

**KIUNDO ENTERPRISES (T) LIMITED**

**REVISED BUSINESS PLAN**

**FOR**

**HOTEL & BUSINESS COMPLEX**

**PREPARED FOR:**

**KIUNDO ENTERPRISES (T) LIMITED**

**Dar es Salaam**

## 1.0 EXECUTIVE SUMMARY

The envisaged project will involve the construction of a Hotel at **Plot No. 213 Block A, Morogoro Road, Kibaha, Coast region**, the space will be used for hotel business. The project will contribute to reducing the shortage of good and affordable hotels for clients in Kibaha, the proposed Hotel will provide all basic services required for Hotel. The project's detailed designs have been carried out by a reputable local consultant.

The project will employ adequately trained and experienced management to manage the project.

The project document presents a proposal by **KIUNDO ENTERPRISES (T) LIMITED**, a locally registered company. The directors of KIUNDO ENTERPRISES (T) LIMITED are five investors with vast real estate development.

The project promoters are confident of mobilizing financial resources through owners' equity of US\$ 500,000 and a local loan of US\$650,000 from financial institutions.

This study is a guiding tool and will be presented to TIC for the re-issuance of a certificate of incentives to facilitate the smooth implementation of the project.

## 1.2 Location

The project will be located at Plot No. 213 Block A, Morogoro Road, Kibaha, Coast region

## 1.3 The Sponsors

KIUNDO ENTERPRISES (T) LIMITED is a company that is owned by five shareholders who have over 8 years of hands-on experience working in various capacities within real estate development:

Shareholders Name	% of Shares	Nationality
Fikirini Moshi	40	Tanzania
Erickson Moshi	15	Tanzania
Anitha Moshi	15	Tanzania
Norah Moshi	15	Tanzania
Isaack Moshi	15	Tanzania

## 1.4 The Project Objectives

The project's main objective is to construct Hotel

## 1.5 Objective of Study

The purpose of this study is to work out the project viability technically and financially of Hotel projects

## 1.6 The Hospitality Industry

The hospitality industry is one industry that has taken the world by storm. This industry ticks off all the right boxes because of its economic value, comfort and relaxation, and even just a home away from home.

The hospitality industry is a broad one and can be found in every continent and every country, with Africa most definitely included in the list. The growth rate in this industry within Africa and in Tanzania most significantly has been astronomical.

It is not news how Africans have always imbibed the spirit of hospitality, either with them opening up their homes to tired travelers, offering a meal to august visitors, or even allowing relatives from far and wide into the comfort of their lives.

It has always come as some form of instinct and is taught from generation to generation, thus carrying on the hospitality tradition. Africa, some say, is the home of hospitality, and it is with great joy that the industry is finally getting its turn in the spotlight.

With so much potential and so much to offer, the hospitality industry in Tanzania is set to take not only Africa by storm but the world as well. In 2018, the hospitality industry's revenue in Tanzania grew by about 7.4%, which directly translates to a 15.4% improvement in the sector.

It is projected that Tanzania is fast becoming a hotspot in the industry because it is regarded as an exotic destination. In the next five years, there is sure to be a massive improvement that we can all be prepared for starting

The hospitality industry's goal in Tanzania is to bolster tourism and drive growth toward improving the economy by a wider margin.

Tanzania, as a well-established exotic destination, will benefit from the increasing interest in experiences and adventure travel.

## 1.7 Sectors of the Hospitality Industry in Tanzania

It includes various other sectors under one umbrella known as the hospitality industry. These sectors are what consumers patronize during their stay in Tanzania, and their 'behavior' directly reflects upon the country as a whole. For this reason, these sectors go above and beyond to please their customers/consumers to avoid any bad or unflattering reviews. These sectors include;

- **Food and Beverage:**

The sector is professionally known by its initials as F&B and is the hospitality industry's largest segment. With a large expanse of arable land, fertile soil for growing, and enough water resources, Tanzania's food production sector is in an advantageous epic position.

This sector provides food for most of the population and is a staple within the hospitality industry. It consists of establishments whose primary objective is to provide food for its consumers/customers. Either through meal preparation, provision of snacks and beverages for immediate consumption, and the manufacturing, processing, and sale of foods and beverages to their customers, either foreign or indigenous.

The goal is always to provide excellent food and first-class customer service, which is positively attributed to the guest's experience. While you're in Tanzania, there are a number of foods you can try. Be you a 'foodie', or maybe you want to try something outside your comfort zone, here are a few food choices you can make to enjoy your stay in this beautiful country fully.

