**. In addition, the project will directly employ a total of at least 100 locals. With 80% of the direct employees being women for this project for Girls' hostel this project is gender sensitive. Other locals amounting to at least 600 will enjoy indirect employment via the project. The indirect jobs will be for those supplying services and others.

Economically this project will help students handle their stays near the schools thus reducing to and fro movements during study days.

6.0 CONCLUSION

This project aims to provide hostel services within Tanzania. Its operations start with Dar es Salaam, Mara, Mwanza, Simiyu and Singida. We hope to extend our operations to other regions of the country. The project is locally-owned by 100%. The planned capital for this project is USD 1,010,000 50.50% of which is local equity and 49.50% is a local loan to be secured from a local commercial bank.

From our visceral assessment of our business idea we have come up with this business plan with confidence of success. This project is highly likely to be a success and it is rational socio-economically, socio-environmentally, fiscally and monetarily. If it gets a soft landing via the TIC the promoters of the project look forward to a successful project.

7.0 ANNEXES

Annex 1: Project Rationale

Details	Years					
	Y1	Y2	Y3	Y4	Y5	TOTALS
Total Production Cost	60,000	61,500	63,150	64,965	66,962	316,577
Total Operating Expenses	67,550	58,062	68,594	71,148	84,996	350,350
Income Tax	122,235	144,311	148,644	182,637	187,602	785,429
VAT on Sales	120,000	133,120	138,445	161,980	168,460	722,005
Provision for CSR	456	539	555	682	700	2,932
TOTALS	370,241	397,532	419,388	481,412	508,720	2,177,293
SUMMARIES						
To the Government	242,235	277,431	287,089	344,617	356,062	1,507,434
To the Private Sector (SMEs)	127,550	119,562	131,744	136,113	151,957	666,927
To the Society (CSR)	456	539	555	682	700	2,932
TOTALS	370,241	397,532	419,388	481,412	508,720	2,177,293

Annex 2: Projected Operating Expenses

Details	Years				
	Y1	Y2	Y3	Y4	Y5
Marketing Expenses	3,000	500	500	500	500
Bank Charges	450	450	450	450	450
Insurance	1,100	1,100	1,100	1,100	1,100
Office Expenses	2,700	2,700	2,700	2,700	2,700
Permits and Licences	3,500	200	200	1,200	200
Vehicle Expenses					

	6,800	6,800	6,800	7,000	7,200
Professionals Fees	37,000	32,000	42,000	41,000	55,000
Provision for Bad Debts	12,000	13,312	13,844	16,198	16,846
Miscellaneous Expenses	1,000	1,000	1,000	1,000	1,000
TOTAL OPERATING EXPENSES	67,550	58,062	68,594	71,148	84,996

Annex 4: Detailed Job Information

CATEGORIES	LOCAL		FOREIGN		NUMBER
	Male	Female	Male	Female	
Senior Management Team:					
Managing Director		1			1
General Manager		1			1
Managers:					
Accounts Manager		1			1
Estate Manager		1			1
Wardens		12			12
Marketing Manager		1			1
Other Staff:					
Drivers	3				3
Cleaners	5	55			60
Gardeners	12	8			20
TOTALS	20	80	0	0	100