- a. Nyama Choma: Barbecued meat.
- b. Ugali: Maize meal porridge, a staple of the country usually served with stews or meat.
- c. Mandazi: A fried dough ball that is reminiscent of a savory doughnut.
- d. Kachumbari: Spicy tomato relish served with meat.
- e. Wali was nazi: Rice cooked with coconut milk.
- f. Mchuzi was Kamba: Prawn curry with tomatoes.

## • **Travel and Tourism:**

This sector deals with individuals' moving from point to point to experience a new adventure. It utilizes a variety of transportation vehicles, including; Buses, cabs, planes, ships, trains, and so on.

Leisure travel is characterized by spending money on lodging, food, and recreation while on a vacation trip, whereas business travel is defined as spending money on lodging and food while traveling for work. While in business, some people also spend money on recreation.

Tourism's primary function is to encourage people to travel. People spend money on hospitality when they travel, whether for business or pleasure. With that being said, the team has curated the best possible guide to help you decide when to visit Tanzania to take part in the country's travel and tourism sector.

Tanzania's best wildlife viewing months are from late June to October, during the dry season. The best months to see the wildebeest migration in the Serengeti are June and July, and the best months to see the wildebeest calving is late January to February. Unlike the more popular Northern Circuit Parks which are open all year round, the Southern and Western Circuit Parks are best visited during the dry season (June to October). Tarangire is the only exception, as wildlife viewing is significantly better during the dry season as well.

## • **Lodging:**

This sector refers to accommodation for one or more nights or a place to sleep. The lodging industry includes fancy hotels, youth hostels, elder hostels, campgrounds, motels, and other businesses that provide a place for people to sleep overnight. Other market segments served by lodging businesses include business travelers, leisure travelers, long-stay travelers, budget travelers, and special travelers such as those employed by the government, airlines, and the military.

There is a wide range of accommodations to suit your budget, including lodges, hotels, tented camps, and permanent camps, to name a few. The majority of hotels offer a pleasant combination of luxury, atmosphere, and beautiful views. Depending on your budget, day of arrival and departure, and the number of individuals expected for the trip, you will be given a detailed list of lodgings available to meet your needs once you submit an inquiry.

- **Recreation:**

This sector deals with every activity that individuals partake in for rest, relaxation, or even enjoyment. The goal of this sector is to refresh path the mind and body of its customers. This sector puts all entertainment and enjoyment activities in the fore.

The leisure industry includes entertainment companies that include shows such as movies or theatre, attractions that are places of special interest for visitors such as zoos and museums, spectator sports, and participatory sports. Soccer and boxing are the most common sports in Tanzania.

Tanzania also has a variety of world-class runners. Tanzanians enjoy music, dancing, and other forms of entertainment. If you need help with finding cool places to visit on your trip to Tanzania, then you consider the following places. They are sure to be worth every second you spend there.

**Here are the top five places that Tanzania is famous for;**

- **Serengeti National Park.** The Serengeti National Park is Tanzania’s most popular park and a fantastic place to visit. It is a fantastic safari destination with a large nature reserve.
- **Mount Kilimanjaro.** Mount Kilimanjaro is known as the Roof of Africa because it is the highest mountain on the African continent.
- **Beaches.** Tanzania is well known for its beautiful beaches.
- **The Ngorongoro Conservation Area,** a scenic area with a volcanic depression.
- **Tarangire National Park,** it is your go-to destination for traditional safari experiences.

You can rest assured that all these locations are not only scenic but provide educational knowledge that could prove useful for individuals with children in tow.

## 1.8 BENEFITS OF THE HOSPITALITY INDUSTRY IN TANZANIA

As any industry will be familiar with, there is always the need to provide benefits to every party involved. They include; the government, the consumers, as well as the staff and workers within that industry.

Tanzania is a major tourist destination. So much so that in 2018, the Russian National Geographic Traveler named it the best exotic destination. Tanzania remains one of the fastest-growing economies in Africa, with an average growth rate of 7%.

The country's real GDP is expected to increase at a 6.5% compound annual rate over the next five years. It should come as no shock to anyone when it is said that the hospitality industry in Tanzania is not only becoming an important sector in the economy but a very lucrative one as well.

## 2.0 Project Management and Manpower Requirements

KIUNDO ENTERPRISES (T) LIMITED will be under experienced management with vast knowledge in real estate development; the management will directly manage the project. The Managing Director will be assisted by properly trained managers who will together comprise the management team. 7 staff will be directly employed.

Employment	Foreign Skilled	Local Skilled	Local Unskilled	Total
Women	0	5	10	15
Men	2	10	8	20
<b>TOTAL</b>	<b>2</b>	<b>15</b>	<b>18</b>	<b>35</b>

### 2.1 Market Strategy

According to experts, personal selling is the most effective method for marketing packaging accommodation, training, and conference

services because of 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 the internet for advertising to potential customers around the world.

## **2.2 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 tariff for Hotels for leasing is estimated to be US\$20 per room.

Number of rooms 100

## **2.3 Monitoring and Evaluation**

The Management has full commitment to ensuring good use of the resourced and sustainable environment and the well-being of the community with which they do business. Thus, the management

philosophy is through business processes, managers will strive to ensure compliance with standards and the safety of the products and customers they serve.

### 3.0 Project Investment Cost

The estimated capital investment cost of the project is US \$ 564,000.

#### KIUNDO ENTERPRISES (T) LIMITED COST STRUCTURE US \$

PARTICULAR	COST
Land and Buildings	500,000.00
Vehicles	80,000.00
Plant and Machinery	150,000.00
Furniture & Fittings	200,000.00
Others	70,000.00
Working Capital	150,000.00
<b>TOTAL</b>	<b>1,150,000.00</b>

### 4.0 FINANCING PATTERN

The project will be financed by equity of US\$ 500,000 and a loan US\$ 650,000

#### 4.1 PROJECT OPERATING COSTS

In order to realize its intended objective the project will have to meet operating costs which will constitute 45% of total revenue.

## **5.0 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 growth of Tanzania's economy and the increase of economic activities in Kibaha gives them assurance of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

## **6.0 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.

## **7.0 Financial Analysis**

### **7.1. Considerations and Assumptions:**

The corporate tax charged is 30% of the profits. The capital investment allowance is 50%. The capital assets are exempted from customs 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 the local market and others will be imported. Revenues have

been conservatively estimated based on the experience of the promoters and trends in the hotel industry.

## **7.2 Projected Financial Statements:**

### **7.3 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 123,550 in the first year to US \$ 1,538,461 in the 10<sup>th</sup> year

### **7.5 Projected Cash Flows**

This is shown in the financial statements. The project has a positive end-of-year cash flow from year US\$ 743,400 in the 1<sup>ST</sup> year of operation to US \$ 2,685,811 in the 10th year

### **7.6 Projected Balance Sheet**

The projected Balance Sheet of the projected is shown in the financial statements under the same heading. Shareholders' equity increases from US\$500,000 in the first year of operation to US \$ 2,038,461 in the 10<sup>th</sup> year.

### **7.7 Projected payback period**

Total investment is US \$1,150,000 cash accumulation in the 7th year is US 1,274,333, which is more than the initial investment by US\$ US\$124,333 the project payback Period is exactly 7 years only

### **7.8 Projected Risks**

This is a real estate investment; no major risks have been identified for this kind of project so far. Unless a change in the country's political and economic stability occurs the project is more likely to prosper very fast for a very long period.

## **8.0 ECONOMIC ASPECTS**

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

- The project is an ideal option for utilization of the prime site at Kibaha
- The project will increase the number of quality accommodations in Kibaha
- The project will create employment for 35 people on a permanent contract basis as well as on a temporary basis.
- It will create more business opportunities for local suppliers.

- It will generate substantial revenue for the government in the form of corporate tax, value-added tax, and pay as you earn.
- The project will transfer knowledge and skills to hotel management in the country as far as developing and managing real estate

## 9.0 Implementation

Project implementation is expected to be relatively very short once the project has been approved it is estimated that the project will be implemented as followings:-

KIUNDO ENTERPRISES (T) LIMITED PROJECTED IMPLEMENTATION

/N	Activity	Period
1	Processing TIC Certificate of Incentive	May 2023
2	Construction	June 2023 –December 2025
3	Procurement furniture and other facilities	January-March 2026
3	Recruitment	March-April 2026
4	In house training	May- June 2026
6	Commercial operations	July 2026

## 10.0 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.

KIUNDO ENTERPRISES (T) LIMITED PROJECTED PROFIT AND LOSS STATEMENT US \$

-	1	2	3	4	5	6	7	8	9	10
Revenue (	480,000.00	504,000.00	529,200.00	555,660.00	583,443.00	612,615.15	643,245.91	675,408.20	709,178.61	744,637.54
<b>Operating Expenses:</b>	216,000	226,800	238,140	250,047	262,549	367,569	385,948	405,245	425,507	446,783
<b>Gross Profit Before Interest and Depreciation</b>	264,000	277,200	291,060	305,613	320,894	245,046	257,298	270,163	283,671	297,855
<b>Interest</b>	52,000	52,000	52,000	52,000	52,000	-	-	-	-	-
<b>Depreciation</b>	35,500	35,500	35,500	35,500	35,500	35,500	35,500	35,500	35,500	35,500
<b>Gross Profit</b>	176,500	189,700	203,560	218,113	233,394	209,546	221,798	234,663	248,171	262,355
Tax (30%)	52,950	56,910	61,068	65,434	70,018	62,864	66,540	70,399	74,451	78,707
<b>Profit After Tax</b>	123,550	132,790	142,492	152,679	163,376	146,682	155,259	164,264	173,720	183,649
Accumulated Profit	123,550	256,340	398,832	551,511	714,887	861,569	1,016,828	1,181,092	1,354,812	1,538,461

**KIUNDO ENTERPRISES (T) LIMITED PROJECTED CASH FLOWS US \$**

<b>SOURCES:</b>	0	1	2	3	4	5	6	7	8	9	10
Profit before interest and depreciation	-	264,000	277,200	291,060	305,613	320,894	245,046.06	257,298.36	270,163.28	283,671.45	297,855.02
Equity	500,000										
Loan	650,000										
<b>Total Sources</b>	<b>1,150,000</b>	<b>264,000</b>	<b>277,200</b>	<b>291,060</b>	<b>305,613</b>	<b>320,894</b>	<b>245,046</b>	<b>257,298</b>	<b>270,163</b>	<b>283,671</b>	<b>297,855</b>
<b>Applications:</b>											
Capital expenditure	930,000		-	-		-					
working Capital & Others	220,000										
Cash	-	211,050	220,290	229,992	240,179	250,876	182,182	190,759	199,764	209,220	219,149
Tax	-	52,950.00	56,910.00	61,068.00	65,433.90	70,018.10	62,863.82	66,539.51	70,398.98	74,451.43	78,706.51
<b>Sub total</b>	<b>1,150,000</b>	<b>264,000</b>	<b>277,200</b>	<b>291,060</b>	<b>305,613</b>	<b>320,894</b>	<b>245,046</b>	<b>257,298</b>	<b>270,163</b>	<b>283,671</b>	<b>297,855</b>
<b>Total applications</b>	<b>1,150,000</b>	<b>264,000</b>	<b>277,200</b>	<b>291,060</b>	<b>305,613</b>	<b>320,894</b>	<b>245,046</b>	<b>257,298</b>	<b>270,163</b>	<b>283,671</b>	<b>297,855</b>
Accumulated cash		743,400	963,690	1,193,682	1,433,861	1,684,737	1,866,919	2,057,678	2,257,442	2,466,662	2,685,811

KIUNDO ENTERPRISES (T) LIMITED PROJECTED BALANCE SHEET US \$

<b>Fixed Assets</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	
Opening balance	-	930,000	894,500	859,000	823,500	788,000	743,500	699,000	654,500	610,000	565,500
<b>Total Long-term Assets</b>	-	<b>930,000</b>	<b>894,500</b>	<b>859,000</b>	<b>823,500</b>	<b>788,000</b>	<b>743,500</b>	<b>699,000</b>	<b>654,500</b>	<b>610,000</b>	<b>565,500</b>
<b>Less depreciation</b>	-	<b>35,500</b>	<b>35,500</b>	<b>35,500</b>	<b>35,500</b>	<b>35,500</b>	35,500	35,500	35,500	35,500	35,500
<b>Closing balance</b>	-	<b>894,500</b>	<b>859,000</b>	<b>823,500</b>	<b>788,000</b>	<b>752,500</b>					
Working capital	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000	220,000
Accumulated cash	-	743,400	963,690	1,193,682	1,433,861	1,684,737	1,866,919	2,057,678	2,257,442	2,466,662	2,685,800
<b>Total assets</b>	<b>220,000</b>	<b>1,857,900</b>	<b>2,042,690</b>	<b>2,237,182</b>	<b>2,441,861</b>	<b>2,657,237</b>	<b>2,086,919</b>	<b>2,277,678</b>	<b>2,477,442</b>	<b>2,686,662</b>	<b>2,905,800</b>
Financed by											
Equity	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Accumulated profit	-	123,550	256,340	398,832	551,511	714,887	861,569	1,016,828	1,181,092	1,354,812	1,538,461
Total equity	2,300,000	623,550	756,340	898,832	1,051,511	1,214,887	1,361,569	1,516,828	1,681,092	1,854,812	2,038,461
Bank Loan	650,000	520,000	390,000	260,000	130,000	-	-	-	-	-	-
<b>Total debts</b>	<b>650,000</b>	<b>390,000</b>	<b>390,000</b>	<b>260,000</b>	<b>130,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity and debts</b>	<b>2,950,000</b>	<b>1,013,550</b>	<b>1,146,340</b>	<b>1,158,832</b>	<b>1,181,511</b>	<b>1,214,887</b>	<b>1,361,569</b>	<b>1,516,828</b>	<b>1,681,092</b>	<b>1,854,812</b>	<b>2,038,461</b>

KIUNDO ENTERPRISES (T) LIMITED PROJECTED PAYBACK PERIOD US \$

<b>Year</b>	<b>Profit After Tax</b>	<b>Depreciation</b>	<b>Total Cash Flow</b>	<b>Accumulated Cash Flow</b>
1	123,550	<b>35,500</b>	<b>159,050</b>	159,050
2	132,790	<b>35,500</b>	<b>168,290</b>	327,340
3	142,492	<b>35,500</b>	<b>177,992</b>	505,332
4	152,679	<b>35,500</b>	<b>188,179</b>	693,511
5	163,376	<b>35,500</b>	<b>198,876</b>	892,387
6	146,682	35,500	<b>182,182</b>	1,074,569
7	164,264	35,500	<b>199,764</b>	1,274,333
8	173,720.01	35,500.00	<b>209,220</b>	1,483,553

KIUNDO ENTERPRISES (T) LIMITED PROJECTED LONG-TERM LOAN REPAYMENT

<b>Year</b>	<b>principle</b>	<b>Loan Interest (8%)</b>	<b>Total Amount Paid</b>	<b>Loan Balance</b>
1	130,000	52,000	182,000	650,000
2	130,000	52,000	182,000	520,000
3	130,000	52,000	182,000	390,000
4	130,000	52,000	182,000	260,000
5	130,000	52,000	182,000	130,000

KIUNDO ENTERPRISES (T) LIMITED COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	500,000.00
Vehicles	80,000.00
Plant and Machinery	150,000.00
Furniture & Fittings	200,000.00
Others	70,000.00
Working Capital	150,000.00
<b>TOTAL</b>	<b>1,150,000.00</b>

KIUNDO ENTERPRISES (T) LIMITED FIXED ASSETS US\$

NAME OF ASSETS	1	2	3	4.00	5.00	6	7	8	9	10
	1	2								
Land And Buildings	500,000	490,000	480,000	470,000	460,000	440,000	420,000	400,000	380,000	360,000
Machinery, Tools & Equipment	150,000	148,500	147,000	145,500	144,000	124,000	104,000	84,000	64,000	44,000
Motor Vehicles	80,000	76,000	72,000	68,000	64,000	60,000	56,000	52,000	48,000	44,000
Furniture & Fixtures	200,000	180,000	160,000	140,000	120,000	119,500	119,000	118,500	118,000	117,500
<b>Total</b>	<b>930,000</b>	<b>894,500</b>	859,000	823,500	788,000	743,500	699,000	654,500	610,000	565,500
DEPRECIATION	1	2	3	4	5	6	7	8	9	10
Land and buildings	10,000	10,000	10,000	10,000.00	10,000.00	20000	20000	20000	20000	20000
Machinery tools & Equipment	1,500	1,500	1,500	1,500.00	1,500.00	20000	20000	20000	20000	20000
Motor Vehicles	4,000	4,000	4,000	4,000	4,000	4,000	4000	4000	4000	4000
Furniture & Fixtures	20,000	20,000	20,000	20,000.00	20,000.00	500	500	500	500	500
<b>ANNUAL DEPRECIATION</b>	<b>35,500</b>	<b>35,500</b>	<b>35,500</b>	<b>35,500</b>	<b>35,500</b>	<b>44,500.00</b>	<b>44,500.00</b>	<b>44,500.00</b>	<b>44,500.00</b>	<b>44,500.00</b>